

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2013

Lincoln D. Chafee, Governor



State of Rhode Island and Providence Plantations

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Providence, Rhode Island 02903
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Lincoln D. Chafee
Governor

January 31, 2012

To the Honorable, General Assembly:

The Fiscal Year 2013 budget I recommend to you builds on the progress we made last year to improve our state by investing in our assets and promoting a climate conducive to economic growth. Working together, in a spirit of cooperation and collaboration, we invested in public education at all levels. We broke our addiction to borrowing to fund needed transportation projects. We shored up the solvency of our unemployment trust fund. We came together to pass historic pension reform legislation that provided retirement security while protecting the Rhode Island taxpayer. We made tough decisions and Rhode Island is on a better course because of it.

We knew, however, that problems decades in the making would not be solved overnight. We have taken the first steps toward a return to prosperity, but many more remain. Difficult decisions lie ahead.

Rhode Island continues to struggle with one of the most challenging economic climates we have ever faced. Rhode Islanders are hurting, struggling to make ends meet. Our unemployment rate remains unacceptably high. Rhode Island is not sharing in the economic recovery that is occurring in our neighboring states and in the rest of the nation. That is why this year's budget is so important. We must maintain, at this critical time, our commitment to investing in Rhode Island's future. We must promote a climate of certainty that encourages businesses to grow and create jobs. The budget that I submit to you does that.

Rhode Island will not achieve economic recovery if our cities and towns are facing fiscal collapse. The loss of \$192 million in state aid in Fiscal Years 2007 to 2011 has led municipalities to slash services and increase property taxes. Our state's high property taxes have been cited by numerous business climate studies as a significant deterrent to economic growth. Meanwhile, cities and towns are struggling to devote the appropriate resources to education, placing Rhode Island students at a disadvantage when competing for jobs in the 21st century. My budget addresses these problems by providing nearly \$28 million to fully fund the second year of the education funding formula, as well as funding for additional school district expenses such as high-cost special education, early learning, vocational programs and training, and transportation. I also recommend an additional \$11 million toward implementation of the formula, devoting \$39 million to state support for education and reducing the financial burden on Rhode Island property taxpayers. These essential investments – tax relief and K-12 education – will be fully paid for by increasing the meals and beverage tax by just two cents on every dollar.

To continue to support higher education in Rhode Island, I propose the creation of a \$20-million scholarship fund that invests in qualified Rhode Island students who wish to pursue their educational goals after high school. This program will be entirely funded through making Rhode Island government more efficient and effective; namely, through merging Rhode Island Higher Education Assistance Authority and

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the Office of Higher Education and dedicating Rhode Island Higher Education Assistance Authority resources toward this important purpose.

It is no secret that Rhode Island's infrastructure is crumbling. It is also no secret how we have gotten to this point: Rhode Island ranks 49th in the nation for public support of highway transportation. This is evident to any resident who has complained about an unfilled pothole or lengthy bridge repairs. We cannot wait for bridges to fail. We must be proactive about infrastructure improvements to avoid costly repairs in the future. We must pay for it honestly and without borrowing. My budget proposal builds on the reforms passed by the General Assembly last year by advancing the upcoming vehicle registration and driver's license fee increases to take effect in the coming fiscal year. This new source of funds will allow us to responsibly address our state's transportation deficit and provide much-needed revenue for urgent maintenance and repair projects.

To promote economic development, we must ensure that our workforce is skilled, educated, and able to meet the demands of a rapidly changing world economy. We must develop a workforce that can compete for jobs in the new knowledge economy, which could be a tremendous catalyst for growth in our state. My budget increases funding for workforce development programs to provide the training Rhode Islanders need to find good jobs. I also propose reinstating and redesigning the Economic Development Corporation's "Project Status" program, an important initiative that provides tax incentives for businesses that create at least 100 jobs in Rhode Island. These two proposals are integral components in our broader, ongoing efforts to promote job creation and economic development and bring our unemployment rate down.

Government must also demonstrate its commitment to using resources efficiently and effectively. Businesses want to operate in a state that is fiscally responsible and operating within its means. My budget contains approximately \$45 million in spending cuts, as well as numerous program eliminations, modifications, and reorganizations. These cuts will have very real, very painful consequences for people across our state. I do not make these decisions lightly. But we continue to face a structural deficit, and we must make difficult choices about those services the state can continue to provide. I have, however, worked hard to preserve the most essential services on which vulnerable Rhode Islanders depend. I will not allow the social safety net to be severed. A civil state should care for those most in need.

Rhode Island government has long had difficulty earning the trust of its citizens. We must work to change that. Rhode Islanders want to know that their hard-earned taxpayer dollars are being spent wisely and resourcefully. Therefore, I propose the creation of a new Office of Management and Budget to promote transparency and efficiency in our government. I have also directed the Office of Health and Human Services to launch a new auditing and programming evaluation to track waste and fraud among entities that provide services to the state. Particularly in these difficult economic times, every taxpayer dollar is scarce; it is our responsibility to ensure that they are not squandered.

Although Rhode Island continues to face daunting challenges, I am confident in our ability to make the needed decisions, no matter how difficult, and to make the forward-looking investments that will bring about a brighter future for our great state.

Sincerely,



Lincoln D. Chafee
Governor of the State of Rhode Island and Providence Plantations

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Introduction

Governor Chafee's *FY 2013 Executive Summary* is the first of eight documents that contain the summaries of revenue and expenditures on a statewide, functional, and departmental basis and also presents statewide expenditure data by *category* or object of expenditure. This same data is presented in the *Budget* in more detail by program.

The *Executive Summary* contains special reports on Education Aid and State Aid to provide a historical perspective on these state expenditures and also contains a "Budget Primer" which is intended to assist the reader of the budget documents in understanding the budget process in Rhode Island. Specific recommendations for FY 2013 for the departments are presented in this document, as well as the five-year financial projection as provided by law. Further detail is provided in the *Technical Appendix*.

The Budget consists of four volumes that provide an overview of state expenditures, as well as an in-depth presentation of the State Budget by program. The financial data presented for state agencies in *The Budget* for the past two fiscal years (FY 2010 and FY 2011) is generally derived from the appropriation accounting and receipt accounting files of the State Controller, as of the time of year-end closing. In the case of the accounts under the jurisdiction of the Board of Governor's of Higher Education, these columns reflect independently audited records.

The financial data for state agencies for the current fiscal year is from the enacted budget, modified in some cases to reflect recommended supplemental appropriations or withdrawals, revised expenditure estimates by category of expenditure or program, and revised estimates of federal grant awards or restricted receipts. In this document, the general revenue balance forward is included at the account level. The proposed changes to the enacted FY 2012 budget are included in the financial data by program for FY 2012. Totals and subtotals often appear to be inaccurate by small amounts or may disagree by small amounts with other budget and financial documents; this is due to differences in rounding procedures. The annual Appropriations Act is the absolute reference for state appropriation amounts.

The Budget also contains both narrative descriptions of Rhode Island's quasi-public agencies, authorities and entities, which are component units of state government for financial reporting purposes, and presents financial data provided by these entities. The Budget Office requests that quasi-public agencies and authorities submit information in the format used by the agency; no attempt is made to conform the financial presentation of the agencies data. In most cases, the FY 2012 and FY 2013 information has not been officially approved by the entities' governing bodies.

The *FY 2013 Budget* reports performance measurements for all programs, as required by legislative mandate to develop performance measurements for use in the budget process. Measurements are reflected on each finance page of the *FY 2013 Budget* and are further explained in detail in each agency's summary. The *Budget* now contains information that was previously presented in the *Personnel Supplement*. The two documents have been merged in FY 2013. The *Budget* document provides information relating to personnel costs by program. It also reflects capital project summary narratives of all capital projects approved by the State Capital Committee.

The *Capital Budget* contains information on the Governor's recommended capital improvement plan and contains individual project expenditures as well as contains the debt service component relating to capital improvements and any "pay-as-you-go" capital, which is financed from current revenues.

The *Budget as Enacted* will be prepared after final enactment by the 2012 General Assembly.

The Budget Process: A Primer

The purpose of this primer is to clarify the annual budget and appropriations processes.

Appropriation Process. According to Article IX Section 16 of the Rhode Island Constitution, and the Rhode Island General Laws Section 35-3-7, the Governor must present spending recommendations to the Legislature. *The Budget* reflects expenditures for both the current and upcoming fiscal year and identifies the sources of financing for those expenditures.

On or before the third Thursday in January, unless delayed by act of the Legislature, the Governor must submit to the General Assembly a budget containing a complete plan of estimated revenues and proposed expenditures, with a personnel supplement detailing the number and titles of positions of each agency, and estimates of personnel costs for the next fiscal year. Commencing with the Governor's FY 2013 budget, this supplementary personnel information has been merged into the multivolume document entitled *Budget*.

The budget is proposed by the Governor and considered by the General Assembly, which may increase, decrease, alter, or strike out any item in the budget, provided that the action would not cause an excess of appropriations over anticipated revenue receipts. No appropriation in excess of budget recommendations may be made by the General Assembly unless it provides the necessary additional revenue to cover such appropriation. The Governor may veto legislative appropriations, although not on an individual "line item" basis. The Legislature may override any veto by a three-fifths majority vote. Supplemental appropriations measures must be submitted by the Governor to the General Assembly on or before the third Thursday in January. Supplemental appropriations by the General Assembly must also be supported by additional revenues.

The general laws of the state provide that if the General Assembly fails to pass the annual appropriation bill, amounts equal to those appropriated in the prior fiscal year shall be automatically available for expenditure, subject to monthly or quarterly allotments as determined by the Budget Officer. Expenditures for general obligation bond indebtedness of the state shall be made as required regardless of the passage of the annual budget or the amount provided for in the prior fiscal year.

Fiscal Years. It is important when reading the budget to consider which fiscal year is being discussed. The state *fiscal year* runs from July 1 to the following June 30 and is numbered for the calendar year in which it ends (e.g. FY 2012). The *current fiscal year* is the one which ends the coming June. The *actual fiscal years* are the years which concluded in June of the two previous years. The *budget year* refers to the next fiscal year, which begins the July following the Legislature's adjournment. Finally, *out-years* refer to any years beyond the budget year.

By law, *The Budget* must record two actual fiscal years of spending, as well as the Governor's revised spending recommendations for the current fiscal year, and the Governor's full recommendations for the budget year.

Revenue Estimates and Caseload Estimates. Receipt estimates for the current year and budget year are those adopted by the State Revenue Estimating Conference, as adjusted by any changes recommended by the Governor.

The State Revenue Estimating Conference was created by the 1990 General Assembly to provide the Governor and the Assembly with estimates of general revenues. It is composed of the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, with the chair rotating among the three. It must meet no less than twice per year, in November and May, and can be convened at any other time by call of

The Budget Process: A Primer

any member, and must reach consensus on revenues. The 1991 Assembly created a Medical Assistance and Public Assistance Caseload Estimating Conference similar to the Revenue Estimating Conference to adopt cash assistance entitlement caseload estimates. The 1998 Assembly amended the Medical Assistance and Public Assistance Caseload Estimating Conference to estimate medical assistance expenditures, upon which the Governor's expenditures budget shall be based, and the appropriations by the assembly shall be made.

The consensus revenue estimate is the official revenue projection for general revenue. Estimates of revenues for federal funds, restricted receipts, and other funds are prepared by individual state agencies, reviewed by the Budget Office, and included in *The Budget*.

Classification of State Spending. The State of Rhode Island classifies state spending by function of government and by category of expenditure.

Function of government classifies expenditures by grouping agencies that make expenditures for similar programs and purposes. There are six functions of government defined in *The Budget*: General Government, Human Services, Education, Public Safety, Natural Resources, and Transportation.

The following explains the six functions of government included in *The Budget*.

General Government includes the administrative and regulatory functions of state government. Certain elected officials (Governor, Lieutenant Governor, General Treasurer, Secretary of State), the Legislature, and the Department of Administration are agencies that perform an administrative function. The Department of Business Regulation, the Department of Labor and Training, and the Public Utilities Commission are examples of agencies that perform a regulatory function. The Department of Revenue coordinates revenue collection activities of several state divisions.

Human Services includes agencies that provide services to individuals. These services provided include: the care of the disabled by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; child protective and social services provided by the Department of Children, Youth and Families; health programs at the Department of Health and the Executive Office of Health and Human Services; financial assistance and social services provided by the Department of Human Services; and pharmaceutical assistance and home health care at the Division of Elderly Affairs. The Executive Office of Health and Human Services centrally coordinates the legal, budgetary, and policymaking activities of the Human Services agencies.

The *Education* function provides educational services to Rhode Islanders. The State Board of Regents for Elementary and Secondary Education and the Board of Governors for Higher Education provide direct education services, while services provided by the Rhode Island Telecommunications Authority are indirect in nature.

Public Safety is the function that provides safety and security services to Rhode Island citizens. Agencies in this function include the Department of Corrections, the Judiciary, the Attorney General and the Department of Public Safety.

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The *Natural Resources* function protects the natural and physical resources of the state and regulates the use of those resources. Agencies included in this function are the Department of Environmental Management and the Coastal Resources Management Council.

Transportation includes the Department of Transportation, which is the only agency in this function. It is responsible for maintaining and constructing highways in Rhode Island, and for planning and financing all surface transportation modes.

Categories of expenditure classify expenditures by budgeting and accounting objects of expenditure: personnel; state operations; aid to local units of government; assistance, grants, and benefits; and capital. Objects of expenditures define how funds are encumbered and expended.

Personnel includes the salaries, wages, and benefits of state employees, as well as personnel services purchased from outside contractors and vendors.

Operating Supplies and Expenses include expenses incurred while conducting the day-to-day business of state government. This category is often referred to simply as "operating". Operating expenses comprise non-personnel expenditures for operations of state government, including facilities maintenance, program and office supplies, rental of outside property, telecommunications, and insurance.

Aid to Local Units of Government is payments made to governmental units that provide services at the local level. Education Aid to local school districts is an example.

Assistance, Grants and Benefits constitutes payments to individuals and agencies which are not governmental units. Drugs, medicine and nursing facilities for the Medicaid programs, the pharmaceutical assistance program for the elderly, and cash assistance payments for the Rhode Island Works, Supplemental Security Income, and Child Care Assistance entitlements are a few examples.

Capital Purchases and Equipment include capital improvements and new capital construction financed via the Rhode Island Capital Plan Fund (RICAP), general revenues, or federal funds. Please note that the majority of capital improvements, supported by other forms of financing (i.e. state debt instruments), are generally found in the *Capital Budget*.

Debt Service includes payments on short term tax anticipation notes, long term general obligation bonds, Rhode Island Refunding Bond Authority lease payments, certificates of participation payments for the Intake Service Center, Attorney General's administrative office, Information Technology, and the Rhode Island School for the Deaf; and lease payments to the Convention Center Authority.

Operating Transfers include inter-fund and inter-agency transfers of financial resources.

State Employees. A major part of the state operations category of expenditures is salary and wage payments to employees. Public service in state government is divided into the classified service, unclassified service, and non-classified service. The classified service comprises all positions in state service, now existing or to be created, except as specifically provided under R.I.G.L. 36-4-2 for unclassified employees and R.I.G.L. 16-59-7 for Higher Education non-classified employees. The classified service is divided into a competitive branch and a non-competitive branch. Employees hired to fill positions in the classified service must be hired on the basis of merit and fitness. The non-competitive branch includes positions that require the performance of routine tasks, or those that require licenses, certificates, or registrations. These employees

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are also promoted and discharged on the basis of rules and regulations established and administered by the Rhode Island State Employees Merit System.

Certain positions are specifically designated for inclusion in the unclassified service. These positions are defined to include those in specific agencies, or types of agencies for specific purposes. Examples are employees of the Legislature, elected officials, and employees of the courts. Compensation for unclassified positions is governed by the Unclassified Pay Board and other matters are governed by rules and regulations of the unclassified system.

State service also includes special types of positions. In addition to regular full-time positions, there are *seasonal* positions in the classified service. Such positions may require the employee to work an irregular schedule such that the employee is on call when needed, or for only a portion of the year, and only for a maximum of 925 hours in a 12-month period. Employees of the Department of Environment Management who staff the state's parks, beaches, and wildlands in the summer are an example of seasonal employees.

Financing of State Spending. Frequent reference is made in *The Budget* to "general revenue" expenditures and expenditures from "all funds". Expenditures from all funds include both general revenue expenditures and expenditures from federal funds, restricted receipts, and other or special revenue funds.

General revenue receives the most attention in the budget because it is the largest of the "uncommitted" revenue sources available to the state. It is also the fund to which most general tax receipts are credited. The Legislature may appropriate general revenue dollars for any purpose.

Federal funds, restricted receipts, and other funds, by contrast, are dedicated to specific purposes. For example, the Legislature may not appropriate monies from the Unemployment Insurance Fund to build new prisons. Other funds include the University and College Funds, the Transportation Fund, the Unemployment Insurance Fund, the Temporary Disability Insurance Fund, and the Rhode Island Capital Plan Fund.

Within the budget documents, schedules contain expenditure data for two actual fiscal years, the current fiscal year and the budget year. The schedules display agency data by fund source for All Funds, General Revenue, Federal Funds, Restricted Receipts, and Other Funds.

Rhode Island Capital Plan Funds. On November 7, 2006, Rhode Island voters approved a constitutional amendment limiting state expenditures commencing in FY 2008 such that appropriations do not result in general fund expenditures exceeding 98.0 percent of general fund revenues in FY 2008, and 97.0 percent in FY 2012 and thereafter. This amendment to the Rhode Island Constitution has also restricted, as of July 1, 2007, the use of excess funds in the Rhode Island Capital Fund solely for capital projects. Previously, the fund could be used for debt reduction, payment of debt service, and capital projects. Also, the constitutional amendment increased the budget reserve account by limiting annual appropriations to ninety-seven (97%) percent of estimated revenues and increasing the cap on the budget reserve account to five (5%) percent of estimated revenues. During the 2007 Session of the General Assembly, a statutory schedule was enacted to provide for incremental decreases of 0.2 percent to gradually move spending from 98 percent of revenues to 97 percent of revenues. Additionally, the budget reserve account maximum balance would be gradually increased by increments of 0.4 percent to gradually move from 3.0 percent to 5.0 percent of resources. In FY 2013, the spending is limited to 97.0 percent of revenues and the budget reserve fund is capped at 5.0 percent of resources.

Additionally, during the 2007 Session of the General Assembly, a law was enacted which requires that

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revenues received in excess of the amount estimated in the enacted budget, net of reserve fund contributions, would be transferred to the State Retirement Fund upon completion of the post audit.

Budget Basis. *The Budget* is prepared on the same basis that the state's year end financial statements, which is a modified accrual basis. Briefly, this means that obligations of the state are budgeted as expenditures if the goods or services are expected to be received during the fiscal year, regardless of whether a cash payment is expected to be made by the state by June 30th of that year. Revenues are estimated on the basis of when they are "earned" by the state. For example, the estimate of gas tax revenues reflects twelve months of revenues. However, due to a one month difference in the time the liability is incurred and the actual cash payment is made by the taxpayer, the revenue estimate reflects cash received from August through July.

The Comprehensive Annual Financial Report (CAFR) shows the status of the state's finances on the basis of "generally accepted accounting principles" (GAAP). Every attempt is made in preparing the budget to ensure that it is consistent with the auditing standards upon which the state's financial position will be determined.

Program Performance Measures. The current administration continues in its effort to develop and track measures of the performance of state agencies and departments. The performance measures included in the FY 2013 budget are derived from the on-going process to identify and refine measures for state decision-makers to evaluate on an annual basis. With few exceptions, all executive branch agencies, and most other government offices, have developed a mature set of program performance measures. These measures are included on the agency and program financing pages in *The Budget*. In some cases where no measures are identified, the process of developing measures continues. Performance measures for general officers and agency central management units are not required, indicated by NA (not applicable).

The Budget Process. Production of a budget is a continuous process. It does, however, have certain discrete phases. In the Executive Branch, the budget process begins as soon as the legislative session ends. At that time the budget staff prepares the *Budget as Enacted* which reflects the budget enacted by the Legislature.

In the spring and early summer, budget instructions and allocations are distributed by the Budget Office to state agencies. At those times, agencies are instructed by the Budget Office to prepare a capital and operating budget. The capital budget contains a five-year capital improvement plan.

Agencies are requested to prepare operating budgets at specified target levels for submission on or before September 15 or as specified by the Budget Officer. Agencies may also be allowed the opportunity to request additional funding through special white papers, separate from the agency's budget request.

The individual budgets submitted by the state agencies show program expenditures, with appropriate funding sources for each program within the agency. These data are shown for the actual year, the current year, and the target for the budget year.

In the fall and early winter, analysts in the Budget Office review agency budget requests. The Budget Office staff prepares recommendations for the Governor. An analysis of items added or reduced from the target request is presented to the Governor. The analysis includes the basis for the agency's request and the Budget Office recommendation and the basis for it. The Governor then makes a budget determination. This process is repeated for all issues in all agencies. These decisions form the Governor's recommendations. The Budget Office compiles the individual recommendations, aggregates them, and prepares *The Budget*. *The Budget*

The Budget Process: A Primer

reflects the revised current year funding plan submitted to the Legislature on the third Thursday in January, as well as the budget year funding plan.

During this same period between September and the start of the legislative session, House and Senate fiscal staffs also have the agency budget requests for analysis. Following receipt of the Governor's recommendations, the legislative fiscal analysts begin their analysis of the recommendations of the Governor.

The Governor's budget recommendations traditionally are incorporated in one omnibus appropriations bill, which normally includes articles containing any statutory changes which would be required to implement the Governor's budget.

The following table summarizes the **budget calendar** during the budget cycle:

Mid-July	Capital Budget Requests due to Budget Office.
Late July	Budget Instructions and Funding Targets distributed to Agencies.
Mid September	Budget requests of Agencies with enacted budget of \$7.0 million or less due to Budget Office.
Late Sept./ Early Oct.	Budget requests of Agencies with enacted budget of over \$7.0 million due to Budget Office.
Oct./Nov.	Agency Meetings to review Budget Recommendations.
Late Dec./ Early Jan.	Gubernatorial Decisions on current year supplement and budget year recommendations.
3 rd Thursday in January	Statutory date for current-year Governor's Supplemental Appropriation bill submitted to Legislature.
3 rd Thursday in January	Statutory date for budget-year Governor's Budget Recommendation bill submitted to Legislature.

Consideration by House of Representatives and Senate. Appropriation bills are introduced into the House and are first considered by the House Finance Committee. The Senate Finance Committee also begins hearings on the budget bill, as introduced by the Governor. The chairpersons of the committees appoint subcommittees to consider appropriations for various agencies. Subcommittees vary in size, usually between two and five persons. After reviewing the budget requests and the Governor's budget, the subcommittees recommend adjustments to the full committee for consideration. A committee may adjust the recommendations of its subcommittee. Appropriation bills are reprinted to reflect the recommendations of the full committee. The bill is then presented to the full House, and upon passage is transmitted to the Senate. The process for review of an appropriation bill in the Senate mirrors the steps followed in the House of Representatives. Usually, however, consideration by the Senate occurs in a much shorter span of time. Once the bill is presented and approved by the full Senate, the Governor has three options: 1) sign the bill into law, 2) veto the bill, or 3) allow the bill to become law without signature (after six days, Sundays excepted, the bill automatically becomes law without the Governor's signature). The General Assembly may overturn the Governor's veto with a three-fifths vote in each house.

Executive Summary

Overview

Governor Chafee recommends a budget for fiscal year 2013 totaling \$7.944 billion from all sources of funds, an increase of \$241.5 million, or 3.1 percent, from the recommended all funds FY 2012 enacted budget of \$7.702 billion. Of this total, \$3.269 billion, or 42.4 percent, is from general revenue, \$2.594 billion, or 33.7 percent, is from federal funds, \$1.856 billion, or 24.1 percent, is from other sources, and \$224.1 million, or 2.9 percent, is from restricted or dedicated fee funds.

Recommended general revenue funding of \$3.269 billion represents an increase of \$126.7 million, or 4.0 percent, over the FY 2012 enacted budget of \$3.142 billion. Federal funds decrease from \$2.606 billion in the FY 2012 enacted budget to \$2.594 billion in the recommended FY 2013 budget. Other funds increase from \$1.763 billion to \$1.856 billion.

***Performance
Management
Approach to Budget***

Although the projected deficit for FY 2013 was lower than deficits faced in recent fiscal years, previous reductions to and/or elimination of many state programs have left no easy options available to balance the FY 2013 budget. As a result, Governor Chafee directed that a different approach be used in analyzing the budget and determining areas to target for reduction. A performance management program was initiated by the Governor's Policy Office and the Budget Office under which all agencies were required to review their mission statements, define all programs they administer, identify the statutory or regulatory authority mandating those programs, prioritize each activity and provide performance metrics and goals for each activity that could be used in measuring its success going forward. The intent of this effort is to eliminate or modify unnecessary or duplicative programs, as well as focus state government on those areas that are its primary responsibility. Further, the development of new performance metrics will allow agencies to determine which programs are functioning well and which are in need of improvement. The proposals contained in the FY 2013 Budget are the initial results of this new and ongoing initiative.

The Governor's FY 2013 recommended budget was developed with the goal of addressing the state's ongoing structural deficit, but also to provide additional assistance to the state's troubled municipalities, which have experienced large reductions in financial assistance from the state in recent years. In order to address these two goals, the Governor's budget recommends some near-term revenue enhancements to help bridge the gap in revenues as the national and regional economies recover from the Great Recession. Permanent changes to some revenue sources are also proposed as a way to address the continuing gap between expenditure growth and revenue growth. On the expenditure side, the Governor is recommending the elimination or reduction of programs in several departments and agencies, as well as streamlining and reorganizing several departments to make state government leaner and more efficient.

The initial deficit projected for FY 2013 was approximately \$215.0 million and included a major increase in the estimated annual required contribution (ARC) for the pension benefits of state employees and teachers. This increase in the ARC was the result of certain changes approved by the State Retirement Board to the assumed rate of return on investments and mortality rates for retirees. The ARC for state employee pensions was projected to increase from 22.98 percent in FY 2012 to 36.34 percent in FY 2013. This would have required increased general revenue expenditures of almost \$52.8 million. Similar increases were forecast for other employee groups, including judges, and State Police troopers, as well as local teachers, for whom the state covers 40 percent of the annual pension liability. As a result of these projected increases in the State's pension liability, the Governor and the General Treasurer worked closely with the General Assembly to enact comprehensive pension reform legislation in

***Pension Reform's
Impact on the FY
2013 Budget***

Overview

the fall of 2011, resulting in new actuarial rates that are significantly lower than those that would have gone into effect on July 1, 2012. As a result of this legislation, projected general revenue spending for FY 2013 was reduced by over \$117.9 million. Also included in the pension reform legislation is a new Defined Contribution Plan for state employees and teachers whereby the employer (state and municipalities) will contribute at least one percent (1.0%) of an employee's pay, and the employee's will contribute five percent (5.0%).

***Governor's
Revenue
Proposals***

The FY 2013 Budget includes a variety of revenue proposals designed to provide Rhode Island government with needed revenue while minimally impacting the state's economic competitiveness. These proposals, explained further under the *Governor's Revenue Proposals* section of this document, include expansion of the state's sales tax to include clothing and footwear that cost more than \$175 per item, which is comparable to the sales tax provisions of Massachusetts. Sales tax would also be applied to taxi and other road transportation services; moving, storage; warehousing and freight services; some pet services; and car washes. Under the Governor's proposals, excise taxes on tobacco products would also change, including an increase in the Cigarette Excise Tax from \$3.46 to \$3.50 per pack of 20 cigarettes; an increase in the maximum tax assessed per cigar from \$0.50 to \$1.00; and a change in the definition of little cigars such that the current excise tax on cigarettes would now apply.

In addition to these permanent changes in the sales tax, the Governor recommends several near-term revenue enhancements to provide the state with sufficient resources while the national and regional economy improves. These near-term revenue enhancements include the use of a portion of bond premium received from the issuance of the 2011 Series A general obligation bonds and the transfer of funds from the Narragansett Bay Commission to offset the cost of debt service on bonds issued in prior years by the State on behalf of the Commission. The Governor is also recommending a Tax Amnesty program to run from September 1, 2012 to November 15, 2012 for the purpose of allowing individuals, businesses, and estates the opportunity to pay tax debts owed without penalty and with a reduction in the interest due of 25.0 percent.

The Governor also recommends an increase in the meals and beverage tax from 1.0 percent to 3.0 percent, with the revenues from the first one percent still being returned to the municipality in which the collecting establishment is located, but with the new revenues received by the General Fund to provide the resources needed to fund the substantial increase in education aid described below. Net of the increase associated with the restoration of general revenue financing related to the Education Jobs Fund, total aid to Education increases by over \$35.0 million.

***FY 2013
Recommended
Budget***

While available revenues are expected to grow by 3.1 percent, or \$93.9 million, over the FY 2012 enacted budget, expenditures post-pension reform, based on the unconstrained requests of state agencies, would grow by 6.8 percent or \$212.2 million. Growth in education funding, primarily due to the new funding formula enacted in the 2010 session of the General Assembly, and increases in social service programs (including unfavorable changes in federal Medicaid participation and caseload increases) are the major cost drivers in the FY 2013 budget.

The challenge of balancing the State Budget is more difficult based upon a review of where overall general revenue actually goes. Expenditures from general revenue are projected to total \$3.269 billion for FY 2013. By function, Human Services agencies represent the largest share with expenditures totaling \$1.286 billion, or 39.3 percent, of the general revenue budget. This supports health care and prescription drug coverage for low-income children, their parents,

Overview

seniors and the poor, and community residential and treatment programs for the disabled. This is followed by Education, which totals \$1.114 billion, or 34.0 percent, and includes local education aid, support for the state university and colleges, and scholarships. General revenue expenditures for General Government and Public Safety comprise \$427.4 million (13.0 percent) and \$404.9 million (12.4 percent), respectively. General Government includes, along with state operations, state aid to municipalities and direct property tax relief. Public Safety includes the state prisons, Military Staff, State Police, Attorney General and Judicial departments. Finally, expenditures for Natural Resources comprise \$36.9 million, or 1.1 percent of total general revenue funding. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. The largest component is grants and assistance expenditures of \$1.138 billion, comprising 34.8 percent of total general revenue spending. Local aid expenditures of \$959.3 million represent 29.3 percent of total spending; personnel expenditures of \$841.8 million comprise 26.6 percent of the budget; operating expenditures total \$127.2 million, or 3.9 percent of the budget; and capital expenditures, including debt service, total \$183.5 million, or 5.6 percent of the total general revenue budget.

Compared to the recommended FY 2012 enacted budget, FY 2013 personnel expenditures increase by \$33.6 million or 4.1 percent; operating expenditures decrease by \$3.6 million or -2.8 percent; assistance and grants increase by \$18.1 million or 1.6 percent, local aid expenditures increase by \$65.7 million or 7.3 percent; capital expenditures, including debt service, increase by \$13.2 million or 7.8 percent.

General revenue funding for local education aid increases by a net of \$67.4 million in FY 2013, as compared to the FY 2012 enacted funding level. The Governor's budget restores \$32.0 million of education aid for expiring federal Education Jobs Funding and provides \$32.6 million for year two of the new funding formula, including \$11.0 million or 50 percent more than required under the current transition plan. Education aid provided to local communities, charter schools, and state schools in FY 2013 will be \$913.3 million or \$67.4 million more than provided in the FY 2012 enacted budget.

***Increases to
Local
Education Aid***

Beginning July 1, 2011, the new education aid formula began to distribute education aid to all local educational agencies (LEA), including districts, charter schools and state schools (with the exception of the School for the Deaf, which will be separately funded). The formula allows for the funding to follow the student and was developed with the following guiding principles: build a strong foundation for all children; improve equity among districts and schools; be transparent; and be financially responsible. The new education aid formula determines the amount of funding each LEA shall receive per year. The Governor's budget includes the best data available at the time of the budget submission; however these calculations will be updated using March 2012 student data, including final charter school lottery data, which is expected to be finalized by April 1, 2012.

The enacted formula legislation also allowed for additional funding from the state to districts for certain categorical programs, including high-cost special education, career and technical education, early childhood programs, certain transportation costs, and a limited two-year bonus for regionalized districts. The Governor's FY 2013 budget recommends fully funding each of these programs at an additional cost of \$5.6 million over enacted FY 2012 levels.

Overview

The Governor's budget includes an additional \$2.1 million as compared to the FY 2012 enacted funding level for school housing aid and funds the five percent increase in the minimum state share ratio for the school housing aid program. This minimum increased from 30 percent to 35 percent for projects completed in FY 2011 that are eligible for FY 2012 housing aid. Total funding of \$74.6 million is recommended for FY 2013. The Governor recommends freezing this rate at 35 percent in FY 2013 and beyond, and not increasing the rate to 40 percent as required under current law.

The State's share of teacher retirement costs decreases by \$3.4 million from the FY 2012 enacted levels to \$78.2 million. In addition to anticipated payroll growth, the required rate of contribution for the State share decreases as a result of pension reform legislation from 9.09 percent in FY 2012 to 7.88 percent in FY 2013.

***Restructuring
Human Services
Programs***

After education aid, the next largest growth area in the FY 2013 budget is in human services programs. The Departments under the Executive Office of Health and Human Services have implemented a number of initiatives authorized in the FY 2012 enacted budget with the goal of addressing the significant and unsustainable growth in this functional area. These efforts will continue in FY 2013 by implementing proposals recommended by the Governor.

In the Medical Assistance program, the Governor recommends an across-the-board reduction of 4.14 percent to all Medicaid managed care capitation rates, effective July 1, 2012, for savings of \$14.0 million in general revenues. The fee-for-service segment of the Medical Assistance program will likewise be subject to aggressive cost-containment measures in the Governor's FY 2013 budget. These measures include the elimination of dental services for adults age 21 or older, effective October 1, 2012 and reinstatement of the "lesser of logic" edits for inpatient hospital fee-for-service claims under the Diagnostic Related Groups (DRG) payment system. Combined, these items are projected to save approximately \$4.6 million in general revenue expenditures. Under the Home and Community Based Services program, beneficiaries will undergo clinical utilization reviews of their care plans when monthly expenditures reach a set threshold. This initiative seeks to eliminate the provision of medically unnecessary services and achieve general revenue savings of \$3.0 million.

In conjunction with the Governor's performance management initiative, the FY 2013 budget includes the creation of a new Office of Management and Budget, which will replace the current Budget Office within the Department of Administration. This new office will continue to be responsible for the development and oversight of the Governor's budget plan, but will have the added responsibility of overseeing the performance management program and a new federal grants management unit. The goal of this new office is to establish a comprehensive public finance and management system for Rhode Island that manages a data-driven budget process, monitors state departments' and agencies' performance, maximizes the application for and use of federal grants and ensures accountability and transparency to Rhode Island citizens regarding the use of public funds. This new office will also assume responsibilities from the Governor's Office of Economic Reinvestment and Recovery for the oversight of remaining federal stimulus funds, as this office is being phased-out in FY 2013. The proposed budget also includes the elimination of the Bureau of Audits within the Department of Administration, however, some of the functions will be absorbed by the Office of Management and Budget.

***Office of
Management
and Budget***

Overview

Analysis of Personnel System

The Governor has instructed the Director of Administration to undertake and complete a comprehensive analysis of the State's Personnel System and to recommend alternatives to the current system. The current Merit System was designed and implemented in 1956 with few amendments since that time. Given the tremendous investment the State makes to support its workforce, the Governor believes there are opportunities to modernize the current outdated and cumbersome system and provide more flexibility for the day-to-day hiring and management of personnel, while still maintaining its collective bargaining process. As part of this analysis, the State must consider how it will attract talented individuals to the workforce given recent changes to the pension system and the elimination of longevity bonuses. Funding of \$300,000 is recommended in the FY 2012 supplemental budget for this effort. In addition, with the expectation that changes to the current personnel system will begin to be implemented in FY 2013, the Governor recommends significant reductions to the Office of Classification and Examinations in the recommended FY 2013 budget. These reductions include the elimination of ten positions, about half of the current staff. This will have an impact on the ability of the Human Resources program to manage the current merit system, thus the need for the proposed study to be initiated and completed immediately.

Mergers and Reorganizations

The Governor recommends that the Rhode Island Higher Education Assistance Authority (RIHEAA) be merged with the Office of Higher Education (OHE). RIHEAA supports the mission of OHE and the Board of Governors by making college access possible through its flagship programs, including the WaytoGo college and career portal, the CollegeBound fund savings plan, and the student grant, state scholarships, and guaranteed federal loan programs. For the past thirty years, RIHEAA has provided financial support and counseling assistance to students and parents. In 2010, the federal government ended all partnerships with quasi-public lending institutions like RIHEAA to provide guarantees for federal student loans. The wind-down of RIHEAA's guarantee portfolio will significantly reduce the agency's duties in the next three years and all federal loan guarantee activity will end within ten years. As a result, the Governor recommends transferring the remaining responsibilities of RIHEAA to the OHE, which would mirror the organization of higher education assistance in twenty-seven other states.

Reorganizing OHE by consolidating functions with RIHEAA will save operating expenses, salary and overhead costs and ultimately will result in greater efficiencies for OHE and the three public higher education institutions. The Governor recommends redeploying current staff and sharing staff resources to accomplish both agencies' duties and to achieve additional efficiencies.

The Governor recommends that the Office of Energy Resources (OER) be the central location for oversight and administration of state and federal energy programs. Currently, different energy programs are located within the Department of Environmental Management (DEM), Economic Development Corporation (EDC), Energy Efficiency and Resource Management Council (EERMC), and OER. This has resulted in overlapping responsibilities and an inefficient use of state energy resources. The Governor recommends that the administration of the Renewable Energy Fund program be transferred from EDC to OER; the administrative costs of the EERMC transfer to OER; and the oversight and administration of the Regional Greenhouse Gas Annual Allocation Plan transfer from DEM to OER. Centralizing energy programs will provide the State with strong policy leadership for energy procurement and project development. The OER will provide more transparency and offer greater access for individuals, businesses, and municipalities looking for information on energy programs.

Overview

The Governor also recommends a review of all environmental management and protection programs in state government agencies and departments, with a goal of improving organizational structure and program efficiency.

***Addressing
Transportation's
Structural Deficit***

As the Governor highlighted in his FY 2012 Budget submission, the Department of Transportation is facing the same type of ongoing structural deficits that plague the State as a whole. The failure of the gas tax, upon which the Department relies for all of its operational funding, to keep pace with the growth in expenditures, results in projected annual deficits in the Department for the foreseeable future. A significant contributor to this imbalance is the growth in debt service on general obligation debt issued on behalf of the Department and used for the match to federal highway funds. The General Assembly recognized that this method of providing the State match is not sustainable and in the 2011 session enacted a plan to move the Department off of debt to pay-as-you-go financing for transportation projects.

The General Assembly enacted into law (1) an increase of \$30.00 in biannual motor vehicle registration fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015; (2) an increase of \$15.00 in annual motor vehicle registration fees in \$5.00 increments effective July 1st of 2013, 2014 and 2015; and (3) a \$30.00 increase in operator license fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015. The proceeds from these fee increases are to be used to finance the newly created Rhode Island Highway Maintenance Trust Fund and, combined with a \$20.0 million appropriation from the Rhode Island Capital Plan Fund, should be sufficient to provide the necessary match to federal funds.

Although this plan would have long-term benefits to the Department's operating structural deficit, it does not address the short-term operations and highway maintenance needs. As such, in the FY 2013 recommended budget, the Governor recommends a plan to deal with the operating deficits in both the short and long term, as well as keep to the plan enacted by the General Assembly to address the capital funding side. First, the Governor recommends that the fee increases already enacted by the General Assembly be fully implemented on January 1, 2013, instead of over a three year period beginning in FY 2014. The additional funding derived from this advancement of the fee will go to the Department for operating costs in FY 2013, FY 2014 and FY 2015. As the enacted plan to shift funding from debt to pay-as-you-go funding is implemented in FY 2014, the funding available for operations will diminish. At the same time, the Governor recommends that debt service expenses on transportation debt be moved off of the Department of Transportation's budget and onto the Department of Administration's general revenue funded budget, where most other debt service is budgeted. The plan would involve decreasing debt service expenses on the Transportation budget by \$10.0 million each year until all such costs are being charged to general revenue funds under the Administration budget. Although this will cause more pressure on the general revenue budget and on projected out year deficits, the Governor believes that this is the best way to get the Department of Transportation on to a more sound financial footing and will ultimately lead to additional funding available for state and local infrastructure projects.

***Personnel
Funding and
FTE Levels***

State Personnel costs comprise 24.8 percent of total recommended spending in FY 2013. Actual filled positions totaled 13,705.1 FTE as of January 14, 2012, a 531.8 position increase from the 13,173.3 filled position level as of January 15, 2011, but still 1,377.7 FTE below the 15,082.8 FTE level in July 2007. The filled FTE level of 13,705.1 is 1,237.1 FTE less than the enacted cap of 14,942.2 FTE positions.

Overview

In the FY 2012 revised budget, the Governor recommends an FTE level of 14,934.0, a decrease of 8.2 FTE's from the FY 2012 enacted budget. In the FY 2013 budget, the Governor recommends a reduction of 104.3 FTE's from the FY 2012 revised budget, or 14,837.7 FTE positions. The Governor has also instructed the Department of Administration to examine the use of contractors and consultants and develop a plan to convert these positions, where appropriate, to full time state employees.

The budget assumes no cost of living adjustment for state employees in FY 2013, as most employee contracts expire on June 30, 2012, and are subject to renegotiation. Until the contracts are resolved, the Governor's budget assumes no significant personnel cost increases or savings.

As part of the FY 2012 enacted budget, the General Assembly created the Technology Investment Fund. This fund is intended to provide resources to improve State Government information technology through the acquisition of new hardware, software and consulting services, with the goal of more efficient and user friendly systems. The financing source for this fund is the sale of state property. Due to the uncertain nature of such property sales, the Governor recommends a one-time infusion of funds in FY 2012 from the receipt of bond premium on the sale of the 2011 Series A General Obligation bonds. This will provide an initial resource of just over \$6.5 million, which will hopefully be replenished in future years with proceeds from property sales, making this fund an ongoing resource for investment in technology.

*Investing in the
Future –
Technology
Infrastructure*

The Governor is also requesting General Assembly approval for the issuance of Certificates of Participation to fund three major technology projects over the next few years. Due to the limited and uncertain resources in the Technology Investment Fund and because these particular projects require a stable and concrete funding source, the Governor recommends the use of debt as the financing mechanism. The projects proposed are (1) implementation of the remaining modules of the statewide financial information system, focusing first on the Human Resources, Time and Attendance and Payroll modules (\$11.5 million); (2) implementation of a new integrated tax system for the Division of Taxation to replace its current antiquated system, which is comprised of disparate databases that do not interconnect (\$25.0 million); and (3) installation of wireless infrastructure in classrooms statewide to enable access to online textbooks, resources, assessments and to data platforms that will be used to manage the information needed to track student, teacher and school performance (\$20.0 million).

*November 2012
Ballot*

In addition to the debt authorization for information technology, the Governor is recommending several bond referenda be placed on the November 2012 ballot for consideration by the voters. These include (1) a \$65.0 million authorization to construct a new Nursing Education Facility in Providence to be used jointly by the Rhode Island College and University of Rhode Island nursing programs; (2) a \$42.0 million authorization to renovate and modernize academic buildings at Rhode Island College; (3) a \$20.0 million authorization for Transportation to provide matching funds to federal highway funding (based on the new financing plan for Transportation infrastructure, this will be the last such referendum required for this purpose); (4) a \$1.5 million authorization to provide matching funds to the Rhode Island Public Transit Authority for the purchase and/or rehabilitation of buses; (5) a \$20.0 million authorization for the Clean Water Finance Agency to finance wastewater infrastructure and drinking water infrastructure projects; (6) a \$25.0 million authorization for open space and recreational development; and (7) a \$25.0 million authorization to provide funds to promote affordable housing through redevelopment of existing structures, new construction or foreclosure assistance.

The Governor's Revenue Proposals

FY 2012 Growth in General Revenues is 3.8 Percent over FY 2011 Audited General Revenues

The Governor's FY 2012 recommended general revenues total \$3.201 billion, an increase of 3.8 percent over FY 2011 final audited general revenues. This increase in revised FY 2012 general revenues are comprised of revenue growth of 3.6 percent adopted at the November 2011 Revenue Estimating Conference (REC) and 0.2 percent revenue growth resulting from the Governor's proposed changes to general revenues. In the revised FY 2012 budget, the Governor proposes general revenue enhancements of \$6.0 million, increased restricted receipt revenues of \$6.6 million and decreased Rhode Island Capital Plan Fund revenues of \$12.6 million.

The Governor's FY 2013 Budget recommends general revenues of \$3.366 billion, an increase of 5.1 percent over revised FY 2012 general revenues. The Governor's recommended FY 2013 general revenue changes of \$236.7 million include \$143.8 million from the reinstatement of the hospital licensing fee. The hospital licensing fee has been reinstated annually since its enactment by the General Assembly during the 1994 Session. Net of the hospital licensing fee, the Governor recommends general revenue changes of \$92.9 million. Thus, the 5.1 percent growth rate for FY 2013 recommended general revenues over FY 2012 revised general revenues can be broken down into a 2.2 percent growth rate based on the general revenue estimates adopted at the November 2011 REC including the proposed hospital licensing fee reinstatement and a 2.9 percent growth rate from the Governor's recommended general revenue changes net of the hospital licensing fee reinstatement. The Governor also proposes a net increase in restricted receipts and other sources of revenue of \$14.9 million in FY 2013.

FY 2013 Growth in General Revenues is 5.1 Percent over FY 2012 Revised General Revenues

The Governor's FY 2013 recommended budget contains a variety of revenue proposals. These proposals are designed to provide the State with needed revenue while minimally impacting the state's economic competitiveness. The intent is to enhance State revenues in the near-term with the expectation that a strengthening national and regional economy will increase revenue growth to meet the state's resource needs in the future. The Governor's revenue proposals impact various taxes, departmental revenues and other general revenue sources. The revenue changes that permanently enhance the state's revenue stream primarily impact sales and use taxes, tobacco taxes and departmental licenses and fees. The revenue changes that augment the state's near-term revenue collections involve the transfer of funds from other entities and the implementation of a tax amnesty program.

Proposed Changes to the Sales and Use Tax Base

With respect to ongoing revenue proposals, the Governor recommends the modification of the state's sales and use tax exemption for clothing. This modification would remove the current exemption for items of clothing and footwear that cost more than \$175 per item. This is the same sales tax exemption threshold that is in place in Massachusetts. The establishment of a sales tax threshold for clothing and footwear will put Rhode Island out of compliance with the Streamlined Sales and Use Tax Agreement and thus no longer obligate signatory companies to collect sales and use taxes on remote sales to Rhode Island residents for remittance to the state. The Governor recommends, however, that all clothing and footwear become fully exempt from the sales and use tax if federal legislation is passed allowing for the collection of sales taxes on taxable items sold in the state by remote sellers. The Governor also proposes to expand the sales and use tax base to a handful of services. These services include taxi and other road transportation services, moving, storage, warehousing and freight services, pet services other than veterinary services and laboratory testing, and car washes. In total, the Governor's proposed changes to the State's sales and use tax are projected to generate \$28.1 million in FY 2013

The Governor's Revenue Proposals

The Governor recommends reinstating the Rhode Island Economic Development Corporation's statutory ability to grant sales tax exemptions on the qualifying capital expenditures of businesses that create 100 or more net new jobs in the state. Informally known as project status designation, the Governor's proposal would not allow such a designation for projects that are comprised of retail operations, including but not limited to retail banking operations. Further, the Governor proposes modifying the state's motion picture production tax credit to allow pre- and post production costs to be eligible for the credit, to reduce the minimum state certified production costs needed to be eligible for the credit, and to sunset the credit for productions that have not received initial certification prior to July 1, 2019. The Governor's proposal to reinstate project status reduces revenues in FY 2013 by \$1.0 million while the recommendation to modify the motion picture production tax credit has no fiscal impact.

***Near-Term
Revenue Changes
in Anticipation of
a Better Economy***

The Governor proposes several near-term revenue enhancements to provide the state with sufficient resources until improvement in the national and regional economy provides a further impetus to the state's revenue trajectory. These near-term revenue enhancements affect revenues in both FY 2012 and FY 2013. In FY 2012, the Governor recommends that \$12.6 million of bond premium that was received from the issuance of the 2011 Series A general obligation bonds be transferred from the Rhode Island Capital Plan Fund to general revenues and the Technology Investment Fund (TIF). A total of \$6.0 million would be transferred to general revenues with the remaining \$6.6 million transferred to TIF.

In FY 2013, the Governor proposes to transfer \$3.1 million from the Narragansett Bay Commission's excess reserves to cover the FY 2013 debt service payment on general obligation debt issued by the State on behalf of the Commission that was transferred to the Commission upon issuance to finance the Commission's capital projects. Finally, the Governor recommends the administration of a tax amnesty program for the period September 1, 2012 through November 15, 2012 for the purpose of allowing individuals, businesses and estates the opportunity to pay tax debts owed to the State without penalty and with a reduction in interest owed of 25.0 percent (effectively lowering the interest rate on tax debt owed to the State from 18.0 percent to 13.5 percent). Currently, the state's tax receivables exceed \$120.0 million with a substantive portion of this amount being accrued during the Great Recession. The tax amnesty will provide individuals, businesses and estates with tax debts the opportunity to repair their balance sheets as the economic recovery takes hold. The FY 2013 budget projects increased revenue collections from the tax amnesty of \$10.9 million with \$2.8 million of this amount coming in the form of interest paid on overdue taxes.

The Governor recommends increasing the cigarette excise tax stamp rate from \$3.46 to \$3.50 per pack of 20 cigarettes. Further, the Governor seeks to change the definition of a little cigar to include all cigars with a cellulose acetate integrated filter that weigh 4.0 pounds or less per thousand cigars and require that cigarette excise tax stamps be affixed to the packs containing these cigars thereby taxing them at the same rate as packs of cigarettes. The Governor also proposes to increase the maximum tax assessed per cigar from \$0.50 to \$1.00. Finally the Governor's FY 2013 budget calls for the addition of four Tax Investigator positions in the Division of Taxation to fully staff its tobacco enforcement task force. These additional positions will supplement the current Tax Investigator that is responsible for enforcing the state's cigarette and tobacco tax laws. In total, these tobacco tax and enforcement proposals are expected to increase general revenues by \$7.2 million in FY 2013.

***Tobacco Tax
Initiatives and
Increased
Tobacco Tax
Enforcement***

The Governor's Revenue Proposals

The Governor recommends that the state's meal and beverage tax rate be increased from 1.0 percent to 3.0 percent. The Governor proposes that the additional revenue raised from the tax rate increase be used to fully fund the second year of the funding formula and provide an additional \$11.0 million to accelerate implementation. These funds will provide needed resources to the state's underfunded school districts, and the use of the new meal and beverage tax revenues for this purpose will reduce the pressure on municipalities to provide additional financial resources required to improve the state's K-12 education system. The FY 2013 budget also includes the Governor's initiative to expand the lodging tax base to include the rental of vacation homes and the rental of rooms in bed and breakfast inns that have fewer than three bedrooms available for rent and to subject these rentals to the state and local 13.0 percent lodging tax. Revenues raised from the lodging tax expansion will be directed to regional tourism councils, municipalities and the Economic Development Corporation to promote Rhode Island as a tourist destination. The total fiscal impact of these two initiatives is increased revenues of \$42.6 million in FY 2013 with \$42.0 million of that amount accruing to state and local governments.

***Providing
"Bridge"
Financing for Our
Transportation
Infrastructure***

The Governor's FY 2013 Budget includes the acceleration of the implementation of the motor vehicle registration and operator license fee increases passed by the General Assembly in the 2011 Session. The General Assembly enacted in to law (1) an increase of \$30.00 in biannual motor vehicle registration fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015; (2) an increase of \$15.00 in annual motor vehicle registration fees in \$5.00 increments effective July 1st of 2013, 2014 and 2015; and (3) a \$30.00 increase in operator license fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015. The proceeds from these fee increases are to be used to finance the newly created Rhode Island Highway Maintenance Trust Fund. The Governor proposes to fully implement all three of these fee increases effective January 1, 2013. The estimated revenues from this proposal are \$13.6 million. The Governor proposes to deposit these revenues in the Intermodal Surface Transportation Fund for use by the Department of Transportation (DOT) in FY 2013.

Beginning in FY 2014, the revenues that would have been generated from these fee increases under the originally enacted plan will be deposited in the Rhode Island Highway Maintenance Trust Fund as intended by the General Assembly. This will provide additional financing for DOT operations of \$13.8 million in FY 2014 and \$6.8 million in FY 2015 as new financing for capital projects grows from 7.0 million in FY 2014 to \$14.0 million in FY 2015. By FY 2016, the full amount of the estimated revenues from the fee increase, a total of \$20.8 million, will go to the Rhode Island Highway Maintenance Trust Fund.

In addition to the proposed revenue enhancements outlined above, the Governor's FY 2013 Budget includes a variety of other tax and fee proposals that total \$3.8 million. These items are detailed in the **General Revenues** and the **Restricted Receipts and Other Sources of Revenue** sections of the *Executive Summary*.

The Economy

Introduction

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

Beginning with the November 2001 conference, in addition to Rhode Island total employment, Rhode Island personal income and the U.S. CPI-U, forecasts for Rhode Island wage and salary income, Rhode Island dividends, interest and rent, the Rhode Island unemployment rate, the interest rate for ten year U.S. Treasury notes, and the interest rate for three month U.S. Treasury bills are also agreed upon at the Revenue Estimating Conference. Finally, the consensus forecast of these economic variables now includes the prior calendar and fiscal years, the current calendar and fiscal years, the budget calendar and fiscal years, and the next five calendar and four fiscal years.

Economic Forecast

This section describes the economic forecast used as an input for the Revenue Estimating Conference's consensus revenue estimates.

During its November 2011 meeting, a forecast of the U.S. and Rhode Island economies was presented by Moody's Economy.com. The Rhode Island Department of Labor and Training (DLT) also presented current employment and labor force trends in Rhode Island. The conferees heard the testimony of Zachary Sears, an economist with Moody's Economy.com, and Robert J. Langlais, Assistant Director for DLT's Labor Market Information unit.

The Revenue Estimating Conference adopted the economic forecast shown below on November 4, 2011 through a consensus process informed by the testimony of Mr. Sears and Mr. Langlais. The updated economic forecast made significant changes to the consensus outlook adopted at the May 2011 Revenue Estimating Conference.

As reported at the November 2011 Revenue Estimating Conference, Rhode Island's labor market continued to feel the effects of the "Great Recession". The Rhode Island Department of Labor and Training reported that the unemployment rate decreased to 10.5 percent in September 2011 the lowest rate since May 2009 when it was also 10.5 percent. While Rhode Island's unemployment rate improved one full percentage point since September 2010, private sector gains of 1,700 jobs have been offset by a reduction in government employment of -1,700. Government sector job declines have primarily been in local government.

Rhode Island's unemployment rate for December 2011 stands at 10.8 percent. This is up from 10.5 in November 2011 and is the second straight month over month increase in Rhode Island's unemployment rate.

Rhode Island establishment employment was stagnant over the period September 2010 to September 2011 resulting in no job gains or losses. Certain sectors did see job losses while others saw job gains. The sector breakdown of job losses were as follows: Government, -1,700; Educational Services, -1,000; Financial Activities, -800; Construction, -500; Arts and Entertainment, -200; and Transportation Utilities,

The Economy

-200. The broad sectors of the Rhode Island economy which added jobs year-over-year in September 2011 were as follows: Retail Trade, 1,600; Accommodation and Food Services, 1,000; Wholesale Trade, 600; Professional and Business Services, 400; Other Services, 100; and Health Care and Social Assistance, 100. Both the Information and Natural Resources and Mining sectors of the Rhode Island economy remain unchanged relative to September 2010. Since the December 2006 peak employment of 496,500 jobs, Rhode Island businesses have shed 39,700 jobs as of September 2011, a decline of 8.0 percent.

While there is no official measurement and dating of recessions at the state level, employment is usually used to gauge the cyclical status of the state economy. In FY 2010, total non-farm employment declined by 2.8 percent. In FY 2011, non-farm employment increased by 0.6 percent, the first year of positive growth since FY 2007. Total non-farm employment is projected to increase by an additional 0.8 percent from 464,200 in FY 2011 to 467,900 in FY 2012. The principals of the November 2011 Revenue Estimating Conference anticipate an increase of 3,684 jobs in non-farm employment for FY 2013 and an increase of 10,928 jobs in FY 2014. Over the FY 2015 through FY 2017 period, Rhode Island's economy is expected to add 40,282 jobs. It should be noted that while adopted growth rates indicate a positive trend from FY 2012 through FY 2015, the adopted number for total non-farm employment during these years is below those adopted from FY 2012 to FY 2014 period at the May 2011 Revenue Estimating Conference. It is not until FY 2015 that the estimate for total non-farm employment adopted at the November 2011 Revenue Estimating Conference exceeds the estimate adopted at the May 2011 Revenue Estimating Conference.

The unemployment rate for FY 2012 is projected to decline slightly from 11.3 percent in FY 2011 to 10.5 percent. As recovery takes hold, Rhode Island's unemployment rate is expected to decline rapidly from 10.3 percent in FY 2013 to 5.1 percent in FY 2017. Even at this lower rate, Rhode Island's unemployment rate will be 0.1 percentage points higher than the unemployment rate achieved when the economy peaked in FY 2007.

Personal income growth is expected to be 2.8 percent in FY 2012 down from the 4.4 percent growth in FY 2011. The November 2011 Revenue Estimating Conference estimates for personal income growth suggest a positive upward trend from FY 2012 through FY 2015. It should be noted that for FY 2012 through FY 2014 the adopted estimates for personal income growth are below the adopted estimates from the May 2011 Revenue Estimating Conference for the same period. The FY 2012 projected growth rate for personal income is down from the 3.7 percent growth rate that was adopted in May. For FY 2013 and FY 2014 the adopted November 2011 estimate is 4.1 percent, down from 5.8 percent and 5.1 percent respectively that was adopted in May. The personal income growth rate is expected to increase to 4.9 percent in FY 2015 and remain at or above 4.2 percent throughout the remainder of the forecast period. This projection indicates that personal income growth will take one more year to accelerate than originally projected in May 2011.

Similarly, FY 2012 estimates of dividend, interest and rents are expected to decrease slightly from FY 2011 growth of 6.9 percent before bouncing back considerably in FY 2013 through FY 2017. Wage and salary income growth is forecasted to decrease from FY 2012 to FY 2014 relative to the projected growth adopted in May 2011 but then increase from FY 2015 to FY 2017 again relative to the forecast adopted in May 2011. Wage and salary income growth is expected to improve beginning in FY 2013 with projected growth of 3.7 percent an increase of 2.2 percentage points from FY 2012. The rate of growth accelerates in FY 2015 to 5.1 percent and increases again in FY 2016 to 5.3 percent before decelerating in FY 2017 to 4.4 percent.

The Economy

The U.S. rate of inflation as measured by the Consumer Price Index for all urban consumers (CPI-U) is anticipated to increase to 2.8 percent in FY 2012 from 2.0 percent in FY 2011. The increase is mainly due to the increase in gasoline, fuel oil and natural gas prices combined with the expectation of quantitative easing from the Federal Reserve. The rate of growth in CPI-U is forecasted to decrease slightly in FY 2013 to 2.0 percent before rising to 2.7 percent and 2.8 percent in FY 2014 and FY 2015 respectively. In FY 2016 and FY 2017, inflation is expected to decelerate and settle at 2.1 percent.

From FY 2012 through FY 2014, the interest rate on three month Treasury bills is expected to remain low with rates below 0.1 percent. In FY 2015, the interest rate on three month Treasury bills is expected to rise to 2.3 percent and increase again by 1.0 percentage point to approximately 3.3 percent in FY 2016 before stabilizing at 3.4 percent in FY 2017. The interest rate on ten year Treasury notes is expected to increase slightly from 3.1 percent in FY 2011 to 3.2 percent in FY 2012 but rise substantially to 4.8 percent in FY 2013 and FY 2014. The interest rate on ten year Treasury notes is anticipated to decrease slightly to 4.5 percent in FY 2015 and then increase to 4.8 percent in FY 2016 before peaking at 5.0 percent in FY 2017.

Consistent with the perspective discussed here, the consensus economic forecast reflects initial stages of recovery from the nation's economic crisis in employment, income, and other coincidental economic indicators however momentum has slowed in recent months along with the national economy. In particular weak business and consumer confidence are undermining perceptions of the sustainability of the U.S. recovery. Employment growth is expected to remain positive in FY 2012 through FY 2017 with more rigorous employment growth expected in FY 2015 before the rate of growth declines to more sustainable levels in FY 2016 and beyond. Personal income growth is expected to reach its peak in FY 2015 and follow a pattern similar to that of employment growth over the remaining forecast period.

The Consensus economic forecast for the fiscal years 2012 through 2017 agreed upon by the conferees at the November 2011 Revenue Estimating Conference is shown in the following table.

The November 2011 Consensus Economic Forecast						
Rates of Growth	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Non-Farm Employment	0.8	0.8	2.3	3.7	3.0	1.6
Personal Income	2.8	4.1	4.1	4.9	4.6	4.2
Wage and Salary Income	1.5	3.7	4.5	5.1	5.3	4.4
Dividends, Interest and Rent	5.0	6.4	7.0	6.3	5.8	4.9
Nominal Rates						
U.S. CPI-U	2.8	2.0	2.7	2.8	2.1	2.1
Unemployment Rate	10.5	10.3	9.2	7.2	6.0	5.1
Ten Year Treasury Notes	3.2	4.8	4.8	4.5	4.8	5.0
Three Month Treasury Bills	0.0	0.1	0.9	2.3	3.3	3.4

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.201 billion in FY 2012 and \$3.366 billion in FY 2013. Annual estimated growth during FY 2012 and FY 2013 is 3.8 percent and 5.1 percent, respectively. Estimated deposits of \$91.4 million and \$101.1 million will be made to the Budget Reserve and Cash Stabilization Fund during these fiscal years. The contributions to the Budget Reserve and Cash Stabilization Fund are funded by limiting annual appropriations to 97.2 percent of estimated revenues in FY 2012 and 97.0 percent of estimated revenues in FY 2013. The revenue estimates contained in the Governor's FY 2012 supplemental and FY 2013 recommended budgets are predicated upon the revenue estimates adopted at the November 2011 Consensus Revenue Estimating Conference (REC) and the Governor's recommended changes to the adopted general revenues.

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

FY 2012 Revised Revenues

The principals of the November 2011 Revenue Estimating Conference adopted revenue estimates that were \$19.4 million greater than the enacted FY 2012 revenue estimates, an increase of 0.6 percent. As shown in the *Changes to FY 2012 Enacted Revenue Estimates* table in Appendix A of this document, the Governor's revised FY 2012 Budget recommends an increase of \$6.0 million in revenues.

The recommended change to the FY 2012 adopted estimates is attributable to the transfer of \$12.6 million in bond premiums deposited in the Rhode Island Capital Plan Fund. Of the \$12.6 million, the Governor recommends transferring \$6.0 million in bond premiums from the 2011 Series A Bond Issue to other miscellaneous revenue within general revenues.

FY 2012 Revised Revenues vs. FY 2011 Final Revenues

Recommended revenues for FY 2012 are based upon a \$117.7 million increase in total general revenues over final FY 2011, or growth of 3.8 percent. Much of this increase can be found in personal income taxes, business corporations and franchise taxes, insurance companies gross premiums taxes, sales and use taxes, the lottery transfer, and other miscellaneous revenues. These increases are partially offset by estimated decreases in inheritance and gift taxes, public utilities gross earnings taxes, cigarette taxes, and financial institutions taxes.

Personal income tax collections continue to be the single largest source of state general revenues in FY 2012 at 32.3 percent for FY 2012. Personal income tax collections are estimated to expand at an annual rate of 1.2 percent or \$12.3 million for FY 2012. Much of this increase is due to increased estimated income tax payments of \$15.5 million, and increased withholding tax payments of \$16.8 million. The overall increase, however, is slightly offset by an estimated decrease in final income tax payments of \$12.7 million and an increase in refund payments by \$7.3 million.

General business tax collections are projected to increase by \$62.3 million or 21.2 percent, due primarily to an estimated increase in business corporations taxes of \$28.1 million and in insurance companies gross premiums taxes of 38.9 million. The estimated increase in business corporations taxes and insurance

General Revenues

companies gross premiums taxes is attributable to a change in FY 2011 of the accrual calculation used by the Office of Accounts and Controls in consultation with the Office of the Auditor General. These revenue increases are partially offset by anticipated decreases in public utilities gross premiums taxes of \$4.3 million and financial institution taxes of \$1.5 million.

Sales and use tax collections are projected to increase by \$32.1 million or 3.9 percent, over final FY 2011 collections. The anticipated increase in sales and use tax revenues is partially attributable to the passage of a sales tax base expansion on four items effective October 1, 2011 in the enacted FY 2012 Budget signed into law on June 30, 2011. Sales and use taxes represent 26.4 percent of total general revenues in FY 2012. For FY 2012 sales and use tax collections are projected to be \$845.1 million.

Excise taxes other than the sales and use tax are expected to decrease by \$1.9 million or 1.0 percent in FY 2012 over final audited FY 2011 collections due to a projected decrease in cigarette and other tobacco product taxes of \$2.6 million. Motor vehicle operator's licenses and registration fees alcohol excise taxes, and motor carrier fuel use tax collections are estimated to increase by \$545,466, \$116,941 and \$45,061 respectively in FY 2012.

Other taxes are projected to decrease by \$13.3 million, or 24.3 percent in FY 2012 relative to final audited FY 2011 receipts. Of the total decrease in other taxes, inheritance and gift taxes are expected to decrease by \$12.9 million, or 27.4 percent. The expected decrease in inheritance and gift tax collections is attributable to a change in the accrual calculation used by the Office of Accounts and Controls in consultation with the Office of the Auditor General. Realty transfer taxes are anticipated to decline by \$270,632 and racing and athletics tax collections are projected to decline by \$125,193. Racing and athletic taxes' downward trend is expected to continue as Twin River is no longer required to offer live greyhound racing and now solely relies on simulcast racing for pari-mutuel wagering. Racing and athletics taxes are expected to total \$1.2 million in FY 2012 a decrease of 9.4 percent from final FY 2011 collections. Realty transfer taxes are expected to total \$6.1 million in FY 2012, a decrease of 4.2 percent from final audited FY 2011 collections.

In the Governor's FY 2012 Budget, departmental receipts are projected at \$340.5 million, an increase of \$7.8 million from final audited FY 2011 collections, or 2.3 percent. It should be noted that the increase in the departmental receipts is attributable to an increase in expected revenue adopted at the November 2011 Revenue Estimating Conference.

In addition to the above general revenue components, an increase is expected in FY 2012 for the lottery transfer to the general fund of \$12.3 million, or 3.5 percent from the final audited FY 2011 transfer. The increased lottery transfer in FY 2012 is due to the results of the November 2011 REC which increased the estimated transfer amount from the video lottery terminals installed at Twin River and Newport Grand by \$8.6 million and decreased instant tickets and on-line games by \$2.5 million from the enacted FY 2012 Budget signed into law on June 30, 2011. The gas tax transfer to the general fund no longer occurs and the unclaimed property transfer to the general fund is forecasted to increase by \$159,538 in FY 2012 or 2.1 percent from final audited FY 2011 revenues. The increase in the unclaimed property transfer is based on the testimony provided by the Office of the General Treasurer at the November 2011 REC.

For FY 2012, other miscellaneous general revenues are projected to increase by \$5.9 million. The increase in other miscellaneous general revenues incorporates the Governor's proposal to transfer the bond premium of \$6.0 million from the 2011 Series A Bond Issue.

General Revenues

FY 2013 Proposed Revenues

The Governor's recommended FY 2013 budget estimates general revenues of \$3.366 billion, an increase of 5.1 percent from the revised FY 2012 level. The Governor's recommendation is comprised of \$3.129 billion of revenue estimated at the November 2011 Revenue Estimating Conference and \$236.7 million of changes to the adopted estimates. These changes are shown in the schedule *Changes to FY 2013 Adopted Revenue Estimates* located in Appendix A of this document.

The largest source of FY 2013 general revenues is the personal income tax, with estimated receipts of \$1.086 billion, \$4.4 million more than the November 2011 REC adopted estimate for FY 2013 or growth of 5.1 percent from the revised FY 2012 amount. This revenue increase is partly the result of the Governor's recommendation for the administration of a tax amnesty program for the period September 1, 2012 through November 15, 2012 for the purpose of allowing individuals the opportunity to pay tax debts owed to the State without penalty and with a reduction in interest owed of 25.0 percent (effectively lowering the interest rate on tax debt owed to the State from 18.0 percent to 13.5 percent). The FY 2013 budget projects increased revenue collections of \$3.0 million from the tax amnesty program within personal income tax collections. The Governor also proposes to stop providing tax preparation services at no cost to taxpayers. As a result, the Division of Taxation will be able to reallocate two Revenue Agent positions to the office audit staff. This reallocation is expected to increase personal income tax collections by \$1.3 million in FY 2013.

General Business taxes are projected to comprise 10.9 percent of total general revenue collections in the FY 2013 Budget. Business corporations tax revenues are expected to yield \$117.2 million, an increase of \$351,413 from the FY 2013 estimate adopted at the November 2011 REC. This increase is the result of the Governor's recommendation for the administration of the proposed tax amnesty program. The estimated growth rate in business corporations taxes over the FY 2012 revised level is 4.0 percent.

Insurance companies gross premiums taxes are projected to reach \$101.4 million in FY 2013. This amount is equal to the revenue estimate for insurance companies gross premiums taxes adopted at the November 2011 Revenue Estimating Conference plus an increase in revenue of \$25,327 from the administration of the proposed tax amnesty program. The recommended growth rate in FY 2013 insurance companies gross premiums taxes over the FY 2012 revised estimate is 1.9 percent.

FY 2013 recommended revenues for the public utilities gross earnings tax, the financial institutions tax, and the bank deposits tax are at the same levels as were adopted at the November 2011 REC. The FY 2013 recommended growth rate for public utilities gross earnings tax relative to the FY 2012 revised estimates is 1.6 percent. For financial institution taxes and bank deposit taxes the FY 2013 recommended revenue level is unchanged from the revised FY 2012 estimate.

The health care provider assessment on nursing homes is forecasted to yield \$42.6 million, an increase of \$6,533 from the estimate that was adopted at the November 2011 REC. This increase can be attributed to the administration of the proposed tax amnesty program from September 1, 2012 through November 15, 2012. The recommended growth rate in FY 2013 health care provider assessment taxes over the FY 2012 revised estimate is 1.9 percent.

Sales and use tax collections are expected to yield \$940.9 million in FY 2013, \$72.9 million more than was adopted at the November 2011 Revenue Estimating Conference for FY 2013. The Governor proposes to expand the sales tax base to four previous exempt services. These four services include: (1) pet services other than veterinary services including laboratory testing; (2) moving, storage, warehousing, and freight services; (3) car washes; and (4) taxicabs and other providers of road transportation services.

General Revenues

The projected revenue from this expansion of the sales tax base is \$16.6 million. The Governor also proposes removing the current exemption for items of clothing and footwear that cost more than \$175 per item. The removal of this exemption is anticipated to increase sales and use tax revenues by \$13.3 million. With the establishment of a sales tax threshold for clothing and footwear, the state will lose revenues of \$1.8 million from becoming non-compliant with the Streamlined Sales and Use Tax agreement. In total, these proposed changes to the State's sales and use tax are projected to generate \$28.1 million in FY 2013. The Governor recommends reinstating the Rhode Island Economic Development Corporation's statutory ability to grant sales tax exemptions on the qualifying capital expenditures of businesses that create 100 or more net new jobs in the state. This proposal reduces revenues in FY 2013 by \$1.0 million. The Governor further recommends that the state's meal and beverage tax rate be increased from 1.0 percent to 3.0 percent. The additional revenue raised will be used to fully fund the second year of the school funding formula and provide \$11.0 million to accelerate its implementation. For FY 2013 the Governor also recommends expanding the hotel tax base to include the rental of vacation homes and the rental of rooms in bed and breakfast inns that have fewer than three bedrooms available for rent. The total fiscal impact of the meal and beverage tax and hotel tax initiatives is increased revenues of \$41.2 million. Additionally, the Governor recommends increasing the cigarette excise tax stamp rate from \$3.46 to \$3.50 per pack of 20 cigarettes. This increase yields additional sales and use taxes of \$127,052 in FY 2013. Finally, the FY 2013 budget projects increased revenue collections of \$4.4 million from the proposed tax amnesty program within sales and use tax collections. Sales and use taxes are anticipated to contribute 28.0 percent to total general revenues in FY 2013.

Motor vehicle operator license and vehicle registration fees are forecasted to equal \$48.3 million in FY 2013, an increase of \$58,650 from the amount that was adopted at the November 2011 REC. This increase is due to the Governor's proposal to impose a fee of \$100.00 for the re-inspection of any school bus that has previously failed an inspection. Motor Fuel tax revenues are projected to be \$1.1 million, the same as the estimate adopted at the November 2011 Revenue Estimating Conference.

Cigarettes tax revenues are expected to total \$135.9 million, an increase of \$7.1 million from the FY 2013 estimate adopted at the November 2011 REC. The Governor recommends increasing the cigarette excise tax stamp rate from \$3.46 to \$3.50 per pack of 20 cigarettes. This increase is projected to raise \$1.6 million. Further, the Governor seeks to change the definition of a little cigar to include all cigars with a cellulose acetate integrated filter that weigh 4.0 pounds or less per thousand cigars and require that cigarette excise tax stamps be affixed to the packs containing these cigars thereby taxing them at the same rate as packs of cigarettes. The change in the definition of little cigars is expected to increase revenues by \$2.1 million. The Governor also proposes to increase the maximum tax assessed per premium cigar from \$0.50 to \$1.00 to generate increased revenues of \$420,166. Finally the Governor's FY 2013 budget calls for the addition of four Tax Investigator positions in the Division of Taxation to fully staff its tobacco enforcement task force. These additional positions will supplement the current Tax Investigator that is responsible for enforcing the state's cigarette and tobacco tax laws. Enhanced tobacco tax enforcement is anticipated to augment cigarette tax collections by \$2.9 million. In total, these tobacco tax and enforcement proposals are expected to increase general revenues by \$7.1 million in FY 2013.

Alcohol tax revenues are projected to equal \$11.9 million. This amount is equal to the revenue estimate for alcohol taxes adopted at the November 2011 Revenue Estimating Conference.

Inheritance and gift taxes are projected to equal \$31.2 million, an increase of \$248,959 from the amount adopted at the November 2011 REC. This increase is the result of the Governor's recommendation for the administration of a tax amnesty program. Realty transfer taxes are estimated at the same level adopted at the November 2011 Revenue Estimating Conference with anticipated collections of \$6.0 million. Racing and athletics taxes are also estimated at the level adopted at the November 2011 REC.

General Revenues

The adopted estimate of \$1.1 million for FY 2013 represents a decline of \$100,000, or -8.3 percent, from the revised FY 2012 estimate. Other taxes are expected to comprise 1.1 percent of total general revenues in FY 2013.

FY 2013 departmental receipts are expected to generate \$5.1 million more than the revised FY 2012 estimate. Inclusive of the Governor's proposed changes to departmental receipts, total departmental revenues are expected to be \$345.6 million in FY 2013, or 10.3 percent of total general revenues. The Governor's FY 2013 recommended budget includes the reinstatement of the hospital licensing fee at the current rate of 5.430 percent applied to the current base of hospital fiscal year 2010 net patient revenues. In addition to the hospital licensing fee reinstatement the FY 2013 recommended departmental revenues figure includes the following proposals:

- An increase of \$186,075 from expanding the beverage container and litter participation fee to all beverage containers;
- A decrease of \$65,987 from discontinuation of the municipal wastewater treatment testing program;
- An increase of \$1.5 million from the restructuring of various licenses and renewal fees administered by the Department of Health;
- An increase of \$2.8 million in interest paid on overdue taxes from the administration of the tax amnesty program;
- A decrease of \$9,792 from eliminating the Department of Environmental Management's well drilling program;
- An increase of \$84,693 from the indirect cost recovery assessment on the Telecommunication Education Access Fund's restructured fees;
- An increase of \$47,348 in hotel tax from the administration of the tax amnesty program;
- An increase of \$252,398 in the state's share of hotel tax from the rental of vacation homes and the rental of rooms in bed and breakfast inns that have fewer than three bedrooms;

The FY 2013 recommended revenues for the other sources component totals \$392.5 million, an increase of \$483,000, or 0.1 percent, compared to the revised revenue estimate for FY 2012. Other miscellaneous revenues are anticipated to generate \$5.8 million in FY 2013 an increase of \$3.1 million from the level adopted at the November 2011 Revenue Estimating Conference. This increase is the result of the Governor's proposal to transfer \$3.1 million from the Narragansett Bay Commission (NBC) for the general obligation debt issued by the Sate of Rhode Island on behalf of the NBC.

Within the gas tax transfer component, the Governor's FY 2013 Budget shows no change from the FY 2012 revised estimate. Effective July 1, 2009, the state's general fund no longer receives any of the revenues generated by the state's \$0.32 per gallon gas tax.

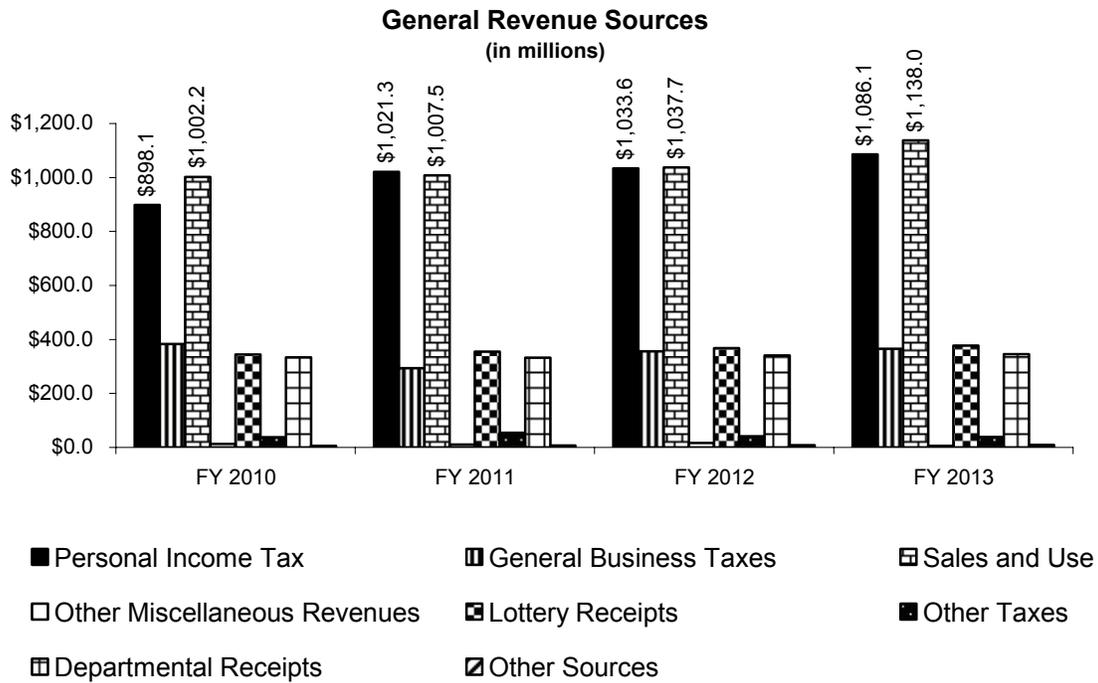
Within the lottery category, the recommended FY 2013 budget is \$9.6 million greater than the revised FY 2012 Budget, an increase of 2.6 percent. The Governor recommends no changes from the November 2011 REC estimate for the lottery transfer. In FY 2013, the lottery transfer is expected to be \$376.8 million and comprise 11.2 percent of total general revenues.

The final category of general revenue receipts is the unclaimed property transfer. In FY 2013, this transfer is expected to increase by \$2.1 million, or 26.9 percent, from the revised FY 2012 estimate. The

General Revenues

unclaimed property transfer is projected to be \$9.9 million in FY 2013, and comprises 0.3 percent of all general revenues.

The chart below shows the sources of general revenues for the period FY 2010 – FY 2013. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted.



Restricted Receipts and Other Sources of Revenue

Introduction

The Governor's recommended budget proposes changes to revenue sources other than general revenues for FY 2012 and FY 2013. The revenue estimates in the Governor's FY 2012 supplemental budget contains -\$6.0 million in restricted receipts adjustments. The FY 2013 recommended budget contains an additional \$14.9 million in restricted receipts.

FY 2012 Revised Non-General Revenues

The Governor's FY 2012 supplemental budget proposes to authorize the transfer of the remaining \$6.6 million in bond premium received by the Rhode Island Capital Plan Fund to the Technology Investment Fund which was established in the FY 2012 enacted budget.

The Governor also recommends the transfer of the Historic Credit Processing Fee account from the General Fund to the Historic Preservation Tax Credit Trust Fund. The Governmental Accounting Standards Board (GASB) statement which is in effect for periods beginning after June 30, 2012, clarified the definition of special revenues. In particular, the improved definition required the reclassification of the Historic Tax Credit Processing Fee account from a restricted receipt account in the state's General Fund to a restricted receipt account in the Historic Preservation Tax Credit Trust Fund. This reclassification reduced restricted receipts in the general fund by \$1.6 million in FY 2011, the cash deposits in the Historic Tax Credit Processing Fee account as of June 30, 2011, and increases restricted receipts within the Historic Preservation Tax Credit Trust Fund by the same amount.

FY 2013 Recommended Non-General Revenues

The Governor's FY 2013 budget proposes enhancing the Intermodal Surface Transportation Fund (ISTF) by accelerating the implementation of the increases in motor vehicle registration and operator license fees included in the FY 2012 enacted budget. In the FY 2012 enacted budget, biannual motor vehicle registration fees were to be increased by \$30.00 in \$10.00 increments, annual motor vehicle registration fees were scheduled to be increased by \$15.00 in \$5.00 increments, and operator license fees, which are renewed every five years, were scheduled to be increased by \$30.00 in \$10.00 increments. Each incremental increase was scheduled for July 1st of 2013, 2014, and 2015. The Governor proposes to fully implement all three of these fee increases effective January 1, 2013 and deposit the proceeds received in FY 2013 into the ISTF for use by the Department of Transportation (DOT). The net result to the Governor's FY 2013 Budget is an increase in other sources of revenue by \$13.6 million in FY 2013. The various fees consist of \$8.9 million in biannual registrations, \$1.8 million in annual registrations, and \$488,345 in operator licenses.

The Governor also proposes to subject the rental of vacation homes and rooms at bed and breakfast inns that have fewer than three bedrooms for rent to the state's occupancy tax of 5.0 percent, the local occupancy tax of 1.0 percent and the state sales tax of 7.0 percent. Rentals impacted by this proposal would be those that are for periods of less than 30 consecutive days in duration. The net result that will be passed through to the local governments is an increase in revenue of \$540,852. This includes the 1.0 percent local hotel tax portion and 25.0 percent of the state hotel tax that local governments receive.

The Governor recommends a reduction in the Telecommunication Education Access Fee on land line phones from the current monthly surcharge of \$0.26 to \$0.15 and the application of this reduced fee to wireless phones. These two fee changes are estimated to reduce Telecommunication Education Access receipts from land line phones by \$541,376 and increase Telecommunication Education Access receipts

Restricted Receipts and Other Sources of Revenue

from wireless phones by \$1.3 million in FY 2013. The net result is an increase in revenue of \$762,239 to the Telecommunication Education Access Fund which supports internet access for schools and libraries.

The Governor's recommended FY 2013 budget proposes to reclassify receipts from Department of Health, Chemical Dependency Professionals license and renewal fees from restricted receipt revenues to general revenues. As a result, restricted receipts will decrease by \$29,775 and general revenues will increase by the same amount.

All Sources

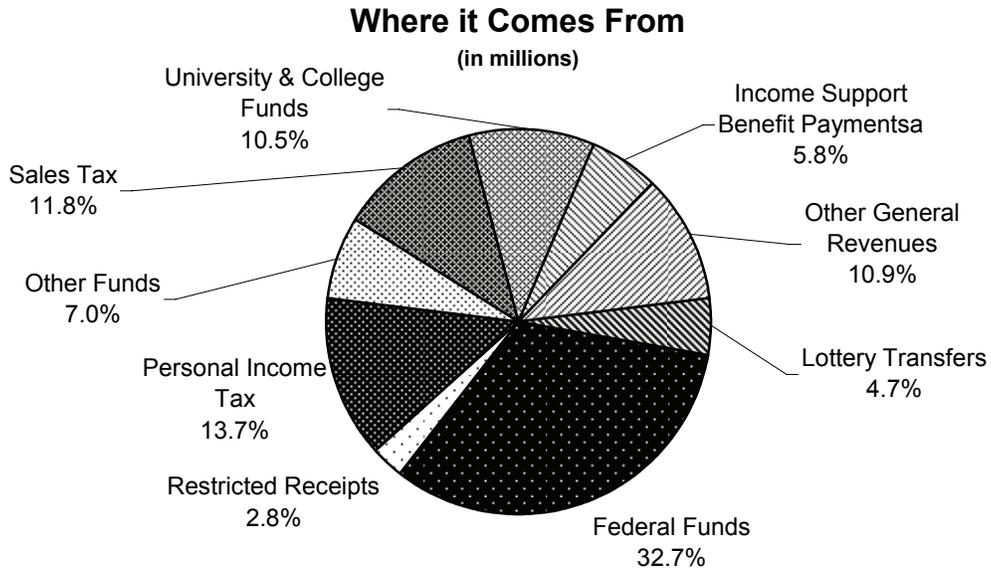
The total budget of \$7,943.8 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 32.7 percent of all funds. Over 70.0 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales Taxes combined represent 25.5 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 10.5 percent, and 5.8 percent of the total, respectively.

Remaining sources include: Other General Revenues, 10.9 percent; the Lottery Transfer, 4.7 percent; Restricted Receipts, 2.8 percent; and Other Funds 7.0 percent.



All Expenditures

The Governor's FY 2011 Budget recommendation is \$7,512.9 million all funds comprised of six functional units of state government: human services, education, general government, public safety, transportation, and natural resources.

Approximately thirty-nine percent of all expenditures are for human services, comprised of agencies that engage in a broad spectrum of activities including income support, client subsidies, case management and residential support, and medical regulation, prevention, treatment, and rehabilitation services. The FY 2011 recommended budget for all human service agencies is \$2,960.1 million.

Approximately twenty-eight percent of all expenditures are for education, which includes the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The FY 2011 recommended budget for education is \$2,110.1 million.

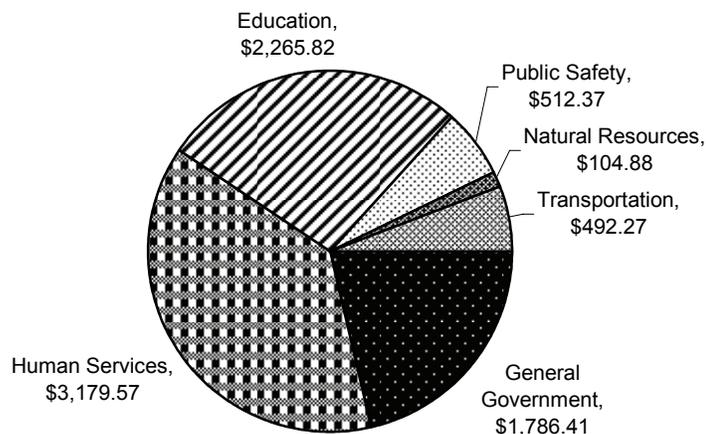
Approximately twenty percent of all expenditures are for general government, which includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. The FY 2011 recommended budget for all general government agencies is \$1,466.7 million.

Approximately six percent of all expenditures are for public safety, which is the system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The FY 2011 recommended budget for the public safety system is \$453.6 million.

Approximately six percent of all expenditures are for transportation, which provides for the state's maintenance and construction of a quality transportation infrastructure. The FY 2011 recommended budget for transportation is \$424.8 million.

Approximately one percent of all expenditures are for natural resources, which includes the Department of Environmental Management, the State Water Resources Board and the Coastal Resources Management Council. The FY 2011 recommended budget for natural resources is \$97.6 million.

**Where it Goes FY 2012
(in millions)**

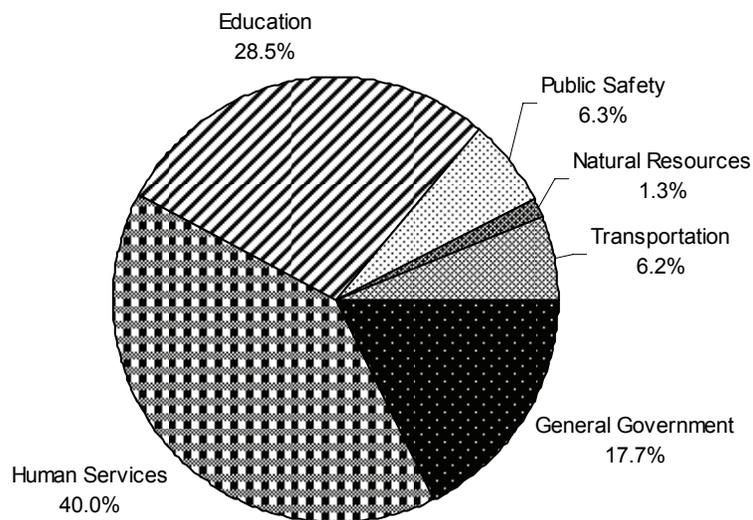


Expenditure Summary

All funds expenditures for FY 2013 are \$7.944 billion. Of this total, \$3.269 billion, or 41.2 percent, is from general revenue, \$2.594 billion, or 32.7 percent, from federal funds, \$1.856 billion, or 23.4 percent, from other sources, and \$224.1 million, or 2.8 percent, is from restricted or dedicated fee funds.

On a functional basis, the largest percentage of expenditures is made in the Human Services area, which comprises \$3.180 billion, or 40.0 percent of the total budget. This is followed by spending for Education of \$2.266 billion, which comprises 28.5 percent of all spending, and expenditures for General Government of \$1.404 billion, equaling 17.7 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$1.094 billion, or 13.3 percent of the total budget.

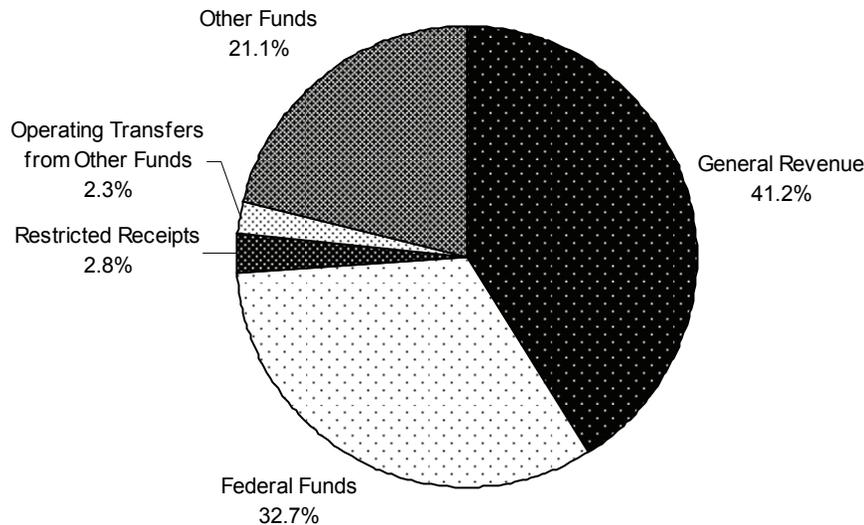
Expenditures by Function



The second way to view expenditures is by major category. On this basis, the largest share of the FY 2013 budget is for assistance, grants and benefits equaling \$3.541 billion or 44.6 percent of the total. This is followed by personnel expenditures, which comprise 22.5 percent, or \$1.785 billion, and local aid expenditures, which make up 14.2 percent, or \$1.126 million of the total budget. Expenditures for capital purchases and debt service total \$632.0 million or 8.0 percent, with the balance of spending used to finance operating expenditures and operating transfers of \$860.2 million, or 10.8 percent of the total.

Expenditure Summary

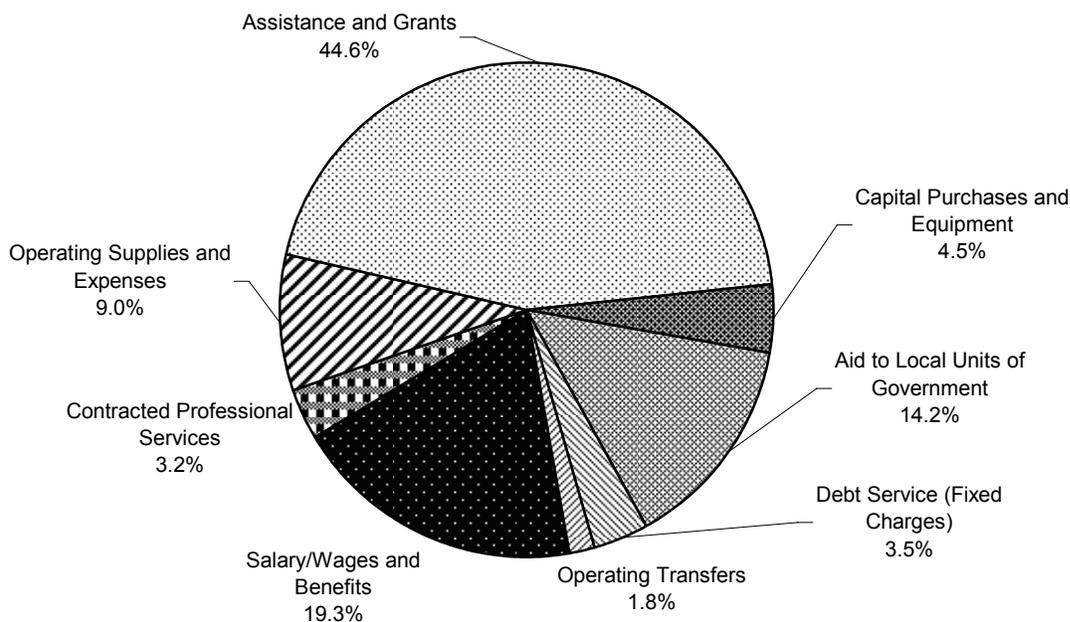
Expenditures by Source



Expenditures from general revenue total \$3.269 billion for FY 2013. By function, spending by Human Service agencies represents the largest share with expenditures, totaling \$1.286 billion, or 39.3 percent of the general revenue budget. This is followed by spending for Education, which totals \$1.114 billion, or 34.1 percent. General revenue expenditures for General Government and Public Safety comprise \$427.4 million (13.1 percent) and \$404.9 million (12.4 percent), respectively. Expenditures for Natural Resources comprise \$36.9 million, or 1.1 percent of total general revenue spending. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel.

Expenditures Statewide

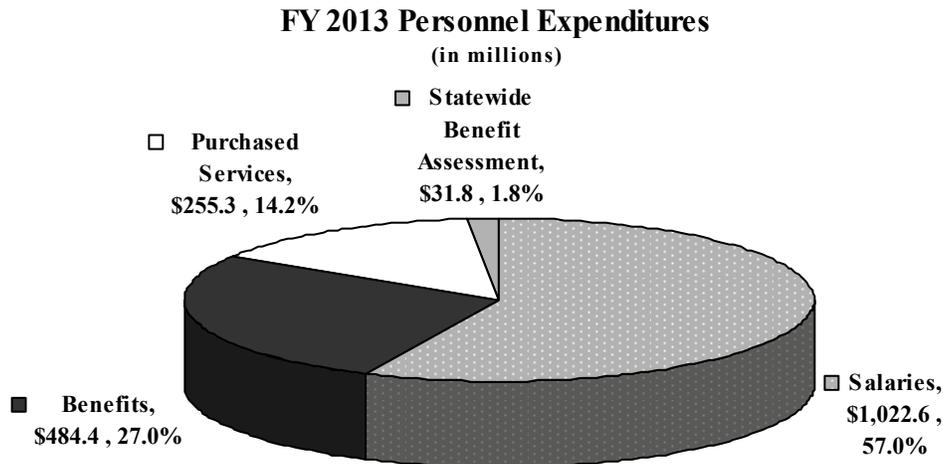


Expenditure Summary

The largest component is assistance, grants, and benefit expenditures of \$1.138 billion, comprising 34.8 percent of total general revenue spending. Local Aid expenditures of \$959.3 million represent 29.3 percent of total spending; personnel expenditures of \$855.6 million comprise 26.2 percent of the budget; operating expenditures and operating transfers total \$133.5 million, or 4.0 percent of the budget; and, capital expenditures and debt service total \$182.5 million, or 5.6 percent of the total general revenue budget.

Personnel Summary

The Governor's FY 2013 recommended budget finances personnel at \$1.79 billion. This includes \$1.5 billion for salary and benefits (84.0 percent), \$255.3 million for purchased services (14.2 percent), and \$31.9 million for such statewide benefits as severance, unemployment and workers compensation that are funded by a statewide assessment. This total includes expenditures financed from general revenues, federal grants, restricted receipts, other funds, and internal service funds. General revenue finances 47.0 percent of FY 2013 personnel expenditures. Federal funds finance 23.2 percent, Other Funds (primarily college tuition funds) and Internal Service Funds finance 25.1 percent, and restricted receipts finance the remaining 4.7 percent. The personnel supplements provided in the budget volumes contain all expenditures for personnel, including those of the internal service funds, as noted above. Since internal service fund positions are financed through charges to state agencies categorized as operating expenses, totals shown will differ in some cases from personnel costs shown in complementary documents of the FY 2013 Budget. After adjusting to reflect internal service fund personnel expenditures in the personnel category rather than as an operating expense, personnel expenditures constitute approximately 21.5 percent of the state budget, the second largest category of spending (after assistance, grants and benefits).



Personnel expenditures recommended for FY 2013 increase by only \$45,357 from the FY 2012-revised budget, and by \$74.9 million from the FY 2012 enacted budget. From the enacted budget, direct salaries increase by 3.9 percent, overtime decreases by 11.2 percent, fringe benefits increase by 4.5 percent overall, with retiree health and retirement decreasing slightly. Medical benefits (including the medical waiver bonus) increase by 9.2 percent.

Constrained Hiring

The Governor recommends that State Government continue to operate with fewer state employees and that several measures be taken to reduce the overall cost of the workforce. Rhode Island state government experienced significant attrition from retirements in FY 2009. Between May 1, 2008 and October 1, 2008, 1,396 state employees, who were members of the Employees Retirement System, retired. Overall, state employee full time equivalent positions have been reduced from the FY 2008 final enacted level of 15,688.7 to 14,942.2 in the FY 2012 enacted budget, a reduction of 746.5 positions. In the FY 2012 revised budget, the Governor recommends an FTE level of 14,934.0, a decrease of 8.2 FTE's from the FY

Personnel Summary

2012 enacted budget. In the FY 2013 budget, the Governor recommends a reduction of 104.3 FTE's from the FY 2012 revised budget, or 14,837.7 FTE positions.

Government Reorganizations

The Governor's recommended budget for FY 2013 includes the following transfers of FTE's:

- **EOHHS Reorganization:** The Governor recommends a further personnel reorganization within the Human Services function involving the transfer of positions into the Executive Office of Health and Human Services. 4.0 FTE's are transferred from the Department of Health, and 1.0 FTE is transferred from the Department of Human Services.
- **Heating Assistance:** The Governor recommends the transfer of 9.0 positions from the Office of Energy Resources to the Department of Human Services as part of the legislatively mandated transfer of the Low Income Home Energy Assistance Program (LIHEAP).
- **Higher Education Assistance Authority:** The Governor recommends the merger of the Higher Education Assistance Authority with the Office of Higher Education, including the transfer of 41.6 FTE positions.
- **Office of Management & Budget:** The Governor recommends the creation of a new unit in the Department of Administration to coordinate budgetary, federal grant management, and performance management functions. The reorganization involves the addition of 11.0 FTE.

Current Retiree Health Benefit Structure

In order to address the unfunded liability associated with retiree health benefits and reduce the ongoing cost to the taxpayer, eligibility requirements and co-share percentages for retiree health were modified in the 2008 session of the General Assembly. The new plan provided that employees retiring after October 1, 2008 would be eligible for retiree health coverage through the State if they are age 59 or over with a minimum of 20 years of service. For employees retiring before October 1, 2008, an employee with over 10 years of service as of July 1, 2005 was eligible for retirement with at least 28 years of service at any age, or at least 10 years of service and at least age 60, and was therefore eligible for retiree health. For those employees with less than 10 years of service prior to July 1, 2005, the employee had to be age 59 with at least 29 years of service, age 65 with ten years of service, or age 55 with 20 years of service in order to be eligible for retirement and therefore also eligible for retiree health. The enacted reform modified the co-share percentage to require a 20 percent co-share on the full cost of the early retiree or post-65 plan in which the retiree is enrolled. For those retiring prior to October 1, 2008, the early retirees pay a co-share based on years of service on the active employee rate. For these employees retiring prior to October 1, 2008, who are over age 60 with at least 28 years of service, the state pays 100 percent of the cost of the plan.

Funding of Retiree Health Unfunded Liability

The Governor's recommended budget includes previously added provisions requiring that the State fund retiree health benefits on an actuarial basis and amortize the unfunded liability over a thirty year period. This funding mechanism will provide transparency with respect to the true cost of the benefit offered to state employees after employment. In compliance with GASB Statements 43 and 45, "Other Post Employment Benefits," in July 2007, the State obtained an actuarial estimate of the unfunded liability relating to retiree medical benefits. Pursuant to GASB Statement 45, "Other Post Employment Benefits" the State obtained an updated actuarial valuation of the unfunded liability relating to retiree medical benefits for the period ending

Personnel Summary

June 20, 2009. The unfunded liability as of June 30, 2009 was determined to be approximately \$774.7 million, including \$673.6 million for State employees, \$67.1 million for State Police, \$11.8 million for Legislators, and \$8.7 million for Judges, and \$13.5 million for the State's share for teachers. This was calculated using an investment rate of return of 5.0% and assumes that future funding will be on an actuarial basis. The annual required contribution as a percentage of payroll in FY 2013 is budgeted at 6.86%, 33.18%, 46.35% and 7.19% (no rate for teachers), respectively. Prior to FY 2011, the State had not set aside any funds on an actuarial basis to address the unfunded retiree medical benefit liabilities. During the 2008 session of the General Assembly, in order to begin funding this unfunded liability, legislation was enacted that would require the State to fund on an actuarial basis and authorized creation of a trust fund for retiree medical benefit liabilities. During the 2009 Session of the General Assembly, this actuarial funding requirement was delayed until FY 2011.

Beginning with the first pay period of FY 2011, the state began providing the resources necessary to the OPEB trust fund to finance retiree health benefit costs on an actuarial basis, which will be used to pay current benefits and hold assets for investment.

Because a new actuarial study had not been completed at the time, the FY 2013 current services targets assumed that retiree health rates would remain the same as in FY 2012. A new actuarial study based on fiscal year ending June 30, 2011 data is expected to be completed in February 2012.

Statewide Cost of Living Adjustment

Most current labor contracts expire June 30, 2012. Without a negotiated cost of living adjustment, no accommodation has been made in the FY 2013 Budget for any such increase.

State of Rhode Island Earns Gold Level Well Workplace Designation

In July 2009, the State of Rhode Island earned a Gold Level Well Workplace designation by the Wellness Councils of America (WELCOA). The designation is in place for three years until the end of FY 2012. Gold Well Workplaces are organizations that have successfully built comprehensive worksite wellness initiatives and are demonstrating and documenting concrete outcomes. By achieving this level of excellence in workplace wellness programming, the State of Rhode Island demonstrates its commitment to protecting and enhancing the health and well-being of its employees. Through its partnership with United Healthcare, the State has offered employees onsite activities and health screenings, annual health risk assessments, stress management and nutrition seminars and physical activity programs. Previously, the State of Rhode Island held a Silver Level designation. Based in Omaha, Nebraska, WELCOA is a national non-profit membership organization that is dedicated to promoting healthier lifestyles for all Americans, especially through health promotion initiatives at the worksite. The State's initiative helps employees stay healthy, get healthy or live better with an existing illness, at the same time detecting and preventing illness which could result in lower medical benefit claims costs. These claims costs are born by the State and the employees through the medical benefit co-share. Participation in pre-determined wellness programs and screenings allows eligible employees to earn up to \$500 in credit toward their health insurance co-shares.

Employee Medical Benefits

The FY 2012 enacted budget for health benefit costs was predicated upon a planning value of \$15,722 based on a weighted average of the three cost components, consisting of medical, dental, and vision rates for both individual and family plans. The currently active rates for FY 2012, which are the rates used in the revised FY 2012 budget as recommended, are revised to a new weighted average of \$15,651. This is a decrease of approximately 0.5 percent from the enacted level.

Personnel Summary

For FY 2013, the budget instructions contained an estimated planning value equal to \$16,956, an approximate increase of 7.8 percent from the original FY 2012 planning value of \$15,722. This is the increase upon which the statewide target adjustment was based.

	FY 2012 Enacted	FY 2012 Revised SWP	FY 2013 Planning SWP
Health Benefits Cost			
Medical	\$ 6,563	\$ 6,559	\$ 7,117
Vision	87	84	\$ 87
Dental	374	350	\$ 371
Individual	\$ 7,024	\$ 6,993	\$ 7,575
Medical	18,399	18,386	\$ 19,949
Vision	184	177	\$ 184
Dental	1,046	978	\$ 1,037
Family	\$ 19,629	\$ 19,541	\$ 21,170
Weighted Average Annual Cost Per FTE Position - All Plans			
Medical	\$ 14,730	\$ 14,720	\$ 15,971
Vision	\$ 154	\$ 148	\$ 154
Dental	\$ 838	\$ 783	\$ 831
Total	\$ 15,722	\$ 15,651	\$ 16,956

Most employees pay a co-share for medical benefits based on a percentage of premiums. The negotiated schedule provides for sliding co-shares based upon salary level, as shown in the following chart:

Health Co-Shares FY 2012 and FY 2013		
Family Plans co-Share – Percent of Premium		
Salary Range		
Below \$47,741		15.0%
\$47,741 - \$95,481		20.0%
Over \$95,481		25.0%
Individual Plans Co-Share – Percent of Premium		
Salary Range		
Below \$95,481		20.0%
Over \$95,481		25.0%
Part-Time Employees (percentages apply to both individual and family coverage)		

Personnel Summary

Salary Range			
Below \$90,000			20.0%
Over \$90,000			35.0%

Full-Time Equivalent Positions (FTE)

The FY 2012 enacted budget contained 14,942.2 full-time equivalent (FTE) positions, including 785.0 FTEs that are federal/sponsored research positions in Higher Education. In order to both maintain an acceptable level of critical services and to constrain hiring due to financial constraints, the Governor recommends 14,934.0 FTE in the revised FY 2012 budget, a decrease of 8.2 FTEs from the enacted level, primarily in federal and other funds. In FY 2013, the Governor recommends a total FTE level of 14,837.7, including 776.2 Higher Education federal/sponsored research positions, a net decrease of 96.3 FTE's from the revised FY 2012 level and a 104.5 decrease from the FY 2012 enacted level.

In **General Government**, the Governor recommends a net decrease of 113.3 FTE positions in FY 2013 from the FY 2012 enacted budget. The decrease is centered in the Department of Labor & Training (105.8), the federal funding for which has ended. There is also a 29.0 FTE reduction in the Department of Administration due to program reductions in the Bureau of Audits (12.0), Human Resources (12.0), Planning (1.0), and Information Technology (12.0), as well as an increase of 11.0 FTE's in the new Office of Management & Budget. There are additional reductions in Business Regulation (2.0) and the Board of Elections (1.0), and an additional position in the consumer unit of the Public Utilities Commission. In the Department of Revenue, the Governor recommends 23.5 additional positions, 13.5 net in the Division of Motor Vehicles, 6.0 investigative auditors in Municipal Finance, and 4.0 tax investigators in the Division of Taxation.

In **Human Services**, the Governor recommends a net decrease of 17.5 FTE in FY 2013 from the FY 2012 enacted FTE cap. In addition to the transfers discussed above, this includes a reduction of 22.0 positions in the Supplemental Nutrition Assistance Program (SNAP) in the Department of Human Services, as well as a reduction of 35.0 FTE's in FY 2012, reflecting a delay in the proposed expansion of the Veteran's Home in the enacted budget; and an additional 9.0 FTE's in FY 2013. In the Executive Office of Health and Human Services, the Governor recommends an additional 14.0 FTE's, including 5.0 program additions and 5.0 positions for audit oversight. In the Department of Health, the Governor recommends 6.0 additional food inspectors and a reduction of 8.0 in the laboratory. The Governor recommends 5.0 additional positions in the Substance Abuse program in the Department of Behavioral Healthcare Developmental Disabilities, and Hospitals. Finally, the Governor recommends additional FTE's due to the Race to the Top federal grant in the Departments of Children, Youth and Families (3.0), Health (3.0), and Human Services (2.5).

In **Education**, the Governor recommends a net increase of 30.4 FTEs in FY 2013 from the FY 2012 enacted budget. This includes a net increase of 7.0 FTE's in Elementary and Secondary Education, 14.0 in the federal Race to the Top grant, offset by a reduction of 6.0 federally-funded school-based coordinators that will be transferred to school districts. Public Higher Education includes an increase of 66.0 FTE's, 42.0 due to the Higher Education Assistance Authority merger, as well as 14.0 new faculty members at the University of Rhode Island, and 8.0 new faculty members and 2.0 staff at Rhode Island College. There is also a 1.0 FTE program reduction in the Public Telecommunications Authority

In **Public Safety**, there is a net decrease of 0.6 FTEs in FY 2013 from the FY 2012 enacted budget. The Governor recommends an additional 2.0 federally funded fingerprint operators in the Office of the Attorney General and 3.0 additional fire safety inspectors and investigators in the Department of Public Safety. The

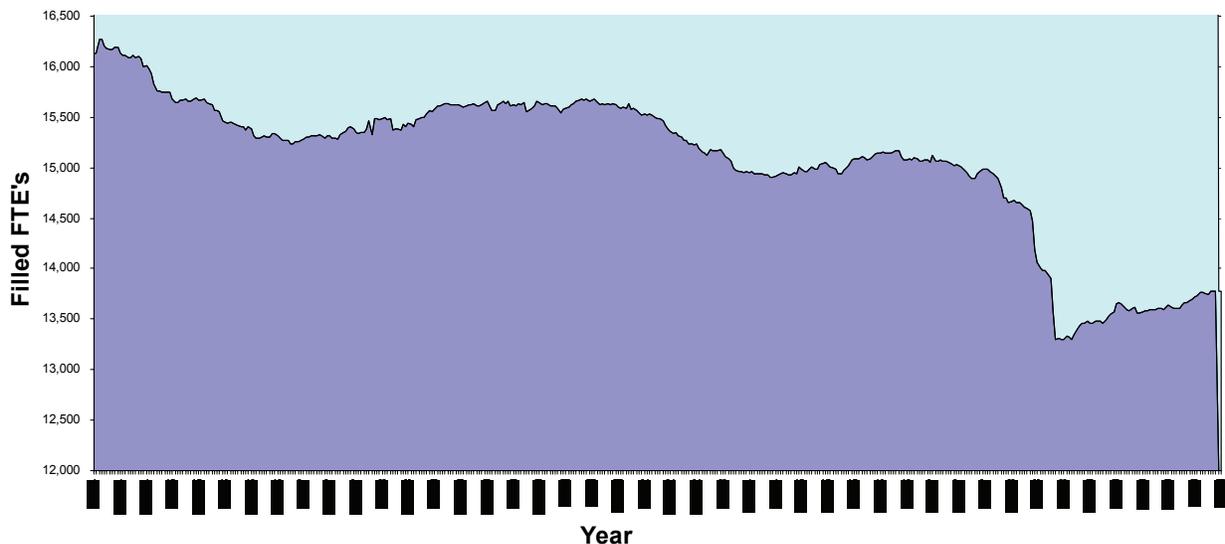
Personnel Summary

Governor also recommends a reduction of 1.0 FTE in the Office of the Public Defender due to the loss of federal funds, and a reduction of 5.0 FTE's in the Military Staff, 4.0 maintenance FTE's in the National Guard program and 1.0 FTE in Emergency Management.

In **Natural Resources**, there is reduction of 3.5 FTE's. The Governor recommends reductions in the Department of Environmental Management of 3.0 FTE's due to the loss of federal funds. In the Coastal Resources Management Council, the Governor recommends a reduction of 1.0 FTE due to the loss of federal funds, and an additional 0.5 FTE for a staff attorney.

In **Transportation**, the Governor recommends no change from the enacted levels of 772.6, in both FY 2012 and FY 2013.

As directed by the Governor, the overall filled FTE level must be constrained through careful management by cabinet directors and other agency heads of existing and upcoming vacancies. Actual filled positions totaled 13,705.1 as of January 14, 2012, a 531.8 position increase from the 13,173.3 filled position level as of January 15, 2011, but still 1,377.7 below the 15,082.8 in July 2007. The filled level is 1,237.1 FTEs less than the enacted cap of 14,942.2. Because of resource constraints, as reflected in the Governor's recommended turnover across most agencies, there are FTE's in the roster that will not be filled in FY 2012 or FY 2013.



Salaries and Benefits

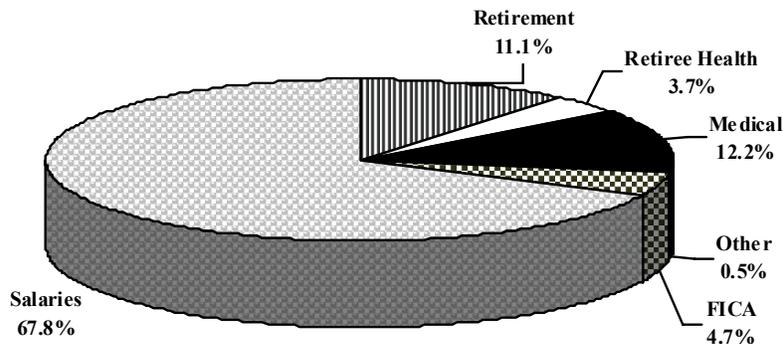
The largest category of personnel expenditures is for salaries and benefits. Salaries and benefits (including temporary and seasonal) represent \$1,507.0 billion or 84.0 percent of total personnel costs. Salaries, including payroll accrual, overtime, holiday, and other salary-related items, equal \$1.022.6 billion and fringe benefits equal \$484.4 million. Fringe benefit payments include \$167.8 million for retirement costs, \$183.2 million for medical benefits (including \$181.7 million for benefit plans and \$1.5 million for medical benefits-salary disbursements), \$55.3 million for retiree health benefits, \$70.8 million for FICA, and \$7.3 million for other benefits, including group life insurance and other contract stipends. In addition, the statewide benefit assessment is included to finance severance, unemployment, employee assistance, workers' compensation payments and administrative costs, and DLT employer assessments, and totals \$31.8 million.

Direct Salaries (including uncompensated leave days) increase by 5.8 percent in the FY 2012 Revised Budget

Personnel Summary

over FY 2011 (audited expenditures), but decreases by 0.2 percent in FY 2013 over FY 2012 revised. When adjusted for overtime, which decreases in the FY 2012 revised and FY 2013 budgets, the respective salary change is an 8.2 percent increase in FY 2012 and a 1.5 percent growth in FY 2013. The FY 2013 budget includes no longevity increases for non-union personnel and for union personnel whose contracts end June 30, 2012, as these were abolished in the FY 2012 enacted budget.

FY 2013 Salaries and Benefits



Fringe benefit adjustments increase by 10.0 percent in FY 2012 revised over FY 2011 actual expenditure and increase by 4.5 percent in FY 2013 over FY 2012 enacted. Most benefits increase only marginally. **Retirement** decreases by 0.6 percent from the enacted budget in FY 2013 and by 3.3 percent from the FY 2012 revised budget. This includes a one percent defined contribution addition of \$6.7 million. Within state agency budgets, state employer retirement contributions are budgeted at 22.98 percent of payroll for FY 2012 enacted and revised, but at 21.18 percent in FY 2013. **FICA** increases by only 1.5 percent in FY 2013 from the enacted budget but decreases by 0.6 percent from the revised budget. **Retiree Health** decreases by 0.3 percent in FY 2013 from the FY 2012 enacted budget. The rate remains at 6.86 percent in FY 2012 and FY 2013 for state employees, which assumes a transition to actuarial-based funding and amortization of the unfunded liability over a thirty year period.

The largest fringe benefit increase is in **medical benefits**. The recommended budget for FY 2012 revised of \$167.2 million includes an overall increase of 2.3 percent over FY 2011 actual expenditure levels. For FY 2013, the recommendation of \$183.2 million in medical benefits is an increase of 10.2 percent from the recommended revised budget amount for FY 2012. Part of this increase is due to a medical holiday included in the enacted FY 2012 budget that will not occur in FY 2013.

Workers' compensation costs budgeted directly in the agencies in FY 2012 and FY 2013 are \$100,546 and are funded in the Department of Corrections.. These amounts reflect the continuation of wages in excess of those amounts received as a result of the Workers' Compensation statute (primarily as a result of assault cases). Since FY 2001, all workers' compensation costs, as well as unemployment insurance and unused leave severance payments, have been paid from a separate Assessed Fringe Benefits Administrative Fund. The fund is financed by a statewide benefit assessment of a fixed percentage of

Personnel Summary

direct salaries that is charged to every department and agency in this document. The FY 2012 revised budget includes a small decrease in the **assessed fringe benefit** rate from the initial planning value of 4.0 percent to 3.75 percent for regular state employees. However, certain agencies and/or certain employee classifications are not assessed the full rate because they do not receive worker's compensation benefits. Also, certain higher education employees do not receive severance payments. The assessed fringe benefit rate is applied to all direct salaries, except overtime. Expenditures from the fund have grown from \$31.1 million in FY 2008 to \$43.1 million FY 2009, but decreased in FY 2010 to \$28.8 million. The surge in severance payments was due to the large number of employees that retired prior to changes in retiree health benefit provisions, which became effective October 1, 2008. The FY 2012 revised budget is \$32.1 million, an increase of 3.3 percent from FY 2011 actual expenditure. The budget in FY 2013 is \$31.8 million, a decrease of 0.7 percent from the revised recommendation.

The Assessed Fringe Benefit Fund is used to fund the following: services provided by the Donley Center; services of the Workers' Compensation Court; the Division of Workers' Compensation administrative costs related to workers' compensation activities; workers' compensation benefit payments to employees; payments to workers' compensation providers; unemployment compensation payments; severance payments to employees for unused leave upon termination from state service; and Cornerstone Program administrative costs for the Flexible Health savings account.

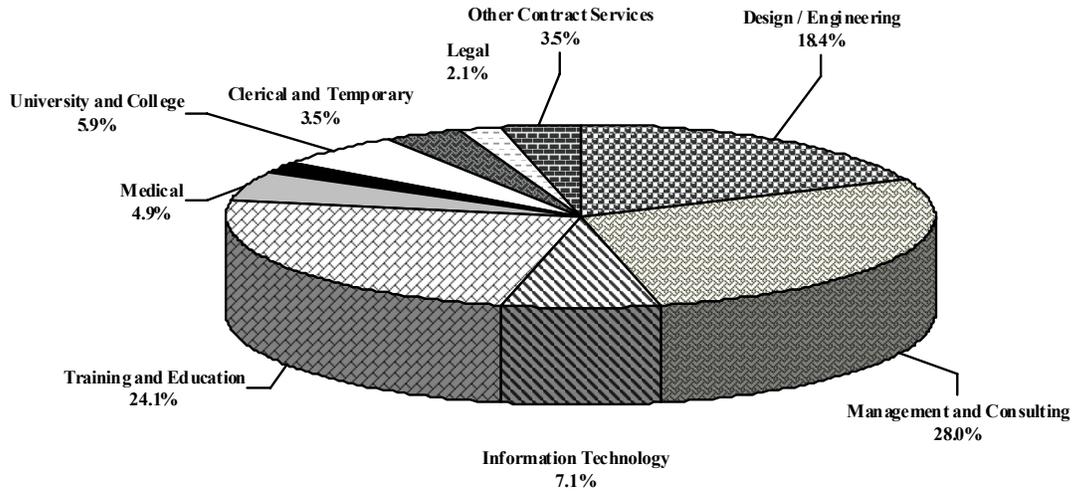
Purchased Services

Purchased Services costs in the FY 2013 Budget are \$255.3 million, and represent 14.2 percent of total personnel costs. Expenditures in this category are for services provided by outside contractors in cases where special expertise is needed or where it would be less effective to hire full-time employees. Major categories of expenditure are management and consulting services (comprising 28.0 percent of the total), design and engineering services (comprising 18.4 percent), training and education services (comprising 24.1 percent), and information technology services (7.1 percent).

Recommended expenditures in FY 2012 revised are \$32.9 million more than FY 2012 enacted expenditure, an 8.0 percent increase in spending for services, including training and education services (\$7.2 million), management services (\$8.6 million), university/college services (\$10.5 million), and information technology services (\$6.3 million). Recommended expenditures in FY 2013 are \$13.9 million less than FY 2012 revised. The greatest decreases are in university and college services, design and engineering services, and information technology services. A major reason for the decline is the finalization of project work in FY 2011, particularly in the areas of university/college services, information technology and design and engineering services, and the policy goal to reduce contract employee services.

Personnel Summary

FY 2013 Purchased Services



For each department or agency of state government, the Budget volumes contain an agency summary of personnel costs. For each program, the Budget volumes display all positions and their respective costs. Footnotes will assist readers in understanding variances between the years. Additionally, there are a number of terms used that are not part of every day usage. A Glossary with extended explanations is included in the back of the Technical Appendix. For more information on the codes used to identify the pay scales, refer to the Glossary. Pay scales are provided on the State's Human Resources web site under the Compensation and Classification section.

General Government

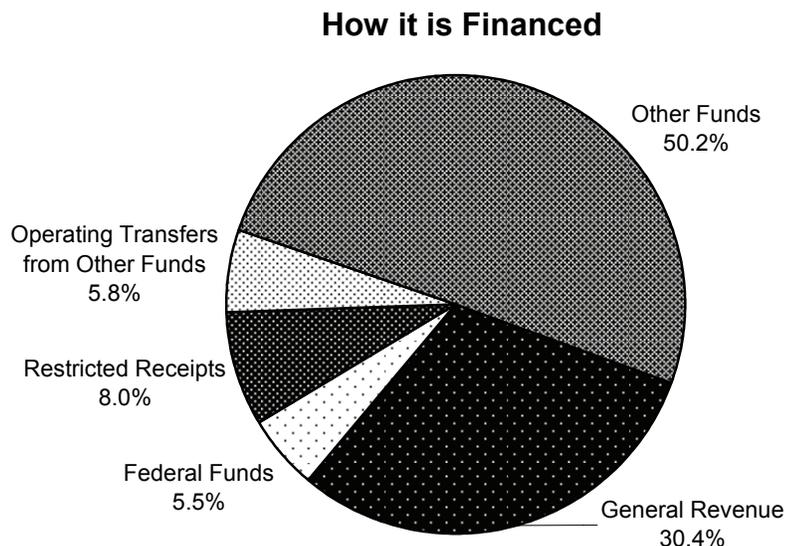
General Government

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 2,283.3 FTE positions in the revised FY 2012 budget and 2,157.0 FTE positions in FY 2013 within general government agencies.

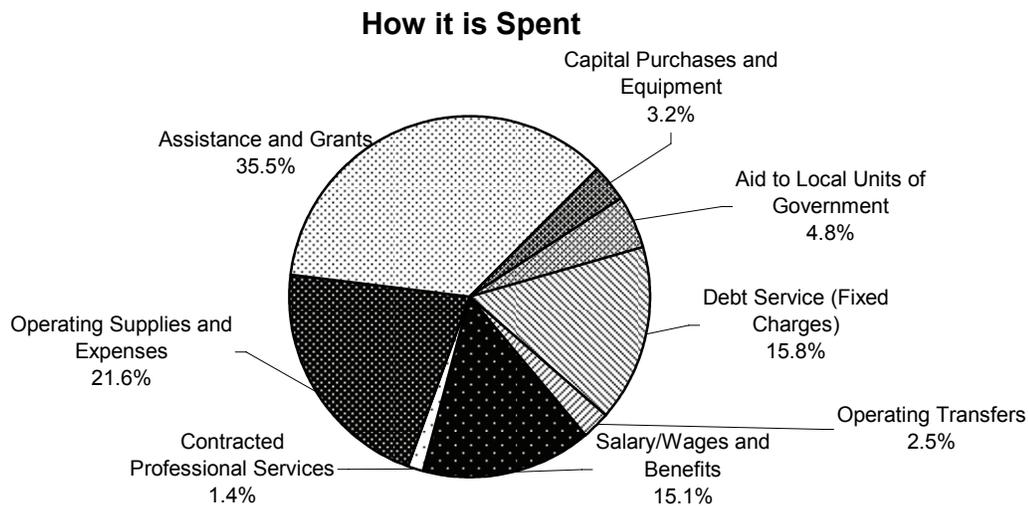
The FY 2012 revised budget for General Government agencies totals \$1.756 billion, including \$420.8 million in general revenue, \$320.6 million in federal funds, \$115.4 million in restricted receipts, and \$899.6 million in other funds. The revised budget from all fund sources for General Government agencies is \$338.5 million, or 23.9 percent, more than the FY 2012 enacted budget of \$1.418 billion. Of the \$1.756 billion recommended for FY 2012, \$832.8 million is for grants and benefits, \$299.4 million is for operating, \$245.8 million is for personnel, \$69.7 million is for local aid, \$217.2 million is for debt service, \$41.4 million is for capital, and \$50.0 million is for operating transfers.

For FY 2013, the Governor recommends expenditures of \$1.404 billion for General Government programs. The programs are financed with \$427.4 million of general revenues, \$77.6 million of federal funds, \$112.8 million of restricted receipts, and \$786.7 million of other funds. The FY 2013 recommendation for General Government agencies is \$13.4 million, or 0.9 percent, less than the FY 2012 enacted level.



Of the \$1.404 billion recommended for FY 2013, \$498.8 million is for grants and benefits, \$303.5 million is for operating, \$232.2 million is for personnel, \$67.3 million is for local aid, \$222.5 million is for debt service, \$44.9 million is for capital, and \$35.1 million is for operating transfers. The General Government function represents 17.7 percent of the total budget for Rhode Island.

General Government



General revenue financing for General Government agencies in FY 2013 increases by \$16.3 million, or 4.0 percent, from the FY 2012 enacted appropriations. The increase is primarily attributable to the Department of Administration, the Department of Revenue, and the Legislature which increase by \$10.6 million, \$2.4 million and \$2.2 million, respectively. Other general revenue increases include \$703,561 more for the Secretary of State's office, \$175,670 more for the Department of Business Regulation and \$118,211 more for the Board of Elections.

In FY 2013, federal funds recommended in General Government agencies decrease by \$102.7 million, or 57.0 percent, from the FY 2012 enacted level. The change is largely attributable to the Department of Labor and Training, where the Governor recommends a decrease of \$42.5 million due to the expiration of enhanced and extended federal stimulus unemployment compensation and \$6.7 million less for non-stimulus Unemployment Insurance administrative funds. The Governor also recommends \$43.2 million less for the Department of Administration, mostly attributable to transfer of the Low Income Home Energy Assistance Program to the Department of Human Services, and the end of some stimulus grant authorization. In the Executive Office, the Governor recommends addition of \$957,243 for a total of \$1.1 million, as the federally-funded Health Benefit Exchange is instituted in the office.

Recommended FY 2013 restricted receipts increase by \$31.7 million, or 39.1 percent from the FY 2012 enacted level, which includes increases of \$19.6 million for the Department of Labor and Training, \$7.5 million more for the Department of Administration, and \$4.4 million more the General Treasury. The increase in Labor and Training is attributable to an operating transfer to the Employment Security Trust in the amount of \$18.6 million. In the Department of Administration, the restricted receipt increase corresponds to addition of \$5.6 million for the Investment Technology Fund, which will finance informational technology projects statewide. In the General Treasury, the increase represents transfer to the general fund surplus from the Unclaimed Property Program, approximately \$3.7 million greater than the enacted amount.

Other funds recommended in FY 2013 increase by \$41.3 million, or 5.5 percent, from the FY 2012 enacted level. This change is largely due to an increase of \$17.3 million for the Department of Labor and

General Government

Training due to payment of interest to the federal government for its borrowing from the federal Unemployment Insurance program. In the Department of Revenue, an increase of \$14.3 million relates to projected increase in Lottery collections, which has a corresponding increase on Lottery expenditures. The other funds increase of \$9.6 million in the Department of Administration relates mostly to increases in Rhode Island Capital Plan Fund financing for various projects under its purview, offset by reduction of debt service for Department of Transportation debt.

General Government

Department of Administration

The Governor's FY 2012 revised budget recommendation for the Department of Administration is \$447.9 million. This consists of \$248.9 million from general revenue, \$96.6 million from federal funds, \$19.6 million from restricted receipts, and \$82.8 million from other funds. This recommended level reflects an increase of \$33.9 million when compared to the FY 2012 enacted budget, and it consists of \$2.4 million more general revenues; \$27.5 million more federal funds; \$4.4 million more other funds; and \$429,832 less restricted receipts.

Compared to the FY 2012 enacted budget, the increase of \$2.4 million in general revenue expenditures include the following: a) an increase of \$776,347 to maintain information technology services to state agencies due to the corresponding decrease of federal revenue; b) an increase of \$3.0 million to restore statewide medical holiday savings of \$3.0 million that was authorized in the FY 2012 enacted budget, but resided in the Department of Administration and has now been re-distributed to all other state departments and agencies, including the legislative and judicial branches of state government; c) a net increase of \$720,516 for janitorial and other facilities maintenance supplies to finance current service costs for the Division of Facilities offset by reductions in utilities; d) a decrease of \$5.6 million for net debt service cost savings due to a refunding of outstanding general obligation bonds (\$4.5 million), Historic Structures Tax Credit (\$1.4 million), and tax anticipation notes (\$0.8 million); e) an increase of \$2.0 million for a shift from other funds to general revenue for debt service cost for the Department of Transportation; f) an increase of \$1.2 million for debt service costs related to higher than anticipated issuance of certificates of participation (\$0.5 million) and a capital reserve deficiency for performance-based debt related to Fidelity job rent credits and g) an increase of \$1.1 million for a one-time funding of the America's Cup event (\$770,000), which would assist in boosting tourism receipts and a (\$300,000) increase for a statewide study and review of the state's personnel system.

The increase in federal funds expenditures in the Governor's FY 2012 revised budget, when compared to the FY 2012 original enacted level, is due primarily to the following: a) an increase of \$8.7 million for the creation of a revolving loan fund that would lend to small businesses for capital investments and job creation through the federal "State Small Business Credit Initiative"; b) a shift of \$2.0 million in debt service payments under the federal "Build America Bonds" program from gas tax funded transportation debt; and c) an increase of \$17.4 million for available federal authorization pursuant to the American Recovery and Reinvestment Act of 2009 for the development and implementation of a state energy plan (\$9.9 million), disbursement of weatherization grants under the federal weatherization program (\$2.5 million), and disbursements under the Energy and Conservation Block Grant (\$5.0 million).

The increase of \$4.4 million over the original FY 2012 enacted level for other funds expenditures, as recommended by the Governor, is attributable to an increase of \$8.9 million for various projects financed from the Rhode Island Capital Plan (RICAP) Fund. This increase in RICAP funding is offset by a reduction of \$4.4 million in debt service outlay for the Department of Transportation by a transfer of \$2.0 million to general revenues, and a transfer of \$2.0 million to federal funds under the "Build America Bonds" program.

The decrease in restricted receipts expenditures, as recommended by the Governor, when compared to the original FY 2012 enacted level, is due to: 1) a decrease of \$0.2 million in the Contractors Registration and Licensing Board, 2) a decrease of \$160,000 in the Office of Energy Resources, Exxon Interest (\$0.1 million) and Stripper Well Interest (\$60,000); and 3) an increase of \$0.1 million in appropriation offset in the Division of Information Technology clearing account for an anticipated increase in expenditures.

The Governor recommends a revised FTE positions ceiling of 694.2 or a reduction of 0.4 FTE position from

General Government

the level authorized in the FY 2012 enacted budget. This reduction reflects reduced working hours for an FTE position in the department.

For FY 2013, the Governor recommends an all funds budget of \$398.5 million, including; \$257.0 million from general revenue; \$25.9 million from federal funds; \$27.5 million from restricted receipts; and \$88.0 million from other funds. This expenditure level reflects a decrease of \$15.5 million when compared to the same level enacted for FY 2012. This decrease in funding consists of an increase in general revenue of \$10.6 million; a decrease in federal funds of \$43.2 million; an increase in restricted receipts of \$7.5 million; and an increase of \$9.6 million in other funds.

The increase in requested general revenue expenditure authority in FY 2013 over the FY 2012 enacted budget consists primarily of an increase of a \$3.0 million in personnel costs, a \$1.0 million increase in operating, and a \$7.8 million increase in debt service. All other categories of expenditure decrease by approximately \$3.2 million, including an across-the-board reduction of 25 percent for community service objective grants.

The increase in personnel costs is inclusive of the restoration of the medical holiday savings in FY 2012 Enacted. This increase in personnel costs is offset by savings from the elimination or reduction in several programs, including the Bureau of Audits, Human Resources and Statewide Planning, offset by increases for a new program recommended by the Governor, the Office of Management and Budget. The goal of this new office is to establish a comprehensive public finance and management system for Rhode Island that manages a data-driven budget process, monitors state departments' and agencies' performance, maximizes the application for and use of federal grants and ensures accountability and transparency regarding the use of public funds. Also included within personnel financing is the establishment of a defined contribution plan requiring a state share of one percent.

Within debt service, there are several items that contribute to the \$7.8 million increase, including 1) an increase of \$1.5 million for the Interstate 195 (I-195) land purchase by the Economic Development Corporation from the Department of Transportation; 2) an increase of \$600,000 for a proposed COPS issuance related to information technology investments and 3) an increase of \$4.1 million for the next phase of the Energy Conservation COPS issuance.

The overall decrease in federal funds expenditure, as recommended by the Governor, when compared to the FY 2012 enacted level, consists of the following: a) an increase of \$4.3 million for the federal "State Small Business Credit Initiative", which provides loans to small businesses for investments and job creation; b) an increase of \$2.0 million in debt service payments for transportation debt from federal reimbursements under the federal "Build America Bonds" program; c) a decrease of \$2.6 million for federal funding under the Community Development Block Grant program; d) a decrease of \$1.1 million due to the expiration of federal funding for homelessness intervention and Prevention Fund, financed under the American Recovery and Reinvestment Act of 2009; e) a decrease of \$32.7 million for the transfer of the Low Income Home Energy Assistance (LIHEAP and Weatherization Assistance Program (WAP) to the Department of Human Services pursuant to Chapter 151 of the Public Laws of 2011; and f) a decrease of \$11.7 million for the expiration of federal funding for the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) pursuant to the federal authorization of the American Recovery and Reinvestment Act of 2009.

Compared to the FY 2012 enacted expenditure authority from restricted receipts, the increase in

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expenditures, as recommended by the Governor, is due to the following: a) an increase of \$0.4 million, financed by an assessment on federal grants to be managed by the new program proposed by the Governor---the Office of Management and Budget---within the Department of Administration; b) a decrease of \$3.2 million in investment receipts for a lower issuance of tax anticipation notes; c) an increase of \$5.6 million to the Investment Technology Fund, which would finance capital investments related to information technology statewide; and d) an increase of \$3.3 million for Demand Side Management grants in the Office of Energy Resources.

For other funds expenditures in FY 2013, as recommended by the Governor, the increase of \$9.6 million, when compared to the FY 2012 enacted budget, is due to the following: a) an increase of \$12.8 million for various capital projects financed from the Rhode Island Capital Plan Fund, b) personnel services direct costs - \$0.6 million; and c) a net decrease of \$3.9 million for the Department of Transportation's debt service, based on proposed restructuring of transportation debt.

The Governor recommends a total of 665.6 FTE positions for the Department of Administration in the FY 2013 budget, which is a decrease of 29.0 FTE positions, when compared to the FY 2012 enacted ceiling of 694.6 FTE positions. The changes from the FY 2012 enacted level consist of: a) a reduction of 0.4 FTE position in the State Budget Office; b) a reduction of 5.6 FTE positions in Information Technology due to general revenue funding offset requested but not recommended by the Governor and thus, a program reduction in the same number; c) a reduction of 9.0 FTE positions due to the transfer of the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) to the Department of Human Services, pursuant to Chapter 151 of the Public Laws of 2011; d) a reduction of 12.0 FTE positions for the elimination of the Bureau of Audits and the assumption and/or integration of its functions into the newly-created Office of Management and Budget; e) a reduction of 12.0 FTE positions related to the eliminations of the Employee Services Unit (2.0 FTEs) and reductions in the Classification and Examination Unit (10.0 FTEs) within the Division of Human Resources; f) an addition of 11.0 FTE positions for the proposed new program of Office of Management and Budget; and g) a reduction of 1.0 FTE position for a retirement/attrition in the Division of Planning.

Department of Business Regulation

The Governor recommends a revised FY 2012 Budget of \$17.6 million, including \$8.8 million in general revenue, \$6.8 million in federal funds, and \$1.9 million in restricted receipts. All funds decrease \$453,457 from the enacted FY 2012 Budget. Most of this decrease is in general revenues, which fall \$603,496 from the enacted level, including reductions in personnel costs of \$483,405, contract services of \$20,000, statewide adjustments due to medical holiday savings of \$29,727, and operating savings of \$70,364.

For FY 2013, the Governor recommends \$14.1 million, including \$9.6 million in general revenue, \$2.5 million in federal funds, and \$1.97 million in restricted receipts. All funds decrease by \$3.9 million, of which general revenues increase \$175,670, from the FY 2012 enacted level. Personnel costs increase by \$285,620, for salary and benefit adjustments, contract services decrease \$20,000, and operating expenses decrease \$77,616. Statewide adjustments affect retirement expenses from a net pension reform savings of \$12,344 as compared to the enacted level. Restricted receipts increase \$198,426 from the FY 2012 enacted level. Federal funds decrease \$4.29 million as a result of the expiration of three federal grants.

The Governor recommends a total of 96.0 FTE positions in FY 2012 and 94.0 positions in FY 2013, a decrease of 2.0 FTE positions for reductions in the Board of Accountancy and Boards for Design

General Government

Professionals.

Department of Labor and Training

The Governor recommends revised FY 2012 expenditures of \$850.9 million for the Department of Labor and Training, including \$7.6 million in general revenue, \$213.0 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$159.2 million, \$22.7 million in Unemployment Insurance Administration funds and \$19.0 million in Workforce Investment Act funds, \$43.4 million in restricted receipts, \$1.2 million in Rhode Island Capital Plan Fund (RICAP) financing and \$585.7 million in other funds. The revised Budget reflects a total increase of \$279.3 million, including increases of \$430,081 in personnel, \$1.7 million in contract services, \$748,681 in operating, \$233.4 million in assistance and grants, \$1.6 million for capital purchases, \$25.7 million in debt service, and \$15.8 million in operating transfers.

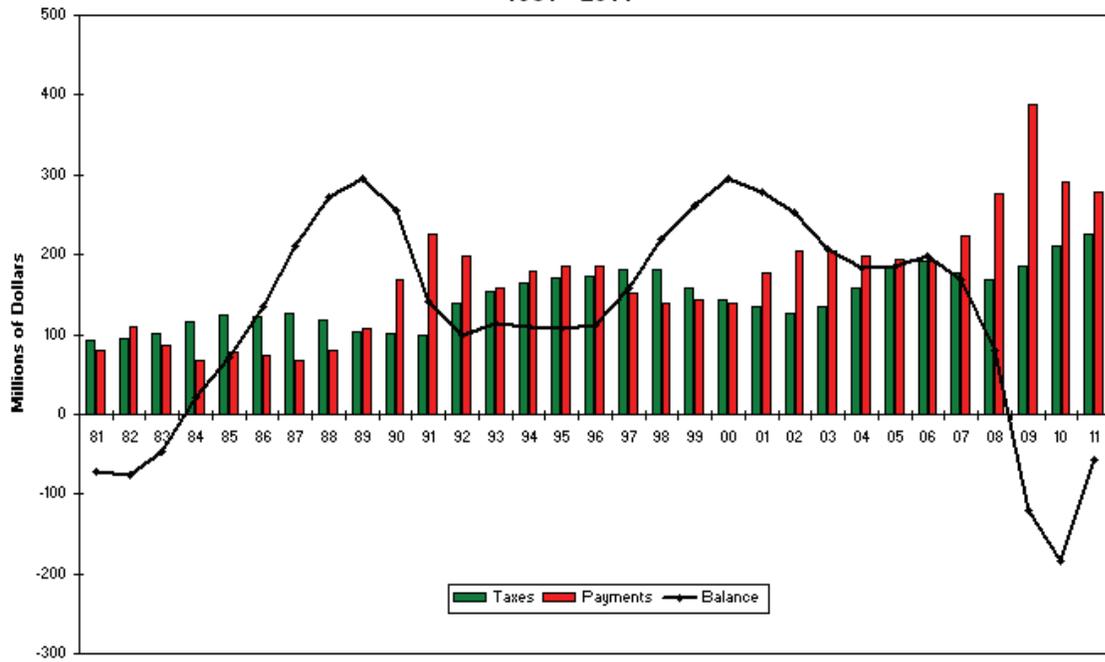
General revenue in the revised FY 2012 budget increases by \$57,054, attributable to a \$78,097 increase in Police and Firemen’s Relief Fund benefits and a \$19,264 increase in legal services, which are partially offset by savings of \$40,367 in personnel. The \$110.1 million increase in federal funding in the revised budget is primarily due to the federal government’s extension of Stimulus – Extended Unemployment Compensation, which resulted in an additional \$108.8 million in funding for Unemployment Compensation benefits. Rhode Island Capital Plan funds in Central Management increase by \$214,000 to expedite Center General Building asset protection projects. The revised FY 2012 Budget includes \$25.7 million for payment to the federal government for the Unemployment Insurance loan. 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.

The Governor recommends 470.1 FTE positions in FY 2012, a 0.1 FTE decrease from the enacted Budget of 470.2 due to the correction of a rounding error.

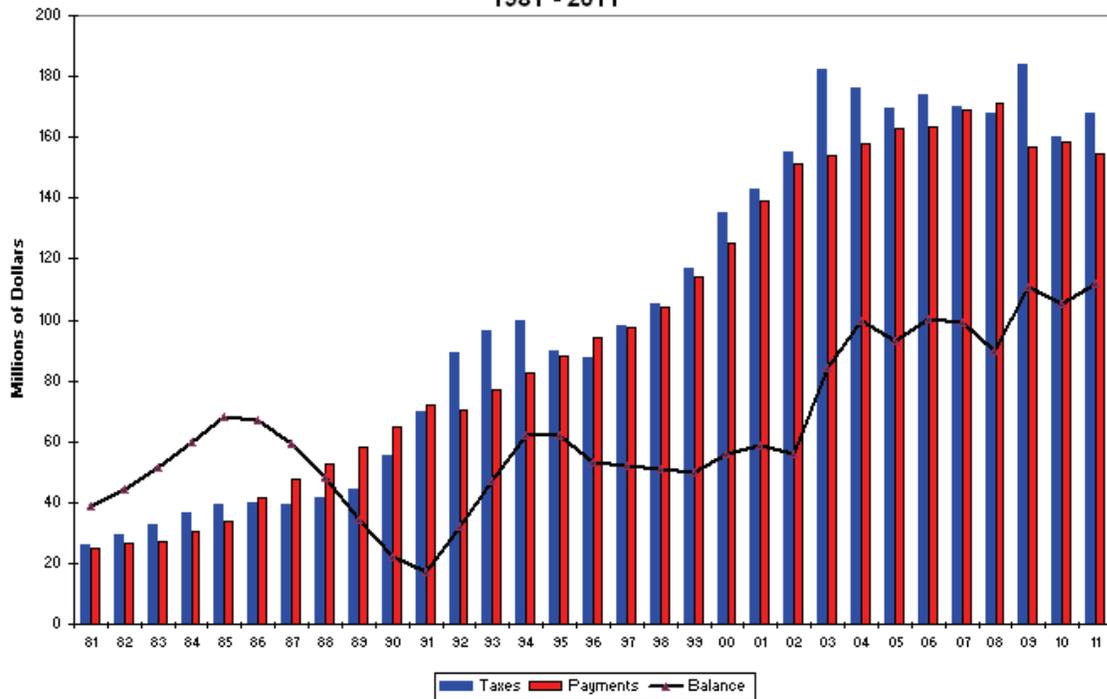
The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. It should be noted that Rhode Island’s Employment Security Fund is in a declining condition due to the state’s high unemployment rate. As of the end of calendar year 2011, the Employment Security Trust Fund and the TDI Trust Fund had unaudited balances of negative \$58.0 million and \$112.0 million, respectively. These balances represent Unemployment Insurance decreases of \$125.0 million (68.3 percent) and a TDI increase of \$7.0 million (6.2 percent) in 2011, respectively.

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**Unemployment Insurance Fund Activity
1981 - 2011**



**Temporary Disability Insurance Fund Activity
1981 - 2011**



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For FY 2013, the Governor recommends \$552.4 million for the Department of Labor and Training, including \$7.6 million in general revenue, \$43.5 million in federal funds, \$36.7 million in restricted receipts, \$310,500 in RICAP financing and \$464.3 million in other funds. The Governor's recommendation reflects a decrease of \$19.2 million from the FY 2012 enacted Budget, and includes \$64,929 more general revenue, \$56.2 million less federal funds, including reductions in Stimulus – Extended Unemployment Compensation funding of \$42.5 million and Unemployment Insurance Administration funding of \$6.7 million, a \$6.7 million increase restricted receipts, \$668,000 less capital expense funds and a \$18.0 million increase in other funds.

The FY 2013 Budget reflects personnel savings of \$9.5 million, contract services savings of \$921,416, an operating increase of \$2.3 million, assistance and grants savings of \$31.1 million, capital expense savings of \$1.0 million, an \$18.6 million increase in debt service for the federal Unemployment Insurance loan, and an increase of \$2.4 million for operating transfers. FY 2013 personnel expense reflects a program reduction of 105.7 FTE's, resulting in \$6.0 million in personnel savings. This program reduction is necessary due to decreased federal funding availability, including a \$7.2 decrease in Unemployment Administration federal funds and a \$2.7 million reduction in Workforce Investment Act federal funds. The program reduction includes 37.0 FTE's in Workforce Development Services and 68.7 FTE's in Income Support. Additional personnel savings of \$280,516 are attributable to pension reform. In the consulting expense category, \$1.5 million will be utilized for medical services and \$656,296 will be utilized for information technology. The FY 2013 Budget includes \$18.6 million for payment to the federal government for the Unemployment Insurance loan for federal funds borrowed to finance the state's Unemployment Insurance obligations. In capital expense, \$310,500 in RICAP funds have been allocated for asset protection. Capital expense also includes \$153,481 for the purchase of computer equipment, reflecting a \$301,105 decrease from the FY 2012 enacted appropriation. The Governor recommends freezing Police and Firemen's Relief Fund benefits at the level of the supplemental FY 2012 budget, thus the FY 2013 recommendation for Police and Firemen's Relief benefits totals \$4.2 million, an increase of \$78,097 above the FY 2012 enacted level, consistent with the FY 2012 revised budget recommendation.

The Governor recommends a FY 2013 FTE authorization of 364.4 FTE positions for the Department of Labor and Training, reflecting a 105.8 FTE reduction from the FY 2012 enacted level. This decrease is attributable to the aforementioned 105.7 FTE program reduction, as well as a 0.1 FTE reduction to correct a rounding error.

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. As of FY 2012, State Aid accounts were transferred from Department of Administration with the exception of Library Aid accounts.

The Governor recommends \$330.5 million in expenditures for the Department of Revenue in the FY 2012 revised budget, including \$96.5 million in general revenue, \$2.2 million in federal funds, \$2.2 million of restricted receipts, and \$229.6 million in other funds. This represents an all funds increase of \$13.8 million from the enacted FY 2012 budget. General revenue expenditures increase \$3.9 million, primarily due to the expenditures related to Central Fall Receivership totaling \$3.0 million and municipal pension

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related costs totaling \$234,000, which were not included in the enacted budget. Personnel increases \$1.3 million to \$41.6 million, including an increase of 14.5 FTE positions at the Division of Motor Vehicles, and an increase in legal services costs for Central Falls Receivership. Personnel in FY 2012 included a medical savings holiday for all state employees. Federal funds decrease by \$472,312. Restricted receipts increase by \$339,071, as a result of expenses of the RIMS computer project at the Division of Motor Vehicles paid with the technology charge at the DMV due to an unanticipated carry forward balance from FY 2011. Other funds increase by \$10.0 million, primarily due to an estimated increase in Lottery collections, which translates into increased commission payments. The increase in other funds was also due to RICAP projects totaling \$755,684, a combination of the completion of the Forand Building project as the new main branch of the DMV, which opened in August 2010, and a small carry forward in the Tax Data Warehouse project due to the expected timing of expenditures.

Governor Chafee's proposed FY 2012 budget includes an appropriation to the City of Central Falls of \$2.6 million. During the 2011 Legislative session, the Governor requested appropriations from the General Assembly to stabilize the finances of the City. The funds were not appropriated, and a "Plan of Debt Adjustment" was developed by the Office of the Receiver that includes a reduction in pension benefits for Central Falls retirees of up to 55.0 percent of the amount of annual pension benefits that such retirees had been receiving. Negotiations continued with the retirees to develop a mutually agreeable solution that would prevent protracted litigation in federal bankruptcy court. The negotiations were successful, and a Settlement and Release Agreement has been approved by a contractually adequate number of retirees and the federal bankruptcy court. The lump sum one time appropriation would provide transitional or "supplemental payments" to retirees during a five year transitional period from FY 2012 through FY 2016. The Agreement also commits the Director of Revenue to advocate to transition the Central Falls Pension Plan into the State administered Municipal Retirement System in order to provide enhanced retirement security in the future for Central Falls Pension Plan members. The \$2.6 million appropriation would remove many legal challenges from the bankruptcy and thereby save substantial legal costs for both the State and the retirees.

The Governor recommends \$333.3 million in expenditures from all funds for the Department of Revenue in FY 2013, including \$95.0 million in general revenue, \$2.6 million in federal funds, \$1.9 million of restricted receipts, and \$233.9 million in other funds. This represents an all funds increase of \$16.7 million from the enacted FY 2012 budget. The primary cause of the increase in all funds is Lottery collections, which translates into increased commission payments estimated at \$14.2 million.

General revenue expenditures increase \$2.4 million, with personnel expenditures increasing by \$1.5 million to \$32.7 million, including statewide adjustments. The statewide adjustments include reductions of \$43,165 for pension reform, offset by an increase of \$190,020 for the 1.0 percent defined contribution portion, offset by a decrease of \$330 for Election Day Holiday savings. Federal funds decrease by \$72,150. Restricted receipts increase \$60,186. Other funds increase by \$14.2 million. This change is primarily due to an estimated increase in Lottery collections, which have a corresponding impact on Lottery expenditures.

The Governor recommends 449.0 FTE positions in FY 2012, an increase of 14.5 FTE positions from the enacted FY 2012 level; and 458.0 FTE positions in FY 2013, an increase of 23.5 FTE positions from the enacted FY 2012 level. The increase for FY 2012 reflects 1.0 FTE for an Investigative Auditor position in the Office of Municipal Finance, 1.0 FTE position which was vacant that was eliminated in the Division of Taxation, and a net increase of 14.5 FTE positions added to the Division of Motor Vehicles to improve customer service and reduce wait times at the Registry. For FY 2013, in addition to the changes

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discussed for FY 2012, 5.0 Investigative Auditor positions have been added to the Office of Municipal Finance, and 4.0 Tax Investigator positions have been added to the Division of Taxation to strengthen tobacco tax enforcement efforts. Revenue anticipated from the added 4.0 FTEs is expected to be \$2.9 million.

Legislature

The Governor's revised FY 2012 Budget for the Legislature is \$41.7 million, including \$40.0 million in general revenue and \$1.6 million in restricted receipts. The recommendation includes an increase of \$3.5 million in general revenue appropriations and a decrease of \$5,612 in restricted receipts from the FY 2012 enacted levels. The general revenue increase is largely attributable to reappropriation of \$3.8 million of unspent funds from FY 2011. The Legislature's budget request and the Governor's Revised Budget recommendation includes approximately \$1.0 million for the redistricting project in FY 2012, with the balance of approximately \$500,000 recommended in FY 2013 for possible legal challenges to the reconfigured political divisions. The full amount of \$1.5 million was included in the FY 2011 enacted budget, but not utilized until a consultant was hired and informational hearings and workshops were held in early FY 2012. Personnel financing totals \$34.5 million, or \$1.2 million greater than the FY 2012 enacted level. The personnel change is comprised of \$131,726 less for legislators' salaries based on the calendar year 2010 Consumer Price Index of 1.6 percent, compared to the enacted level, which had assumed a 3.0 percent increase, in addition to greater voluntary co-pay towards health benefit costs by some legislators. In comparison to the enacted level, personnel financing in the Legislative Counsel Office increases by \$553,460 and by \$1.1 million in the Joint Committee on Legislative Services, offset by reduction of \$125,664 for personnel expense in the Auditor General's Office. Included in these personnel adjustments is removal of \$173,078 for the medical benefit holiday in FY 2012. Operating expense increases by \$749,106 to a total of \$3.1 million over the enacted level of \$2.4 million, mostly attributable to redistricting expenses, specifically in the Capital TV account for its costs associated with taping and airing all public hearings and workshops, and for computer supplies and rental and lease of equipment throughout legislative offices involved in the project.

For FY 2013, the Governor recommends \$40.4 million, including \$38.8 million in general revenue and \$1.6 million in restricted receipts. The recommendation is an increase of \$2.2 million from the FY 2012 enacted amount and a decrease of \$22,025 in restricted receipts. The general revenue increase reflects a target adjustment of \$386,543 for medical benefits inflation, addition of one day's payroll accrual, and adjustments to the statewide benefit assessment calculation. Initially, \$2.2 million was added for retirement benefits increase, but pension reform legislation enacted in the fall of 2011 allowed for removal of \$2.7 million across the department for a net reduction of \$493,833 for retirement benefits. This reduction is offset by addition of \$176,154 for the newly enacted defined contribution plan. Salaries and associated benefits increase by \$2.6 million above the FY 2012 enacted level, including \$67,406 more for legislators salaries based on an expected 3.0 percent 2011 Consumer Price Index increase, on which the legislator salaries are based. Consultant expense and operating supplies decrease by \$411,434, likely attributable to the expected end of the redistricting project. Legislative grants are requested and recommended at the enacted level of \$2.3 million in FY 2013.

The Governor recommends 298.5 FTE positions in FY 2012 and FY 2013, which is the same as the enacted Budget authorization for FTE's in the Legislature.

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Office of the Lieutenant Governor

The Governor's revised FY 2012 budget for the Office of the Lieutenant Governor is \$1.1 million, consisting of \$951,109 in general revenue and \$124,616 in Exchange Establishment One Grant federal funds. The Exchange Establishment One Grant federal funds are appropriated for personnel expenses related to health policy implementation. The recommendation is \$14,447 less than the enacted Budget and includes a \$25,604 decrease in personnel financing to correspond to current requirements, a \$250 increase in contracted professional services, a \$6,657 increase in operating expense and a \$4,250 increase in capital expense. In the consultant category, the increase of \$250 will provide additional 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, \$3,500 is provided for the purchase of local database software related to the development of www.buylocalri.org and the purchase of Health Reform Project software, and \$2,600 of the increase is attributable to recurring expenses of increased copier machine lease costs and increased dues and fees for the National Lieutenant Governors Association (NLGA).

For FY 2013, the Governor recommends a budget of \$1.1 million, consisting of \$962,955 in general revenue and \$141,063 in Exchange Establishment One Grant federal funds for personnel costs related to health policy implementation. The recommendation is \$13,846 greater than the FY 2012 enacted Budget and includes a \$1,080 decrease in personnel requirements as a result of pension reform, and increases of \$250 for contracted professional services, \$13,926 for operating expense and \$750 for capital expense. Increases in contracted professional services and operating expense are consistent with recurring expenses from the Governor's FY 2012 supplemental recommendation. Operating expenses also include an incremental \$11,326 in federal funds attributable to the reallocation of pension reform savings from the personnel category.

The Governor recommends 8.0 FTE positions in revised FY 2012 and 8.0 FTE positions in FY 2013, the same as the enacted FY 2012 level.

Secretary of State

The Governor's revised FY 2012 Budget for the Secretary of State is \$8.1 million, including \$6.7 million in general revenue, \$55,438 in federal funds, \$503,336 in Historical Records Trust restricted receipts and \$852,367 in Record Center Internal Service Funds. General revenue increases by \$318,590 from the enacted budget, federal funds increase by \$55,438, restricted receipts increase by \$6,818 and Record Center Funds decrease by \$13,903. The increase in general revenue is primarily due to the carry forward of \$190,000 in unspent funds in FY 2011 for the installation of the Quick Start Master Application, \$150,000 for Voter ID implementation and \$20,000 for implementation of modified Absentee Voter regulations. In federal funds, the recommendation includes an additional \$47,819 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) and \$7,500 in HAVA Mock Election federal funds for additional financing for lecturers and training consultants who will hold mock elections at selected high schools. Historical Records Trust restricted receipts increase as a result of telecommunication costs increasing by \$3,900 and the State Archive's portion of rental of the facility at 337 Westminster St. increasing by \$1,685. Record Center Funds decrease as a result of favorable lease negotiations for the 337 Westminster St. facility, resulting in a \$14,318 decrease from the enacted budget. This facility provides a centralized location for state records and archives financed by centralized billings of all the departments that utilize the service.

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For FY 2013, the Governor recommends \$8.5 million, including \$7.1 million in general revenue, \$535,983 in Historical Records Trust restricted receipts, and \$897,072 in Record Center Internal Service Funds. This recommendation reflects an increase of \$773,798 from the FY 2012 enacted budget, including increases of \$703,561 in general revenue, \$39,435 in Historical Records Trust restricted receipts, and \$30,802 in Record Center Funds. Increases in general revenue from the FY 2012 enacted budget are due to printing, postage and legal expenses increasing by \$716,600 in the Elections and Civics program for expenses related to the November 2012 General Election. The FY 2013 budget also reflects increases in telecommunication costs and reduced rent for the State Archives and Records Center facility at 337 Westminster St., consistent with the Governor's FY 2012 supplemental recommendation. Increases in Historical Records Trust restricted receipts result from a \$29,760 increase in the statewide savings offset in the State Archives operating budget. Increased Record Center funds also result from a \$34,009 statewide savings offset in the Record Center operating budget, as well as a \$7,103 increase in miscellaneous operating expenses.

The Governor recommends 57.0 FTE positions in FY 2012 and FY 2013, which reflects no change from the enacted authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2012 Budget of \$41.4 million for the Office of the General Treasurer, including \$2.5 million in general revenue, \$1.2 million in federal funds, \$37.6 million in restricted receipts, and \$252,630 in other funds. The revised Budget for all funds is an increase of \$8.2 million from the enacted level, mostly attributable to restricted receipts, which increase by \$7.8 million for the unclaimed property program and by \$537,084 for administrative expense in the retirement program. The Unclaimed Property transfer to the general fund surplus is increased by \$1.6 million to a total of \$7.8 million, refunds increase by \$3.6 million, the change in liability increases by \$1.9 million, and property recovery audit expenses increase by \$567,396, reflecting revenue and expenditure trends for the program.

In Retirement, administration expense for the defined benefit sub-program increases by \$580,720 for actuarial studies and predicted legal expense associated with October 2011 pension restructuring. Outside of the Employees' Retirement System of Rhode Island trust (the 'Trust'), are predicted costs associated with assimilation of the non-Trust supported, member participation in the defined contribution plan. Although administered by an outside vendor, the defined contribution plan requires Retirement program effort and is established as a separate sub-program in the program. The specifics of the fee structure will be determined upon award of the contract for the vendor, expected in early Spring, 2012. Defined contribution sub-program costs include member outreach, advertising, and salary effort, along with web-site upgrades. Expected expenses, financed with restricted receipts, are \$446,626 in FY 2012 and \$570,598 in FY 2013. Once the program is established and operational, expected costs to the State are estimated at \$250,000 annually, to be financed through the fee structure, or by another means as determined upon implementation of the program. The Governor also recommends an additional \$200,000 for legal expense in the defined benefit sub-program, to accommodate expected litigation in response to recent pension reforms.

Also in FY 2012, the Governor recommends an additional \$138,000 for legal expense associated with the Securities and Exchange Commission's investigation of proper disclosure of the State's pension liabilities in its bond offering statements. The entire cost of the investigation is \$276,000, to be shared with the

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Governor's Office. The Governor also recommends an additional \$155,313 in lease expense due to a three-month delay in moving from 40 Fountain Street in Providence, to the state-owned facility at 50 Service Avenue in Warwick, where it is located as of December, 2011.

For FY 2013, the Governor recommends total expenditures of \$37.6 million, which includes \$2.2 million from general revenue, \$1.2 million from federal funds, \$33.9 million from restricted receipts, and \$271,812 from other funds. Across all funds and department-wide, personnel financing totals \$8.5 million, or \$252,766 more than the FY 2012 enacted level. The increase is attributable to \$97,102 more for salaries due to step increases, \$52,014 for the defined contribution plan, and \$168,172 more for health premium expense – offset by reduction of \$76,642 for defined benefit retirement expense. Consultant expense increases by \$463,964 above the FY 2012 enacted amount to a total of \$764,884 for auditors in the Unclaimed Property program, and by \$408,660 in the defined benefit sub-program,, mostly for actuarial studies, legal expense and IT system support. In the defined contribution sub-program, consultants increase by \$50,000 over the FY 2012 enacted level of \$0, for communication and outreach expenses, if required.

Operating expense increases by \$4.3 million department-wide, mostly attributable to addition of \$3.7 million to the transfer to the general fund surplus in the Unclaimed Property Program for a total of \$9.9 million, based on results from the November 2011 Revenue Estimating Conference. Refunds to unclaimed property owners also increase by \$1.9 million, based on estimates agreed upon at the November 2011 conference.

Capital financing in the amount of \$4.0 million is included in the defined benefit sub-program, as system improvements begin to its member database. Bid review, vendor selection, and contract negotiations underway in FY 2012 will provide a clearer picture for financing requirements of the system upgrade in FY 2013 and subsequent years.

The Governor recommends an authorized FTE level of 82.0 positions in both FY 2012 and FY 2013, which is the same as the FY 2012 enacted level.

Board of Elections

The Governor's revised FY 2012 Budget for the Board of Elections is \$1.8 million, including \$1.8 million in general revenue and \$50,000 in Help America Vote Act (HAVA) federal funds. The recommendation is \$57,644 less than the enacted budget. In the personnel category, there is a decrease of \$30,952 to correspond to current requirements. Consulting expenses decrease from the enacted budget by \$79,886. This reduction is attributable to a \$78,031 reduction in management and consultant services to reflect the actual cost of the Electronic Services and Systems contract. This contract payment includes new optical readers and AutoMark voter assistance terminals with service and maintenance agreements. In FY 2012, \$50,000 of the contract is financed by HAVA federal funds, and the remaining \$221,969 is financed by general revenue. Notable savings in the operating category include a \$40,000 increase in express delivery expense due to the delivery of voting machines to the 39 municipalities for the Presidential Preference Primary, as well as the addition of a \$10,000 budget for printing, which will be utilized for printing voter registration forms and poll worker manuals.

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For FY 2013, the Governor recommends \$1.9 million financed entirely by general revenue, a \$68,211 increase from the FY 2012 enacted Budget. The FY 2013 recommendation includes the following expenses related to the 2012 General Election: \$120,000 in express delivery expense for the delivery of voting equipment to polling locations, which was not included as part of the new ES&S contract; an additional \$30,000 in legal services; \$20,000 for additional phone lines for election totals recordings; \$83,000 for printing election-related forms; \$12,000 for postage and postal services related to the mailing of campaign finance notices and enforcements; and \$120,000 for seasonal personnel. A \$70,927 increase from the FY 2012 enacted Budget is required for personnel financing. The FY 2013 budget also includes a \$50,000 increase in general revenue for the Electronic Services and Systems contract, due to federal HAVA funds no longer being available.

The Governor recommends 11.0 FTE positions in FY 2012 and FY 2013. This is a 1.0 FTE decrease from the enacted level of 12.0 FTE due to the decision not to fill the Chief Auditor position.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2012 budget for the Rhode Island Ethics Commission of \$1.5 million, composed entirely of general revenue. This amount is \$37,062 less than the FY 2012 enacted level. The revised budget includes a reduction of \$46,073 in salaries and benefits due to vacancies in the current fiscal year, which is partially offset by an increase of \$9,011 for operating costs. The additional \$9,011 is for on-going operating expenses of the Commission.

For FY 2013, the Governor recommends expenditures of \$1.6 million, composed entirely of general revenue. This amount is \$2,127 less than the enacted budget and fully funds current services of the Commission. The general revenue net decrease of \$2,127 includes a \$17,388 decrease for personnel costs, a \$8,250 increase for contract information technology services, and a \$7,011 increase for operating costs.

The Governor recommends the enacted level of 12.0 FTE positions in FY 2012 and FY 2013.

Office of the Governor

The Governor's revised FY 2012 Budget for the Office of the Governor is \$5.2 million, including \$4.4 million in general revenues, \$109,768 in federal funds and \$714,266 in restricted receipts. The recommendation is an all funds decrease of \$34,179 from the FY 2012 enacted, including \$30,130 less in federal financing and \$63,410 less in restricted receipts, offset by addition of \$59,361 in general revenue.

The general revenue increase reflects current staffing requirements not captured in the FY 2012 enacted level, in addition to minor adjustments to operating and capital expense to reflect requirements as the office enters its second year of administration. The general revenue recommendation also includes \$250,000 for the Governor's Contingency Fund, same as the FY 2012 enacted level. Restricted receipt financing in FY 2012 reflects staff levels in the Office of Economic Recovery and Reinvestment (OERR), which is continuing its work associated with administering and complying with the provisions of the American Recovery and Reinvestment Act (ARRA). Although some ARRA grants will continue into FY 2013 with residual carry-over into FY 2014, continuing administration and reporting of grant expenditures will be done by the new Office of Management and Budget in the Department of Administration, beginning in FY 2013, thus bringing an end to this program in the Governor's Office at

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the end of FY 2012. Also in FY 2012, the Governor recommends the start of the federally financed Rhode Island Health Benefits Exchange (the 'Exchange'), with the hiring of an Exchange Director in the third quarter of FY 2012, financed with federal funds.

The Governor signed Executive Order 11-09 on September 19, 2011, establishing the 'Rhode Island Health Benefits Exchange' for the purposes of providing near-universal health insurance coverage by allowing easy comparable choices for the public and also offering qualified health plans for individuals not eligible for health coverage through other means. The proposed benefits of the exchange include establishment of consistency of health care provision throughout the state, and avoidance of federal intervention in setting up an Exchange if the state does not do so by January 1, 2013. The Governor has set up the exchange in his office as the centrally accountable office for operational and financial implementation, including policy development. The Exchange Director will report to the Board of the Rhode Island Health Benefits Exchange, and will work with other state departments, not limited to the Department of Health, the Office of the Health Insurance Commissioner, the Office of the Lt. Governor and the Executive Office of Health and Human Services, in administration of the exchange component of the federal Affordable Care Act §1311 (d)(6).

The Governor's FY 2013 Budget for the Office of the Governor is \$5.5 million, including \$4.4 million from general revenue and \$1.1 million from federal funds. Restricted receipts diminish to \$0 from the enacted level of \$777,676 due to the termination of the OERR program as described above. General revenue increases by \$79,769 from the FY 2012 enacted level to accommodate expected salary and benefit requirements. The defined contribution plan comprises \$25,082 of this increase in FY 2013. The Exchange is budgeted to be fully staffed in FY 2013 with 6.0 FTE, and federal financing is recommended in the total amount of \$1.1 million, including \$1.0 million for personnel, \$53,810 for operating expense, and \$17,500 for capital expense. The Governor's Contingency Fund is again recommended at \$250,000 for FY 2013.

The Governor recommends 45.0 FTE positions in FY 2012 and FY 2013, comprised of 39.0 for the Office of the Governor and 6.0 for Health Benefit Exchange program in FY 2013.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2012 Budget of \$1.4 million for the Rhode Island Commission for Human Rights, including \$1.1 million from general revenue and \$277,069 from federal funds. This recommended level is \$29,375 or 2.0 percent less than the FY 2012 enacted level and consists of \$4,912 less general revenues and \$24,463 less federal funds. The decrease in federal funds expenditures is due primarily to lower than anticipated costs of operating that are financed by the federal US Equal Employment Opportunity Commission (EEOC) and Department of Housing and Urban Development (HUD). The decrease in general revenue expenditures is attributable to redistributed statewide medical holiday savings from the Department of Administration.

For FY 2013, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million from general revenue and \$325,992 from federal funds. Compared to the FY 2012 enacted level, the FY 2013 recommended expenditures are \$32,139 more, reflecting \$7,679 more general revenues and \$24,460 more federal funds. The increase in general revenue is due primarily to higher employee benefit costs for health care, including vision and dental services. The increase in federal funds expenditures was intended for an anticipated increase in the state

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share of employee retirement costs of \$23,949, but this did not materialize due to the enactment of pension reform. As a result, these additional funds were reallocated to the operating category to maintain the requested level of federal funds spending.

The Governor recommends 14.5 FTE positions in the FY 2012 revised and FY 2013 budgets, which were the same level authorized in the FY 2012 original appropriations act.

Public Utilities Commission

The Governor recommends a revised FY 2012 Budget of \$8.1 million for the Public Utilities Commission. This revised level of funding consists of \$321,487 from federal funds and \$7.8 million from restricted receipts. Compared to the FY 2012 enacted budget, it is \$12,114 more and consists solely of federal funds, the increase of which is due to anticipated higher operating costs for staff training and out-of-state travel and lodging, financed from available federal authorization under the American Recovery and Reinvestment Act (ARRA) of 2009.

For FY 2013, the Governor recommends total expenditures of \$8.7 million, consisting of \$349,167 from federal funds and \$8.4 million from restricted receipts. This level reflects an increase of \$628,809 or 7.8 percent when compared to the FY 2012 original appropriations and consists of \$39,794 more federal funds and \$589,015 more restricted receipts. The increase in restricted receipts expenditures was intended to fund an anticipated increase in the state share of employee retirement cost of \$449,001 but due to the enactment of pension reform, these additional funds were reallocated to the operating category to maintain the requested level of restricted receipt spending. In addition, the Governor recommends one new FTE position, a Consumer Agent, estimated to cost \$67,025 in FY 2013. The state's share of higher employee health care costs of \$65,918, also contributes to the increase in FY 2013.

The Governor recommends 46.0 FTE positions in the FY 2012 revised budget, which is unchanged from the FY 2012 original enacted level. For FY 2013, the Governor recommends one additional FTE position over the FY 2012 enacted and revised level for a total ceiling of 47.0 FTE positions in the FY 2013 recommendation.

Human Services

Human Services

Summary

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

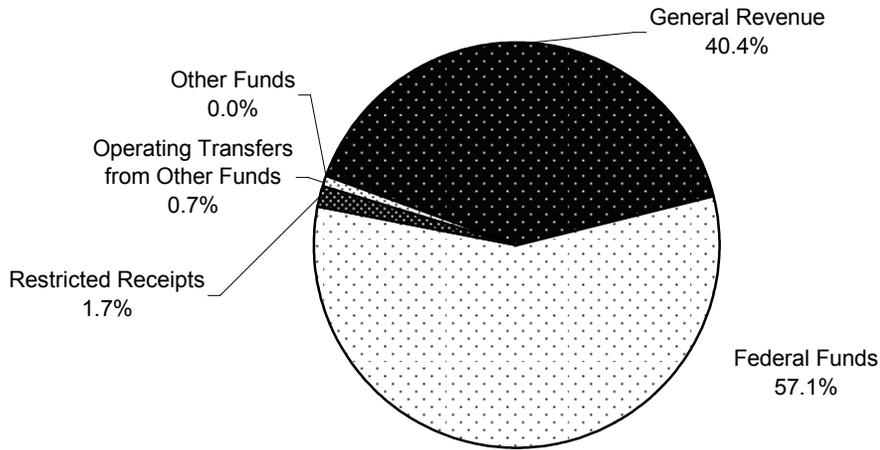
For FY 2012, the Governor recommends a revised all funds budget of \$3.136 billion. Of this total, there is \$1.269 billion in general revenues, \$1.795 billion in federal funds, \$55.5 million in restricted receipts, and \$17.4 million in other funds. This reflects an increase of \$10.2 million in general revenues, an increase of \$24.3 million in federal funds, an increase of \$2.4 million in restricted receipts, and a decrease of \$13.5 million in other funds relative to the FY 2012 enacted budget. The Governor recommends 3,591.7 full-time equivalent positions in the FY 2012 revised budget, which is a decrease of 25.0 FTE positions from the FY 2012 enacted budget. Total staffing authorizations recommended for FY 2013 are 3,599.2 FTE.

In FY 2013, despite a highly constrained budgetary outlook, the Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The social and economic needs of clients continue to be provided by the Executive Office and Health and Human Services, which oversees the Departments of Children, Youth, and Families; Elderly Affairs; Health; Human Services; Behavioral Healthcare, and Developmental Disabilities, and Hospitals. The Governor remains a stalwart advocate of building a sustainable safety net in Rhode Island, with adequate programs of medical and cash assistance for the most vulnerable populations of the State, such as low-income children, parents, pregnant women, frail elders, veterans, the medically needy, and those with physical and developmental disabilities. The Governor is further committed to preventing child abuse and neglect by intervening for and on behalf of abused and neglected children and youths and rehabilitating delinquent youth through education and training at DCYF. The dual role of advocacy and education continues to be provided by agencies including the Offices of the Child Advocate and Mental Health Advocate, the Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing.

The Governor's proposed funding level of \$3.180 billion for FY 2013 protects services for the State's most vulnerable populations. This proposal consists of \$1.286 billion in general revenues, \$1.817 billion in federal funds, \$53.7 million in restricted receipts, and \$23.0 million in other funds. This reflects an increase of \$27.6 million in general revenues, an increase of \$46.5 million in federal funds, an increase of \$0.5 million in restricted receipts, and a decrease of \$7.9 million in other funds relative to the FY 2012 enacted budget. The FY 2013 recommendation constitutes 40.0 percent of the total proposed expenditures for the state. Social services block grants and federal financial participation for medical assistance programs constitute the primary sources of federal funding. The chart below displays funding by source for the Governor's FY 2013 recommendation for the human service agencies and departments.

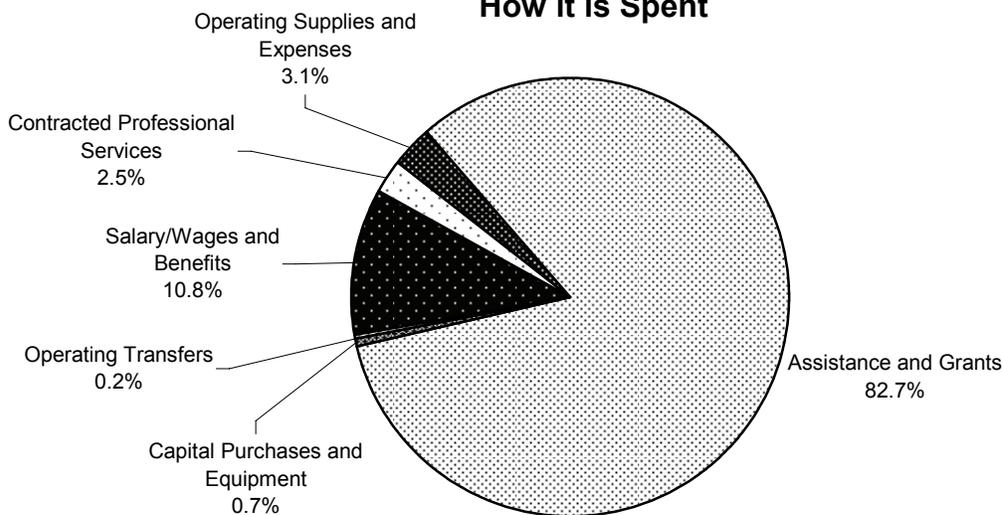
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How it is Financed



The Governor’s FY 2013 recommendation includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, which includes purchased services, accounts for \$423.4 million, or 13.3 percent, of all expenditures programmed for human services. Other operating expenditures are recommended at \$97.4 million, or 3.1 percent, of proposed total human services expenditures, with capital purchases slated for \$22.7 million, or 0.7 percent. Grants and benefits expenditures of \$2.630 billion account for the largest outflow of identified resources, reflecting 82.7 percent of the total human services function. The chart below shows the outflows of all resources by category of expenditure for the human services function.

How it is Spent



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Executive Office of Health and Human Services

The Governor recommends total expenditures of \$19.3 million for the revised FY 2012 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenue totaling \$10.3 million, federal funds of \$8.0 million, and restricted receipts of \$897,440. Relative to FY 2012 enacted levels, recommended general revenue financing increases by \$573,541, or 5.9 percent, while federal financing increases by \$1.8 million, or 28.7 percent. Restricted receipts, representing indirect cost recoveries on various federal grants supporting personnel expenditures, decrease by \$7,272, or 0.8 percent. The increase in general revenue in the current year is largely driven by the transfer of four senior executive positions from the Department of Health and one Medical Care Specialist from the Department of Human Services. The relocation of these personnel reflects not only the managerial priorities of the Secretary by completing the consolidation of departmental legal staff, but is also in conformance with the Executive Office's statutory mission as the coordinating agency for healthcare policymaking in Rhode Island.

Other recommended FY 2012 expenditure plan adjustments include increases to operating and contract services expenditures totaling \$83,292, of which \$42,500 represents the transfer of a key legal services contract from the Department of Human Services to the Executive Office. The significant increase in federal funds is due primarily to enhanced FY 2012 resources provided under two distinct grants: (1) carry-forward of unexpended FY 2011 authority for the Medicaid Health Information Exchange Initiative (\$765,482) and (2) newly programmed administrative financing for the Money Follows the Person Demonstration Grant Program (\$559,019).

The Governor recommends total expenditures of \$1.744 billion for the FY 2013 budget of the Executive Office of Health and Human Services. This is comprised of general revenues totaling \$823.7 million, federal funds of \$907.7 million, and restricted receipts of \$12.1 million. Relative to FY 2012 enacted levels, recommended general revenue financing increases by \$813.9 million, while federal financing increases by \$901.5 million, and restricted receipts increase by \$11.2 million.

While the considerable increases to both general revenues and federal financing in FY 2013 reflect the FY 2012 revisions described above, they are predominantly caused by final phase of the reassignment of the State's Title XIX Medical Assistance (Medicaid) program from the Department of Human Services to the Executive Office of Health and Human Services. Although the FY 2012 enacted budget contained an extensive shift of the Medical Assistance administrative staff from DHS to EOHHS, appropriations for both direct medical services benefits as well as associated operating and consultancy expenditures were maintained within DHS. In FY 2013, the Governor recommends that all remaining funding for Medical Assistance be relocated to the Executive Office and that two new programs, entitled "Central Management" and "Medical Assistance", be established within EOHHS. The singular exception to this transition is DHS field office support of the Medical Assistance program's casework and eligibility functions, which remains under DHS budgetary auspices as the remnant of the DHS Health Care Quality, Financing, and Purchasing (HCQFP) program.

The Central Management program includes all financing for the administrative and operational activities of the Executive Office. These consist of the following core components: Office of the Secretary, Budget, Policy, Legal Services, and Medical Assistance Administration. Within Medical Assistance Administration, the Governor recommends the transfer of \$64.8 million, or \$11.3 million in general revenues from the Department of Human Services to the Executive Office in FY 2013. This financing is mainly comprised of \$44.8 million (\$10.6 million in general revenues) in administrative and technical support contracts (including MMIS) for the Medical Assistance program and \$19.8 million (\$617,000 in general revenues) for

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administrative grants. In FY 2013, resources totaling \$14.0 million, or \$1.4 million in general revenues, are devoted to the reprocurement and enhancement of the Medicaid Management Information System (MMIS) and the development of a fully integrated eligibility system. It is envisioned that the new eligibility system will not only serve the needs of the Medicaid program, but also those of other state programs of public assistance, thus resulting in the replacement of the now-antiquated InRhodes system. The system will also be functionally interlinked with the soon-to-be-created Rhode Island Health Insurance Exchange.

Two expansionary initiatives in this program are proposed by the Governor in FY 2013. Specifically, the Governor recommends 5.0 additional FTE in Central Management to establish a centralized Program Audit and Oversight Unit. This unit will conduct focused program and performance reviews of major providers and recipients of grant funds across the four EOHHS departments, testing compliance to state and federal expectations and program standards. This unit will also maintain responsibility for creating a unified financial reporting system across the EOHHS subsidiary departments as well as an EOHHS-wide risk assessment plan. The incremental cost of this initiative totals \$150,179 in FY 2013, assuming Unit personnel are hired at the end of the third quarter of the fiscal year. Also recommended is an increase of \$500,000 (\$125,000 in general revenues) to the MMIS contract for the implementation of an educational outreach, system training, and usability enhancement program surrounding the newly constructed Data Warehouse.

The Governor recommends staffing authorizations of 158.0 FTE positions in FY 2012, an increase of 9.0 FTE from the enacted FTE ceiling for the aforementioned (5.0) transferred positions and the addition of 4.0 federally-financed positions for the administration of the Money Follows the Person Demonstration Grant Program. For FY 2013, the Governor recommends staffing authorizations of 163.0 FTE, reflecting the creation of the Program Audit and Oversight Unit.

The November 2011 Caseload Estimating Conference (CEC) adopted total financing of \$1.693 billion for the Medical Assistance program, consisting of \$827.5 million in general revenues. Although adopted general revenues grew at a modest 5.3 percent relative to FY 2012 enacted levels, the increase to the program's state funding requirement was still quite significant at \$41.5 million. Though driven in part by a year-over-year decrease in the Federal Medical Assistance Percentage (FMAP) from 52.12 percent to 51.26 percent, the increase is primarily tied to continuing upward trends in caseloads, utilization rates, and unit prices that have historically caused similar annual upswings in the cost of the Medicaid program.

Exclusive of federal pass-through reimbursements to LEAs for Medicaid-eligible children in special education programs (which are not estimated at the CEC), the Governor recommends \$1.640 billion for this program, consisting of \$801.3 million in general revenues. This constitutes a \$26.2 million reduction below the CEC adopted level, but remains \$15.3 million above the FY 2012 enacted general revenue budget. As in prior years, these modifications reflect a strenuous effort to either redesign or discontinue specific aspects of the Medical Assistance program in order to retrench its unsustainable expenditure growth. Specifically, the Governor recommends an across-the-board reduction of 4.14 percent to all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2012, for savings totaling \$14.0 million in general revenues. Refinements to Medicaid managed care programs, such as reductions to allowable administrative expenses, hospital re-admission avoidance, lower utilization of bariatric surgical procedures, initiation of preventive nutrition services for individuals with chronic conditions, improved care coordination, and the transition to lower-cost Primary Care Medical Home settings are anticipated to generate additional general revenue savings of \$2.5 million.

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The fee-for-service (as opposed to the managed care) segment of the Medical Assistance program will likewise be subject to aggressive cost-containment measures in the Governor's FY 2013 budget. The Governor proposes savings totaling \$2.7 million in general revenues due to the elimination of dental services for adults age 21 and older. Medicaid-eligible individuals under the age of 21 will maintain coverage either through the RItE Smiles program or fee-for-service Medicaid. However, adults at or over 21 years of age will no longer receive dental services (other than emergency and palliative services) through the Medical Assistance program, effective October 1, 2012. The Governor also recommends the reinstatement of "lesser of logic" edits for inpatient hospital fee-for-service claims under the Diagnostic Related Groups (DRG) payment system, yielding anticipated general revenue savings of \$1.9 million. Increased frequency of post-payment surveillance utilization reviews (SURs), clinical utilization reviews of children with special health care needs, strengthening of the Medicaid Estate Recovery Program by expanding its statutory powers, a reduction to the durable medical equipment (DME) fee schedule, and the transfer of Connect "Carre" members to the Connect Care Choice program, taken together, result in general revenue savings totaling \$1.8 million.

Lastly, the Governor recommends that beneficiaries of Home and Community Based Services (HCBS) undergo clinical utilization review of their care plan when monthly expenditures reach a threshold equivalent to the average cost of institutional long-term care. Based on this assessment, the EOHHS long-term care staff will modify (according to a specific formula) the services provided to the HCBS client to more appropriately reflect his or her actual care requirements. This initiative seeks to eliminate the provision of medically unnecessary services in this rapidly growing section of the Medicaid program, and the Governor's FY 2013 budget recognizes attendant savings of \$3.0 million in general revenues.

Department of Children, Youth and Families

The Governor recommends \$218.0 million in the revised FY 2012 Budget for the Department of Children, Youth and Families (DCYF), including \$152.3 million in general revenue, \$60.1 million in federal funds, \$2.8 million in restricted receipts, and \$2.9 million in other funds.

The Governor's revised Budget includes a net increase of \$7.1 million in general revenue expenditures, which represents a 4.9 percent increase from the enacted budget. There are several contributing factors that relate to this significant increase. First, the Department ended FY 2011 with a \$3.2 million general revenue deficit. Because FY 2011 funding levels were the basis for the FY 2012 budget, there was a structural problem built into the base.

The Department has been very successful in achieving significant caseload reductions; however, the anticipated general revenue savings in the enacted budget has decreased due to a revision to the original Medicaid claiming rates used in the enacted budget. The Department is required to establish Medicaid and Title IV-E claiming rates via a time study of residential providers. The most recent time study resulted in lower Medicaid claiming under the "rehab option" and conversely higher Title IV-E claiming from room and board. The Title IV-E penetration rate is less than 30 percent for congregate care, so there is not a dollar for dollar replacement of reduced Medicaid claiming.

Other major general revenue changes from the FY 2012 enacted budget include an increase in personnel expenditures of \$1.6 million, which is related to unachievable turnover savings, and an additional \$295,771 for contracted professional services. These additions were slightly offset by savings of \$729,135 in operating expenditures.

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The Department has been very successful in achieving savings related to the consolidation of the facilities and services at the Thomas C. Slater Training School. In FY 2012, there is a decrease of \$1.0 million from the enacted level in overtime expenses at the school.

The Governor's recommendation includes a total of 662.5 FTE positions for FY 2012, which is consistent with the enacted level.

The Governor recommends total expenditures of \$211.5 million in FY 2013 for the Department of Children, Youth and Families. This is comprised of \$146.9 million in general revenue, \$58.7 million in federal funds, \$2.8 million in restricted receipts, and \$3.0 million in other funds. The recommended FY 2013 general revenue Budget increases by \$1.7 million from the enacted FY 2012 Budget.

Expenditures for grants and benefits in the Department of Children, Youth, and Families have decreased significantly in general revenue and federal funds over the past few years even though expenses related to providing services to children and families should have amplified due to FMAP increases and trend growth rates. This is due to the Department's successful implementation of major savings initiatives, including better practice improvements and the System of Care Transformation, which restructures programs into a more community-based system of support. The goal of the restructuring is to deliver more children's services in home and community settings, giving the children, guardians, and community the benefit of inclusion in the rehabilitative process, and to allow the development of more natural supports.

Phase One of the implementation of these programs began in FY 2009. This Phase was the establishment of Family Care Community Partnerships (FCCP) for children and families who are at risk for Department involvement due to abuse and neglect or serious emotional disturbance (SED) and youth who are returning to the community following a Rhode Island Training School sentence.

Phase Two of the system transformation will be instituted with the contracting Networks of Care. The Department expects this process to be fully implemented by the beginning of FY 2013. This Phase is designed to service Rhode Island's families with children who are formally involved with DCYF and who are in need of, or at risk for, out of home placement with a goal of facilitating permanency plans, decreasing the need for hospitalizations and residential placements, and increasing access to home and community-based services and supports.

General revenue reductions associated with the Rhode Island Global Consumer Choice Compact Demonstration Waiver for CNOM's financing are attributed to the diversion of residential services for at-risk youth into a more community-based approach. The department continues to achieve the programmed savings associated with this 2009 initiative in FY 2013.

Other major general revenue changes for FY 2013 from the FY 2012 enacted budget include an increase of \$381,870 to account for reduced turnover and rate changes to medical insurance and accrual; an increase of \$295,772 for contracted professional services; a decrease of \$639,024 for operating expenditures; and a decrease of \$1.0 million for overtime at the Thomas C. Slater Training School. The Governor recommends a decrease of \$428,047 from general revenues for reductions in contracts related to consolidated youth services.

The Governor includes in his recommendation an additional \$500,000 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. The Rhode Island Department of Elementary and Secondary Education (RIDE) is required by statute

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to determine a methodology to set the rate to be used by school districts when paying the Department of Children, Youth, and Families. RIDE is currently transitioning to a new methodology that will result in the shift of some of the costs from school districts to DCYF. FY 2013 is the first year of a five year transition plan.

This recommendation includes a total of 665.5 FTE positions in FY 2013, which is 3.0 FTE more than the FY 2012 enacted and revised Budget recommendation. The new positions are federally funded for educational purposes through the Early Childhood Education Race to the Top grant.

Department of Health

The Governor recommends total expenditures of \$126.0 million in the FY 2012 revised budget, including \$24.6 million from general revenue, \$73.6 million from federal funds, \$27.6 million from restricted receipts, and \$172,000 from other funds. The FY 2012 revised budget represents an increase of \$15.8 million from all sources of funds, of which \$14.5 million is federal funds, \$831,184 is restricted receipts, \$374,500 is general revenue, and \$108,600 is other funds.

The net increase in general revenue expenditures of \$374,500 from the FY 2012 enacted amount of \$24.2 million is primarily due to unachieved personnel savings of \$1.1 million and higher than anticipated expenditures for contract professional services of \$128,283. These increases are partially offset by reductions in expenditures for assistance and grants of \$608,733, operating costs of \$216,907, and capital purchases and equipment of \$35,360. The programs with the most significant amounts of unachieved personnel savings were the State Medical Examiner, followed by Health Laboratories, Public Health Information, and Environmental and Health Services Regulation.

The large increase in federal funds expenditures of \$14.5 million is almost exclusively due to federal grants in the Community and Family Health and Equity program, which increase by a total of \$14.2 million compared to the enacted budget. Some of the federal grants with large increases in expenditures include: Immunization, \$3.4 million, Affordable Care Act Home Visiting Programs, \$2.5 million; Affordable Care Act Maternal Infant and Early Childhood Homes Visiting Program, \$2.0 million; Putting Prevention to Work, \$1.1 million; Obesity Policy and Environment, \$1.4 million; and Maternal/Child Health Block Grant, \$0.5 million.

The increase in restricted receipt expenditures is also associated with the Community and Family Health and Equity program where expenditures for infant, child, and adult immunization programs are increasing by \$1.5 million. Funded from an assessment on insurance companies, these programs provide for the purchase and distribution of vaccines for infants, children and adults.

For the revised FY 2012 budget, the Governor recommends an authorized FTE level of 422.3 positions, which is 4.0 less than the enacted level of 426.3. The revised budget transfers 4.0 positions to other Human Services agencies, including 3.0 FTE to the Department of Human Services and 1.0 FTE to the Executive Office of Health and Human Services.

For FY 2013, the Governor recommends total expenditures of \$119.9 million for the Department of Health. This is comprised of \$24.5 million from general revenue, \$66.0 million from federal funds, \$29.2 million from restricted receipts, and \$172,000 from other funds. The FY 2013 recommended funding level from all sources of funds is \$9.7 million higher than the FY 2012 enacted budget. Compared to the enacted budget, general revenue financing increases by \$249,739; federal financing increases by \$6.8 million; restricted

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receipt financing increases by \$2.5 million; and other funds financing increases by \$108,600.

The large increase in federal funds expenditures of \$9.7 million is, again, almost exclusively due to federal grants in the Community and Family Health and Equity program, which increase by a total of \$8.5 million compared to the enacted budget. The federal grants with the large increases in FY 2012 continued with the increases in FY 2013. The \$2.5 million increase in restricted receipt expenditures is largely due to the same immunization programs that had increases in FY 2012.

The Governor recommends several cost savings measures within the Health Laboratories program, including a reduction of 8.0 FTE positions as part of an on-going assessment of laboratory functions. Combined, these initiatives are projected to save approximately \$694,323 of general revenue and \$1.0 million of all funds.

The Governor recommends increasing licensing fees on regulated activities by \$1.5 million. Of the \$1.5 million amount, \$305,275 will be achieved through statutory licensing fee increases while \$1.2 million will be achieved through regulatory licensing fee increases. The licensing fee increases will more closely align the revenues and the expenditures associated with regulated activities in the Department.

In accordance with the recommendations of a recent Bureau of Audit report of the Food Protection unit, the Governor recommends hiring an additional 6.0 Food Inspectors in FY 2013, with 3.0 financed for three quarters of the fiscal year and 3.0 financed for one quarter of the fiscal year. The Food Protection unit is housed in the Environmental and Health Services Regulation program.

For FY 2013, the Governor recommends an FTE level for the Department of Health of 423.3 positions, which is 3.0 FTE less than the enacted budget.

Department of Human Services

The Governor recommends total expenditures of \$2.338 billion for the revised FY 2012 budget of the Department of Human Services (DHS). This is comprised of general revenues totaling \$892.6 million, federal funds of \$1.424 billion, restricted receipts of \$17.1 million, and other fund expenditures of \$4.4 million. Relative to FY 2012 enacted levels, recommended general revenue financing decreases by \$526,612, or 0.06 percent, while federal financing increases by \$4.1 million, or 0.3 percent. The decrease in general revenue in the revised budget is largely driven by a \$2.0 million decrease in planned expenditures for the Medical Assistance (Medicaid) program, offset by increases of \$777,000 and \$423,744, for the Supplemental Security Income (SSI) and General Public Assistance (GPA) programs, respectively. For Medical Assistance and SSI, these adjustments reflect estimates as adopted by the November 2011 Caseload Estimating Conference (CEC). The increase to GPA is attributable to adopted caseload estimates coupled with a corrective accounting adjustment, totaling \$388,159, to properly record prior-year recoveries within the GPA Medical program.

Various expenditure plan adjustments in FY 2012 are recommended throughout the Department's other programs, yielding net additional general revenues of \$229,831. These consist of increases to the Office of Child Support Services (\$18,475), the Individual and Family Support Program (\$245,111), Health Care Quality, Financing, and Purchasing (\$103,931), and Elderly Affairs (\$102,553). Offsetting decreases are witnessed in the Division of Veterans' Affairs (\$239,718) and Central Management (\$521). Within individual and Family Support (IFS), the Governor recommends an increase of \$600,000 in general revenues to support anticipated utilization increases in the Elderly Transportation (RIDE) program, coupled with reductions of \$280,000 in matching funds for unexpended vocational rehabilitation grants,

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\$265,848 for various contracted professional services, and \$193,844 in (SNAP and RIW-related) operating expenses. The downward adjustment to the Veterans' Affairs budget represents revisions to personnel (including overtime) of \$49,906, the net result of the statewide medical holiday and (1) the restoration of \$1.3 million in overtime expenses at the Veterans' Home, (2) a recognition of current year vacancy savings of \$954,582 at the Home, and (3) additional savings of \$363,040 resulting from a one-year delay in the hiring of additional clinical staff to support the Home's census expansion until the final quarter of FY 2013. Operating efficiency savings totaling \$187,154 are also recommended for the Veterans' Home in FY 2012.

The Governor recommends total expenditures of \$657.1 million for the FY 2013 budget of the Department of Human Services. This is comprised of general revenues totaling \$99.8 million, federal funds of \$550.6 million, restricted receipts of \$2.3 million, and other fund expenditures of \$4.4 million. Relative to FY 2012 enacted levels, recommended general revenue financing decreases by \$793.3 million, while federal financing decreases by \$869.0 million and restricted receipts decrease by \$11.7 million. The significant decreases to general revenues and federal financing in the FY 2013 budget are largely driven by the transfer of appropriations for the Medical Assistance (Medicaid) program and the vast majority of its remaining administrative structure to the budget of the Executive Office of Health and Human Services in FY 2013.

The Governor's FY 2013 recommendations for the Department's various programs are discussed below.

The Governor recommends general revenues totaling \$5.2 million, a decrease of \$479,730 from the FY 2012 enacted level for the Central Management program. Driving this decrease is the statewide (25 percent) reduction in community service grant funding, which totals \$600,769 for this program. All such DHS grants, other than those administered by the Division of Elderly Affairs are housed within the Central Management program. The transfer of a \$42,500 legal services contract to EOHHS, combined with upward adjustments to both personnel financing of \$128,169 and to the CNOM for Community Health Centers of \$35,370 (adjusting for the prevailing FY 2013 FMAP) comprise the balance of the general revenue recommendation.

The Governor recommends general revenues totaling \$2.3 million for the Office of Child Support Services, \$100,466 above the FY 2012 enacted level, reflecting current services and the continuation of a planned initiative to save \$246,000 (\$83,640 in general revenues) of constable services expenditures through the use of regular mail to notify parties to appear at Family Court.

The Governor recommends general revenues of \$23.2 million for the Individual and Family Support program, \$672,682 above the FY 2012 enacted level. As in FY 2012, an increase of \$600,000 to support projected utilization increases in the RIDE program is recommended, but is tempered by a proposal to institute client co-payments of \$2 per trip to adult day care centers, commencing in July, 2012. The Governor recommends general revenue savings totaling \$150,000 from this measure, thus lowering the net increase to the RIDE program to \$450,000. The remainder of the increase is due to expenditure adjustments mirroring those of FY 2012, but with an increase to personnel financing of \$641,007, reflecting the Department's stated goal of overall staff augmentation in FY 2013.

With respect to non-general revenue funding, the Governor recommends the transfer of \$19.2 million in federal funds from the Department of Administration (DOA) to DHS for the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP), pursuant to Article 9 of Chapter 151 of the Public Laws of 2011. Furthermore, the Governor recommends \$9.6 million in

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federal financing for the Ryan White HIV Care Program, which was also transferred to DHS pursuant to Article 9. Lastly, the Governor recommends \$7.1 million for the DHS allocation of the Race to the Top Early Learning Challenge Grant, accompanied by 2.5 additional FTE for associated programmatic and administrative support.

The Governor recommends general revenues of \$19.9 million for the Veterans' Affairs program, \$1.3 million above the FY 2012 enacted level, inclusive of upward adjustments to personnel and contract services of \$1.5 million, with a continuation of FY 2012 savings due to operating efficiencies at the Veterans' Home. Again, the Governor proposes to delay the resident census increase from FY 2013 to FY 2014, and therefore eliminates 35.0 clinical FTE from the Divisions' FY 2012 revised roster. In FY 2013, the Governor recommends 9.0 additional FTE in support of the census expansion, to be hired in the final quarter of FY 2013. The remaining 26.0 positions will be hired at the same time, but as non-FTE seasonal Institutional Attendants.

The Governor recommends general revenues of \$8.3 million for the Health Care Quality, Financing and Purchasing program, \$10.2 million below the FY 2012 enacted level, reflecting the transfer of the majority of HCQFP to the Central Management program of EOHHS. DHS field office support of the Medical Assistance program's casework and eligibility functions (including the InRhodes contract) will however remain under DHS budgetary auspices, thus forming the remainder of this program.

The Governor recommends general revenues of \$10.3 million for the Division of Elderly Affairs, \$856,000 million above the FY 2012 enacted level. The FY 2013 recommendation restores one-time personnel savings embedded in the FY 2012 enacted budget due to the availability unspent allocations of the FFY 2011 grant award under Title IIIB "The Older Americans Act". These reserves will be exhausted in FY 2013. The Governor recommends increases to the core DEA Home and Community-Based Medicaid waiver program, the Co-Pay Day Care, and Home Care programs totaling \$669,045. General revenue expenditures for the RIPAE program are reduced by \$200,000, from \$374,000 to \$174,000, due to the prospective drop in utilization following implementation of the remedial provisions of the Patient Protection and Affordable Care Act (PPACA) with respect to the Medicare Part D "donut hole". The Governor also proposes a reduction of \$244,251 in the Division's community service grant funding, commensurate with the 25 percent statewide decrease.

The Governor's FY 2013 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows. For the Rhode Island Works (formerly the Family Independence Program) and Subsidized Child Care Programs, total financing of \$90.2 million is recommended, consisting of \$9.4 million in general revenues, reflecting caseloads as adopted by the November 2011 Consensus Caseload Estimating Conference and a proposed co-sharing increase of one percent (of income) to low-income (non-RIW) recipients of Child Care Assistance. For the Supplemental Security Income Program (SSI), the Governor recommends total financing of \$18.6 million, consisting entirely of general revenues and reflecting caseloads as adopted by the November 2011 Consensus Caseload Estimating Conference. For General Public Assistance (GPA), the Governor recommends \$2.5 million in general revenues, consistent with adopted caseload levels and the FY 2012 enacted allotment for the Hardship Contingency Fund.

The Governor recommends staffing authorizations of 949.2 FTE positions in the FY 2012 revised budget, a decrease of 35.0 FTE compared to the FY 2012 enacted level of 984.2. This decrease consists of three distinct components: (1) the addition of a fifth FTE transferred from the Department of Health for the administration of the Ryan White HIV Care Program; (2) the transfer of 1.0 FTE to the Executive Office

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of Health and Human Services for oversight of the Medicaid non-emergency transportation program; and (3) the removal of 35.0 FTE from the Division of Veterans' Affairs roster, reflecting the postponement of the FY 2013 resident census expansion. For FY 2013, the governor recommends 947.9 FTE positions, 1.5 FTE below the FY 2012 revised level due to: (1) 2.5 additional FTE for positions involving the administration of the Race to the Top Grant, (2) the removal of 22.0 "limited period" FTE originally provided for the administrative support of SNAP that were fully federally financed through a one-time (unmatched) federal grant, (3) 9.0 additional FTE in support of the Veterans' Home census expansion in FY 2014, and (4) 9.0 FTE transferred from the Department of Administration to appropriately staff the LIHEAP and WAP programs.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Governor's revised FY 2012 budget for the Department of Behavioral Healthcare, Developments Disabilities, and Hospitals totals \$432.9 million, including \$187.1 million in general revenue, \$229.0 million in federal funds, \$7.1 million in restricted receipts, and \$9.7 million in other funds. On an all funds basis, the \$432.9 million revised budget is \$8.2 million less than the FY 2012 enacted budget of \$441.1 million, consisting of the following net changes: an increase of \$2.8 million in general revenue, increase of \$3.5 million in federal funds, decrease of \$879,352 million in restricted receipts, and decrease of \$13.7 million in other funds.

The largest increase in the revised recommendation is related to overtime expenditures, which consists of \$3.4 million in general revenues and \$3.6 million in federal funds. The enacted budget contained significant savings in overtime based on hiring more full time employees, which would bring down costs in overtime. Due to delays in hiring, the costs associated with overtime have significantly exceeded the expenditures anticipated in the enacted budget.

Department-wide, the Governor's recommendation includes a decrease of \$732,269 in general revenues from the enacted level for salaries and benefits due to a slight shift to federal funds, a medical holiday, and savings associated with vacancies within the department. Other changes include an additional \$277,679 for contracted professional services, \$98,663 for operating expenses, and a decrease of \$218,233 for grants and benefits.

Other funds were reduced by \$13.7 million, most of which was related to the hospital consolidation project. The hospital consolidation plan emphasizes efficiency gains by consolidating the Eleanor Slater Hospital footprint on the Pastore Campus. This will result in a more efficient use of resources, which will reduce staffing costs, reduce the hospital's maintenance and utility budget, and improve security for staff. The enacted budget provided \$16.6 million in FY 2012 for this project. The Governor's revised recommendation shifts some of the funding from FY 2012 to FY 2013 through FY 2016.

Project Sustainability redesigned the developmentally disabled service system. The redesign changed the assessment tool to a nationally recognized validated assessment tool, the Supports Intensity Scale (SIS), to the entire population of consumers served by the system. The redesign also included the development and implementation of a new rate and payment methodology applied to all service providers (and replacing the several different methods of payment and rate development currently in use) will increase transparency and consistency across the system. The result of these changes will be a system that is more easily described and understood and a realignment of resources within the system, while maintaining the services and supports that consumers require, with application of consistent standards and payments across the system.

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The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals had worked with providers, families and advocates, and other state agencies to define and implement this assessment tool, services, and rates. As this new assessment tool is implemented, assessment data will be compared to utilization data and resource allocations will be refined and rates will be adjusted. The FY 2012 enacted budget contained savings of \$19.3 million from all funds. The Department has been successful in implementing and administering this program and all anticipated savings have been achieved in the current fiscal year.

For FY 2012, the Governor recommends an authorized level of 1,383.2 FTE positions, which is 5.0 FTE more than the enacted level of 1,378.2 FTE. These additional employees will be funded through new federal grants.

The Governor's FY 2013 recommendation totals \$445.7 million, including \$189.3 million from general revenue, \$233.9 million from federal funds, \$7.2 million from restricted receipts, and \$23.4 million from other funds. The general revenue portion of the budget reflects an increase of \$15.2 million from the FY 2012 enacted budget.

There is an increase in general revenues of \$7.1 million related to base adjustments in the federal match and trend growth associated with Medicaid, statewide adjustments for medical benefits inflation and accrual, and decreased turnover savings that were built into the base. The Department has been successful in offsetting a portion of this increase by implementing significant savings associated with program changes that are explained below.

The enacted budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals for FY 2012 included a savings of \$12.7 million in general revenue for Health Homes funding. This initiative allows the Department to utilize an enhanced rate in federal funding for individuals who meet the Health Homes criteria and receive services through a designated Home Health provider which is one of nine community mental health centers. Eligibility criteria for this program includes individuals who have a serious and persistent mental health condition.

The Department has been successful in utilizing the Health Home federal enhancement for which it received approval effective October, 2011 from the Centers for Medicare and Medicaid Services. In FY 2013, the savings will be annualized to include an additional \$3.0 million reduction from general revenues. In addition to annualizing FY 2012 savings, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals will expand the populations that will be eligible for these enhancements to include Developmental Disability Health Homes and Methadone Health Homes, which will result in a shift of \$520,000 from general revenue to federal funds. Eligibility criteria for these expanded programs include individuals who meet one of the following criteria: 1) have at least two chronic conditions; or 2) have one chronic condition and are at risk for another. Eligible providers are in the process of being identified.

The Governor also recommends an additional reduction of \$350,000 from general revenues for third party liability identification and a residential substance abuse provider contract reduction and \$317,612 for overtime expenditures at the Eleanor Slater Hospital.

For FY 2013, the Governor recommends an authorized level of 1,383.2 FTE positions, which is 5.0 FTE more than the enacted level of 1378.2 FTE. These additional employees will be funded through new

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federal grants.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$829,892 for FY 2012 for the Commission on Disabilities. This consists of \$388,786 in general revenue, \$122,448 in federal funds, \$11,360 in restricted receipts and \$467,000 from the Rhode Island Capital Plan Fund. The revised funding level is \$158,845 more than the FY 2012 enacted level, mostly attributable with carry forward of \$217,000 in RICAP financing from FY 2011 to FY 2012. This increase is offset by a reduction of \$59,394 in the Commission's federal grants, specifically its Help America Vote Act (HAVA) grant, though carry forward amounts continue to be available to allow the Commission to conduct its work in assuring voting facilities are handicapped accessible. Restricted receipts increase by \$2,096 above the enacted amount of \$9,234, though an overall reduced trend is apparent as more businesses comply with state and federal rights laws, and the Commission's collections for disability parking signage diminishes. In the RICAP account, the Commission will utilize approximately \$160,000 in FY 2012 to conduct a comprehensive architectural and engineering study of all state-owned facilities for handicapped accessibility compliance.

The Governor recommends total expenditures of \$769,497 in FY 2013, including \$389,154 in general revenue, \$120,649 in federal funds, \$9,694 in restricted receipts, and \$250,000 from the Rhode Island Capital Plan Fund. The recommended general revenue funding in FY 2013 is \$430 more than the FY 2012 enacted level, attributable to the addition of \$342 for the defined contribution plan for the Commission's four employees. The FY 2013 recommendation also reflects the Commission's efforts to offset expenses to its federal grants and restricted receipt resources as allowed, as it continues to coordinate the state's compliance with federal and state disability rights laws.

The recommended FTE ceiling for FY 2012 and FY 2013 is 4.0 FTE positions, which is the same as the enacted level.

Commission on the Deaf and Hard of Hearing

The Governor's revised FY 2012 budget for the Commission on the Deaf and Hard of Hearing totals \$386,286, consisting solely of general revenues to finance the Commission's personnel, operating, and interpreter referral services. This represents an overall decrease of \$1,699, or 0.44 percent, from the FY 2012 enacted budget. This revision is fully attributable to the FY 2012 statewide medical benefit holiday, which served to distribute employee health insurance savings from the enacted budget of the Department of Administration to each individual agency. Additional personnel savings totaling \$5,723 were redirected to other areas of the Commission's budget, primarily to finance the replacement of the Commission's computer equipment and the associated software acquisitions.

For FY 2013, the Governor recommends \$390,251 in general revenues, which again provides the resources necessary to support the Commission's current operations. This represents an increase of \$2,266, or 0.58 percent, from the FY 2012 enacted level of \$387,985. The Governor's FY 2013 recommendation increases operating financing by \$1,425, inclusive of a non-recurring expenditure for registration fees and lodging expenses related to the biennial conferences of two national professional associations. Also included is an upward base adjustment of \$2,684 to contract services expenditures, recognizing anticipated cost escalation from more frequent usage of standard-hour interpreter services. These adjustments are countervailed by a reduction of \$1,843 in personnel expenditures, stemming primarily from the lapse (in FY 2012) of an educational incentive bonus for one of the Commission's employees. Staffing authorizations for the

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Commission remain unchanged at 3.0 FTE positions.

Office of the Mental Health Advocate

The Governor recommends revised FY 2012 general revenue expenditures of \$413,172 for the Office of the Mental Health Advocate, a decrease of \$55,546 from the enacted level of \$468,718. The decrease includes a reduction of \$59,115 in personnel expenses due to vacancies during part of this fiscal year, which was slightly offset by increases of \$1,800 in contracted professional services and \$1,769 in operating expenditures.

The Governor recommends total FY 2013 general revenue expenditures of \$447,119, reflecting full funding for the agency's current services and a decrease of \$21,599 from the enacted FY 2012 budget. General revenue includes a personnel reduction of \$23,368, which is related to funding one of the full time employees at the entry level salary and benefit rate. This reduction in personnel was slightly offset by statewide changes in medical costs and accrual. There was an increase of \$1,769 in operating expenditures.

The Governor recommends the enacted staffing authorization of 3.7 FTE positions for both FY 2012 and FY 2013.

Office of the Child Advocate

The Governor's revised FY 2012 Budget for the Office of the Child Advocate is \$578,868, including \$528,834 in general revenue and \$50,034 in federal funds. The general revenue appropriation is \$74,550 less than the enacted budget of \$603,384, comprised of a decrease of \$78,155 in personnel expenses, all of which is related to vacancies during this fiscal year. The personnel decrease is slightly offset by an increase of \$6,070 in operating expenses and capital purchases.

For FY 2013, the Governor recommends total expenditures of \$661,503, including \$611,469 in general revenue and \$50,034 in federal funds. The general revenue increase of \$8,085 compared to the FY 2012 enacted budget includes additional personnel expenses of \$1,932 related to benefit adjustments and \$6,070 related to operating expenses and capital purchases.

The Governor recommends an authorized FTE level of 5.8 positions in FY 2012 and FY 2013, which is consistent with the FY 2012 enacted budget.

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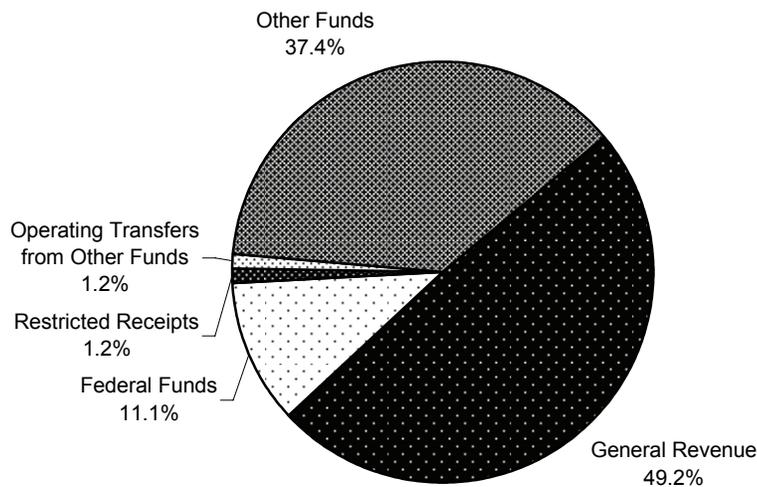
Summary

The Education function of state government includes services provided by the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The Governor recommends 3,844.6 FTE positions in FY 2012 and 3907.6 FTE positions in FY 2013.

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

The FY 2012 revised recommendations for Education agencies total \$2.221 billion, or \$54.0 million more than enacted appropriations of \$2.167 billion. As compared to the enacted budget, general revenue decreases \$1.3 million, or 0.1 percent, federal funds increase \$45.0 million or 14.8 percent, restricted receipts increase \$545,113 or 2.0 percent, and other funds increase \$9.8 million, or 1.2 percent. American Recovery and Reinvestment Act of 2009 funding comprises \$90.2 million, or 29.7 percent of the federal funds.

How it is Financed

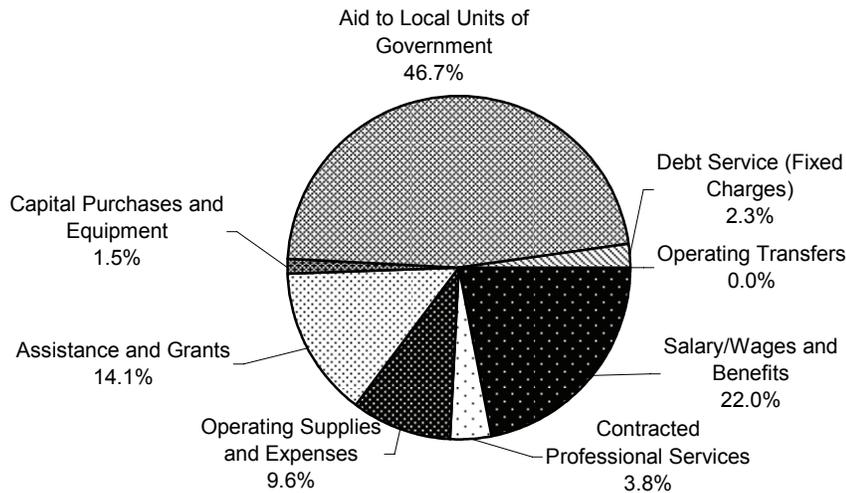


In the Education function of state government, other funds consist of: Rhode Island Capital Plan Funds, Institutional Revenues, Sponsored Research Programs, Scholarships and Fellowships, Auxiliary Enterprises in Public Higher Education, and the Corporation for Public Broadcasting grant to the Rhode Island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

Education

The Governor recommends total expenditures of \$2.266 billion for Education in FY 2013, including \$1.114 billion from general revenue, \$250.7 million from federal funds, \$27.8 million from restricted receipts, and \$873.5 million from other funds. American Recovery and Reinvestment Act of 2009 funding comprises \$37.6 million, or 15.0 percent of the federal funds.

How it is Spent



The Governor's general revenue recommendation of \$1.114 billion for Education for FY 2013 is an increase of \$73.5 million, or 7.1 percent from FY 2012 enacted levels.

Aid to Local Units of Government accounts for 46.6 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 35.4 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 17.9 percent of expenditures occur in grants and benefits and capital outlays.

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Elementary and Secondary Education

The Governor recommends \$1.152 billion in revised expenditures from all funds for the Department of Elementary and Secondary Education for FY 2012, an increase of \$18.3 million from the enacted level of \$1.134 billion. Of this total, \$862.8 million is general revenue expenditures, \$252.8 million is federal funds, \$27.0 million is restricted receipt funds, \$9.3 million is Rhode Island Capital Plan (RICAP) funding, and \$230,624 is other fund expenditures. In relation to the FY 2012 enacted, general revenue expenditures decrease by \$326,356, federal expenditures increase by \$14.7 million, restricted receipt expenditures increase by \$696,797, RICAP funds increase by \$3.2 million, and other fund expenditures increase by \$47,000.

The Governor's revised FY 2012 budget includes a reduction to general revenues based on a mid-year adjustment to the School Housing Aid program which reduces aid by \$2.7 million to \$69.8 million. This annual adjustment takes into account projects that were not completed in FY 2011 and therefore are not eligible for reimbursement in FY 2012. The majority of this savings is offset by an increase of \$2.5 million for the state's contribution to the teachers' retirement fund, attributable to a higher-than-projected teacher wage base due to updated FY 2011 closing payroll data along with an estimated two percent growth rate in teacher payroll.

For the state-supported schools, all of whom except for the School for the Deaf are subject to the funding formula, general revenue support for the Davies Career and Technical School, the Metropolitan Career and Technical School and the Central Falls school district each remained at the enacted level of \$13.4 million, \$11.6 million and \$39.2 million, respectively. General revenue support decreases by \$21,456 from the enacted level of \$5.9 million for the Rhode Island School for the Deaf.

Education aid to local school districts and charter schools as determined through the education aid funding formula remains at the enacted level of \$610.2 million in FY 2012. A slight increase of \$25,698 is reflected for the non-public textbook reimbursement fund based on updated district needs. Additional education aid programs including the transportation categorical fund, the regionalization bonus, group home funding, E-Rate, and financing for school breakfast will all remain at the enacted level in FY 2012. The FY 2012 enacted budget reduced general revenue financing for the Progressive Support & Intervention program. The Governor recommends redirecting \$183,624 from the Central Falls permanent school fund allocation (non-general revenue) to ensure that all persistently lowest achieving districts are eligible for some form of financing. The permanent school fund is used for the promotion and support of public education in Rhode Island.

In the revised FY 2012 budget, general revenue financing of the Administration of the Comprehensive Education Strategy (ACES) was reduced by \$76,916. This reduction reflects \$32,681 in personnel through achieved turnover savings and \$80,720 in operational savings, partially offset by an increase of \$34,214 in contract services.

As a winner in the Race to the Top competition, Rhode Island has been awarded and the Governor has included in his FY 2012 and FY 2013 recommendations, \$75.0 million that will be used over a four year period. As described by the Department of Elementary and Secondary Education, Rhode Island will use Race to the Top funding to realize a single powerful vision: an educational system that prepares all Rhode Island students for success in college, careers and life. Over the term of the grant, Rhode Island will realize this vision through five important support systems: Standards and Curriculum, Instructional Improvement Systems, Educator Effectiveness, Human Capital Development, and School Transformation & Innovation. The Governor's FY

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2012 revised budget allocates \$24.6 million while the FY 2013 budget allocates \$26.2 million from this grant.

In December of 2011 Rhode Island was awarded an additional \$50.0 million through the latest round of the Race to the Top program. Under the title Race to the Top – Early Learning Challenge Grant, funding will be used to improve education for pre-school students. This program will involve multiple human service state agencies with funding allocated over a four year span, similar to the previous Race to the Top program. Within the Department of Elementary and Secondary Education’s budget, the Governor allocates \$1.8 million for year one of the program and \$4.4 million in year two which encompasses FY 2013. Lastly, the Governor recommends an additional thirteen (13.0) limited-term FTE positions to be financed under this grant within the ACES program.

For Fiscal Year 2013, the Governor recommends \$1.195 billion in expenditures from all funds for the Department of Elementary and Secondary Education. Of this total, \$932.1 million is from general revenue, \$230.0 million is from federal funds, \$26.5 million is restricted receipts, \$6.2 million is Rhode Island Capital Plan funding, and \$230,624 is from other funds. This financing level represents an increase in general revenue expenditures of \$69.0 million from the enacted FY 2012 level, a decrease of \$8.1 million in federal expenditures, an increase of \$167,232 in restricted receipt expenditures, an increase of \$77,908 in RICAP funds, and an increase of \$47,000 in other fund expenditures.

Funding for the Department’s Administration of the Comprehensive Education Strategy (ACES) program increases by \$1.6 million in general revenue financing from the enacted FY 2012 level. The majority of this general revenue increase is for the restoration of \$2.0 million towards grants for Adult Basic Education programs, which was removed by the 2011 General Assembly in the FY 2012 enacted budget. Additionally, the Governor recommends an increase of \$25,000 in general revenue support for the Vision Services program which is housed at Rhode Island College. This additional money would go to finance the costs of personnel at Rhode Island College, who under contract through RIDE, run the program. This increase would allow the program to maintain the current level of services needed to run the program successfully.

For the state-supported schools, all of whom except for the School for the Deaf are subject to the funding formula, general revenue funding for the Davies Career & Technical School decreases by \$15,759 from the FY 2012 enacted level. General revenue funding for the School for the Deaf increases by \$351,308. General revenue funding for the Metropolitan Career & Technical School decreases by \$40,864. General revenue for the Central Falls School District increases by \$251,502.

The Governor recommends an increase to the Education Aid program in FY 2013 to replace expiring Education Jobs Fund federal grant money, to fund year two of the funding formula while also reducing the overall total amount of funding remaining to be transitioned for underfunded districts. The Governor has also included financing for five education aid categorical funds that were included in the funding formula legislation passed in 2010 and will be distributed to Local Education Agencies (LEAs) according to their own individual set of rules. To finance these initiatives, the Governor recommends eliminating general revenue support for three ongoing programs, all of which are financed through other funding sources. There is a decrease of \$350,000 in general revenue financing for the Rhode Island Telecommunications Access fund, to be replaced with a broadening of the fee charged only on land-lines to include wireless lines as well. An estimated \$2.0 million in revenue will be gained from this surcharge and will be used to leverage additional federal funds. There is also a general revenue decrease of \$240,000 for the

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non-public textbook reimbursement fund, which provides a small fraction of the cost to purchase certain types of textbooks provided to non-public school students as the districts generally provide the majority of funding for these books. This reduction in state aid would have no impact on students who attend non-public schools, for the laws requiring the districts to loan the textbooks to students remain unchanged. There is a decrease of \$270,000 in state aid towards a school breakfast program. Currently, the United States Department of Agriculture reimburses schools for breakfasts served to students each and every morning. This federal aid will not be affected by eliminating the state's funding. Additionally there is a decrease in Group Home aid of \$420,000 to reflect fewer beds subject to reimbursement.

The Governor recommends \$78.2 million for funding of the Teachers' Retirement program, or a decrease of \$3.4 million from the enacted FY 2012 budget. The State of Rhode Island funds 40.0 percent of the employer's share of the necessary contribution to the Teacher Retirement System while the municipalities contribute the balance. The employer's share is determined annually, based on actuarial reports by the State Employees Retirement System and is applied to the covered payroll. The projected estimate reflects a two percent growth in the teacher payroll base along with a decrease in the state share from 9.09 percent in FY 2012 to 7.88 percent in FY 2013 as a result of pension reform passed by the General Assembly and signed into law by Governor Chafee in November 2011. Additionally, the state will be responsible for 0.4 percent of the new Defined Contribution Plan for Teachers.

In FY 2013, Housing Aid increases by \$2.1 million to account for projects that are expected to be complete in FY 2011, and thus be subject to reimbursement in 2012. The Governor recommends amending RIGL 16-7-39, which sets the minimum state share ratio, by keeping the minimum share at 35.0 percent in FY 2013 and beyond, which would achieve general revenue savings.

For the entire Department, which includes the Davies Career & Technical School and the School for the Deaf, the Governor recommends staffing authorizations totaling 355.4 FTE positions in FY 2012 and FY 2013. The recommendation includes an additional 13.0 FTE positions, which are limited-term positions in the ACES program, to be funded with a federal Race to the Top Early Learning Challenge grant. Lastly, the Governor recommends reducing the Davies' FTE authorization by six (6.0) FTE's in each fiscal year to reflect school based coordinators who now work directly for districts under federal Perkins grant funding and who are no longer considered state employees.

Public Higher Education

The Governor recommends a revised FY 2012 Budget of \$1.03 billion for Public Higher Education, including \$165.7 million in general revenue, \$35.5 million in federal funds, including American Recovery and Reinvestment Act of 2009 funding of \$30.2 million, \$806.5 million in other funds, \$810,264 in restricted receipts, and \$23.1 million from the Rhode Island Capital Plan Fund. General revenues decrease a total of \$833,213 from the enacted level, including increases of \$8.4 million for personnel adjustments, \$75,633 for State Crime Lab personnel supplemental appropriation, and \$84,280 for assistance and grants and decreases of \$.5 million for debt service, \$395,655 for purchased services, \$4.7 million for operations, \$3.8 million for scholarships and \$135,730 for capital. This level funded Governor recommendation maintains effort for a new federal College Access Challenge Grant of \$1.5 million over two fiscal years. The Governor recommends 4,215.0 FTE positions in FY 2012, an increase of a 0.4 FTE education specialist position in the Office of Higher Education.

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For FY 2013, the Governor recommends \$1.06 billion for Public Higher Education, including \$177.6 million in general revenue, \$18.6 million in federal funds, \$849.8 million in other funds, \$817,872 in restricted receipts, and \$13.3 million from the Rhode Island Capital Plan Fund. General revenues increase \$11.1 million, or 6.3 percent from the FY 2012 enacted level. The Governor recommends a total of 4,280.6 FTE positions, an increase of 65.6 FTE positions for fourteen faculty positions at the University of Rhode Island, ten faculty and staff positions at Rhode Island College, and 41.6 positions transferred from the Rhode Island Higher Education Assistance Authority in a proposed merger into the Office of Higher Education. Debt service adjustments add \$5.8 million, net personnel benefit and operating adjustments add \$0.1 million, and the Authority merger adds \$5.6 million, including \$5.0 million of student scholar awards, while pension reform saves \$0.2 million when compared to the enacted level, and statewide legislative grants and holiday pay reductions save \$0.3 million. The Governor's recommendations also include \$858,820 for the Crime Laboratory, an increase of \$83,820 from the FY 2012 enacted Budget.

The budget proposed by the Governor includes total tuition and fee revenue growth of \$16.4 million, including \$8.8 million at the University, \$3.1 million at the College, and \$4.5 million at the Community College. The budget requested by the Board of Governors did include an increase for undergraduate in-state tuition and fees for FY 2013 of 9.5 percent at the University, 4.0 percent at the College, and 7.8 percent at the Community College. Similarly, out-of-state tuition and fees increase requests are 2.0 percent at the University, 4.0 percent at the College, and 7.8 percent at the Community College.

Pursuant to FY 2007 legislation, both the FY 2012 appropriation and FY 2013 recommended budgets include debt service appropriations within Public Higher Education that were formerly funded under the Department of Administration. In FY 2012, debt service is \$18.3 million, a decrease of \$507,527 from enacted levels and in FY 2013, \$24.7 million is included, an increase of \$5.8 million.

The College Crusade of Rhode Island and other legislative grant awards are recommended at \$1.0 million in FY 2012 and at \$805,200 in FY 2013.

Rhode Island Council on the Arts

The Governor's revised FY 2012 budget for the Rhode Island Council on the Arts is \$3.9 million, including \$1.7 million in general revenue, \$979,573 in federal funds and \$1.2 million in other funds. The recommendation includes a decrease of \$4,987 from the enacted level for general revenue appropriations mostly attributable to a decrease for personnel costs of \$3,961 to reflect changes in employee benefits. The revised FY 2012 budget provides \$1.2 million or an increase of \$783,000 from the enacted level in other funds for the Arts for Public Facilities program. This program, as required by law, requires any state building or facility being constructed, remodeled or renovated, to expend at least one percent of their appropriated budget on works of art for public display. An increase in the number of public art projects has resulted in the need to expand the budget for public art in FY 2012. It is important to note that these are funds that come into the Allocation for Public Art restricted receipt account, established by law in RIGL 42-75.2-2, and that these funds are then expended out in support of public art projects.

For FY 2013, the Governor recommends \$3.4 million, including \$1.6 million in general revenue, \$998,794 in federal funds and \$843,500 in other funds. The general revenue decrease from the FY 2012 enacted level is \$92,133. The FY 2013 budget includes a reduction of \$10,000 in discretionary grant financing, along with a twenty-five percent statewide reduction in community

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service grants equal to \$100,556. Partially offsetting this reduction is an increase in personnel costs of \$10,019 due to salary and benefit increases within the Arts Council.

The Governor recommends 8.6 FTE positions in FY 2012 and FY 2013, which is unchanged from the enacted FY 2012 level.

Rhode Island Atomic Energy Commission

The Governor's revised FY 2012 Budget for the Rhode Island Atomic Energy Commission is \$1.39 million, including \$877,459 in general revenue, \$183,752 in federal funds, and \$333,176 in other funds. The recommendation includes a net decrease of \$2,133 to general revenue appropriations, including medical holiday savings of \$6,812.

For FY 2013, the Governor recommends \$1.4 million, including \$876,213 in general revenue, \$180,216 in federal funds, and \$333,122 in other funds. The decrease of \$3,379 in general revenue from the FY 2012 enacted Budget recognizes net personnel and operational savings of \$1,745 and net savings from the statewide pension reform of \$1,634 compared to the enacted level. The Governor recommends 8.6 FTE positions in both FY 2012 and FY 2013.

The Rhode Island Atomic Energy Commission (RIAEC) will continue to operate the state-of-the-art reactor at the Rhode Island Nuclear Science Center (RINSC) for the purposes of research, education and training and environmental monitoring. Moreover, the staff of the RINSC will continue to provide technical assistance to other state agencies, including the Rhode Island Department of Health and the University of Rhode Island. The staff provides 2.6 FTE positions to the University of Rhode Island to run its radiation safety functions. This support service includes salary and benefits and operating expenses of \$283,122 for FY 2013. The Governor's budget will enable the Commission to explore additional commercial uses for the RINSC, including new technology involved in cancer research.

Rhode Island Higher Education Assistance Authority

The Governor recommends a revised FY 2012 Budget of \$27.9 million, including \$5.91 million in general revenue, \$13.0 million in federal grants, and \$9.0 million in other funds. General revenues decrease \$1,306 from the enacted level, reflecting medical holiday savings. State needs-based scholarships of \$5.01 million increase \$153,864 to \$5.17 million to provide federal maintenance of effort for a College Access Challenge Grant in the Office of Higher Education. The Governor recommends 41.6 FTE positions in FY 2012.

For FY 2013, the Governor recommends to merge the Authority with the Office of Higher Education in Public Higher Education under the Board of Governors for Higher Education and the Commissioner.

Rhode Island Historical Preservation and Heritage Commission

The Governor recommends total expenditures of \$2.8 million for the revised FY 2012 budget for the Rhode Island Historical Preservation and Heritage Commission. This consists of \$1.3 million in general revenue, \$886,047 in federal funds, \$457,571 in restricted receipts, and \$75,000 in other funds. The recommendation reflects a general revenue decrease of \$131,942 from the enacted level. The majority of this decrease reflects \$127,666 in turnover savings generated from the retirement of a Principal Archaeologist position and a Heritage Aide position.

Education

The Governor recommends total financing of \$2.8 million for FY 2013, including \$1.4 million in general revenue appropriations, \$886,057 in federal funds, \$458,506 in restricted receipts, and \$75,000 in other funds. General revenue decreases by \$98,859 from the enacted FY 2012 level. A decrease in personnel costs of \$58,849 is achieved by keeping a Heritage Aid FTE vacant for a full year. In addition, the Governor recommends a statewide reduction of twenty-five percent in community service grants or a reduction of \$40,149, making up the remainder of the general revenue decrease.

The Governor recommends 16.6 FTE positions in FY 2012 and FY 2013, which is unchanged from the enacted FY 2012 level.

Rhode Island Public Telecommunications Authority

The Governor recommends total expenditures of \$1.6 million for the revised FY 2012 budget of the Public Telecommunications Authority. This consists of general revenue financing of \$932,562 and \$635,915 in grant financing from the Corporation for Public Broadcasting (CPB). The recommendation reflects a decrease of \$15,398 in general revenue appropriations from the enacted level. This reduction is entirely attributed to a decrease in personnel costs through turnover from an ITV Educational Director FTE.

The Governor recommends total financing of \$1.1 million for FY 2013, including \$425,286 in general revenue appropriations and \$701,768 from the Corporation for Public Broadcasting (CPB) grant. This represents a decrease of \$522,674 in general revenue from the enacted FY 2012 budget. The Governor recommends continued general revenue financing of the Authority for a six month period in FY 2013, after which time the state will eliminate general revenue financing for the operational support of the Rhode Island Public Telecommunications Authority. The elimination of state support does not mean the full elimination of the Authority. State general revenue makes up twenty percent of total revenues. Other sources of funding come through a federal Corporation of Public Broadcasting grant (17%), revenue gained from fundraising through the RIPBS Foundation (27%), along with fees gained through the PEG Access fund (36%). The Authority will seek to partner with other outside institutions or community groups that would be willing to take over operations of the Authority.

The Governor recommends a staffing authorization level of 15.0 FTE positions in FY 2012, which is unchanged from the enacted level. In FY 2013, the Governor recommends a staffing authorization level of 14.0 FTE positions, which is a reduction of 1.0 FTE from the enacted FY 2012 level.

Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The six agencies that expend 6.3 percent of the total FY 2013 state Budget from all sources of funds to provide public safety services to the state include: the Department of Corrections; the court system (Attorney General; the Judiciary; and the Office of the Public Defender); the homeland security system (Military Staff, including both the National Guard and the Emergency Management Agency); and the Department of Public Safety (State Police, Capitol Police & Sheriffs, E-911, State Fire Marshal, and the Municipal Police Training Academy).

The FTE recommendation for the FY 2012 revised budget is 3,185.6 FTE positions, a decrease of 3.6 FTE position from the enacted level, reflecting a reduction of 4.0 maintenance FTE's in the Military Staff, a reduction of 2.0 FTE's in the Office of the Public Defender due to the end of federal funds, and an increase of 2.0 FTE's in the Office of the Attorney General. The FTE recommendation for FY 2013 is 3,188.6 FTE positions, a decrease of 0.6 FTE positions from the enacted level, reflecting the FY 2012 changes plus an additional 1.0 FTE reduction in the Military Staff (Emergency Management), 1.0 misdemeanor attorney in the Office of the Public Defender, and 3.0 additional FTE's in the State Fire Marshal program.

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 40.6 percent of the total. Because the Adult Correctional Institutions, which includes seven secure facilities that operate twenty-four hours per day, the Department must provide continuous supervision of an annual average inmate population of 3,236. Additionally, the Community Corrections subprogram supervises 27,700 community-based offenders per year. The second largest share of the Public Safety budget is for the courts system, at 28.7 percent of the total. This includes 21.2 percent of expenditures for the Judiciary, supporting six courts statewide, 5.3 percent for the Attorney General and 2.2 percent for the Office of Public Defender. The Department of Public Safety's share is 22.2 percent. The Military Staff comprises 8.5 percent of Public Safety expenditures.

In the FY 2012 revised budget, the Governor recommends an all-funds budget of \$505.3 million for public safety programs. Of this amount, \$406.4 million is from general revenue, \$61.5 million is from federal funds, \$12.8 million is from restricted receipts, and \$24.5 million is from other funds. All-fund spending increases by \$30.8 million, as compared to the enacted budget. There is a \$13.9 million all-funds increase in personnel expenditures, a \$1.2 million increase in operating expenditures, an \$11.2 million increase for grants and benefits and a \$4.6 million increase for capital expenditures. Of this increase, the general revenue budget increases by \$11.6 million from the FY 2012 enacted level, federal grants by \$14.5 million and other funds by \$4.2 million. All funds financed personnel increases by \$13.9 million and reflects the end of statewide reductions in payroll costs and the adjustment for four pay reduction days that will not occur in FY 2012. Operating expenditures increase by \$1.2 million due to less than anticipated per diem expenditures for inmates (food, clothing, pharmaceuticals) resulting from the reduced inmate census of 3,236. Grant increases of \$11.2 million are concentrated in federal funds, reflecting additional Emergency Management homeland security and related federal grants, as well as an increase of \$9.2 million for flood damage reimbursement from the Federal Emergency Management Agency for both the March/April 2010 flood and Tropical Storm Irene. The increase in capital funding reflects \$4.6 million in additional Rhode Island Capital Plan funding, primarily due to the carry over of unspent FY 2011 funding for new and existing projects, the retrofit of the Reintegration Center to house female inmates, the Armory of Mounted Commands roof and HVAC project, as well as State Police

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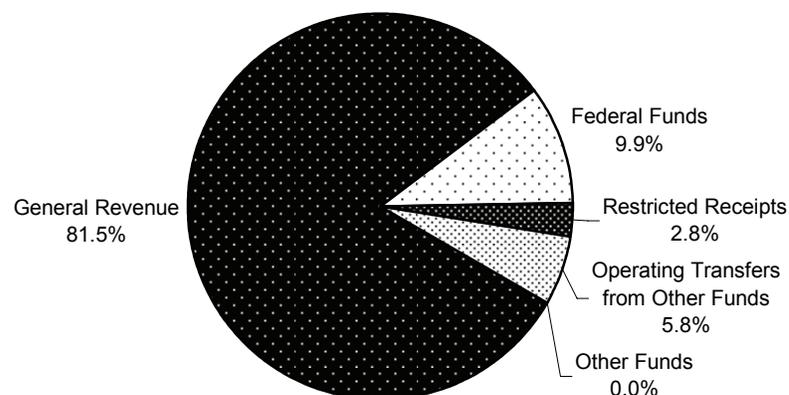
projects such as the Statewide Microwave/IT Upgrade.

The Governor recommends a FY 2013 budget of \$496.7 million from all funds, a decrease from FY 2012 revised of \$8.6 million, but an increase of \$22.3 million from the FY 2012 enacted budget. Expenditures of \$404.9 million are recommended for general revenue, \$10.1 million, or 2.5 percent, more than enacted levels, \$5.3 million of which is in the Department of Corrections and \$5.1 million is in the Department of Public Safety. Federal funds of \$49.1 million increase by \$2.0 million. Restricted receipt expenditures of \$13.8 million increase by \$1.5 million. Other funds \$28.9 million increase by \$8.7 million, primarily in the Rhode Island Capital Plan Fund for Corrections (\$5.2 million), and the Military Staff (\$2.3 million).

Categorically, the FY 2013 general revenue increase from the FY 2012 enacted budget of \$10.1 million is primarily due to a \$9.9 million increase in personnel costs for salaries, benefits and contract services. Other categories change relatively little: expenditures for grants and benefits decrease by \$770,713, while operating expenditures increase by \$898,000, and capital purchases and equipment expenditures are virtually flat at \$994,149.

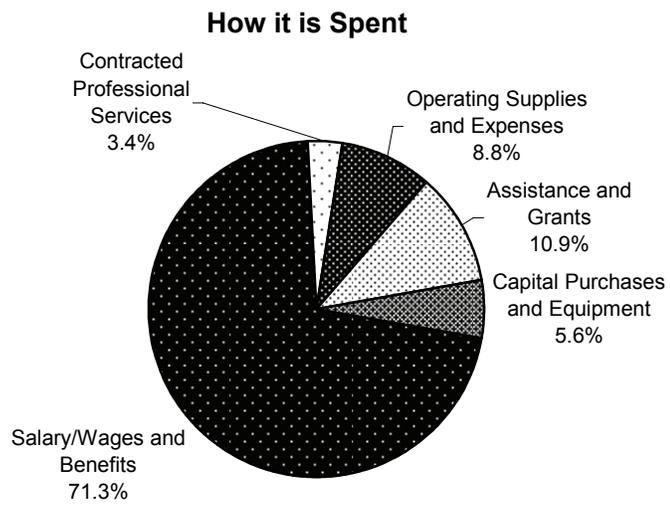
Funding for the Public Safety function is derived mainly from state sources. General Revenue comprises 81.5 percent and 5.8 percent is other funds (primarily from the Rhode Island Capital Plan Fund for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). Federal funds are 9.9 percent of the total, and include Emergency Management homeland security expenditures; FEMA flood reimbursements; National Guard Bureau funding; adult education, discharge and reentry services, incarceration of undocumented aliens at Corrections; and Child Support Enforcement in the Judiciary. Restricted receipts account for the remaining 2.8 percent, primarily in the Judiciary.

How it is Financed



By category of expenditures, state operations, including personnel (74.7 percent, \$371.2 million) and other operating costs (8.8 percent, \$43.7 million), total \$414.9 million, or 83.5 percent of total expenditures, and are financed primarily from general revenues. Assistance, grants and benefits are \$54.0 million or 10.9 percent, and are financed from general revenue and federal funds. Capital improvement projects, \$27.7 million or 5.6 percent, include the Rhode Island Capital Plan Fund and federal funds.

Public Safety



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Attorney General

The Governor recommends revised FY 2012 appropriations totaling \$27.5 million for the Attorney General, including \$23.1 million from general revenue, \$2.9 million from federal funds, \$1.4 million from restricted receipts, and \$250,000 from the Rhode Island Capital Plan Fund. This is a general revenue increase of \$611,950 or 2.7 percent, from FY 2012 enacted levels. The increase is mostly due to a carry-forward of \$366,122 from FY 2011 for the National Association of Attorney General's Tobacco Litigation and \$173,980 in operating supplies and expenses.

For FY 2013, the Governor recommends total expenditures of \$26.4 million, including \$23.3 million from general revenue, \$1.6 million from federal funds, \$1.2 million from restricted receipts, and \$287,500 from the Rhode Island Capital Plan Fund. This includes a general revenue increase of \$833,457 or 3.7 percent, from the FY 2012 enacted budget. Personnel expenses increase by \$481,160, primarily for health benefits and defined contribution expenses. In addition, there is an increase of \$311,644 from the FY 2012 enacted Budget for operating supplies and expenses. The additional expenditures in operating are primarily due to \$136,960 for Judiciary occupancy offsets, for 13,071 square feet used by the Department of the Attorney General.

The Governor recommends 233.1 FTE positions in FY 2012 and FY 2013, which represents an additional 2.0 FTE positions from the enacted FY 2012 level. The increase in FTE positions is due to the Governor's recommendation for two federally financed AFIS (Automated Fingerprint Identification Software) Operators, for the Long Term Health Care Federal grant.

Department of Corrections

The Governor's revised FY 2012 budget for the Department of Corrections is \$202.5 million. This includes \$187.4 million in general revenue, \$3.2 million in federal funds, \$64,027 in restricted receipts, and \$11.8 million in other funds. The FY 2012 revised general revenue budget is \$5.3 million more than the enacted level of \$182.1 million. In addition to current service adjustments, including additional turnover to reflect existing vacancies, the Governor recommends additional savings in medical benefit costs as a result of a medical benefits holiday. The Governor recommends the following adjustments to the enacted budget:

Correctional Officer Training: the Governor recommends funding one class in FY 2012, starting in February, with graduation in April 2012 of approximately 45 correctional officers; \$720,135 in general revenue is included in the FY 2012 supplemental budget for this purpose, an increase of \$52,902 from the enacted budget.

Personnel Costs: the Governor recommends \$164.1 million in all funds expenditure, an increase of \$5.1 million from the enacted level. Included in this budget is a March 10, 2010 arbitration award to Correctional Officer personnel, which include regular COLA increase of 3.0 percent effective in both June 2010 and June 2011, a retroactive COLA increase of 8.74 percent effective June 2009, and a further increase of 2.95 percent effective both June 20, 2010 and June 19, 2011, reflecting parity with a prior year award to the Sheriffs. In the revised budget, the Governor recommends an additional \$3.1 million due to revised expenditure projections resulting from these prior year adjustments impacting the FY 2012 payroll base.

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Inmate Population-Related Overtime Expenditures: the Governor recommends \$21.0 million, an additional \$1.8 million from the enacted level, to finance supervisory overtime costs at the Department's eight inmate facilities. Savings projected in the enacted budget have not been achieved. Several housing units at the Intake Service Center and Minimum Security had to be reopened to accommodate the remaining population from the closed Donald Price Medium Security facility. Despite the success of the Earned Good Time initiative approved in the 2008 legislative session that has decreased population levels, this initiative did not reach the full thresholds that would have allowed closure of the price facility without shifting populations and opening housing modules that were assumed to have remained closed. Although the decreasing inmate population levels are attributable to this initiative, it has been offset by increases in the awaiting trial population, as well as the continued need to staff common areas of each facility. Other unbudgeted overtime expenditures include leave taken by employees in accordance with the arbitration award of 15 paid leave days, overtime for work crews at Bernadette and Minimum Security, and unachieved overtime reductions included in the FY 2012 enacted budget.

Inmate Population-Related Operating Expenditures: as a result of the above referenced population reductions the Governor recommends \$12.0 million in funding for per diem operating expenses, including linens, inmate clothing, program supplies, janitorial supplies, food, pharmaceutical and medical supplies as well as medical services, a reduction of \$799,143 from the enacted level. Reductions totaling \$1.2 million are concentrated in medical services, with a small increase in other operating expenses. The estimated inmate population in the FY 2012 revised budget is 3,265, an increase of 26 from the enacted level of 3,239.

Facility Closure: The FY 2012 enacted budget mandated the closure of the Donald Price Medium Security facility and the transfer of 289 inmates to other facilities. The FY 2012 enacted budget included a \$6.0 million reduction in expenditures for one/half year (annualized to \$12.0 million in FY 2013). As of November 14, 2011, the remaining inmates have either been transferred to the Intake Service Center or Minimum Security. Because the transfer has required the opening of housing modules that were to be kept closed in order to achieve savings included in the enacted budget level, the Governor recommends additional funding of \$497,714 in FY 2012, and \$1.4 million in FY 2013.

For the FY 2013 budget, the Governor recommends \$201.5 million in total expenditures for the Department of Corrections. This consists of \$183.2 million in general revenue, \$2.7 million in federal funds, 64,925 in restricted receipts, and \$15.5 million in other funds. The FY 2013 recommended general revenue budget decreases by \$1.1 million from the FY 2012 enacted level and by \$4.2 million from FY 2012 revised budget recommendation. The budget includes statewide benefit adjustments reflecting the passage of pension reform legislation, including provision for defined contribution funding. The Governor recommends the following:

Inmate Population-Related Overtime Expenditures: the Governor recommends \$12.0 million on overtime to finance supervisory costs at several housing units, a reduction of \$8.2 million from the enacted budget. Expenditures reductions are expected due to the hiring of 28 newly trained correctional officers to fill existing vacancies. In addition, the Governor recommends changes in legislation that would allow the state to negotiate a change in the way overtime is collected with the correctional officers union.

Inmate Population: the estimate is 3,231, a decrease of eight (8) from the enacted level. Per diem expenditures of \$12.0 million decrease by \$480,554 from the enacted budget.

Correctional Officer Training: the Governor recommends \$766,923 in general revenue funds (an increase of \$104,280) for one class in FY 2013 to train approximately 45 new correctional officers.

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Personnel Costs: In FY 2013, the Governor recommends \$160.0 million in all funds payroll expenditure, an increase of \$942,000 from the FY 2012 enacted level.

Federal funds of \$3.2 million in FY 2012 and \$2.7 million in FY 2013 will finance core personnel through the State Criminal Alien Assistance program (\$1.0 million), as well as adult inmate education, AIDS counseling, sex offender assessment, supervision and treatment and reentry services. In addition, the Department has been awarded a total of \$114,118 in FY 2013 in federal stimulus grants from the American Recovery and Reinvestment Act (ARRA). These grants are for programs in inmate education, inmate family reunification, and inmate transition through access to employment.

In order to provide necessary repairs and renovations to the Department's aging facilities, the Governor recommends \$11.8 million in FY 2012 revised and \$15.5 million in FY 2013 from the Rhode Island Capital Plan Fund. Project funding includes a total of \$8.5 million for both years for various asset protection projects, \$700,000 in FY 2012 and \$600,000 in FY 2013 in renovation costs to enable the transfer of women inmates from their current facilities to new facilities, \$2.7 million in both FY 2012 and FY 2013 to renovate the Dix Building to house departmental staff, as well a major repair projects at Medium Security (\$4.3 million both years), the Intake Service Center (\$5.4 million both years), and Minimum Security (\$800,000 in both years).

The FY 2012 and FY 2013 FTE level for the Department remains the same as the enacted level of 1,419.0.

Judiciary

The Governor's revised FY 2012 Budget for the Judiciary is \$103.6 million, including \$88.7 million in general revenue, \$3.1 million in federal funds, \$10.0 million in restricted receipts, and \$1.1 million in Rhode Island Capital Plan Fund financing. In relation to the FY 2012 enacted budget, the recommendation is an increase of \$1.6 million in general revenue, a decrease of \$497,188 in federal funds, an increase of \$459,447 in restricted receipts, and an increase of \$21,083 in RICAP financing. The financing supports the six courts that comprise the Judiciary: The Supreme Court; the Superior Court; Family Court; District Court, Workers' Compensation Court; the Traffic Tribunal, and in addition, the Judicial Tenure and Discipline program.

Salary, wages and benefits total \$77.6 million in FY 2012 comprised of \$67.6 million in general revenues, \$1.6 million in federal funds and \$8.4 million in restricted receipts. The retiree health calculation for judges totals \$784,980, reflecting full actuarial-based financing for retired judges' health care expense. The medical benefits holiday removes \$274,134 in all funds across all courts in FY 2012. In FY 2011, the Judiciary was successful in implementing an acceptable cost allocation plan for the Child Support Enforcement Unit within the Family Court and has developed rates for FY 2012, which allows offset of \$685,173 in personnel expense to this resource.

Consultant services, including information technology support, stenographic services, interpreters, and legal services total \$3.1 million in FY 2012. Operating expense is \$10.3 million, including \$9.7 million in general revenue, for building maintenance and repairs, janitorial expense, office supplies and equipment, outside printing costs, telephone, software maintenance and utility costs for the several buildings and court complexes operated by the Judiciary. The general revenue appropriation for operating expense is \$670,942 less than the enacted level, reflecting expected savings in utility, energy,

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and telephone expense in the current year.

Grants total \$10.6 million in FY 2012, or \$587,812 less than the all funds enacted level and is comprised of \$9.4 million in general revenue, \$185,000 in federal funds, and \$928,427 in restricted receipts. Of this amount, \$6.2 million is for judicial pensions, comprised of \$5.4 million in general revenue and \$815,202 for retired judges in the workers' compensation court financed with restricted receipts. Defense of indigents is financed in the amount of \$3.5 million in FY 2012. Legislative grants are provided in the amount of \$340,425, and other grants total \$309,016. Capital financing is provided for the Judiciary in the total amount of \$2.0 million, including \$463,389 in general revenue, \$366,026 federal funds, \$85,062 restricted receipts and \$1.1 million in Rhode Island Capital Plan funds. Capital financing is provided for building renovations, computer equipment, software and licensing, and capital lease on the Judiciary's copy machines.

For FY 2013, the Governor recommends \$105.3 million, including \$89.6 million in general revenue, \$2.7 million in federal funds, \$11.4 million for restricted receipts, and \$1.7 million in Rhode Island Capital Plan financing for the Judiciary. The recommendation represents a general revenue increase of \$3.4 million from the FY 2012 enacted Budget. Salary and benefits total \$79.1 million, comprised of \$68.7 million in general revenue, \$1.6 million in federal funds and \$8.7 million in restricted receipts. Across all funds, personnel increases by \$3.8 million, attributable to provision of financing for several new judges and support personnel, and statewide growth in the health care premium. Of the total increase provided for personnel, \$408,179 is attributable to the defined contribution plan.

In FY 2013, consultants total \$2.6 million, or \$68,830 less than the FY 2012 enacted amount. Operating expense is \$10.7 million or \$328,940 less than the FY 2012 enacted level. General revenue operating expense decreases by \$1.1 million from the enacted level, attributable to the offset of occupancy costs to other state departments in court buildings, including the Public Defender, the Attorney General, the Sheriffs, and the Juvenile Probation program in the Department of Children Youth & Families. Grants total \$9.6 million, including \$3.5 million for defense of indigents, \$284,587 in legislative grants (reduced by 25.0 percent state-wide) and \$312,632 in other grants. Pensions for judges appropriated in the Judiciary total \$6.3 million in FY 2013 comprised of \$5.6 million in general revenue with the balance financed by restricted receipts. Capital expense is \$2.5 million, comprised of \$1.7 million in Rhode Island Capital Plan funds, \$553,389 in general revenue, \$170,000 in federal funds, and \$76,848 in restricted receipts, for continued renovations and repair of the Court's facilities and equipment to ensure the safety of visitors and staff, and to preserve the historic nature of some of its courthouses.

The Governor recommends 723.3 FTE positions in FY 2012 and FY 2013, the same as the FY 2012 enacted Budget.

Military Staff

The mission of the Military Staff and its two programs, the National Guard and the Emergency Management Agency, is to prepare for mobilization and deployment of armed forces in conditions of war or other national emergency, and to maintain public safety as directed by the Governor in cases of man-made or natural disaster. The Governor's revised FY 2012 budget for the Military Staff is \$49.1 million, including \$3.8 million general revenues, \$42.8 million in federal funds, \$2.0 million in other funds, and \$470,733 in restricted receipts. The FY 2012 revised general revenue budget is \$295,944 more than the enacted budget. There are increases of \$13.4 million in federal funds and decreases of \$138,578 in restricted receipts. There is a \$364,300 increase in funding for Rhode Island Capital Plan Fund projects.

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In addition to salary and benefit adjustments to reflect current services (including a reduction in medical benefits), the Governor recommends the following:

Personnel costs: the Governor recommends \$11.3 million all funds (\$1.7 million general revenue) for 113.0 FTE's, including State Guardsmen activation costs of \$2,943 in general revenue.

Funeral Honors program: the Governor recommends a total of \$67,600 in salary costs to compensate military retirees who wish to provide ceremonial services for the Funeral Honors program to conduct honorable and professional funeral ceremonies (including firing squads and buglers) for all eligible veterans in accordance with both state and federal legislation. The general revenue budget will finance firing squads and buglers in cases where federal regulations do not permit federal funds to be used.

Emergency Management homeland security grants: The Governor recommends total spending of \$11.2 million in the revised FY 2012 budget for homeland security-related activities, an increase of \$1.3 million from the enacted level. The funding will support state and municipal first responder equipment; equipment for local emergency response teams; interoperable communications; the Urban Search and Rescue program; municipal planning, exercises, and training; state homeland security equipment, training, exercise and planning activities; law enforcement terrorism prevention; and Citizens Corps and volunteer training programs. The total includes other related programs, such as Transit Security and Buffer Zone Protection.

Statewide Communications: \$1.3 million in general revenue funding is provided for the operation of the Rhode Island Statewide Communications Network (RISCON), a radio communications system designed to provide interoperable communications among cities and towns and the state. The funding includes an increase of \$231,156 from the enacted level. RISCON personnel will work with federal Department of Homeland Security funding for interoperable communications. The FY 2012 revised budget also includes \$943,944 in federal funds to purchase such equipment for local first responders, an increase of \$711,472 from the enacted level of \$232,472.

Following the issuance of a major disaster declaration, the State of Rhode Island is eligible for federal assistance for damages incurred during the March/April 2010 flood. Eligible work includes debris removal, emergency protective measures, permanent repairs to roads and bridges, water control facilities, buildings, equipment, utilities and parks and recreation facilities. The Governor's recommends an estimate of \$100,000 in general revenue to fund the 10 percent state match as required by Federal Emergency Management Agency regulations for the 90 percent expenditure estimates for state facilities (\$2.5 million), municipal facilities (\$900,000), and quasi-public facilities (\$500,000). \$1.3 million has been spent in FY 2010 and \$9.6 million has been spent in FY 2011. A similar major disaster declaration has made the State of Rhode Island eligible for federal assistance for damages incurred during the July 2011 tropical storm Irene. The Governor recommends an estimate of \$100,000 in general revenue to match \$8.4 million in disaster assistance grants and \$500,000 in hazard mitigation grants.

In addition Rhode Island Capital Plan Funds include \$577,631 for asset projection projects and \$943,482 for roof/boiler replacement at the Armory of Mounted Commands.

For the FY 2013 budget, the Governor recommends \$42.3 million for Military Staff programs, including \$3.6 million from general revenue, \$34.2 million from federal funds, \$481,278 from restricted receipts, and \$3.9 million from the Rhode Island Capital Plan Fund. Compared to the enacted FY 2012 budget, general revenue expenditures increase by \$162,829, federal funds increase by \$4.8 million, funding from

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the Rhode Island Capital Plan Fund increases by \$2.3 million and restricted funds decrease by \$128,033. The Governor recommends the following:

Personnel Costs: the Governor recommends \$11.6 million all funds (\$1.6 million general revenue) for 112.0 FTE's. The FY 2013 recommended budget reflects adjustments required for salary and employee benefit costs. In addition to statewide target adjustments, the budget includes statewide adjustments for medical benefits and retirement, including a defined contribution adjustment arising from pension reform legislation. The budget also includes savings from position reorganization in the Emergency Management program.

\$67,600 in general revenue is provided for the Funeral Honors program, to be used to compensate military retirees who wish to provide ceremonial services.

Continued funding is provided of various benefits provided to National Guard personnel, including the Education Benefit (enrollment of eligible guardsmen in courses at state colleges), and the Life Insurance Benefit (reimbursement for federal funded life insurance for guardsmen deployed overseas).

Continued funding is recommended in the Emergency Management program for interoperable communications of \$1.3 million general revenue and \$129,020 federal funds, and homeland security activities of \$8.5 million in federal funds.

The Governor recommends 113.0 FTE positions in FY 2012. The recommendation includes a reduction of 4.0 maintenance FTE's. The Governor recommends 112.0 FTE positions in FY 2013, a decrease of 1.0 from the enacted level. Funding from general revenue, federal funds and restricted receipts includes a program reduction of 1.0 fiscal clerk FTE in the Emergency Management program.

Department of Public Safety

The Department of Public Safety includes the following programs: Central Management, E-911 Emergency Telephone System, State Fire Marshal, Security Services, Rhode Island State Police, and Municipal Police Training Academy. In FY 2012, the enacted budget included the transfer of the Sheriffs into the Department of Public Safety from the Department of Administration, which is included in the Security Services program along with Capitol Police.

The Governor's FY 2012 revised budget for the Department of Public Safety is \$111.2 million, including \$93.1 million in general revenue, \$9.1 million in federal funds, \$300,351 in restricted receipts, and \$7.8 million in other funds. This recommendation is an increase of \$6.0 million from the FY 2012 enacted budget of \$105.2 million, and reflects an increase of \$3.7 million, or 4.1 percent, in general revenue expenditures, an increase of \$1.4 million, or 18.6 percent, in federal funds expenditures, a decrease of \$35,398, or 10.5 percent, in restricted receipts, and an increase of \$979,620, or 14.4 percent, in other funds.

The \$3.7 million increase in general revenue appropriations includes an additional \$2.5 million in the State Police program, mainly due to increases in salaries and benefits as a result of two three percent (3%) retro-active raises. Due to the timing of the trooper's contract, these additional costs were not included in the enacted FY 2012 financing. The agreement also included an increase in the percent of medical co-shares for the troopers based on salary range. The increase also includes \$362,363 in loan repayments for vehicle purchases in the State Police program. There is also an increase of \$656,736 in the Security

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Services program, which reflects the hiring of three (3.0) positions within Capitol Police and salary and wage increases within the Division of Sheriffs.

The Governor's recommendation for federal funds totals \$9.1 million in FY 2012, which is an increase of \$1.4 million from the enacted FY 2012 budget of \$7.6 million. Major changes in federal funds include increases of: \$218,226 for Cyber Terrorism, \$177,536 for the State Homeland Security Program, \$172,302 for FY 2009 Urban Area Security Initiative, \$150,000 for GIS Software Upgrade, \$105,580 for Fusion, \$100,008 for FY 2008 Urban Area Security Initiative and \$83,124 for Motor Carrier Safety.

The Governor's recommendation for restricted receipts totals \$300,351 in FY 2012, which is a reduction of \$35,398 from the enacted FY 2012 budget of \$335,749. This reduction is primarily due to a decrease of \$31,662 in the Fire Academy Training Fees account to reflect actual and projected receipts.

The Governor's recommendation for other funds totals \$7.8 million in FY 2012, which is an increase of \$979,620 from the enacted FY 2012 budget of \$6.8 million. The increase is primarily due to a carry-forward amount of \$331,938 in Rhode Island Capital Plan Funds for the Statewide Microwave/IT Upgrade, \$508,900 for Road Construction Reimbursement and an additional carry-forward of \$131,974 for State Police Offsite Operations.

For FY 2012, the Governor recommends 606.2 FTE positions for the Department of Public Safety. This is an increase of 0.4 FTE positions from the enacted FY 2012 level of 605.8 FTE positions due to a correction in part time status made by Human Resources.

The Governor's FY 2013 budget for the Department of Public Safety is \$111.0 million, including \$94.5 million in general revenue, \$7.3 million in federal funds, \$701,460 in restricted receipts, and \$7.4 million in other funds. This recommendation is an increase of \$5.8 million from the FY 2012 enacted budget of \$105.2 million, and reflects an increase of \$5.1 million, or 5.7 percent, in general revenue expenditures, a decrease of \$360,947, or 4.7 percent, in federal funds expenditures, an increase of \$365,711, or 109.0 percent, in restricted receipts, and an increase of \$572,118, or 8.4 percent, in other funds.

The \$5.1 million increase in general revenue appropriations, reflects an increase of \$2.0 million due to salaries and benefits in the State Police program for the two three percent (3%) retro-active raises, an additional \$1.8 million in Security Services for step increases for the Sheriffs and reflects salaries and benefits for three capitol police officers hired in FY 2012. There are also increases of \$571,158 in E-911 for annual software upgrades and \$488,325 for State Police pay-as-you-go pensions.

The Governor's recommendation for federal funds totals \$7.3 million in FY 2013, which is a decrease of \$360,947 from the enacted FY 2012 budget of \$7.6 million. Major changes in federal funds include reductions of \$247,050 from the FY 2010 Homeland Security – IED grant, \$139,445 in Sex Offender Registration/Notification Enhancement and \$117,554 for Internet Crimes Against Children. These reductions are partially offset by an increase of \$116,237 for Motor Carrier Safety.

The Governor's recommendation for restricted receipts totals \$701,460 in FY 2013, which is an increase of \$365,711 from the enacted FY 2012 budget of \$335,749. The increase is primarily due to an increase of \$356,811 in the Municipal Police Training Academy. Prior to FY 2013, the Municipal Police Training Academy was financed entirely with general revenue. In an effort to reduce general revenue expenditures, the academy will now be self-supporting through tuition and fees, which will be deposited into a restricted receipt account.

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The Governor's recommendation for other funds totals \$7.4 million in FY 2013, which is an increase of \$572,118 from the enacted FY 2012 budget of \$6.8 million. The increase is primarily due to increases of \$760,000 in Rhode Island Capital Plan Funds for Barracks and Foster Training Facility, \$531,900 for Road Construction Reimbursement, \$200,000 in Rhode Island Capital Plan Funds for Headquarters Complex Expansion (National Guard Facilities) and \$175,000 in Rhode Island Capital Plan Funds for the Fire Academy. These increases are partially offset by a reduction of \$1.0 million in Rhode Island Capital Plan Funds for the Statewide Microwave/IT Upgrade project.

The Department of Public Safety also includes the Capitol Police Rotary program. The program includes 8.0 FTE positions financed from the internal service fund. The Governor's recommendation for the Capitol Police Rotary totals \$747,447 in FY 2012 and \$776,730 in FY 2013.

For FY 2013, the Governor recommends 609.2 FTE positions for the Department of Public Safety. This is an increase of 3.4 FTE positions from the FY 2012 enacted. The increase is a result of three (3.0) new FTE positions within the State Fire Marshals Office. The positions are a Fire Investigator, a Fire Safety Investigator, and an Assistant Explosives and Flammable Liquids Technician.

Office of the Public Defender

The Rhode Island Office of the Public Defender provides legal representation to indigent adults and juveniles in criminal, delinquency, termination of parental rights, and dependency and neglect cases. This representation includes a significant social service component whose focus is obtaining community mental health and substance abuse alternatives to incarceration. The Governor's revised FY 2012 budget for the Office of the Public Defender is \$10.8 million, including \$10.4 million in general revenue and \$487,671 in federal funds. The general revenue recommendation is \$57,634 greater than the FY 2012 enacted level, while the federal funds recommendation is \$88,690 less than the FY 2012 enacted level. Personnel expenditures decrease by \$32,061 due to a statewide adjustment for medical benefits. The budget includes additional funding of \$53,225 for contract services (trial-related, clerical services, and information technology services) and \$36,470 for operating (property related) expenditures. The Governor also recommends an additional \$27,779 in FY 2012 (and \$30,215 in FY 2013) for upgrades to the Office's computer network and operating systems.

The Governor recommends total expenditures of \$11.1 million in FY 2013, including \$10.7 million in general revenue and \$439,300 in federal funds. The FY 2013 general revenue recommendation is \$378,431 more than the FY 2012 enacted budget, while federal funds decrease by \$137,061. The budget reflects adjustments to current services required for salary and employee benefit requirements of the existing staff, including statewide adjustments for retirement and a defined contribution plan estimate of 1.0 percent, both arising from the passage of pension reform legislation. The Governor recommends an additional attorney FTE to represent clients on misdemeanor cases, reflecting the transfer of cases from the Sixth to the Third District (Kent County) Court. The Governor recommends general revenue funding for a Community Outreach FTE to replace anticipated reductions in federal funds. The Governor also recommends \$30,215 in FY 2013 for computer network and operating systems upgrades.

The Governor also recommends continued inclusion of the following federal grant funded programs: 1) \$191,473 and \$187,861 in FY 2012 and FY 2013, respectively, for the Juvenile Response Unit; and 2) \$108,000 in FY 2012 and FY 2013, for the John R. Justice Incentive Grant. Funds from this grant will be loaned out as scholarly assistance to municipal, state and federal prosecutors and defenders.

Public Safety

The FY 2012 recommendation is for 91.0 FTE positions, a reduction of two FTE's from the enacted level due to the end of federal funding for the Providence Drug Court and for a case screening program. The FY 2013 recommendation is for 92.0 FTE's, reflecting the additional misdemeanor attorney. The staff consists of attorneys supported by social workers, investigators, interpreters, information technology, intake and clerical support

Natural Resources

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management and the Coastal Resources Management Council. The Governor recommends total full-time equivalent positions of 440.0 FTE in FY 2012 and 436.5 FTE in FY 2013 for the natural resource function. Up to 350 temporary positions may also be utilized for seasonal support at state parks and beaches. Certain debt service for general obligation bonds issued to finance capital projects of the Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are appropriated in the Department of Administration, though the agencies themselves are not part of the state budget.

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

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

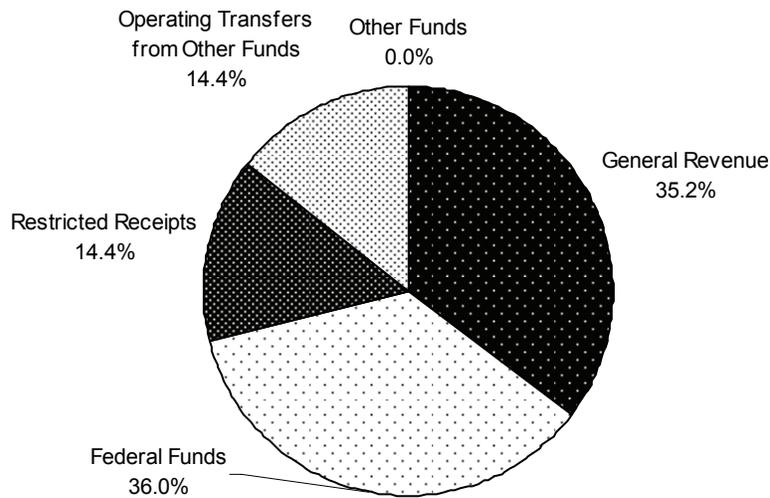
The Governor's revised recommendation for FY 2012 from all funds for natural resource agencies is \$112.7 million, an increase of \$10.1 million from the enacted appropriations of \$102.8 million. Of this amount, \$37.7 million, or 33.5 percent, is from general revenue, \$47.4 million or 42.0 percent is from federal funds, \$14.0 million, or 12.4 percent is from restricted receipts, and \$13.7 million, or 12.1 percent, is from other funds. General revenues increase by \$105,197, or 0.1 percent, federal funds increase by \$7.0 million, or 6.2 percent, mainly attributable to new awards, restricted receipts decrease by \$376,208, or 0.3 percent, and operating transfers from other funds increased by \$3.3 million, or 3.0 percent over the enacted level.

Of the \$112.7 million recommended for natural resources for FY 2012, personnel is budgeted at \$67.1 million; or 59.5 percent; operating at \$12.6 million, or 11.2 percent; assistance, grants, and benefits at \$8.3 million, or 7.4 percent; and capital improvements at \$24.7 million, or 21.9 percent.

Natural Resources

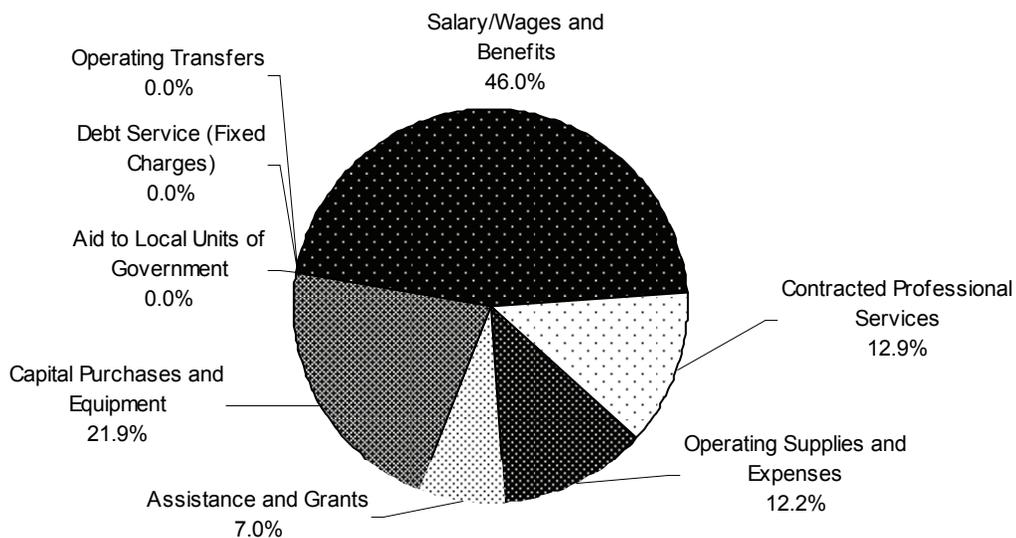
The Governor's revised recommendation for FY 2013 from all funds for natural resource agencies is \$104.9 million, or an increase of \$2.1 million from the enacted appropriations of \$102.8 million. Of this amount, \$36.9 million, or 35.2 percent, is from general revenue, \$37.7 million or 36.0 percent is from federal funds, \$15.1 million, or 14.4 percent is from restricted receipts, and \$15.1 million, or 14.4 percent, is from operating transfers from other funds. General revenues decrease by \$696,687 or 1.9 percent, federal funds decrease by \$2.7 million, or 7.1 percent, attributable to grant awards no longer being available, restricted receipts increase by \$696,438, or 1.9 percent, and other funds increased by \$4.8 million, or 12.7 percent over the enacted level.

How it is Financed



Of the \$104.9 million recommended for natural resources for FY 2013, personnel is budgeted at \$61.8 million; or 58.9 percent; operating at \$12.8 million, or 12.2 percent; assistance, grants, and benefits at \$7.3 million, or 7.0 percent; and capital improvements at \$23.0 million, or 21.9 percent.

How it is Spent



Natural Resources

Environmental Management

The Governor's revised FY 2012 Budget for the Department of Environmental Management is \$105.0 million, including \$35.5 million in general revenue, \$42.8 million in federal funds, \$13.8 million in restricted receipts, and \$12.9 million in other funds. This represents a total increase of \$7.4 million from the enacted budget of \$97.5 million. Funding changes include an increase of \$102,864 or 0.3 percent, in general revenue expenditures, an increase of \$4.4 million, or 11.5 percent, in federal funds expenditures; a decrease of \$376,208, or 2.7 percent, in restricted receipts; and an increase of \$3.3 million, or 34.1 percent, in other funds.

The increase of \$102,864 in general revenue appropriations is primarily due to an increase of \$316,755 for FEMA (Federal Emergency Management Agency) reimbursement for debris removal and emergency measures from Hurricane Irene. The increase is offset by a decrease of \$166,293 in the Office of the Director program, due to a Hearing Officer and Senior Word Processing Typist position being held vacant throughout FY 2012. Additional savings were achieved in the Natural Resources program with a reduction of \$105,642 for payments to beach host communities as a result of a change to R.I.G.L. 42-17.1-9.1(e), which changed the allocation distributed to communities for beach parking fees from twenty-seven percent (27%) to sixteen percent (16%).

The Governor's recommendation for federal funds totals \$42.8 million in FY 2012, which is an increase of \$4.4 million from the enacted FY 2012 Budget of \$38.4 million. The Governor's recommendation in the Office of the Director is an increase of \$1.7 million from the enacted FY 2012 Budget of \$476,300, which is due to an increase of \$1.5 million for Stimulus Renewable Energy Projects and \$150,000 for a Wind Turbine at Fisherman's State Park. In the Bureau of Natural Resources, the Governor recommends an increase of \$1.0 million from the enacted FY 2012 Budget of \$24.5 million. This increase is mainly due to \$850,000 for Hurricane Irene – Debris Removal in operating supplies and expenses. In the Bureau of Environmental Protection, the Governor recommends an increase of \$1.7 million from the enacted FY 2012 Budget of \$13.4 million. Major changes include: an increase of \$918,842 for the Stimulus Diesel Emission Program, \$635,000 for the Stimulus EPA Brownsfields Program and \$125,000 for the Stimulus Water Quality Planning Program.

The Governor's recommendation for restricted receipts totals \$13.8 million in FY 2012, a decrease of \$376,208 from the enacted FY 2012 Budget of \$14.1 million. This decrease is primarily due to a reduction of \$367,818 for Salt Water Fishing License receipts, which were enacted in FY 2012, but will no longer be needed due to the lack of restricted financing. Originally, two Environmental Police Officers were to be financed with these receipts, but were not recommended at this time.

The Governor's recommendation for other funds totals \$12.9 million in FY 2012, which is an increase of \$3.3 million from the enacted FY 2012 Budget. Major increases for the Department include: an additional \$2.0 million for the Blackstone Bike Path Design, \$1.3 million for Fort Adams America's Cup, \$1.2 million for Recreational Facilities Improvements and \$400,000 for the World War II Facility.

For FY 2012, the Governor recommends 410.0 FTE positions for the Department of Environmental Management, which is no change from the enacted level.

The Governor's FY 2013 Budget for the Department of Environmental Management is \$99.6 million, including \$34.6 million in general revenue, \$35.9 million in federal funds, \$14.8 million in restricted receipts, and \$14.2 million in other funds. This represents a total increase of \$2.1 million from the FY 2012 enacted Budget of \$97.5 million and includes a decrease of \$760,606 or 2.2 percent, in general revenue expenditures; a decrease of \$2.4 million, or 6.4 percent, in federal funds expenditures; an

Natural Resources

increase of \$696,438, or 4.9 percent, in restricted receipts; and an increase of \$4.6 million, or 47.5 percent, in other funds.

The reduction of \$760,606 in general revenue appropriations primarily reflects reductions from the Department's Environmental Protection program. Reductions of: \$250,000 in Water Resources for a shift to Water & Air Protection restricted receipts, and \$405,517 as a result of holding four (4.0) FTE positions vacant to curtail expenditures in the Department's Water Resources program to achieve additional savings. The positions are an Environmental Scientist, two Senior Environmental Scientists, and an Engineer Tech III.

The Governor's recommendation for federal funds totals \$35.9 million in FY 2013 and reflects a decrease of \$2.4 million from the enacted FY 2012 Budget of \$38.4 million. In the Bureau of Natural Resources, the Governor recommends a decrease of \$1.3 million in the Forest Environment subprogram from the enacted FY 2012 Budget of \$3.1 million for the subprogram. In the Bureau of Environmental Protection, the Governor recommends a decrease of \$995,926 from the enacted FY 2012 Budget of \$13.4 million. Major changes include: a decrease of \$581,382 in the Waste Management subprogram and a reduction of \$574,228 in the Water Resources subprogram.

The Governor's recommendation for restricted receipts totals \$14.8 million in FY 2013, which is an increase of \$696,438 from the enacted FY 2012 Budget of \$14.1 million. This increase is primarily due to a shift of general revenue financing to restricted receipt accounts totaling \$348,533 and an increase of \$185,585 in the Environmental Response Fund II.

The Governor's recommendation for other funds totals \$14.2 million in FY 2013, which is an increase of \$4.6 million from the enacted FY 2012 Budget of \$9.7 million. The major changes for the Department include increases in Rhode Island Capital Plan Funds of \$3.1 million for Fort Adams America's Cup and \$2.2 million for the World War II Facility.

The Governor recommends 407.0 FTE positions for FY 2012, which is a reduction of three (3.0) FTE positions from the FY 2012 enacted level of 410.0 FTE positions. The reduction of FTE's is due to three term-limited positions experiencing a loss in federal financing. The positions are a Supervising Environmental Scientist, a Senior Environmental Scientist, and an Environmental Scientist.

Natural Resources

Coastal Resources Management Council

The Coastal Resources Management Council's task is to preserve and protect the state's coastal resources through long-range planning, permitting, and enforcement actions in several fields, such as submerged lands management, rights-of-way designations, dredging coordination, coastal habitat preservation and restoration, harbor management, aquaculture development, and non-point pollution control. The Governor's revised FY 2012 budget for the Coastal Resources Management Council is \$7.8 million. This includes \$2.2 million of general revenue, \$4.6 million of federal funds, \$250,000 in restricted receipts and \$729,100 in Rhode Island Capital Plan funds. General revenue increases by \$2,333, while federal funds increase by \$2.5 million, from the enacted level. General revenue personnel expenditures are level funded for 18.0 FTE's, and include a reduction for a medical benefit holiday. Federal funds increase by \$35,777 in the federal funded portion of personnel and operating expenditures. There is also increased expenditure totaling \$335,399 in two other federal grants (Aquaculture Research and Ocean Area Management Plan), reflecting revised expenditure scheduling. In addition, the Governor recommends expenditure schedule revisions of existing federal grants: Narragansett Bay Habitat Restoration Planning to study shorelines to determine how organic materials can be used to restore habitats (\$145,585); Aquatic Invasive Species (\$41,434); and \$2.0 million for the R.I. River Ecosystem Restoration project, funded by American Recovery and Reinvestment Act stimulus funds to construct four fish ladders and remove two dams. \$250,000 in restricted receipt expenditures is recommended for the Coastal and Estuary Habitat Restoration Program and Trust fund from the Oil Spill Prevention, Administration and Response Fund, to be spent on specific projects to rehabilitate coastal habitats.

In the FY 2013 budget, the Governor recommends \$5.3 million, including \$2.3 million of general revenue, \$1.8 million of federal funds, \$250,000 in restricted receipts, and \$900,000 in Rhode Island Capital Plan funds. In addition to statewide target adjustments, including revisions in retirement rates and a defined contribution rate arising from the passage of pension reform legislation, the general revenue budget increases by \$63,919 from the enacted budget, including \$36,000 of contract legal expenditures due to the reduction in federal operating funds, and an additional \$35,892 in general revenue funding (matched by federal funds) for a 0.5 FTE staff attorney FTE as mandated by the National Oceanic and Atmospheric Administration. The Governor recommends Rhode Island Capital Plan funds of \$850,000 for the South Coast Restoration project, and \$50,000 to construct a secure boat storage facility.

The FTE position ceiling for the Council is unchanged at 30.0 FTE positions for FY 2012. For FY 2013, the recommended FTE ceiling is 29.5, reflecting the elimination of one federal funded position due to reduced federal funds availability, and an additional 0.5 FTE for the staff attorney.

Transportation

Transportation

Summary

The transportation function provides for the maintenance and construction of a quality infrastructure which reflects the transportation needs of the citizens of Rhode Island. The function is implemented by the Department of Transportation (DOT) through its core programs, transportation development and maintenance. Transportation development includes construction and design, traffic management, environmental and intermodal planning, capital programming, bridge rehabilitation/replacement, and highway safety. The DOT maintenance section engages in the routine maintenance of state highways, bridges, and associated roadsides and highway appurtenances.

In FY 1994, Rhode Island established the Intermodal Surface Transportation Fund (ISTF), to provide financing for transportation expenditures from dedicated user-related revenue sources. This dedicated highway fund establishes a direct relationship between transportation project financing and the end-users of the projects, with the goal of establishing a stable revenue stream capable of financing the projects on a pay-as-you-go basis.

For FY 2012 and FY 2013, the Intermodal Surface Transportation Fund (ISTF) is supported by 32.5 of Rhode Island's 33.0-cent per gallon gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation, as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Human Services (formerly the Department of Elderly Affairs). The revenue generated by the state's gasoline tax is allocated to these recipients on an individual cent basis. State law governs the distribution of the cents to the agencies. As of FY 2010, there is no longer any contribution to the general fund from the gasoline tax. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax was established at each Revenue Estimating Conference; however, as there is no longer an impact on general revenues, the Conference is no longer determining the gasoline tax estimate. The Office of Revenue Analysis within the Department of Revenue has provided the estimates for FY 2012 and FY 2013. The Office of Revenue Analysis estimates gasoline tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gasoline tax supported operations.

Since the inception of this funding mechanism for transportation activities, there have been numerous revisions to the allocation plan. Each change has been initiated in order to direct more revenues to transportation operations rather than to the general fund. There was a change to the disbursement schedule in the enacted FY 2010 Budget, which increased the RIPTA allocation and the total gasoline tax by two cents, and an increase to the Department of Transportation of one cent, with an offsetting reduction and elimination of the allocation of gasoline tax directed to the general fund.

Starting in FY 2009, 0.5 of the State's 1.0 cent per gallon environmental protection regulatory fee collected by distributors of motor fuel when the product is sold to owners and/or operators of underground storage tanks has been recommended to support the Rhode Island Public Transit Authority (RIPTA).

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<u>Recipient</u>	Current Law Gasoline Tax Allocation (in cents)						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
DOT	20.75	20.75	20.75	21.75 ³	21.75	21.75	21.75
RIPTA	7.25 ¹	7.25	7.25	9.75 ⁴	9.75	9.75	9.75
General Fund	1.0 ¹	1.0	1.0	0.0 ³	0.0 ³	0.0	0.0
DEA/DHS	1.0	1.0	1.0	1.0 ⁵	1.0	1.0	1.0
Underground Storage Tank-DEM	1.0	1.0	0.5 ²	0.5	0.5	0.5	0.5
Total:	31.0	31.0	31.0	33.0	33.0	33.0	33.0

¹ One additional cent was recommended for RIPTA with an offsetting reduction in the allocation of gasoline tax directed to the general fund starting in FY 2006 to finance a market survey of non-transit users and a management study of the agency

² Starting in FY 2009, 0.5 of the 1.0 cent Underground Storage Tank fee was recommended for allocation to RIPTA

³ Starting in FY 2010, 1.0 of the remaining cent distributed to the General Fund was recommended to finance Department of Transportation operations

⁴ Starting in FY 2010, 2.0 new cents of gasoline tax were added to the total for 33.0 cents now collected and allocated to finance RIPTA

⁵ Starting in 2010, 1.0 cent formerly directed to DEA was now sent to DHS

The Department of Transportation provides services through four programs: Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance. Primary funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA), under the authority of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This Act, passed in August 2005, authorized funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the five-year period 2005 - 2009. The Act combined the improvements scheduled for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth. However, the Act expired in FY 2009, but was extended by Congress for one year in 2010. Since that time, SAFETEA-LU has been extended for short periods with minor adjustments to the substantive provisions. In the short term, Congress is expected to level fund federal highway financing, giving Rhode Island about the same funding it has been receiving. However, it is impossible to determine the funding Congress will allocate to Rhode beyond the short term extensions, particularly with the shortfall being experienced by the Federal Highway Trust Fund. Based on discussions occurring in Washington, it appears that a downward trend in surface transportation funding is expected. No new program has been introduced to replace the SAFETEA-LU program. The uncertainty of these conditions has impacted the Department of Transportation's budget, causing more conservative estimates to be employed.

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The DOT Highway Improvement Program (HIP) includes highway and intermodal projects that utilize federal funds administered by the FHWA, and highway transportation infrastructure projects financed by state matching funds, which include general obligation bonds and proceeds from certain land sales. During the 2011 General Assembly session, the Legislature passed Article 22 of the FY 2012 Budget as Enacted, which would begin to allocate an increase in vehicle registration and license fees to the Rhode Island Highway Maintenance Trust Fund. Driver's license fees and registration fees would increase for all vehicles, phased-in over a 3-year period, beginning in FY 2014, and the increase will be deposited into the Trust Fund. Two year registrations and drivers licenses would each be increased by \$30 (\$10 per year for 3 years), while one year registrations would be increased by \$15 (\$5 per year for 3 years). In addition to the fee increases, Rhode Island Capital Plan Fund (RICAP) financing would be used to supplement the revenue generated by the new fees eliminating the need for bond borrowing to match Federal Highway funding by FY 2016. One final bond authorization of \$20.0 million would be required in November 2012. In the FY 2013 budget recommendation, the Governor has recommended that the fee increases on driver's licenses and registrations be increased as of January 1, 2013 immediately with no phase-in. The funding of the Rhode Island Highway Maintenance Trust Fund to decrease borrowing will remain in place; with the new uncommitted increased fees to be used by the DOT to mitigate the predicted deficit of approximately \$20.0 million for FY 2013 independent of a deficit carry forward from FY 2012.

The HIP implements DOT's capital program as identified in the State's Transportation Improvement Program (TIP). The TIP is a listing of transportation projects that the state plans to finance over a four-year period from federal highway and transit funds. Federal law requires that all projects utilizing federal transportation funds shall appear in a TIP adopted by the State Planning Council and approved by the Governor.

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

As part of the American Recovery and Reinvestment Act of 2009, the Rhode Island Department of Transportation is expected to receive a total of \$137.1 million for highway infrastructure investment, of which \$124.6 million has been expended prior to FY 2012, an estimated \$9.5 million in FY 2012, and \$2.9 million remaining to be spent in FY 2013. Sixty-eight separate projects throughout Rhode Island including highway, road and bridge repair, pavement resurfacing, as well as enhancement projects, such as lighting and drainage improvements. The Department received a total of \$4.8 million in ARRA funds and fixed guideway infrastructure grants, to be spent over two years starting in FY 2011. An ARRA grant has been received for \$350,000 which will provide training, scheduled to be fully expended over the next year. In FY 2011, the Department received two new stimulus grants from Federal Railroad Administration. The first involves track and platform improvements at the Kingstown Station and will total \$26.2 million. The second will be used for improvements at the Providence Train Station and totals \$3.0 million.

FY 2004 marked the beginning of a major effort on the part of Rhode Island government to address the rebuilding and modernization of the State's transportation systems. In November 2003, the State issued the

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first series in a bond program that authorizes \$709.6 million and currently programs \$695.9 million in construction funds for five major infrastructure projects to be completed over an 8 ½ year period. This undertaking was primarily financed through two funding mechanisms. The majority of the costs (\$548.2 million) provided through Grant Anticipation Revenue Vehicle bonds (GARVEE). GARVEE represents a program approved by FHWA that allows states to borrow funds, which are backed and repaid by the annual allocation of Federal Highway Administration construction funds. A supplemental revenue bond issue known as the Motor Fuel Revenue Bonds program, which is secured by 2-cents of the department's gasoline tax allocation, provides another \$105.6 million for this infrastructure initiative. The State issued a second series of both the GARVEE and Motor Fuel Bonds program in 2006 and completed the issuance of a third series in FY 2009. The projects financed under this program are the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, the construction of Quonset Rt. 403, and amounts for completion of the Freight Rail Improvement Program. The debt service on the GARVEE bonds in FY 2012 and FY 2013, to be paid through the FHWA allocation, is \$48.4 million each year and is reflected in the Department's operating budget as a federal fund source. The gasoline tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$8.4 million in FY 2012 and \$8.4 million in FY 2013. The Governor is recommending an amendment to the original GARVEE approval (as granted by Article 36 of the FY 2004 budget as enacted) to allow \$9.6 million of the GARVEE bond authorization approved for the Washington Bridge project to be applied to the Sakonnet River Bridge project. The total GARVEE borrowing would remain unchanged; the \$9.6 million in authorization would shift between projects.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$40.1 million in FY 2012 and \$39.2 million in FY 2013 to the Rhode Island Public Transit Authority will be financed from a 9.25 cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0 cent Underground Storage Tank fee. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Human Services to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite pass programs for the elderly, and to finance compliance costs statewide associated with Americans with Disabilities Act requirements.

The revised FY 2012 budget for the Department of Transportation totals \$440.9 million, including \$338.5 million in federal funds, \$101.4 million in other funds, and \$1.0 million in restricted receipts. This represents a \$13.9 million increase in all funds from the FY 2012 enacted budget. Federal funds increase a total of \$28.5 million, while restricted receipts do not vary from the enacted budget. Other funds for the Department decrease a total of \$14.5 million from the enacted budget. The other funds total includes gasoline tax expenditures for the Department, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as Rhode Island Capital Plan Fund appropriations, land sale proceeds, nonland surplus property revenues, and other miscellaneous receipts.

The revised FY 2012 estimated revenue available within the ISTEAs fund is \$138.7 million, which represents the revised per penny gasoline tax yield estimate of \$4,224,200, as well as a carry forward from FY 2011 totaling \$1.4 million and an additional \$2.1 million from 0.5 cent of the 1.0 cent Underground Storage Tank fee. Gasoline tax funds within the Department of Transportation total \$93.0 million, \$43.3 million is recommended for the operations of the Department, \$40.1 is the operating transfer to finance RIPTA, and \$8.4 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department decrease \$4.0 million from the enacted budget. The decrease is primarily a result of the revision in the gasoline tax estimate. The original estimate used in the FY 2012 Enacted Budget was \$4.3 million per penny. The estimate provided by the Office of Revenue Analysis has revised the per penny gasoline tax down to \$4,224,200, a decrease of \$65,037 per penny. Other adjustments to the total gasoline tax appropriation for the Department include projected transfers to the Department of

Transportation

Administration to finance transportation related general obligation bond debt service costs of \$41.8 million for DOT and \$1.1 million for RIPTA in FY 2012. Due to the projected deficit caused by the continued pressure on the Department's budget with increasing debt service, and declining gasoline tax, general revenue will be used to fund \$2.0 million of the department's debt service for FY 2012. The debt service adjustment to the Department represents a decrease of \$4.4 million from the enacted budget. A total of \$2.2 million represents the financing of Human Resources, Purchasing, and Information Technology positions consolidated within the Department of Administration. The total transfer amount of these positions represents an increase of \$575,459 from the FY 2012 enacted. It should be noted that although general revenues are balanced in the FY 2012 revised budget, there is a deficit predicted of \$2.5 million for DOT's gasoline tax budget. This deficit remains despite reducing expenses for winter maintenance by \$4.0 million. The FY 2012 budget deficit of \$2.5 million, if it materializes, would carry forward into FY 2013.

A total recommendation of \$3.3 million in FY 2012 from the Rhode Island Capital Plan Fund finances the Pawtucket-Central Falls Train Station Study, RIPTA Elmwood Avenue Expansion Project, Salt Storage Facilities and Maintenance Facility improvements and fire alarms, and construction on the East Providence and Cherry Hill Facilities. The total increase is \$80,437 compared to the FY 12 enacted level.

Other funds changes also include a \$14.6 million decrease from the sale of land associated with the I-195 relocation project in order to reflect current project schedules. A total of \$20.4 million in I-195 land sales are expected to take place in FY 2013. A total of \$2.0 million in other land sales is expected in FY 2012. The Department estimates collecting \$100,000 in FY 2012 from a maintenance fee for outside advertising. Estimates have remained at the enacted budget. Revenue raised in FY 2012 is recommended to be used for operating expenses within the Division of Engineering that do not qualify for federal reimbursement.

Federal funds increase a total of \$28.5 million from the enacted budget. Part of the increase from the enacted budget is due to the Federal Highway Program projects. These expenditures are projected to increase by \$17.7 million from the enacted level due to the availability of federal earmarks from SAFETEA-LU, which has expired. Only short-term extensions have been enacted to date, as Congress wrestles with the shortfall in the Federal Highway Trust Fund. Therefore, the DOT has been conservative in their construction scheduling as the construction budget of the Department is driven by the availability of funding.

There is an increase attributable to the infrastructure investment stimulus funds from the American Recovery and Reinvestment Act of 2009. Expected expenditures on highway projects increase \$2.9 million from the enacted level. The total funding available for highway projects has not changed, only the timing of the expenditures. The Department has made commitments for all funds and expects to expend the remaining funds by the end of FY 2013. Stimulus funds totaling \$467,363 are included in FY 2012 for the Wickford Junction Commuter Rail Station. The project will be completed in FY 2012.

The overall increase in federal funds is offset by several decreasing federal grants, such as a \$1.9 million decrease in National Highway Safety Administration grants to correct actual federal grants anticipated in FY 2012 and an increase of \$12.4 million in Federal Transit funds associated with the fixed guideway (commuter rail) project. National Highway Safety Administration grants total \$9.5 million while federal transit grants total \$30.7 million. GARVEE debt service is deducted from the total estimated obligation authority estimate for the federal highway fund, and totals \$48.4 million in the revised FY 2012 budget. The revised FY 2012 budget includes a total of \$11.2 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal funds category.

For the Department of Transportation, the Governor recommends 772.6 FTE positions for FY 2012. The enacted budget included 772.2 positions.

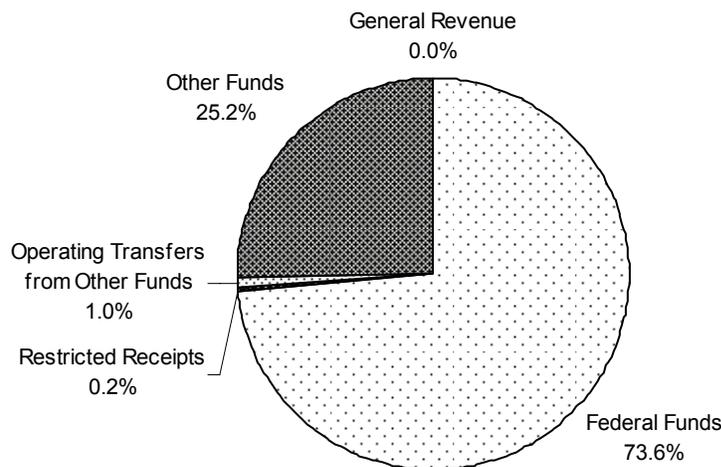
Transportation

In FY 2013, recommended expenditures from all sources for transportation activities total \$492.3 million, an increase of \$65.3 million from the FY 2012 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2013.

This chart does not include general obligation bond expenditures, GARVEE expenditures, and GARVEE debt service payments, with the exception of personnel costs financed by the GARVEE program and general obligation bonds.

How it is Financed



The other funds source represents 25.2 percent of the FY 2013 budget for the Department, or \$123.9 million. This represents an increase of \$11.2 million from the FY 2012 enacted budget. Other funds includes of total gasoline tax expenditures of \$97.4 million, of which \$47.8 million represents the Department of Transportation budget, \$39.2 million is budgeted for RIPTA's allocation of the gasoline tax, with an additional \$2.1 million for the 0.5 cents of the Underground Storage Fee allocated to RIPTA beginning in FY 2010, and \$8.4 million is budgeted for the Motor Fuel Bond allocation of the gasoline tax.

The total estimated receipts for the ISTEAE fund in FY 2013 are \$148.5 million, which represents a gasoline tax yield estimate of \$4,224,200 per penny of the gasoline tax. Total ISTEAE receipts for FY 2013 include an additional \$13.6 million, which represents the Division of Motor Vehicles fees for registration and license fee increases beginning January 1, 2013. These revenues reflect a proposal to provide a stable revenue stream for the Department of Transportation, which has suffered a structural deficit caused by declining collection in gasoline tax and rising debt service. During the 2011 General Assembly session, the Legislature passed Article 22 of the FY 2012 Budget as Enacted, which would begin to allocate an increase in vehicle registration fees and license fees to the Rhode Island Highway Maintenance Trust Fund within the general fund. Driver's license fees and registration fees would increase for all vehicles, phased-in over a 3-year period, beginning in FY 2014, and the increase will be deposited into the Trust Fund. Two year registrations and drivers licenses would each be increased by \$30 (\$10 per year for 3 years), while one year registrations would be increased by \$15 (\$5 per year for 3 years). In addition to the fee increases, Rhode Island Capital Plan (RICAP) funding would be used to supplement the revenue generated by the new fees

Transportation

eliminating the need for bond borrowing to match Federal Highway funding by FY 2016. One final bond authorization of \$20.0 million would be required in November 2012. In the Governor's FY 2013 budget recommendation, the fee increases on driver's licenses and registrations will increase as of January 1, 2013 with no phase-in. The funding of the Rhode Island Highway Maintenance Trust Fund to decrease borrowing will remain in place; with the new uncommitted increased fees to be used by the DOT to mitigate the predicted deficit of approximately \$20.0 million for FY 2013 independent of a deficit carry forward from FY 2012. For FY 2013, the revenues from the DMV fees are projected to be \$13.6 million, for FY 2014 \$13.8 million, and for FY 2015, \$6.8 million that can be applied to reduce expected operating deficits. A restructuring of the Department's debt is also projected to provide a reduction \$10.9 million in FY 2013 in DOT's debt service. The combination of the increased DMV fees applied to the Department's operating budget and the reduction in the debt service from restructuring will provide an operating surplus of \$2.3 million in FY 2013.

The total gasoline tax budget within the Department of Transportation represents an increase of \$1.4 million from the FY 2012 enacted budget. Included in the FY 2013 gasoline tax budget for the Department is a general obligation bond debt service payment of \$42.3 million, a decrease of \$3.9 million from the FY 2012 enacted budget. Without the restructuring of the Department's debt, the payment would have been \$53.2 million, or a \$10.9 million increase. The RIPTA portion of the debt service payment in the Department of Administration totals \$2.0 million, an increase of \$823,581 from the FY 2012 enacted budget. A total of \$2.2 million represents reductions to the Department's allocation of the gasoline tax in order to finance Human Resources, Purchasing, and Information Technology positions consolidated within the Department of Administration. The transfer represents an increase of \$616,599 from the FY 2012 enacted budget.

The FY 2013 recommendation includes Rhode Island Capital Plan Fund expenditures totaling \$5.0 million, of which \$2.0 million is for Salt Storage facilities, \$70,000 for RIPTA Land and Buildings, \$400,000 for Maintenance Facilities, \$777,050 for the Cherry Hill facility, \$1.4 for the Portsmouth facility, and \$325,000 is recommended for outfitting of fire alarm systems for various maintenance facilities to comply with new fire code regulations.

A total of \$1.9 million in other funds is from estimated land sale revenues. An additional \$20.4 million is estimated from land sales associated with the relocation of the I-195 project. The remaining other funds for the Department is comprised of \$110,000 for outdoor advertising and non-land surplus property collections for the budget year.

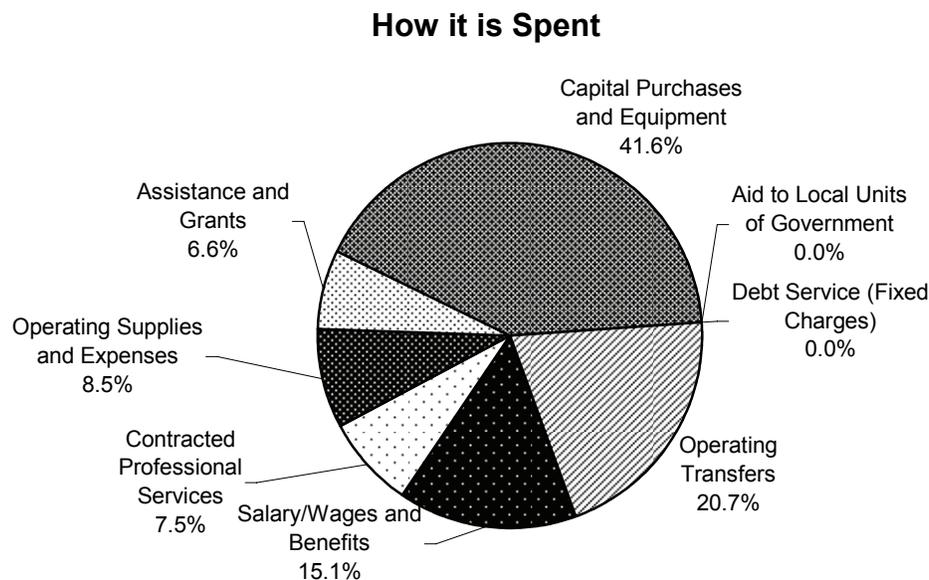
The total budget for federal grants for the department represents 73.6 percent of the budget, or \$362.3 million, including \$271.8 million is federal highway funds, \$2.8 million represents the remainder of federal highway infrastructure stimulus fund grants, a total of \$48.4 million is GARVEE debt service payments from federal highway funds, \$3.0 million has been budgeted to account for personnel costs transferred to the GARVEE construction program, and \$5.7 million represents personnel costs allocated to general obligation bonds. Other federal grants for the Department are comprised of a total of \$7.0 million in Federal Transit funds and \$10.5 million in National Highway Safety funds. Federal transit funds decrease by \$11.5 million in FY 2013 from the enacted level. National Highway Safety funds decrease by \$878,917 over the FY 2012 enacted budget to correct actual federal grants anticipated in FY 2013.

Restricted receipts represent 0.2 percent of the total budget or \$1.0 million. Restricted receipts do not vary from the FY 2012 enacted budget.

For FY 2013 the Governor recommends 772.2 FTE positions for the Department of Transportation, which represents no increase from the FY 2012 enacted budget.

Transportation

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2013.



The capital category of expenditure represents 41.6 percent of the total Department budget. Capital consists primarily of federal highway dollars located within the Engineering program for infrastructure construction costs, which have increased due to the availability of earmarks on federal highway projects, and the timing of the receipt of federal funds. There is still uncertainty associated with the expiration of the SAFETEE-LU program, which has caused the Department to be conservative in its estimates. As discussed above, the federal program estimates are being reduced to reflect the expectation that federal funding will be reduced, however, due to federal earmarks that have been secured, the capital budget for FY 2013 has grown. Available funding drives the projections for the Department of Transportation. Included in the Engineering program is \$22.3 million in estimated revenue from the sale and/or lease of properties. Included in this estimate is \$20.4 million for the sale of land associated with the relocation of Route 195. This revenue, along with \$40.0 million in general obligation bond funds (not included in the operating budget), is utilized to meet matching requirements to federal highway funds provided under SAFETEA-LU.

A total of 22.6 percent represents personnel costs of the Department, which includes contract services. Initiated in FY 2008, the Department's federal indirect cost recovery plan allows a portion of personnel, as well as contract services and operating costs to be eligible for federal reimbursement. A total of \$18.9 million of personnel and contract services costs are located within the Maintenance program where the source of funding is the gasoline tax.

The category of operating transfers represents 20.7 percent of all funds total spending for DOT, which includes the pass-through gasoline tax and underground storage tank fund revenue for RIPTA of \$39.2 million, and \$48.4 million which is paid for the GARVEE bonds through an operating transfer of federal highway funds.

The operating category represents 8.5 percent of all funds total spending for the Department with 48.7 percent of the category representing Maintenance activities, which include pavement repair, crack sealing, pothole repair, litter collection, vehicle fleet maintenance, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program.

Transportation

Assistance, grants, and benefits represent 6.6 percent of the FY 2013 budget and consist primarily of Federal Highway Administration and Federal Transit Administration grant funds.

Appendix A

Schedules

FY 2013 General Revenue Budget Surplus

	FY2010 Audited ⁽¹⁾	FY2011 Audited ⁽²⁾	FY 2012 Enacted ⁽³⁾	FY 2012 Revised ⁽⁴⁾	FY 2013 Recommended ⁽⁵⁾
Surplus					
Opening Surplus	(\$62,286,103)	\$17,889,522	\$57,202,735	\$64,229,426	\$5,977,407
Audit Adjustments	-	604,058	-	-	-
Reappropriated Surplus	998,143	3,364,847	-	4,532,242	-
Subtotal	(\$61,287,960)	\$21,858,427	\$57,202,735	\$68,761,668	\$5,977,407
General Taxes	2,320,872,610	2,377,381,973	2,458,886,118	2,458,886,118	2,542,600,000
Revenue estimators' revision - Nov	-	-	-	10,013,882	-
Changes to the Adopted Estimates	-	-	-	-	84,987,278
Subtotal	\$2,320,872,610	\$2,377,381,973	\$2,458,886,118	\$2,468,900,000	\$2,627,587,278
Departmental Revenues	333,128,045	332,714,668	343,543,141	343,543,141	197,000,000
Revenue estimators' revision - Nov	-	-	-	(3,043,141)	-
Changes to the Adopted Estimates	-	-	-	-	148,597,793
Subtotal	\$333,128,045	\$332,714,668	\$343,543,141	\$340,500,000	\$345,597,793
Other Sources					
Gas Tax Transfers	24,134	-	-	-	-
Revenue estimators' revision	-	-	-	-	-
Changes to the Adopted Estimates	-	-	-	-	-
Other Miscellaneous	12,466,517	11,116,047	6,325,000	6,325,000	2,725,000
Revenue estimators' revision - Nov	-	-	-	4,690,000	-
Changes to the Adopted Estimates	-	-	-	6,000,000	3,073,000
Lottery	344,672,747	354,860,987	361,042,103	361,042,103	376,800,000
Revenue estimators' revision - Nov	-	-	-	6,157,897	-
Changes to the Adopted Estimates	-	-	-	-	-
Unclaimed Property	5,867,150	7,640,462	6,200,000	6,200,000	9,900,000
Revenue estimators' revision - Nov	-	-	-	1,600,000	-
Subtotal	\$363,030,548	\$373,617,496	\$373,567,103	\$392,015,000	\$392,498,000
Total Revenues	\$3,017,031,203	\$3,083,714,137	\$3,175,996,362	\$3,201,415,000	\$3,365,683,071
Transfer to Budget Reserve	(70,913,882)	(80,657,401)	(90,529,575)	(91,438,044)	(101,149,814)
Total Available	\$2,884,829,360	\$3,024,915,163	\$3,142,669,523	\$3,178,738,624	\$3,270,510,664
Actual/Enacted Expenditures	\$2,863,574,992	\$2,956,153,495	\$3,142,501,188	\$3,142,501,188	\$3,269,153,035
Reappropriations	-	-	-	4,532,242	-
Caseload Conference Changes	-	-	-	(1,087,415)	-
Other Changes in Expenditures	-	-	-	26,815,202	-
Total Expenditures	\$2,863,574,992	\$2,956,153,495	\$3,142,501,188	\$3,172,761,217	\$3,269,153,035
Free Surplus	\$17,889,521	\$64,229,426	\$168,335	\$5,977,407	\$1,357,629
Transfer from Budget Reserve					
Reappropriations	(3,364,847)	(4,532,242)	-	-	-
Total Ending Balances	\$21,254,368	\$68,761,668	\$168,335	\$5,977,407	\$1,357,629
Budget Reserve and Cash					
Stabilization Account	\$112,280,314	\$130,292,724	\$148,727,159	\$150,219,644	\$168,547,337

⁽¹⁾ Derived from the State Controller's final closing report for FY 2010, dated January 13, 2011, reflecting a surplus of \$17,889,522.

⁽²⁾ Derived from the State Controller's final closing report for FY 2011, dated January 5, 2012, reflecting a surplus of \$64,229,426.

⁽³⁾ Reflects the FY 2012 budget enacted by the General Assembly and signed into law by the Governor on June 30, 2011.

⁽⁴⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2011 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

⁽⁵⁾ Reflects the Governor's recommended FY 2013 budget, including the results of the November 2011 Revenue and Caseload Estimating Conferences and any proposed legislative changes to modify adopted estimates.

Expenditures from All Funds

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$557,074,835	\$466,222,505	\$413,935,351	\$447,877,690	\$398,457,294
Business Regulation	9,313,438	9,861,335	18,007,098	17,553,641	14,108,953
Labor and Training	1,022,130,923	912,521,587	571,666,655	850,928,411	552,430,434
Revenue	269,354,051	268,488,387	316,676,398	330,461,268	333,341,423
Legislature	32,080,717	34,703,108	38,197,252	41,671,427	40,524,547
Lieutenant Governor	848,369	890,413	1,090,172	1,075,725	1,104,018
Secretary of State	5,999,701	6,995,441	6,872,860	7,253,706	7,615,856
General Treasurer	26,761,576	28,031,616	33,200,576	41,433,316	37,633,598
Board of Elections	1,202,211	3,400,118	1,875,905	1,818,261	1,944,116
Rhode Island Ethics Commission	1,366,012	1,419,805	1,560,008	1,522,946	1,557,881
Governor's Office	5,320,273	4,701,867	5,256,095	5,221,916	5,515,431
Commission for Human Rights	1,284,241	1,355,743	1,455,570	1,426,195	1,487,709
Public Utilities Commission	5,989,976	6,088,904	8,105,006	8,117,120	8,733,815
Rhode Island Commission on Women	71,068	-	-	-	-
Subtotal - General Government	\$1,938,797,391	\$1,744,680,829	\$1,417,898,946	\$1,756,361,622	\$1,404,455,075
Human Services					
Office of Health & Human Services (2)	5,089,966	6,284,050	16,928,680	19,287,321	1,743,508,907
Children, Youth, and Families	234,187,262	235,882,905	211,004,272	218,031,441	211,457,278
Health	131,659,235	119,439,071	110,193,818	125,963,612	119,599,803
Human Services (3)	2,055,997,628	2,198,054,450	2,331,251,725	2,337,843,538	657,098,721
Mental Health, Retardation, & Hospitals	458,930,214	450,952,134	441,122,327	432,911,607	445,651,523
Governor's Commission on Disabilities	578,829	514,758	829,892	771,835	756,292
Commission On Deaf and Hard of Hearing	339,304	358,036	387,985	386,286	390,251
Office of the Child Advocate	552,865	597,596	652,432	578,868	661,503
Office of the Mental Health Advocate	381,030	399,837	468,718	413,172	447,119
Subtotal - Human Services	\$2,887,716,333	\$3,012,482,837	\$3,112,839,849	\$3,136,187,680	\$3,179,571,397
Education					
Elementary and Secondary	1,080,094,111	1,128,630,354	1,133,884,351	1,152,169,696	1,195,035,981
Higher Education - Board of Governors	901,551,465	942,679,878	996,844,842	1,031,573,486	1,062,052,616
RI Council on the Arts	3,014,458	3,454,128	3,086,926	3,871,448	3,429,023
RI Atomic Energy Commission	1,141,723	1,198,881	1,511,526	1,394,387	1,389,551
Higher Education Assistance Authority (4)	23,669,359	23,672,445	27,412,147	27,920,690	-
Historical Preservation and Heritage Comm.	1,901,211	2,183,534	2,869,173	2,756,473	2,790,501
Public Telecommunications Authority	1,607,931	1,525,009	1,631,172	1,568,477	1,127,054
Subtotal - Education	\$2,012,980,258	\$2,103,344,229	\$2,167,240,137	\$2,221,254,657	\$2,265,824,726

Expenditures from All Funds

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	22,310,578	23,618,629	26,711,046	27,546,951	26,394,782
Corrections	173,870,935	183,456,477	195,375,598	202,476,602	201,515,824
Judicial	91,925,710	97,166,263	101,948,934	103,568,192	105,315,405
Military Staff	25,640,295	36,424,255	35,119,240	49,053,509	42,252,576
Public Safety (5)	98,996,111	88,811,483	104,450,377	111,799,722	110,152,260
Office Of Public Defender	9,124,681	9,990,894	10,876,941	10,845,885	11,118,311
Subtotal - Public Safety	\$421,868,310	\$439,468,001	\$474,482,136	\$505,290,861	\$496,749,158
Natural Resources					
Environmental Management	64,770,868	66,346,606	97,520,399	104,953,571	99,606,094
Coastal Resources Management Council	5,623,950	5,724,792	5,254,375	7,790,120	5,274,597
Water Resources Board (6)	1,235,380	1,335,871	-	-	-
Subtotal - Natural Resources	\$71,630,198	\$73,407,269	\$102,774,774	\$112,743,691	\$104,880,691
Transportation					
Transportation	375,941,217	345,215,545	426,986,933	440,854,988	492,273,910
Subtotal - Transportation	\$375,941,217	\$345,215,545	\$426,986,933	\$440,854,988	\$492,273,910
Total	\$7,708,933,707	\$7,718,598,710	\$7,702,222,775	\$8,172,693,499	\$7,943,754,957

(1) In FY 2010, the Fire Code Board was merged into the Capital Projects division of Administration and in FY 2012, the Sheriffs program was moved to the Department of Public Safety.

(2) In FY 2013, the Medicaid program is moved from the Department of Human Services to the Office of Health and Human Services.

(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2013, the RI Higher Education Assistance Authority is merged with the Office of Higher Education.

(5) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(6) In FY 2012, the Water Resources Board was merged into the Statewide Planning program in the Department of Administration.

Expenditures from General Revenues

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$418,405,347	\$331,624,887	\$246,446,221	\$248,884,402	\$257,026,536
Business Regulation	8,078,396	8,128,770	9,436,378	8,832,882	9,612,048
Labor and Training	6,308,677	6,902,868	7,575,486	7,632,540	7,640,415
Revenue	32,476,057	35,111,465	92,610,905	96,485,682	94,991,752
Legislature	30,577,686	33,127,794	36,548,053	40,022,474	38,764,516
Lieutenant Governor	848,369	890,413	965,940	951,109	962,955
Secretary of State	5,142,947	6,564,248	6,376,312	6,694,902	7,079,873
General Treasurer	2,072,608	2,240,286	2,300,852	2,474,088	2,230,355
Board of Elections	1,092,280	3,290,424	1,825,905	1,768,261	1,944,116
Rhode Island Ethics Commission	1,366,012	1,419,805	1,560,008	1,522,946	1,557,881
Governor's Office	4,344,370	4,102,488	4,338,521	4,397,882	4,418,290
Commission for Human Rights	959,253	1,214,438	1,154,038	1,149,126	1,161,717
Public Utilities Commission	-	-	-	-	-
Rhode Island Commission on Women	71,068	-	-	-	-
Subtotal - General Government	\$511,743,070	\$434,617,886	\$411,138,619	\$420,816,294	\$427,390,454
Human Services					
Office of Health & Human Services (2)	3,253,566	3,314,257	9,773,834	10,347,375	823,695,516
Children, Youth, and Families	152,831,095	156,123,293	145,198,983	152,293,846	146,929,631
Health	25,221,245	27,469,636	24,248,025	24,622,525	24,503,840
Human Services (3)	661,600,662	735,671,107	893,131,302	892,604,690	99,781,727
Mental Health, Retardation, & Hospitals	160,665,295	172,743,967	184,249,569	187,096,919	189,309,190
Governor's Commission on Disabilities	343,441	352,190	388,786	387,929	371,096
Commission On Deaf and Hard of Hearing	339,304	358,036	387,985	386,286	390,251
Office of the Child Advocate	506,961	550,911	603,384	528,834	611,469
Office of the Mental Health Advocate	381,030	399,837	468,718	413,172	447,119
Subtotal - Human Services	\$1,005,142,599	\$1,096,983,234	\$1,258,450,586	\$1,268,681,576	\$1,286,039,839
Education					
Elementary and Secondary	803,066,786	846,144,631	863,077,600	862,751,244	932,077,872
Higher Education - Board of Governors	161,108,248	163,941,501	166,487,219	165,654,006	177,566,910
RI Council on the Arts	1,615,295	1,681,095	1,678,862	1,673,875	1,586,729
RI Atomic Energy Commission	769,039	858,629	879,592	877,459	876,213
Higher Education Assistance Authority (4)	6,611,632	7,320,186	5,913,104	5,911,798	-
Historical Preservation and Heritage Comm.	1,256,875	1,294,878	1,469,797	1,337,855	1,370,938
Public Telecommunications Authority	1,000,695	929,325	947,960	932,562	425,286
Subtotal - Education	\$975,428,570	\$1,022,170,245	\$1,040,454,134	\$1,039,138,799	\$1,113,903,948

Expenditures from General Revenues

	FY 2010 Actual	FY 2011 Actual	FY 2012 Enacted	FY 2012 Revised	FY 2013 Recommend
Public Safety					
Attorney General	19,592,235	20,763,514	22,442,867	23,054,817	23,276,324
Corrections	169,892,046	177,719,606	182,141,365	187,449,307	183,233,598
Judicial	78,865,431	84,300,614	87,073,983	88,709,899	89,554,264
Military Staff	4,104,899	3,755,542	3,470,928	3,766,872	3,633,757
Public Safety (5)	54,155,469	69,087,143	89,407,711	93,059,827	94,518,112
Office Of Public Defender	9,013,466	9,493,812	10,300,580	10,358,214	10,679,011
Subtotal - Public Safety	\$335,623,546	\$365,120,231	\$394,837,434	\$406,398,936	\$404,895,066
Natural Resources					
Environmental Management	32,646,082	34,074,887	35,383,601	35,486,465	34,622,995
Coastal Resources Management Council	1,938,722	2,063,094	2,236,814	2,239,147	2,300,733
Water Resources Board (6)	1,052,485	1,123,928	-	-	-
Subtotal - Natural Resources	\$35,637,289	\$37,261,909	\$37,620,415	\$37,725,612	\$36,923,728
Transportation					
Transportation	-	-	-	-	-
Subtotal - Transportation	-	-	-	-	-
Total	\$2,863,575,074	\$2,956,153,505	\$3,142,501,188	\$3,172,761,217	\$3,269,153,035

(1) In FY 2010, the Fire Code Board was merged into the Capital Projects division of Administration and in FY 2012, the Sheriffs program was moved to the Department of Public Safety.

(2) In FY 2013, the Medicaid program is moved from the Department of Human Services to the Office of Health and Human Services.

Expenditures from Federal Funds

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$57,534,460	\$64,251,529	\$69,084,207	\$96,578,355	\$25,893,240
Business Regulation	0	465,176	6,803,273	6,813,608	2,514,487
Labor and Training	330,506,335	234,108,321	99,763,402	212,951,110	43,521,074
Revenue	1,803,123	1,139,852	2,636,059	2,163,747	2,563,909
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	124,232	124,616	141,063
Secretary of State	397,172	33,659	-	55,438	-
General Treasurer	1,072,595	1,140,258	1,128,051	1,152,681	1,186,616
Board of Elections	109,931	109,694	50,000	50,000	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	55,161	40,411	139,898	109,768	1,097,141
Commission for Human Rights	324,988	141,305	301,532	277,069	325,992
Public Utilities Commission	105,096	266,641	309,373	321,487	349,167
Rhode Island Commission on Women	-	-	-	-	-
Subtotal - General Government	\$391,908,861	\$301,696,846	\$180,340,027	\$320,597,879	\$77,592,689
Human Services					
Office of Health & Human Services (2)	1,254,175	2,367,877	6,250,134	8,042,506	907,721,810
Children, Youth, and Families	78,805,892	76,711,604	59,625,993	60,052,313	58,706,394
Health	88,783,805	69,303,495	59,124,539	73,580,049	65,697,186
Human Services (3)	1,380,745,701	1,446,893,845	1,419,613,547	1,423,745,953	550,578,610
Mental Health, Retardation, & Hospitals	287,059,335	267,384,605	225,489,947	228,999,437	233,935,148
Governor's Commission on Disabilities	85,780	124,377	181,842	122,546	125,502
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	45,904	46,685	49,048	50,034	50,034
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$1,836,780,592	\$1,862,832,488	\$1,770,335,050	\$1,794,592,838	\$1,816,814,684

Expenditures from Federal Funds

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
Education					
Elementary and Secondary	259,815,919	259,873,651	238,146,015	252,818,424	230,005,233
Higher Education - Board of Governors	3,746,126	9,441,081	4,594,756	35,502,477	18,601,398
RI Council on the Arts	1,117,813	954,515	973,064	979,573	998,794
RI Atomic Energy Commission	130,200	76,635	324,104	183,752	180,216
Higher Education Assistance Authority (4)	10,873,936	9,744,236	13,508,323	13,034,719	-
Historical Preservation and Heritage Comm.	589,499	831,658	846,195	886,047	886,057
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$276,273,493	\$280,921,776	\$258,392,457	\$303,404,992	250,671,698
Public Safety					
Attorney General	1,297,016	1,788,468	2,895,944	2,887,910	1,600,853
Corrections	2,106,693	2,780,906	2,914,545	3,190,986	2,747,301
Judicial	2,830,983	2,555,921	3,576,588	3,079,400	2,746,273
Military Staff	20,725,608	32,256,773	29,418,438	42,831,041	34,234,541
Public Safety (5)	18,591,398	9,267,352	7,647,988	9,069,285	7,287,041
Office Of Public Defender	111,215	497,082	576,361	487,671	439,300
Subtotal - Public Safety	\$45,662,913	\$49,146,502	\$47,029,864	\$61,546,293	\$49,055,309
Natural Resources					
Environmental Management	18,437,828	19,885,602	38,356,542	42,777,296	35,920,173
Coastal Resources Management Council	1,806,719	3,501,698	2,038,461	4,571,873	1,823,864
Water Resources Board (6)	-	-	-	-	-
Subtotal - Natural Resources	\$20,244,547	\$23,387,300	\$40,395,003	\$47,349,169	\$37,744,037
Transportation					
Transportation	242,296,127	229,999,857	309,995,579	338,457,178	362,333,768
Subtotal - Transportation	\$242,296,127	\$229,999,857	\$309,995,579	\$338,457,178	\$362,333,768
Total	\$2,813,166,533	\$2,747,984,769	\$2,606,487,980	\$2,865,948,349	\$2,594,212,185

(1) In FY 2010, the Fire Code Board was merged into the Capital Projects division of Administration and in FY 2012, the Sheriffs program was moved to the Department of Public Safety.

(2) In FY 2013, the Medicaid program is moved from the Department of Human Services to the Office of Health and Human Services.

Expenditures from Restricted Receipts

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$19,964,401	\$14,219,372	\$20,059,071	\$19,629,239	\$27,546,929
Business Regulation	1,235,042	1,267,389	1,767,447	1,907,151	1,965,873
Labor and Training	19,182,847	20,821,559	17,104,361	43,435,879	36,700,976
Revenue	4,001,548	4,836,294	1,861,496	2,200,567	1,921,682
Legislature	1,503,031	1,575,314	1,649,199	1,648,953	1,760,031
Lieutenant Governor	-	-	-	-	-
Secretary of State	459,582	397,534	496,548	503,366	535,983
General Treasurer	23,407,229	24,442,547	29,544,084	37,553,917	33,944,815
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	920,742	558,968	777,676	714,266	0
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	5,884,880	5,822,263	7,795,633	7,795,633	8,384,648
Rhode Island Commission on Women	-	-	-	-	-
Subtotal - General Government	\$76,559,302	\$73,941,240	\$81,055,515	\$115,388,971	\$112,760,937
Human Services					
Office of Health & Human Services (2)	582,225	601,916	904,712	897,440	12,091,581
Children, Youth, and Families	2,148,243	2,426,338	3,389,296	2,825,382	2,825,253
Health	17,590,794	22,658,203	26,757,854	27,589,038	29,226,777
Human Services (3)	8,898,484	10,590,911	14,089,597	17,103,711	2,349,200
Mental Health, Retardation, & Hospitals	7,747,477	6,941,943	7,997,979	7,118,447	7,188,834
Governor's Commission on Disabilities	7,931	5,191	9,264	11,360	9,694
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$36,975,154	\$43,224,502	\$53,148,702	\$55,545,378	\$53,691,339
Education					
Elementary and Secondary	15,794,969	19,581,873	26,334,421	27,031,218	26,501,653
Higher Education - Board of Governors	738,830	658,531	941,338	810,264	817,872
RI Council on the Arts	100,000	-	-	-	-
RI Atomic Energy Commission	-	-	-	-	-
Higher Education Assistance Authority (4)	-	-	-	-	-
Historical Preservation and Heritage Comm.	54,837	56,998	478,181	457,571	458,506
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$16,688,636	\$20,297,402	\$27,753,940	\$28,299,053	\$27,778,031

Expenditures from Restricted Receipts

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	1,051,750	791,992	1,122,235	1,354,224	1,230,105
Corrections	-	12,347	34,371	64,027	64,925
Judicial	8,843,617	9,480,024	10,198,363	10,657,810	11,339,868
Military Staff	94,563	189,042	609,311	470,733	481,278
Public Safety (5)	942,338	209,090	335,749	300,351	701,460
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$10,932,268	\$10,682,495	\$12,300,029	\$12,847,145	\$13,817,636
Natural Resources					
Environmental Management	10,159,927	10,389,053	14,131,035	13,754,827	14,827,473
Coastal Resources Management Council	223,000	160,000	250,000	250,000	250,000
Water Resources Board (6)	-	-	-	-	-
Subtotal - Natural Resources	\$10,382,927	\$10,549,053	\$14,381,035	\$14,004,827	\$15,077,473
Transportation					
Transportation	757,110	187,949	1,000,000	998,891	998,758
Subtotal - Transportation	\$757,110	\$187,949	\$1,000,000	\$998,891	\$998,758
Total	\$152,295,397	\$158,882,641	\$189,639,221	\$227,084,265	\$224,124,174

(1) In FY 2010, the Fire Code Board was merged into the Capital Projects division of Administration and in FY 2012, the Sheriffs program was moved to the Department of Public Safety.

(2) In FY 2013, the Medicaid program is moved from the Department of Human Services to the Office of Health and Human Services.

Expenditures from Other Funds

	FY 2010	FY 2011	FY 2012	FY 2012	FY 2013
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$61,170,627	\$56,126,717	\$78,345,852	\$82,785,694	\$87,990,589
Business Regulation	-	-	-	-	16,545
Labor and Training	666,133,064	650,688,839	447,223,406	586,908,882	464,567,969
Revenue	231,073,323	227,400,776	219,567,938	229,611,272	233,864,080
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-
Secretary of State	-	-	-	-	-
General Treasurer	209,144	208,525	227,589	252,630	271,812
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	-	-	-
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-
Rhode Island Commission on Women	-	-	-	-	-
Subtotal - General Government	\$958,586,158	\$934,424,857	\$745,364,785	\$899,558,478	\$786,710,995
Human Services					
Office of Health & Human Services (2)	-	-	-	-	-
Children, Youth, and Families	402,032	621,670	2,790,000	2,859,900	2,996,000
Health	63,391	7,737	63,400	172,000	172,000
Human Services (3)	4,752,781	4,898,587	4,417,279	4,389,184	4,389,184
Mental Health, Retardation, & Hospitals	3,458,107	3,881,619	23,384,832	9,696,804	15,218,351
Governor's Commission on Disabilities	141,677	33,000	250,000	250,000	250,000
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$8,817,988	\$9,442,613	\$30,905,511	\$17,367,888	\$23,025,535
Education					
Elementary and Secondary	1,416,437	3,030,199	6,326,315	9,568,810	6,451,223
Higher Education - Board of Governors	735,958,261	768,638,765	824,821,529	829,606,739	865,066,436
RI Council on the Arts	181,350	818,518	435,000	1,218,000	843,500
RI Atomic Energy Commission	242,484	263,617	307,830	333,176	333,122
Higher Education Assistance Authority (4)	6,183,791	6,608,023	7,990,720	8,974,173	-
Historical Preservation and Heritage Comm.	-	-	75,000	75,000	75,000
Public Telecommunications Authority	607,236	595,684	683,212	635,915	701,768
Subtotal - Education	\$744,589,559	\$779,954,806	\$840,639,606	\$850,411,813	\$873,471,049

Expenditures from Other Funds

	FY 2010 Actual	FY 2011 Actual	FY 2012 Enacted	FY 2012 Revised	FY 2013 Recommend
Public Safety					
Attorney General	369,577	274,655	250,000	250,000	287,500
Corrections	1,872,196	2,943,618	10,285,317	11,772,282	15,470,000
Judicial	1,385,679	829,704	1,100,000	1,121,083	1,675,000
Military Staff	715,225	222,898	1,620,563	1,984,863	3,903,000
Public Safety (5)	25,306,906	10,247,898	7,058,929	9,370,259	7,645,647
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$29,649,583	\$14,518,773	\$20,314,809	\$24,498,487	\$28,981,147
Natural Resources					
Environmental Management	3,527,031	1,997,064	9,649,221	12,934,983	14,235,453
Coastal Resources Management Council	1,655,509	-	729,100	729,100	900,000
Water Resources Board (6)	182,895	211,943	-	-	-
Subtotal - Natural Resources	\$5,365,435	\$2,209,007	\$10,378,321	\$13,664,083	\$15,135,453
Transportation					
Transportation	132,887,980	115,027,739	115,991,354	101,398,919	128,941,384
Subtotal - Transportation	\$132,887,980	\$115,027,739	\$115,991,354	\$101,398,919	\$128,941,384
Total	\$1,879,896,703	\$1,855,577,795	\$1,763,594,386	\$1,906,899,668	\$1,856,265,563

(1) In FY 2010, the Fire Code Board was merged into the Capital Projects division of Administration and in FY 2012, the Sheriffs program was moved to the Department of Public Safety.

(2) In FY 2013, the Medicaid program is moved from the Department of Human Services to the Office of Health and Human Services.

Full-Time Equivalent Positions

	FY 2010	FY 2011	FY 2012 Enacted	FY 2012 Revised	FY 2013
General Government					
Administration	835.4	871.6	694.6	694.2	665.6
Business Regulation	85.5	93.0	96.0	96.0	94.0
Labor & Training	514.4	512.2	470.2	470.1	364.4
Revenue	413.5	426.5	434.5	449.0	458.0
Legislature	288.8	298.5	298.5	298.5	298.5
Office of the Lieutenant Governor	8.0	8.0	8.0	8.0	8.0
Secretary of State	56.5	57.0	57.0	57.0	57.0
General Treasurer	79.5	82.0	82.0	82.0	82.0
Board Of Elections	11.5	11.0	12.0	11.0	11.0
Rhode Island Ethics Commission	12.0	12.0	12.0	12.0	12.0
Office of the Governor	44.0	45.0	45.0	45.0	45.0
Commission for Human Rights	14.2	14.5	14.5	14.5	14.5
Public Utilities Commission	45.5	46.0	46.0	46.0	47.0
Rhode Island Commission on Women	1.0	-	-	-	-
Subtotal - General Government	2,409.8	2,477.3	2,270.3	2,283.3	2,157.0
Human Services					
Office of Health and Human Services	52.9	77.6	149.0	158.0	163.0
Children, Youth, and Families	658.5	691.0	662.5	662.5	665.5
Elderly Affairs (1)	29.5	31.0	-	-	-
Health	397.4	424.7	426.3	422.3	423.3
Human Services	919.7	1,000.2	984.2	949.2	947.7
Behavioral Healthcare, Developmental Disabilities, and Hospitals (1,294.0	1,372.2	1,378.2	1,383.2	1,383.2
Office of the Child Advocate	5.8	5.8	5.8	5.8	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0
Governor's Commission on Disabilities	4.0	4.0	4.0	4.0	4.0
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	3.7
Subtotal - Human Services	3,368.5	3,613.2	3,616.7	3,591.7	3,599.2
Education					
Elementary and Secondary Education	129.7	156.4	156.4	169.4	169.4
Davies	128.5	132.0	132.0	126.0	126.0
School for the Deaf	57.6	60.0	60.0	60.0	60.0
Elementary Secondary Education - Total	315.8	348.4	348.4	355.4	355.4
Office of Higher Education Non-Sponsored Research	16.2	18.4	13.4	13.8	55.4
URI Non-Sponsored Research	1,814.4	1,834.5	1,843.3	1,843.3	1,857.3
RIC Non-Sponsored Research	805.2	810.1	827.6	827.6	837.6
CCRI Non-Sponsored Research	706.4	754.1	754.1	754.1	754.1
Higher Education - Total Non-Sponsored	3,342.2	3,417.1	3,438.4	3,438.8	3,504.4
RI Council On The Arts	8.6	8.6	8.6	8.6	8.6
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	37.3	41.6	41.6	41.6	-
Historical Preservation and Heritage Commission	16.6	16.6	16.6	16.6	16.6
Public Telecommunications Authority	16.0	16.0	15.0	15.0	14.0
Subtotal - Education	3,745.1	3,856.9	3,877.2	3,884.6	3,907.6

Full-Time Equivalent Positions

	FY 2010	FY 2011	FY 2012 Enacted	FY 2012 Revised	FY 2013
Public Safety					
Attorney General	230.0	231.1	231.1	233.1	233.1
Corrections	1,402.5	1,419.0	1,419.0	1,419.0	1,419.0
Judicial	699.7	723.3	723.3	723.3	723.3
Military Staff	109.0	117.0	117.0	113.0	112.0
Public Safety	418.6	423.2	605.8	606.2	609.2
Office of the Public Defender	92.0	93.0	93.0	91.0	92.0
Subtotal - Public Safety	2,951.8	3,006.6	3,189.2	3,185.6	3,188.6
Natural Resources					
Environmental Management	402.5	410.0	410.0	410.0	407.0
Coastal Resources Management Council	30.0	30.0	30.0	30.0	29.5
Water Resources Board (3)	6.0	6.0	-	-	-
Subtotal - Natural Resources	438.5	446.0	440.0	440.0	436.5
Transportation					
Transportation	739.4	772.6	772.6	772.6	772.6
Subtotal - Transportation	739.4	772.6	772.6	772.6	772.6
Total Non Sponsored	13,653.1	14,172.6	14,166.0	14,157.8	14,061.5
Higher Education Sponsored Research *					
Office	1.0	1.0	1.0	1.0	1.0
CCRI	61.5	100.0	100.0	100.0	100.0
RIC	75.1	82.0	82.0	82.0	82.0
URI	550.1	602.0	593.2	593.2	593.2
Subtotal Sponsored Research	687.7	785.0	776.2	776.2	776.2
Total Higher Education	4,029.9	4,202.1	4,214.6	4,215.0	4,280.6
Total Personnel Authorizations	14,340.8	14,957.6	14,942.2	14,934.0	14,837.7

*A total of 747.8 FTE positions in Higher Education in FY 2012 and 773.1 in FY 2013 represent FTE's supported by sponsored research funds. Commencing in FY2005, these positions were included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

- (1) Elderly Affairs has been merged with the Department of Human Services
- (2) Formerly Mental Health, Retardation and Hospitals
- (3) Water Resources Board has been merged with the Department of Administration

General Revenues as Recommended

	FY 2010 Audited	FY 2011 Audited	FY 2012 Revised	FY 2013 Recommended
Personal Income Tax	\$ 898,113,113	\$ 1,021,338,869	\$ 1,033,600,000	\$ 1,086,056,603
General Business Taxes				
Business Corporations	146,834,598	84,510,308	112,600,000	117,151,413
Public Utilities Gross Earnings	95,792,717	103,743,912	99,400,000	101,000,000
Financial Institutions	2,319,242	2,459,474	1,000,000	1,000,000
Insurance Companies	95,921,454	60,590,000	99,500,000	101,425,327
Bank Deposits	1,860,271	1,967,288	2,000,000	2,000,000
Health Care Provider Assessment	40,254,281	40,760,872	41,800,000	42,606,533
Sales and Use Taxes				
Sales and Use	803,394,856	813,007,301	845,100,000	940,866,633
Motor Vehicle	48,285,182	47,654,534	48,200,000	48,258,650
Motor Fuel	968,870	1,054,939	1,100,000	1,100,000
Cigarettes	138,315,461	134,060,439	131,500,000	135,873,160
Alcohol	11,269,477	11,683,059	11,800,000	11,900,000
Other Taxes				
Inheritance and Gift	29,056,952	46,855,153	34,000,000	31,248,959
Racing and Athletics	1,492,221	1,325,193	1,200,000	1,100,000
Realty Transfer	6,993,915	6,370,632	6,100,000	6,000,000
Total Taxes	\$ 2,320,872,610	\$ 2,377,381,973	\$ 2,468,900,000	\$ 2,627,587,278
Departmental Receipts	\$ 333,128,045	\$ 332,714,668	\$ 340,500,000	\$ 345,597,793
Taxes and Departmentals	\$ 2,654,000,655	\$ 2,710,096,641	\$ 2,809,400,000	\$ 2,973,185,071
Other Sources				
Gas Tax Transfer	\$ 24,134	\$ -	\$ -	\$ -
Other Miscellaneous	12,466,517	11,116,047	17,015,000	5,798,000
Lottery	344,672,747	354,860,987	367,200,000	376,800,000
Unclaimed Property	5,867,150	7,640,462	7,800,000	9,900,000
Other Sources	\$ 363,030,548	\$ 373,617,496	\$ 392,015,000	\$ 392,498,000
Total General Revenues	\$ 3,017,031,203	\$ 3,083,714,137	\$ 3,201,415,000	\$ 3,365,683,071

Changes to FY 2012 Enacted Revenue Estimates

	Enacted	November Consensus Changes	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 1,010,021,422	\$ 23,578,578	\$ -	\$ 1,033,600,000
General Business Taxes				
Business Corporations	121,224,665	(8,624,665)	-	112,600,000
Public Utilities Gross	99,400,000	-	-	99,400,000
Financial Institutions	500,000	500,000	-	1,000,000
Insurance Companies	102,600,000	(3,100,000)	-	99,500,000
Bank Deposits	2,000,000	-	-	2,000,000
Health Care Provider	41,327,129	472,871	-	41,800,000
Sales and Use Taxes				
Sales and Use	846,512,902	(1,412,902)	-	845,100,000
Motor Vehicle	51,600,000	(3,400,000)	-	48,200,000
Motor Fuel	1,100,000	-	-	1,100,000
Cigarettes	133,500,000	(2,000,000)	-	131,500,000
Alcohol	12,100,000	(300,000)	-	11,800,000
Other Taxes				
Inheritance and Gift	29,300,000	4,700,000	-	34,000,000
Racing and Athletics	1,200,000	-	-	1,200,000
Realty Transfer	6,500,000	(400,000)	-	6,100,000
Total Taxes	\$ 2,458,886,118	\$ 10,013,882	\$ -	\$ 2,468,900,000
Departmental Receipts	\$ 343,543,141	\$ (3,043,141)	\$ -	\$ 340,500,000
Total Taxes and Departmentals	\$ 2,802,429,259	\$ 6,970,741	\$ -	\$ 2,809,400,000
Other Sources				
Gas Tax Transfer	\$ -	\$ -	\$ -	\$ -
Other Miscellaneous	6,325,000	4,690,000	6,000,000	17,015,000
Lottery	361,042,103	6,157,897	-	367,200,000
Unclaimed Property	6,200,000	1,600,000	-	7,800,000
Other Sources	\$ 373,567,103	\$ 12,447,897	\$ 6,000,000	\$ 392,015,000
Total General Revenues	\$ 3,175,996,362	\$ 19,418,638	\$ 6,000,000	\$ 3,201,415,000

Changes to FY 2013 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 1,081,700,000	\$ 4,356,603	\$ 1,086,056,603
General Business Taxes			
Business Corporations	116,800,000	351,413	117,151,413
Public Utilities Gross	101,000,000	-	101,000,000
Financial Institutions	1,000,000	-	1,000,000
Insurance Companies	101,400,000	25,327	101,425,327
Bank Deposits	2,000,000	-	2,000,000
Health Care Provider	42,600,000	6,533	42,606,533
Sales and Use Taxes			
Sales and Use	868,000,000	72,866,633	940,866,633
Motor Vehicle	48,200,000	58,650	48,258,650
Motor Fuel	1,100,000	-	1,100,000
Cigarettes	128,800,000	7,073,160	135,873,160
Alcohol	11,900,000	-	11,900,000
Other Taxes			
Inheritance and Gift	31,000,000	248,959	31,248,959
Racing and Athletics	1,100,000	-	1,100,000
Realty Transfer	6,000,000	-	6,000,000
Total Taxes	\$ 2,542,600,000	\$ 84,987,278	\$ 2,627,587,278
Departmental Receipts	\$ 197,000,000	\$ 148,597,793	\$ 345,597,793
Total Taxes and Departmentals	\$ 2,739,600,000	\$ 233,585,071	\$ 2,973,185,071
Other Sources			
Gas Tax Transfer	\$ -	\$ -	\$ -
Other Miscellaneous	2,725,000	3,073,000	5,798,000
Lottery	376,800,000	-	376,800,000
Unclaimed Property	9,900,000	-	9,900,000
Other Sources	\$ 389,425,000	\$ 3,073,000	\$ 392,498,000
Total General Revenues	\$ 3,129,025,000	\$ 236,658,071	\$ 3,365,683,071

General Revenue Changes to Adopted Estimates

FY 2013	Governor Recommend
<u>Taxes</u>	
<u>Personal Income Taxes</u>	
Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	\$ 3,012,820
Reallocate 2.0 Revenue Agents from Tax Preparation Services to Office Audit	1,343,783
Subtotal: Personal Income Taxes	\$ 4,356,603
<u>General Business Taxes</u>	
Business Corporations Tax	
Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	\$ 351,413
Insurance Companies Gross Premiums Tax	
Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	25,327
Health Care Provider Assessment - Nursing Homes	
Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	6,533
Subtotal: General Business Taxes	\$ 383,273
<u>Sales and Excise Taxes</u>	
Sales and Use Tax	
Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	\$ 4,422,830
Repeal Exemption for Clothing and Footwear that Costs > \$175 per Item	13,334,361
Increased Receipts from Higher Minimum Cigarette Prices	127,052
Sales Tax on Rental of Vacation Homes and B&B Inns < 3 Bedrooms	1,682,651
Increase Meal and Beverage Tax to 10.0 Percent to Accelerate School Funding Formula	39,522,786
Reinstate Project Status for Non-Retail Projects	(1,004,423)
Apply Sales Tax to Taxicabs and Other Road Transportation Services	3,286,187
Apply Sales Tax to Moving, Storage, Warehousing and Freight Services	10,809,724
Apply Sales Tax to Pet Services Except Veterinary Services and Testing Laboratories	1,259,006
Apply Sales Tax to Car Washes	1,265,561
Revenue Lost Due to Non-Compliance with Streamlined Sales and Use Tax Agreement	(1,839,102)
Subtotal: Sales and Excise Taxes	\$ 72,866,634
Motor Vehicle Registration and License Fees	
Impose \$100.00 Fee for the Re-Inspection of School Buses That Failed Initial Inspection	\$ 58,650
Subtotal: Motor Vehicle Registration and License Fees	\$ 58,650
Cigarettes Tax	
Increase Cigarette Excise Tax from \$3.46 per Pack to \$3.50 per Pack	\$ 1,634,237
Redefine Little Cigars to Cigars that Have a Filter and Weigh < 4.0 lbs. per 1,000	2,097,490
Increase Maximum Tax per Premium Cigar from \$0.50 to \$1.00	420,166
Add 4.0 FTE for Tobacco Enforcement Task Force	2,921,267
Subtotal: Cigarettes Tax	\$ 7,073,160
Subtotal: Sales and Excise Taxes	\$ 79,998,443

General Revenue Changes to Adopted Estimates

FY 2013	Governor Recommend
<u>Other Taxes</u>	
<i>Inheritance and Gift Tax</i>	
Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	\$ 248,959
<i>Subtotal: Other Taxes</i>	\$ 248,959
Subtotal: All Taxes	\$ 84,987,278
<u>Departmental Revenues</u>	
<i>Licenses and Fees</i>	
DEM: Expand Beverage Container and Litter Participation Fee to All Beverage Containers	\$ 186,075
DEM: Discontinue Municipal Wastewater Treatment Testing Program	(65,987)
DHS: Reinststitute Hospital Licensing Fee at 5.430 Percent on FY 2010 Net Patient Revenues	143,763,554
DOH: Restructure Various License and Renewal Fees	1,512,462
<i>Subtotal: Licenses and Fees</i>	\$ 145,396,104
<i>Fines and Penalties</i>	
DOR: Interest from Tax Amnesty for 75 Day Period Beginning September 1, 2012	\$ 2,827,042
<i>Subtotal: Fines and Penalties</i>	\$ 2,827,042
<i>Miscellaneous</i>	
DEM: Eliminate Well Drilling Program	\$ (9,792)
Indirect Cost Recovery: Telecommunication Education Access Fund	84,693
Hotel Tax: Tax from Tax Amnesty for 75 Day Period Beginning September 1, 2012	47,348
Hotel Tax: State Share on Rental of Vacation Homes and B&B Inns < 3 Bedrooms	252,398
<i>Subtotal: Miscellaneous</i>	\$ 374,646
Subtotal: Departmental Revenues	\$ 148,597,793
Subtotal: Taxes and Departmental Revenues	\$ 233,585,071
<u>Other Sources</u>	
<i>Other Miscellaneous Revenues</i>	
Transfer from Narragansett Bay Commission for Payment of Debt Service	\$ 3,073,000
<i>Subtotal: Other Miscellaneous Revenues</i>	\$ 3,073,000
Subtotal: Other Sources	\$ 3,073,000
Total FY 2013 General Revenue Adjustments	\$ 236,658,071

Other Revenue Enhancements

Governor
Recommend

FY 2012

Restricted Receipts

1 Transfer of Bond Premium from 2011 Series A Bond Issue	\$	6,553,566
2 Transfer Historic Tax Credit Processing Fees Account to Historic Preservation Tax Credit Trust Fund		[(1,575,529)]

Subtotal: Restricted Receipts \$ **6,553,566**

Historic Preservation Tax Credit Trust Fund

2 Transfer of Historic Tax Credit Processing Fees from Restricted Receipts		[\$1,575,529]
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Subtotal: Historic Preservation Tax Credit Trust Fund \$ -

Rhode Island Capital Plan Fund

1 Transfer of Bond Premium from 2011 Series A Bond Issue	\$	(12,553,566)
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Subtotal: Rhode Island Capital Plan Fund \$ **(12,553,566)**

Total FY 2012 Other Revenue Adjustments \$ **(6,000,000)**

FY 2013

Restricted Receipts

Reduce Wireline Monthly Surcharge from \$0.26 to \$0.15 per line for Telecom Ed Access Fund	\$	(541,376)
Impose Wireless Monthly Surcharge of \$0.15 per line for Telecom Ed Access Fund		1,303,615
DOH: Move Chemical Dependency Professionals Licenses and Fees to General Revenue		(29,775)

Subtotal: Restricted Receipts \$ **732,464**

Intermodal Surface Transportation Fund

Accelerate \$30.00 Increase in Biannual Registration Fees to January 1, 2013 for ISTF	\$	8,876,273
Accelerate \$15.00 Increase in Annual Registration Fees to January 1, 2013 for ISTF		1,839,439
Accelerate \$30.00 Increase in Operator's License Fees to January 1, 2013 for ISTF		2,929,889

Subtotal: Intermodal Surface Transportation Fund \$ **13,645,601**

Local Pass-Through Funds

Local Share of State Hotel Tax on Rental of Vacation Homes and B&B Inns < 3 Bedrooms	\$	300,473
Local 1.0 Percent Hotel tax on Rental of Vacation Homes and B&B Inns < 3 Bedrooms		240,379

Subtotal: Local Pass-Through Funds \$ **540,852**

FY 2013 Total Non-General Revenue Changes \$ **14,918,918**

Appendix B
Changes to FY 2012

Changes to FY 2012 General Revenue Budget Surplus

	FY2010 Audited ⁽¹⁾	FY2011 Audited ⁽²⁾	FY 2012 Enacted ⁽³⁾	FY 2012 Revised ⁽⁴⁾	Change From Enacted
Surplus					
Opening Surplus	(\$62,286,103)	\$17,889,522	\$57,202,735	\$64,229,426	\$7,026,691
Audit Adjustments	-	604,058	-	-	-
Reappropriated Surplus	998,143	3,364,847	-	4,532,242	4,532,242
Subtotal	(\$61,287,960)	\$21,858,427	\$57,202,735	\$68,761,668	\$11,558,933
General Taxes	2,320,872,610	2,377,381,973	2,458,886,118	2,458,886,118	-
Revenue estimators' revision - Nov	-	-	-	10,013,882	10,013,882
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	\$2,320,872,610	\$2,377,381,973	\$2,458,886,118	\$2,468,900,000	\$10,013,882
Departmental Revenues	333,128,045	332,714,668	343,543,141	343,543,141	-
Revenue estimators' revision - Nov	-	-	-	(3,043,141)	(3,043,141)
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	\$333,128,045	\$332,714,668	\$343,543,141	\$340,500,000	(\$3,043,141)
Other Sources					
Gas Tax Transfers	24,134	-	-	-	-
Revenue estimators' revision	-	-	-	-	-
Changes to the Adopted Estimates	-	-	-	-	-
Other Miscellaneous	12,466,517	11,116,047	6,325,000	6,325,000	-
Revenue estimators' revision - Nov	-	-	-	4,690,000	4,690,000
Changes to the Adopted Estimates	-	-	-	6,000,000	6,000,000
Lottery	344,672,747	354,860,987	361,042,103	361,042,103	-
Revenue estimators' revision - Nov	-	-	-	6,157,897	6,157,897
Changes to the Adopted Estimates	-	-	-	-	-
Unclaimed Property	5,867,150	7,640,462	6,200,000	6,200,000	-
Revenue estimators' revision - Nov	-	-	-	1,600,000	1,600,000
Subtotal	\$363,030,548	\$373,617,496	\$373,567,103	\$392,015,000	\$18,447,897
Total Revenues	\$3,017,031,203	\$3,083,714,137	\$3,175,996,362	\$3,201,415,000	\$25,418,638
Transfer to Budget Reserve	(70,913,882)	(80,657,401)	(90,529,575)	(91,438,044)	(908,469)
Total Available	\$2,884,829,360	\$3,024,915,163	\$3,142,669,523	\$3,178,738,624	\$36,069,102
Actual/Enacted Expenditures	\$2,863,574,992	\$2,956,153,495	\$3,142,501,188	\$3,142,501,188	\$3,172,761,217
Reappropriations	-	-	-	4,532,242	4,532,242
Caseload Conference Changes	-	-	-	(1,087,415)	(1,087,415)
Other Changes in Expenditures	-	-	-	26,815,202	26,815,202
Total Expenditures	\$2,863,574,992	\$2,956,153,495	\$3,142,501,188	\$3,172,761,217	\$3,203,021,246
Free Surplus	\$17,889,521	\$64,229,426	\$168,335	\$5,977,407	(\$3,166,952,144)
Transfer from Budget Reserve					
Reappropriations	(3,364,847)	(4,532,242)	-	-	-
Total Ending Balances	\$21,254,368	\$68,761,668	\$168,335	\$5,977,407	(\$3,166,952,144)
Budget Reserve and Cash					
Stabilization Account	\$112,280,314	\$130,258,817	\$148,727,159	\$150,219,644	\$1,492,485

⁽¹⁾ Derived from the State Controller's final closing report for FY 2010, dated January 13, 2011, reflecting a surplus of \$17,889,522.

⁽²⁾ Derived from the State Controller's final closing report for FY 2011, dated January 5, 2012, reflecting a surplus of \$64,229,426.

⁽³⁾ Reflects the FY 2012 budget enacted by the General Assembly and signed into law by the Governor on June 30, 2011.

⁽⁴⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2011 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
<u>General Government</u>						
Administration						
Central Management	1,326,065					
Unachievable Turnover Cost Savings				539,434		
Medical Benefits Holiday			(4,625)			
Operating - Out of State Travel & Cellular Phones				5,423		
Statewide Personnel System Study				300,000		
	1,326,065	-	(4,625)	844,857	2,166,297	(840,232)
Accounts & Control	3,751,998					
Unachievable Turnover Cost Savings				20,889		
Medical Benefits Holiday			(16,716)			
Contract Professional Services - Legal				25,000		
	3,751,998	-	(16,716)	45,889	3,781,171	(29,173)
Budgeting	2,015,159					
Unachievable Turnover Cost Savings				315,746		
Medical Benefits Holiday			(4,777)			
Actuarial Services - Pension Reform				15,000		
Other Contract Services, Incl Perf Budgeting				3,115		
Office Supplies and Equipment				(2,700)		
Pension Reform Consulting Services				22,000		
	2,015,159	-	(4,777)	353,161	2,363,543	(348,384)
Purchasing	2,445,901					
Payroll - Turnover Cost Savings				(146,842)		
Medical Benefits Holiday			(9,559)			
Operating - Office Supplies & Equipment				16,307		
	2,445,901	-	(9,559)	(130,535)	2,305,807	140,094
Auditing	1,376,922					
Payroll - Turnover Cost Savings				(134,269)		
Medical Benefits Holiday			(2,645)			
	1,376,922	-	(2,645)	(134,269)	1,240,008	136,914
Human Resources	8,952,981					
Payroll - Turnover Cost Savings				(213,862)		
Medical Benefits Holiday			(29,287)			
Operating - ISF HR Charges				(7,818)		
	8,952,981	-	(29,287)	(221,680)	8,702,014	250,967
Personnel Appeal Board	73,560					
Compensation Cost - Board Members				1,116		
	73,560	-	-	1,116	74,676	(1,116)
Legal Services	1,825,486					
Unachievable Turnover Cost Savings/Allocation from Energy				98,677		
Medical Benefits Holiday			(5,549)			
Contract Services - Legal Title Search				5,283		
Operating - Subscription Services				8,197		
	1,825,486	-	(5,549)	112,157	1,932,094	(106,608)
Facilities Management	31,519,155					
Payroll - Turnover Cost Savings				(359,376)		
Medical Benefits Holiday			(44,185)			
Contract Services - Janitorial & Fire Protection				205,845		
Natural Gas/Electricity Expenses				166,331		
Operating - Insurance/Sewer Exp/Other				348,062		
	31,519,155	-	(44,185)	360,862	31,835,832	(316,677)

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Capital Projects and Property Management	2,429,894					
Unachievable Turnover Cost Savings				79,286		
Medical Benefits Holiday			(7,933)			
Contract - Legal Services - RITS Arbitration	2,429,894	-	(7,933)	135,450	2,636,697	(206,803)
				214,736		
Information Technology	19,949,105					
Payroll - GR Offset for Lost/Reduced Federal Funds				447,481		
Medical Benefits Holiday			(47,299)			
Contract Services - IT Disaster Recovery				15,235		
Operating - Telephone & Software Maint. Agreement				384,610		
Capital Purchases - Hardware for Internet Redundancy				32,345		
IT Purchase - FY 11 Post-closing Adjustment				135,716		
	19,949,105	-	(47,299)	1,015,387	20,917,193	(968,088)
Library and Information Services	932,971					
Medical Benefits Holiday			(1,802)			
Payroll - Salaries and Benefits				12,373		
Other Operating Supplies and Expense				(12,373)		
	932,971	-	(1,802)	-	931,169	1,802
Planning	4,075,067					
Payroll - Turnover Cost Savings				(5,786)		
Medical Benefits Holiday			(5,870)			
	4,075,067	-	(5,870)	(5,786)	4,063,411	11,656
Energy Resources	0					
	0	-	-	-	0	0
General						
Economic Development Corp.	4,811,811			770,000		
EHC-RI Airport Corp. Impact Act	1,025,000			-		
EHC EPScore (Research Alliance)	1,500,000			-		
Miscellaneous Grants	376,560			(14,175)		
Slater Centers for Excellence	2,000,000			-		
Torts	400,000			-		
State/Teachers' Retiree Health Subsidy	2,321,057			-		
Resource Sharing and State Library Aid	8,773,398			-		
Library Construction Aid	2,821,772			-		
	24,029,598	-	-	755,825	24,785,423	(755,825)
Debt Service Payments	144,742,359					
General Obligation Bonds				(4,531,275)		
Certificates of Participation				483,177		
Historic Structures Tax Credit				(1,400,000)		
Fidelity Job Rent Credits				704,054		
Tax Anticipation Notes				(849,248)		
DOT Debt Service - Shift from Other Funds				2,000,000		
	144,742,359	-	-	(3,593,292)	141,149,067	3,593,292
Undistributed Statwide Savings (Medical)	(3,000,000)		3,000,000		0	
	(3,000,000)	0	3,000,000	0	0	(3,000,000)
Total	246,446,221	-	2,819,753	(381,572)	248,884,402	(2,438,181)
Business Regulation						
Central Management	1,162,041					
Personnel-Salary & Benefits				(55,667)		
Operating				(8,064)		
Medical Benefits Holiday			(3,354)	-		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
	1,162,041	-	(3,354)	(63,731)	1,094,956	67,085
Insurance Regulation	4,031,865					
Personnel-Salary & Benefits				(82,046)		
Operating				(25,027)		
Medical Benefits Holiday			(13,210)	-		
	4,031,865	-	(13,210)	(107,073)	3,911,582	120,283
Office of the Health Commissioner	547,168					
Personnel-Salary & Benefits				(17,750)		
Contracted Professional Services				(20,000)		
Operating				(2,953)		
Medical Benefits Holiday			(1,028)			
	547,168	-	(1,028)	(40,703)	505,437	41,731
Board of Accountancy	170,668					
Personnel-Salary & Benefits				(27,850)		
Operating				(1,561)		
Medical Benefits Holiday			(585)			
	170,668	-	(585)	(29,411)	140,672	29,996
Banking	1,472,238					
Personnel-Salary & Benefits				10,921		
Operating				(7,565)		
Medical Benefits Holiday			(4,457)			
	1,472,238	-	(4,457)	3,356	1,471,137	1,101
Securities	1,051,512					
Personnel-Salary & Benefits				(190,371)		
Operating				(6,628)		
Medical Benefits Holiday			(3,501)			
	1,051,512		(3,501)	(196,999)	851,012	200,500
Commercial Licensing, Racing & Athletics	753,526					
Personnel-Salary & Benefits				(204,671)		
Operating				(13,248)		
Medical Benefits Holiday			(1,858)			
	753,526	-	(1,858)	(217,919)	533,749	219,777
Board of Design Professionals	247,360					
Personnel-Salary & Benefits				84,029		
Operating				(5,318)		
Medical Benefits Holiday			(1,734)			
	247,360	-	(1,734)	78,711	324,337	(76,977)
Total	9,436,378	-	(29,727)	(573,769)	8,832,882	603,496
Labor and Training						
Central Management	113,640					
Personnel-Salary & Benefits				(7,750)		
Medical Benefits Holiday			(413)			
Contracted Professional Services				9,133		
Operating Supplies and Expenses/Capital				7,717		
	113,640	-	(413)	9,100	122,327	(8,687)
Workforce Regulation and Safety	2,901,435					
Personnel-Salary & Benefits				(25,157)		
Medical Benefits Holiday			(12,515)			
Contracted Professional Services				2,486		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Operating Supplies and Expenses/Capital				15,338		
Grants and Benefits				(65)		
Tardy and Interest Transfer				-		
	2,901,435	-	(12,957)	(7,398)	2,881,080	20,355
Income Support	4,163,873					
Personnel-Salary & Benefits				4,039		
Medical Benefits Holiday			(296)			
Contracted Professional Services				127		
Operating Supplies and Expenses/Capital				(338)		
Grants and Benefits				-		
Police Relief Fund				45,110		
Firefighter Relief Fund				32,987		
Tardy and Interest Transfer						
	4,163,873	-	(296)	81,925	4,245,502	(81,629)
Labor Relations Board	396,538					
Personnel-Salary & Benefits				2,923		
Medical Benefits Holiday			(760)			
Contracted Professional Services						
Operating Supplies and Expenses/Capital				(15,066)		
Grants and Benefits				(8)		
	396,538	-	(760)	(12,143)	383,635	12,903
Total	7,575,486	-	(14,426)	71,480	7,632,540	(57,054)
Legislature						
Legislature	36,548,053	3,842,297	-	(3,842,297)		
Personnel-Salary & Benefits				1,459,774		
Medical Benefits Holiday			(173,078)			
Contracted Professional Services				(57,447)		
Operating Supplies and Expenses				746,642		
Grants				500,000		
Capital				998,530		
Total	36,548,053	3,842,297	(173,078)	(194,798)	40,022,474	367,876
Office of the Lieutenant Governor	965,940					
Personnel-Salary & Benefits				(22,247)		
Medical Benefits Holiday			(3,184)			
Contracted Professional Services				250		
Operating Supplies and Expenses/Capital				10,350		
Total	965,940	-	(3,184)	(11,647)	951,109	14,831
Secretary of State						
Administration	2,056,734					
Personnel-Salary & Benefits				(162,529)		
Medical Benefits Holiday			(4,467)			
Contracted Professional Services				-		
Operating Supplies and Expenses				332		
Capital Purchases and Equipment				65,787		
	2,056,734	-	(4,467)	(96,410)	1,955,857	100,877
Corporations	1,891,380	190,000				
Personnel-Salary & Benefits				154,061		
Medical Benefits Holiday			(8,942)			
Contracted Professional Services				-		
Operating Supplies and Expenses				2,623		
	1,891,380	190,000	(8,942)	156,684	2,229,122	(147,742)

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
State Archives	79,385					
Personnel-Salary & Benefits		-		-		
Operating Supplies and Expenses		-		-		
	79,385	-		-	79,385	-
Elections	1,432,530					
Personnel-Salary & Benefits				(15,203)		
Medical Benefits Holiday			(2,854)			
Contracted Professional Services				-		
Voter ID Implementation				150,000		
Operating Supplies and Expenses				21,244		
Capital Purchases and Equipment				(87,441)		
	1,432,530		(2,585)	68,600	1,498,545	(66,015)
State Library	581,844					
Personnel-Salary & Benefits				7,677		
Medical Benefits Holiday			(1,871)			
Operating Supplies and Expenses				4,592		
	581,844	-	(1,871)	12,269	592,242	(10,398)
Office of Public Information	334,439					
Personnel-Salary & Benefits				5,199		
Medical Benefits Holiday			(1,351)			
Contracted Professional Services				-		
Operating Supplies and Expenses				1,296		
Capital Purchases and Equipment				168		
	334,439	-	(1,351)	6,663	339,751	(5,312)
Total	6,376,312	190,000	(19,216)	147,806	6,694,902	(128,590)
Office of the General Treasurer						
Treasury	2,190,137	40,326				
Personnel-Salary & Benefits				(102,965)		
Medical Benefits Holiday			(5,947)			
SEC Investigation/Disclosure Counsel				138,000		
Operating Expense				19,267		
Office Build-out/Move to 50 Service Avenue				38,684		
	2,190,137	40,326	(5,947)	92,986	2,317,502	(87,039)
Crime Victim Compensation Program	110,715	1,682				
Personnel-Salary & Benefits				16,430		
Contracted Professional Services				990		
Medical Benefits Holiday			(316)			
Operating Supplies and Expenses				15,381		
Capital				11,704		
	110,715	1,682	(316)	44,505	156,586	(44,189)
Total	2,300,852	42,008	(6,263)	137,491	2,474,088	(131,228)
Board of Elections						
Board Of Elections	1,825,905					
Personnel-Salary & Benefits				(26,398)		
Medical Benefits Holiday			(4,554)			
Contracted Professional Services				(79,886)		
Operating/Non-Taxable Settlements				53,194		
Total	1,825,905	-	(4,554)	(53,090)	1,768,261	57,644

R I Ethics Commissions

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
RI Ethics Commission	1,560,008					
Personnel-Salary & Benefits				(43,439)		
Medical Benefits Holiday			(2,634)			
Operating Supplies and Expenses				9,011		
Total	1,560,008	-	(2,634)	(34,428)	1,522,946	37,062
Office of the Governor	4,088,521		-			
Personnel-Salary & Benefits				86,122		
Medical Benefits Holiday			(11,776)			
Operating /Contracted Services				(24,241)		
Capital				9,256		
Contingency Fund	250,000			-		
Total	4,338,521	0	(11,776)	71,137	4,397,882	(59,361)
Commission for Human Rights	1,154,038					
Payroll				1,875		
Medical Benefits Holiday			(4,912)			
Contract Professional Services - Stenographic				(1,875)		
Total	1,154,038	0	(4,912)	0	1,149,126	4,912
Department of Revenue						
Director of Revenue	784,261					
Personnel-Salary & Benefits				(14,577)		
Medical Benefits Holiday			(2,507)			
Contracted Professional Services				8,937		
Operating Supplies and Expenses				1,152		
	784,261	0	(2,507)	(4,488)	777,266	6,995
Office of Revenue Analysis	435,910					
Personnel-Salary & Benefits				3,160		
Medical Benefits Holiday			(1,872)			
Contracted Professional Services				(10,000)		
	435,910	-	(1,872)	(6,840)	427,198	8,712
Office of Municipal Finance	1,204,490					
Personnel-Salary & Benefits				35,385		
Medical Benefits Holiday			(3,755)	234,000		
Operating Supplies and Expenses				8		
Central Falls Receivership-Personnel				25,238		
Central Falls Receivership-Contract Services	698,450			391,550		
	1,902,940	0	(3,755)	686,181	2,585,366	(682,426)
Taxation	17,323,623					
Personnel-Salary & Benefits				8,030		
Medical Benefits Holiday			(66,386)			
Contracted Professional Services				(17,000)		
Operating Supplies and Expenses				6,943		
Capital Purchases and Equipment				(5,200)		
	17,323,623	0	(66,386)	(7,227)	17,250,010	73,613
Registry	17,574,304					
Personnel-Salary & Benefits				321,569		
Medical Benefits Holiday			(62,362)			
Contracted Professional Services				(432,414)		
Operating Supplies and Expenses				92,445		
DMV Personnel Overtime				44,621		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
DMV Personnel Additional Staffing +14.5 FTE				595,543		
Capital Purchases and Equipment				200,405		
Other Operating Supplies and Expenses				5,646		
	17,574,304	0	(62,362)	827,815	18,339,757	(765,453)
State Aid						
Distressed Communities Relief Fund	10,384,458					
Payment in Lieu of Tax Exempt Properties	33,080,409					
Motor Vehicle Excise Tax Payments	10,000,000					
Property Revaluation Program	1,125,000			(120,714)		
Central Falls Stabilization Payment				2,636,932		
	54,589,867	-		2,516,218	57,106,085	(2,516,218)
Total	92,610,905	0	(136,882)	4,011,659	96,485,682	(3,874,777)
 Sub-Total General Government	 411,138,619	 4,074,305	 2,413,101	 3,190,269	 420,816,294	 (5,603,370)
<u>Human Services</u>						
Office of Health and Human Services	9,773,834					
Interagency Transfers of Personnel (5.0 FTE)				781,849		
Personnel- Other Salary & Benefits				(259,056)		
Medical Benefits Holiday			(32,544)			
Contracted Professional Services				44,500		
Other Operating Supplies and Expenses				38,792		
	9,773,834	-	(32,544)	606,085	10,347,375	(573,541)
Children, Youth, and Families						
Central Management	4,694,560					
Personnel-Salary & Benefits				166,459		
Medical Benefits Holiday			(9,523)			
Contracted Professional Services				375,649		
Operating Supplies and Expenses				(424,016)		
Grants and Benefits				(1,147)		
Capital Purchases and Equipment				(5,715)		
	4,694,560	-	(9,523)	111,230	4,796,267	(101,707)
Children's Behavioral Health	10,818,296					
Personnel-Salary & Benefits				365,922		
Medical Benefits Holiday			(5,970)			
Operating Supplies and Expenses				10,021		
Grants and Benefits				(782,439)		
	10,818,296	-	(5,970)	(406,496)	10,405,830	412,466
Juvenile Corrections	30,485,148					
Personnel-Salary & Benefits				2,006,407		
Overtime				(1,007,732)		
Medical Benefits Holiday			(93,611)			
Contracted Professional Services				(78,017)		
Operating Supplies and Expenses				(112,007)		
Grants and Benefits				(612,865)		
Capital Purchases and Equipment				4,270		
	30,485,148	0	(93,611)	200,056	30,591,593	(106,445)

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Child Welfare	86,642,162					
18 to 21 Year Olds	12,358,817					
Personnel-Salary & Benefits				(949,432)		
Medical Benefits Holiday			(86,333)			
Contracted Professional Services				(1,861)		
Operating Supplies and Expenses				(203,133)		
Grants and Benefits				8,545,936		
Capital Purchases and Equipment				(6,000)		
	99,000,979	0	(86,333)	7,385,510	106,300,156	(7,299,177)
Higher Education Incentive Grants	200,000					
Higher Education Incentive Grants	200,000	0	0	0		
Total	145,198,983	0	(195,437)	7,290,300	152,293,846	(7,094,863)
Health						
Central Management	1,352,631					
Personnel-Salary & Benefits				(134,416)		
Medical Benefits Holiday			(1,957)			
Contracted Professional Services				(900)		
Operating Supplies and Expense				(18,799)		
	1,352,631	-	(1,957)	(154,115)	1,196,559	156,072
State Medical Examiner	2,012,467					
Unachieved Turnover Savings				374,863		
Medical Benefits Holiday			(6,342)			
Contract Medical Services				74,770		
Medical & Other Supplies				(61,490)		
Capital Purchases and Equipment				(1,000)		
	2,012,467	-	(6,342)	387,143	2,393,268	(380,801)
Environmental & Health Services Regulations	8,511,059					
Unachieved Turnover Savings				223,476		
Medical Benefits Holiday			(29,280)			
Temporary Contract Services				129,531		
Operating Supplies and Expense				27,873		
Assistance and Grants				(20,000)		
Capital Purchases and Equipment				(8,110)		
	8,511,059	-	(29,280)	352,770	8,834,549	(323,490)
Health Laboratories	6,016,806					
Unachieved Turnover Savings				364,716		
Medical Benefits Holiday			(17,974)			
Contracted Professional Services				(24,418)		
Operating Expenditures				3,289		
Assistance and Grants				(100)		
Capital Purchases and Equipment				(23,750)		
	6,016,806	-	(17,974)	319,737	6,318,569	(301,763)
Public Health Information	1,599,404					
Unachieved Turnover Savings				224,947		
Medical Benefits Holiday			(6,302)			
Contracted Professional Services				(139,270)		
Capital Purchases and Equipment				(2,500)		
Operating Supplies and Expenses				(29,810)		
	1,599,404	-	(6,302)	53,367	1,646,469	(47,065)
Community & Family Health and Equity	2,623,954					
Unachieved Turnover Savings				52,166		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Medical Benefits Holiday			(6,233)			
Contracted Professional Services				36,070		
Operating Expenditures				86,377		
Assistance and Grants				(312,133)		
	2,623,954	-	(6,233)	(137,520)	2,480,201	143,753
Infectious Disease and Epidemiology	2,131,704					
Unachieved Turnover Savings				73,173		
Medical Benefits Holiday			(3,620)			
Contracted Professional Services				52,500		
Operating Expenditures				(224,347)		
Assistance and Grants				(276,500)		
	2,131,704	-	(3,620)	(375,174)	1,752,910	378,794
Total	24,248,025	-	(71,708)	446,208	24,622,525	(374,500)
Human Services						
Central Management	5,683,745					
Personnel- Salary & Benefits				46,120		
CHC CNOM Adjustment (FMAP)				204		
Shift of Legal Services to EOHHS				(42,500)		
Medical Benefits Holiday			(4,345)			
	5,683,745		(4,345)	3,824	5,683,224	521
Child Support Enforcement	2,214,781					
Personnel- Salary & Benefits				(9,775)		
Medical Benefits Holiday			(5,935)			
Unachieved Savings- Constable Services				41,820		
Other Contracted Professional Services				(2,502)		
Operating Supplies and Expenses				(5,133)		
	2,214,781		(5,935)	24,410	2,233,256	(18,475)
Individual and Family Support	22,498,106					
Personnel- Salary & Benefits				52,777		
Medical Benefits Holiday			(50,437)			
Contracted Professional Services				(265,848)		
Operating Supplies and Expenses				193,844		
Assistance and Grants				(285,225)		
RIDE Program- General Revenues (Utilization)				600,000		
	22,498,106		(50,437)	295,548	22,743,217	(245,111)
Veterans' Affairs	18,568,043					
Personnel- Salary & Benefits				(1,317,622)		
Medical Benefits Holiday			(66,232)			
Overtime Increase				1,333,948		
Contracted Professional Services				(2,270)		
Operating Supplies and Expenses				(187,154)		
Grants and Benefits				(388)		
	18,568,043		(66,232)	(173,486)	18,328,325	239,718
Health Care Quality, Financing and Purchasing	18,551,887					
Personnel- Salary & Benefits				215,744		
Medical Benefits Holiday			(28,201)			
Contracted Professional Services				(70,480)		
Grants and Benefits				3,664		
Operating Supplies and Expense				(16,796)		
	18,551,887		(28,201)	132,132	18,655,818	(103,931)

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Medical Benefits						
Managed Care- November CEC	290,019,801			(8,519,699)		
Hospitals- November CEC	114,309,330			3,108,922		
Other- November CEC	43,965,644			(706,935)		
Nursing Facilities- November CEC	162,645,787			623,963		
H&CBS- November CEC	32,834,071			3,404,970		
Pharmacy- November CEC	51,048,438			(678,918)		
Rhody Health- November CEC	91,145,473			857,627		
SCHIP-Enhanced FMAP: Transportation				(44,901)		
Organ Transplant Fund- Cash Surplus				(2,216)		
	785,968,544		-	(1,957,187)	784,011,357	1,957,187
S.S.I. Program						
S.S.I. Program- November CEC	18,000,600			777,000		
	18,000,600		-	777,000	18,777,600	(777,000)
Rhode Island Works						
Child Care	9,668,635					
	9,668,635		-	-	9,668,635	-
State Funded Programs						
General Public Assistance- November CEC	2,491,925			35,585		
GMED: Adjustment for Prior-Period Recoveries				388,159		
	2,491,925		-	423,744	2,915,669	(423,744)
Elderly Affairs						
General Revenues	9,109,749					
Personnel-Salary & Benefits				99,349		
Medical Benefits Holiday			(2,058)			
CNOM/MA Admin. Matching Rate Adjustments				8,087		
Operating Supplies and Expenses				(2,825)		
RIPAE	374,000			-		
Care and Safety of the Elderly	1,287			-		
	9,485,036		(2,058)	104,611	9,587,589	(102,553)
Total	893,131,302	-	(157,208)	(369,404)	892,604,690	526,612
Behavioral Health, Developmental Disabilities & Hospitals						
Central Management	829,195					
Personnel-Salary & Benefits				(58,887)		
Medical Benefits Holiday			(1,204)			
Contracted Professional Services				7,060		
Operating Supplies and Expenses				558		
	829,195	-	(1,204)	(51,269)	776,722	52,473
Hosp. & Community System Support	2,435,629					
Personnel-Salary & Benefits				(65,543)		
Medical Benefits Holiday			(6,998)			
Contracted Professional Services				19,744		
Operating Supplies and Expenses				(996)		
Total	2,435,629	-	(6,998)	(46,795)	2,381,836	53,793
Services. for the Developmentally Disabled	97,336,360					
Personnel-Salary & Benefits				467,724		
Medical Benefits Holiday			(77,467)			
Overtime				702,917		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Contracted Professional Services				279,565		
Operating Supplies and Expenses				(294,725)		
Grants - Provider Payments				85,286		
Capital Purchases and Equipment				2,302		
	97,336,360	-	(77,467)	1,243,069	98,501,962	(1,165,602)
Behavioral Healthcare Services	36,009,986					
Personnel-Salary & Benefits				(251,965)		
Medical Benefits Holiday Assistance and Grant			(7,675)			
	36,009,986	0	(7,675)	(23,397)	35,978,914	31,072
Hosp. & Community Rehab. Services	47,638,399					
Personnel-Salary & Benefits				(562,467)		
Medical Benefits Holiday			(172,700)			
Overtime				2,722,807		
Contracted Professional Services				(28,690)		
Operating Supplies and Expenses				393,826		
Grants and Assistance - Medical Services				(532,087)		
Capital Purchases and Equipment				(1,603)		
	47,638,399	-	(172,700)	1,991,786	49,457,485	(1,819,086)
Total	184,249,569	-	(266,044)	3,113,394	187,096,919	(2,847,350)
Office of the Child Advocate	603,384					
Personnel-Salary & Benefits				(78,155)		
Medical Benefits Holiday			(2,465)			
Operating Supplies and Expenses				5,070		
Capital Purchases and Equipment				1,000		
Total	603,384	-	(2,465)	(72,085)	528,834	74,550
Commission on Deaf and Hard of Hearing	387,985					
Personnel- Salary & Benefits				(5,723)		
Medical Benefits Holiday			(1,699)			
Computer Equipment and Software Licenses				4,948		
Other Operating Supplies and Expenses				325		
Contracted Professional Services				450		
Total	387,985	-	(1,699)	-	386,286	1,699
Governor's Commission on Disabilities	388,786					
Personnel-Salary & Benefits				(288)		
Medical Benefits Holiday			(845)			
Contracted Professional Services				(698)		
Operating Supplies and Expenses				986		
Total	388,786	0	(857)	-	387,929	857
Office of the Mental Health Advocate	468,718					
Personnel-Salary & Benefits				(57,369)		
Medical Benefits Holiday			(1,746)			
Contracted Professional Services				1,800		
Operating Supplies and Expenses		-		1,769		
Total	468,718	-	(1,746)	(53,800)	413,172	55,546

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Sub-Total Human Services	1,258,450,586	0	(729,708)	10,960,698	1,268,681,576	(10,230,990)
<u>Education</u>						
Elementary and Secondary Education						
State Education Aid	621,639,790					
Statewide Transportation				-		
Across-the-board cut-Local Districts				-		
Pension reform-Local Districts				-		
Shift to Stabilization Funding-Local Districts				-		
Charter School Aid				-		
Across-the-board cut-Charter Schools				-		
Pension reform-Charter Schools				-		
Shift to Stabilization Funding-Charter Schools				-		
Shift OERR admin \$ to LEAs instead				-		
Contracted Professional Services				-		
Operating Supplies and Expenses				-		
Group Home aid				-		
Non-public textbook aid				25,698		
Transfer from ACES for Pre-K Demo Project				-		
E-Rate				-		
	621,639,790	-		25,698	621,665,488	(25,698)
School Housing Aid	72,507,180			(2,731,170)		
	72,507,180	-		(2,731,170)	69,776,010	2,731,170
Teachers' Retirement	81,635,719			2,477,488		
Base adjustment				-		
	81,635,719	-		2,477,488	84,113,207	(2,477,488)
RI School for the Deaf	5,889,334					
Personnel (Turnover Savings)				(629,569)		
Medical Benefits Holiday			(21,456)			
Contracted Professional Services (Increase Legal Services)				425,173		
Operating Supplies and Expenses				165,396		
Grants				24,000		
Capital Purchases and Equipment				15,000		
	5,889,334	-	(21,456)	-	5,867,878	21,456
Central Falls School District	39,161,820					
Across-the-board cut				-		
Pension reform				-		
	39,161,820	-		-	39,161,820	0
Davies Career & Technical School	13,416,256					
Personnel (Turnover Savings)				(291,500)		
Medical Benefits Holiday			(46,594)			
Contracted Professional Services				-		
Operating Supplies and Expenses (Various increases to operating)				338,094		
Capital Purchases and Equipment				-		
	13,416,256	-	(46,594)	46,594	13,416,256	0
Met. Career & Tech. School	11,642,563					
	11,642,563	-		-	11,642,563	0
Administration of the Comp. Education Strategy	17,184,938					
Personnel-Salary & Benefits				-		
Medical Benefits Holiday			(32,681)			
Contracted Professional Services				34,214		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Operating Supplies and Expenses				(80,720)		
Grants				9,799		
Capital				(7,528)		
Aid to Locals				-		
	17,184,938		(32,681)	(44,235)	17,108,022	76,916
Total	863,077,600	-	(100,731)	(225,625)	862,751,244	326,356
Higher Education						
Board of Governors/Office of Higher Education	6,141,012					
Medical Benefits Holiday			(7,774)			
	6,141,012	-	(7,774)	-	6,133,238	7,774
University of Rhode Island						
General Revenues	57,773,316					
Medical Benefits Holiday			(138,628)			
State Crime Lab	775,000			75,633		
Debt Service	15,164,218			931,528		
	73,712,534	0	(138,628)	1,007,161	74,581,067	(868,533)
Rhode Island College						
General Revenues	38,359,719					
Medical Benefits Holiday			(120,112)			
Debt Service	1,978,374			(1,437,055)		
	40,338,093	0	(120,112)	(1,437,055)	38,780,926	1,557,167
Community College of Rhode Island						
General Revenues	44,619,462					
Medical Benefits Holiday			(136,805)			
Debt Service	1,676,118					
	46,295,580	0	(136,805)	0	46,158,775	136,805
Total	166,487,219	0	(403,319)	(429,894)	165,654,006	833,213
RI Council On The Arts						
Operating Support	716,635					
Personnel-Salary & Benefits				(1,669)		
Medical Benefits Holiday			(2,292)			
Operating Supplies and Expenses				(1,026)		
Grants	962,227					
Total	1,678,862	0	(2,292)	(2,695)	1,673,875	4,987
RI Atomic Energy Commission						
Personnel-Salary & Benefits	879,592			5,901	840,959	
Medical Benefits Holiday			(2,133)			
Contracted Professional Services					6,907	
Operating Supplies and Expenses				(5,901)	37,807	
Total	879,592	-	(2,133)	-	877,459	2,133
RI Higher Education Assistance Authority						
Authority Operations and other Grants	899,101					
Personnel-Salary & Benefits				(153,864)		
Medical Benefits Holiday			(1,306)			
Needs Based Grants and Work Opport.	5,014,003			153,864		
Total	5,913,104	0	(1,306)	0	5,911,798	1,306
RI Historical Preservation & Heritage Commission	1,469,797					

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Personnel-Salary & Benefits (Turnover of 2FTE)				(122,575)		
Medical Benefits Holiday			(5,091)			
Contracted Professional Services				(160)		
Operating Supplies and Expenses				(4,116)		
Grants				-		
Capital				-		
Total	1,469,797	-	(5,091)	(126,851)	1,337,855	131,942
RI Public Telecommunications Authority	947,960					
Personnel-Salary & Benefits				(11,398)		
Medical Benefits Holiday			(4,000)			
Contracted Professional Services				-		
Operating Supplies and Expenses				-		
Total	947,960	-	(4,000)	(11,398)	932,562	15,398
Sub-Total Education	1,040,454,134	-	(518,872)	(796,463)	1,039,138,799	1,315,335
<u>Public Safety</u>						
Attorney General						
Criminal	13,739,364					
Personnel-Salary & Benefits				100,281		
Medical Benefits Holiday			(47,755)			
Contracted Professional Services				35,076		
Operating Supplies and Expenses				63,205		
Capital Purchases and Equipment				10,255		
	13,739,364	-	(47,755)	208,817	13,900,426	(161,062)
Civil	4,692,836	366,122				
Personnel-Salary & Benefits				100,155		
Medical Benefits Holiday			(16,175)			
Contracted Professional Services				33,974		
Operating Supplies and Expenses				39,345		
Capital Purchases and Equipment				-		
	4,692,836	366,122	(16,175)	173,474	5,216,257	(157,299)
Bureau of Criminal Identification	1,101,532					
Personnel-Salary & Benefits				78,795		
Medical Benefits Holiday			(3,081)			
Contracted Professional Services				1,434		
Operating Supplies and Expenses				(676)		
Capital Purchases and Equipment				-		
	1,101,532	-	(3,081)	79,553	1,178,004	(76,472)
General	2,909,135					
Personnel-Salary & Benefits				(214,914)		
Medical Benefits Holiday			(10,013)			
Contracted Professional Services				3,816		
Operating Supplies and Expenses				72,106		
Capital Purchases and Equipment				-		
	2,909,135	-	(10,013)	(138,992)	2,760,130	149,005
Total	22,442,867	366,122	(77,024)	322,852	23,054,817	(245,828)
Corrections						
Central Management	8,596,603					
Personnel-Salary & Benefits Other				(17,571)		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Weapons Requalification				18,625		
CO Training Class				(61,122)		
Medical Benefits Holiday			(21,225)			
Contracted Professional Services Other				29,027		
CO Training Class				87,780		
Time Tracker System				350,767		
Probation & Parole Rewrite						
Operating Supplies and Expenses Other				19,340		
CO Training Class				13,032		
Capital						
	8,596,603	-	(21,225)	439,878	9,015,256	(418,653)
Parole Board	1,365,771					
Personnel-Salary & Benefits				(57,807)		
Medical Benefits Holiday			(3,447)			
Contracted Professional Services				2,030		
Other Operating/Grants/Capital				(1,273)		
	1,365,771	-	(3,447)	(57,050)	1,305,274	60,497
Institutional Corrections	157,573,034					
Personnel-Salary & Benefits Other				5,469,422		
SCAAP Award Decrease				323,435		
Medical Benefits Holiday			(531,877)			
Contracted Professional Services Other				29,131		
Medical Services				424,756		
Operating Supplies and Expenses Other				18,640		
Snow Removal, Pastore Complex				100,000		
Grants Other				14,729		
Grants-Outpatient Services				(1,006,445)		
Capital				135,000		
	157,573,034	-	(531,877)	5,508,668	162,549,825	(4,976,791)
Community Corrections	14,605,957					
Personnel-Salary & Benefits Other				47,157		
CO Training Class				13,212		
Medical Benefits Holiday			(51,609)			
Contracted Professional Services				(750)		
Operating Supplies and Expenses Other				(35,015)		
	14,605,957	-	(51,609)	24,604	14,578,952	27,005
Total	182,141,365	-	(608,158)	5,916,100	187,449,307	(5,307,942)
Judiciary						
Supreme Court		-				
General Revenues	26,325,441	80,704	-	-		
Personnel-Salary & Benefits				653,515		
Medical Benefits Holiday			(49,507)			
Contracted Professional Services				146,156		
Operating Supplies and Expenses				(570,865)		
Judges Pensions				(59,521)		
Capital Purchases and Equipment				(90,000)		
Assistance and Grants				4,647		
Defense of Indigents	3,562,240			-		
	29,887,681	80,704	(49,507)	83,932	30,002,810	(34,425)
Superior Court	20,865,210	315	-			
Personnel-Salary & Benefits				1,018,447		
Medical Benefits Holiday			(61,310)			
Contracted Professional Services				2,523		
Operating Supplies and Expenses				(34,761)		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Grants				2,667		
Judges Pensions				(158,306)		
Capital				-		
	20,865,210	315	(61,310)	830,570	21,634,785	(769,260)
Family Court	17,533,090	2,714	-			
Personnel-Salary & Benefits				240,508		
Medical Benefits Holiday			(65,628)			
Contracted Professional Services				15,918		
Operating Supplies and Expenses				(62,648)		
Judges Pensions				(122,745)		
Grants				9,438		
Capital				-		
	17,533,090	2,714	(65,628)	80,471	17,550,647	(14,843)
District Court	10,924,545	8,082	-			
Personnel-Salary & Benefits				408,952		
Medical Benefits Holiday			(34,178)			
Contracted Professional Services				15,925		
Operating Supplies and Expenses				(5,857)		
Grants and Benefits				30,300		
Judges Pensions				(32,885)		
Capital				-		
	10,924,545	8,082	(34,178)	416,435	11,314,884	(382,257)
Traffic Tribunal	7,752,175		-			
Personnel-Salary & Benefits				295,390		
Medical Benefits Holiday			(28,882)			
Contracted Professional Services				89,312		
Operating Supplies and Expenses				3,181		
Judges Pensions				(17,772)		
	7,752,175	-	(28,882)	370,111	8,093,404	(341,229)
Judicial Tenure and Discipline	111,282		-			
Personnel-Salary & Benefits				2,285		
Medical Benefits Holiday			(206)			
Operating Adjustment				8		
	111,282		(206)	2,293	113,369	(2,087)
Total	87,073,983	91,815	(239,711)	1,783,812	88,709,899	(1,544,101)
Military Staff						
National Guard	1,446,301					
Personnel-Salary & Benefits				-		
Guard Activation-Tropical Storm Irene				2,943		
Medical Benefits Holiday			(3,313)			
Contracted Services-Other				1,249		
Contracted Services-Maintenance				(27,375)		
Contract Services-Fire Protection				(7,600)		
Maintenance/Repairs/Groundskeeping				(11,605)		
Electricity				2,095		
Fuel Oil				54,287		
Other Operating				39,848		
Funeral Honors				2,300		
Life Insurance Subsidy				(14,000)		
	1,446,301	-	(3,313)	42,142	1,485,130	(38,829)
Emergency Management	2,024,627					
Personnel-Salary & Benefits				(60,640)		

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Medical Benefits Holiday			(3,248)			
RISCON Maintenance Contracts				230,463		
Other Operating				(9,460)		
Tropical Storm Irene Expenses - State Match				100,000		
	2,024,627	-	(3,248)	260,363	2,281,742	(257,115)
Total	3,470,928	-	(6,561)	302,505	3,766,872	(295,944)
Public Safety						
Central Management	780,113					
Personnel-Salary & Benefits				285,999		
Medical Benefits Holiday			(2,276)			
	780,113	-	(2,276)	285,999	1,063,836	(283,723)
E-911 Emergency Telephone System	4,772,358					
Personnel-Salary & Benefits				146,863		
Medical Benefits Holiday			(19,344)			
Contracted Professional Services				(181,981)		
Operating Supplies and Expenses				384,090		
Capital				18,900		
	4,772,358	-	(19,344)	367,872	5,120,886	(348,528)
State Fire Marshal	2,568,574					
Personnel-Salary & Benefits				87,200		
Medical Benefits Holiday			(6,827)			
Contracted Professional Services				(200)		
Operating Supplies and Expenses				(5,533)		
Capital				-		
	2,568,574	-	(6,827)	81,467	2,643,214	(74,640)
Security Services	19,963,594					
Personnel-Salary & Benefits				729,559		
Medical Benefits Holiday			(72,823)			
Contracted Professional Services				(1,500)		
Operating Supplies and Expenses				(180,184)		
Capital				-		
	19,963,594	-	(72,823)	547,875	20,438,646	(475,052)
Municipal Police Training Academy	352,118					
Personnel-Salary & Benefits				2,393		
Medical Benefits Holiday			(1,138)			
Contracted Professional Services				-		
Operating Supplies and Expenses				(609)		
	352,118	-	(1,138)	1,784	352,764	(646)
State Police	60,970,954					
Personnel-Salary & Benefits				2,062,616		
Medical Benefits Holiday			(125,165)			
Contracted Professional Services				(1,900)		
Operating Supplies and Expenses				356,312		
State Trooper Pensions				177,664		
Capital				-		
	60,970,954	-	(125,165)	2,594,692	63,440,481	(2,469,527)
Total	89,407,711	-	(227,573)	3,879,689	93,059,827	(3,652,116)
Office Of Public Defender	10,300,580					
Medical Benefits Holiday			(32,061)			

Changes to FY 2012 Enacted Agency General Revenue Expenditures

	FY2012 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2012 Projected Expenditures	Projected Surplus/ (Deficit)
Contracted Professional Services				53,225		
Network Upgrades				27,779		
Operating Supplies and Expenses				8,691		
Total	10,300,580	-	(32,061)	89,695	10,358,214	(57,634)
Sub-Total Public Safety	394,837,434	457,937	(1,191,088)	12,294,653	406,398,936	(11,103,565)
<u>Natural Resources</u>						
Environmental Management						
Office of the Director	4,775,428					
Personnel-Salary & Benefits				(237,890)		
Medical Benefits Holiday			(8,772)			
Other Operating Supplies & Expenses				(18,106)		
Operating Supplies & Expenses: Headquarters				98,475		
	4,775,428	-	(8,772)	(157,521)	4,609,135	166,293
Natural Resources	18,508,312					
Personnel-Salary & Benefits				(461,859)		
Medical Benefits Holiday			(49,018)			
Contracted Professional Services				1,000		
Operating Supplies and Expenses				709,168		
Flood Related Expenditures - 25% State Share						
Other Assistance & Grants				(8,100)		
Assistance & Grants: Payments to Host Communities				(105,642)		
Capital Purchases and Equipment				(4,880)		
	18,508,312	-	(49,018)	129,687	18,588,981	(80,669)
Environmental Protection	12,099,861					
Personnel-Salary & Benefits				252,284		
Medical Benefits Holiday			(45,405)			
Contracted Professional Services				(16,500)		
Operating Supplies and Expenses				(7,191)		
Capital Purchases and Equipment				5,300		
	12,099,861	-	(45,405)	233,893	12,288,349	(188,488)
Total	35,383,601	-	(103,195)	206,059	35,486,465	(102,864)
Coastal Resources Management Council						
Personnel-Salary & Benefits	2,236,814					
Operating Supplies and Expenses				6,567		
Medical Benefits Holiday			(8,367)	4,133		
	2,236,814	-	(8,367)	10,700	2,239,147	(2,333)
Sub-Total Environment	37,620,415	-	(111,562)	216,759	37,725,612	(105,197)
Statewide General Revenue Total	3,142,501,188	4,532,242	(138,129)	25,865,916	3,172,761,217	(25,727,787)

Table 2 - Summary of Changes to FY 2012 Enacted General Revenue Expenditures

	FY 2012 Enacted	Reappropriation	Redistribution Medical Benefit Savings	Other Changes	Total Projected Changes	Projected Expenditures
General Government						
Administration	246,446,221	-	2,819,753	(\$381,572)	2,438,181	248,884,402
Business Regulation	9,436,378	-	(29,727)	(\$573,769)	(603,496)	8,832,882
Labor and Training	7,575,486	-	(14,426)	\$71,480	57,054	7,632,540
Department of Revenue	92,610,905	-	(136,882)	\$4,011,659	3,874,777	96,485,682
Legislature	36,548,053	3,842,297	(173,078)	(\$194,798)	3,474,421	40,022,474
Lieutenant Governor	965,940	-	(3,184)	(\$11,647)	(14,831)	951,109
Secretary of State	6,376,312	190,000	(19,216)	\$147,806	318,590	6,694,902
General Treasurer	2,300,852	42,008	(6,263)	\$137,491	173,236	2,474,088
Board of Elections	1,825,905	-	(4,554)	(\$53,090)	(57,644)	1,768,261
Rhode Island Ethics Commission	1,560,008	-	(2,634)	(\$34,428)	(37,062)	1,522,946
Governor's Office	4,338,521	-	(11,776)	\$71,137	59,361	4,397,882
Commission for Human Rights	1,154,038	-	(4,912)	\$0	(4,912)	1,149,126
Public Utilities Commission	-	-	-	\$0	-	-
Subtotal - General Government	411,138,619	4,074,305	2,413,101	3,190,269	9,677,675	420,816,294
Human Services						
Office of Health & Human Services	9,773,834	-	(32,544)	\$606,085	573,541	10,347,375
Children, Youth, and Families	145,198,983	-	(195,437)	\$7,290,300	7,094,863	152,293,846
Health	24,248,025	-	(71,708)	\$446,208	374,500	24,622,525
Human Services	893,131,302	-	(157,208)	(\$369,404)	(526,612)	892,604,690
Behavioral Health, Developmental Disabilities & Hospitals	184,249,569	-	(266,044)	\$3,113,394	2,847,350	187,096,919
Office of the Child Advocate	603,384	-	(2,465)	(\$72,085)	(74,550)	528,834
Comm. on Deaf & Hard of Hearing	387,985	-	(1,699)	\$0	(1,699)	386,286
RI Developmental Disabilities Council	-	-	-	\$0	-	-
Governor's Commission on Disabilities	388,786	-	(857)	\$0	(857)	387,929
Office of the Mental Health Advocate	468,718	-	(1,746)	(\$53,800)	(55,546)	413,172
Subtotal - Human Services	1,258,450,586	-	(729,708)	10,960,698	10,230,990	1,268,681,576
Education						
Elementary and Secondary	863,077,600	-	(100,731)	(\$225,625)	(326,356)	862,751,244
Higher Education - Board of Governors	166,487,219	-	(403,319)	(\$429,894)	(833,213)	165,654,006
RI Council on the Arts	1,678,862	-	(2,292)	(\$2,695)	(4,987)	1,673,875
RI Atomic Energy Commission	879,592	-	(2,133)	\$0	(2,133)	877,459
Higher Education Assistance Authority	5,913,104	-	(1,306)	\$0	(1,306)	5,911,798
Historical Preservation & Heritage Comm	1,469,797	-	(5,091)	(\$126,851)	(131,942)	1,337,855
Public Telecommunications Authority	947,960	-	(4,000)	(\$11,398)	(15,398)	932,562
Subtotal - Education	1,040,454,134	-	(518,872)	(796,463)	(1,315,335)	1,039,138,799
Public Safety						
Attorney General	\$22,442,867	366,122	(\$77,024)	\$322,852	611,950	23,054,817
Corrections	182,141,365	-	(608,158)	\$5,916,100	5,307,942	187,449,307
Judicial	87,073,983	91,815	(239,711)	\$1,783,812	1,635,916	88,709,899
Military Staff	3,470,928	-	(6,561)	\$302,505	295,944	3,766,872
Public Safety	89,407,711	-	(227,573)	\$3,879,689	3,652,116	93,059,827
Office Of Public Defender	10,300,580	-	(32,061)	\$89,695	57,634	10,358,214
Subtotal - Public Safety	394,837,434	457,937	(1,191,088)	12,294,653	11,561,502	406,398,936
Environmental Management	35,383,601	-	(103,195)	\$206,059	102,864	35,486,465
Coastal Resources Management Council	2,236,814	-	(8,367)	\$10,700	2,333	2,239,147
Subtotal - Natural Resources	37,620,415	-	(111,562)	216,759	105,197	37,725,612
Total	3,142,501,188	4,532,242	(138,129)	25,865,916	30,260,029	3,172,761,217
Projected Revenue Shortfall - Dept of Transportation						
Total Projected Deficit						

Appendix C
Aid to Cities and
Towns

Formula Aid to Cities and Towns

The Governor's FY 2013 budget recommends formula aid to cities and towns totaling \$98.1 million. This represents a 0.8 percent or a \$765,606 increase from the FY 2012 enacted level of funding. The tables on the following pages display the FY 2010 and FY 2011 actuals, the FY 2012 enacted, the FY 2012 revised, and the FY 2013 recommended levels of funding for formula aid to cities and towns by community. In general, formula state aid programs were level funded from the revised level. The narrative below describes each of the programs included on the tables. It should also be noted that updated formula drivers for PILOT and Distressed Community Relief Fund were incorporated for FY 2012. This results in increases and decreases by community depending on changes in relative wealth and other factors which are incorporated in determining entitlements.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempt from local taxation, but is subject to taxation by the state at the average property tax statewide. For FY 2012 and FY 2013, the Governor recommends level funding the program as no growth is forecasted. Funds collected from this tax are distributed to cities and towns within the state on the basis of the ratio of the city or town population to the population of the state as a whole.

Meals and Beverage Local Sales and Use Tax - During the January 2003 session, the General Assembly enacted a one percent gross receipts tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered. For FY 2012, the Governor recommends \$19.6 million in the program and for FY 2013 the Governor recommends \$20.0 million.

Payment in Lieu of Taxes - Legislation creating this program requires the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property that are exempted from taxation by state law. This includes property owned by nonprofit educational institutions, nonprofit hospitals, or any state owned hospital, veteran's facility, or correctional facility. The program was fully funded in FY 2007. Since FY 2008, state appropriations for the PILOT program have equaled less than 27 percent of all tax that would have been collected had the property been taxable. The Governor's recommendation is to level fund the program at the FY 2012 enacted level of \$33.1 million for the FY 2012 revised and FY 2013 budgets. Entitlements by community have been adjusted to reflect revenue which would have been lost resulting from eligible properties in the statutory reference year.

Distressed Communities Relief Fund - This program provides state assistance to those Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers. The amount of total funding distributed under this program is based on the amount enacted in the annual appropriations act. Entitlements for FY 2012 and FY 2013 by community reflect computations based upon the latest available qualifying data. The FY 2012 revised budget and the FY 2013 budget are level funded for a total of \$10.4 million each year.

Motor Vehicle Excise Tax - Legislation enacted during the 1999 General Assembly provides for a phase-out of the local excise tax on motor vehicles and trailers. This legislation was amended in 2002 to make the full phase out of the tax subject to the annual review and appropriation of the General Assembly. For fiscal year 2007, the value of the exemption from local taxes was increased to \$6,000 per vehicle. For FY 2009, the legislation was amended to reimburse only 98 percent of the exemption value, reflecting comparability with municipal motor vehicle tax collection rates. For FY 2011 and thereafter, the General Assembly enacted legislation that mandates a \$500 exemption for which the state will reimburse municipalities and amount subject to appropriation. The legislation further allows municipalities to

Formula Aid to Cities and Towns

provide an additional exemption, however, that additional exemption will not be subject to reimbursement. The legislation also removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates to be lowered from the current frozen levels. The Governor's recommendation is to level fund the program at the FY 2012 enacted level of \$10.0 million for the FY 2012 revised and the FY 2013 budget.

State Library Aid - This program provides financial support for local public library services and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, while other aid is disbursed to the individual cities and towns. The Governor's recommendation is to level fund the program at the FY 2012 enacted level of \$8.7 million for the FY 2012 revised and FY 2013 budgets. Although total funding is level funded at the FY 2012 enacted level, distributions by community/library have been calculated based upon the latest available qualifying data from the statutory reference year. Library construction aid is fully funded in both years based on outstanding commitments.

Central Falls Stabilization Payment - The Governor's recommendation includes a Central Falls Stabilization Payment of \$2.6 million for the FY 2012 revised budget. This payment represents an agreement between the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees to settle all of their respective disputes with a Settlement and Release Agreement. To effectuate the Agreement, a one-time appropriation for \$2.6 million would be utilized to provide transition or "supplemental payments" to retirees during a five year transitional period commencing in FY 2012.

Fiscal Year 2012 Revised State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2012 Total Appropriated State Aid
Barrington	54,250		332,622	245,208	632,080
Bristol	715,338		119,255	117,205	951,798
Burrillville	115,270	243,867	124,048	214,709	697,894
Central Falls	23,895	292,172	62,301	84,330	462,697
Charlestown	-		47,345	41,218	88,563
Coventry	-		203,149	225,597	428,746
Cranston	4,807,056		530,519	951,625	6,289,200
Cumberland	124		266,209	216,513	482,846
East Greenwich	8,724		111,399	123,478	243,601
East Providence	153,405	757,468	395,804	445,084	1,751,762
Exeter	-		40,392	82,437	122,829
Foster	475		31,425	69,333	101,233
Glocester	-		70,178	94,919	165,097
Hopkinton	-		29,512	65,621	95,133
Jamestown	-		77,618	36,685	114,303
Johnston	-		110,371	382,377	492,748
Lincoln	-		186,608	236,662	423,270
Little Compton	-		28,295	23,548	51,843
Middletown	-		126,526	89,262	215,788
Narragansett	-		123,812	95,791	219,603
Newport	932,980		377,002	138,612	1,448,594
New Shoreham	-		73,576	8,132	81,708
North Kingstown	1,981		257,813	228,200	487,994
North Providence	505,424	620,828	163,008	350,127	1,639,386
North Smithfield	-		63,053	173,847	236,900
Pawtucket	435,268	1,524,800	365,315	664,782	2,990,165
Portsmouth	-		102,565	109,483	212,048
Providence	23,109,815	5,169,135	1,262,405	1,617,922	31,159,277
Richmond	-		22,762	60,200	82,962
Scituate	-		94,735	127,207	221,942
Smithfield	533,237		267,131	281,936	1,082,304
South Kingstown	160,632		203,044	172,163	535,839
Tiverton	-		76,399	108,700	185,099
Warren	-		52,283	82,773	135,056
Warwick	1,241,268		638,710	1,156,532	3,036,510
Westerly	128,720		269,310	230,697	628,727
West Greenwich	-		26,493	49,532	76,025
West Warwick	-	894,406	173,748	223,933	1,292,086
Woonsocket	152,547	881,782	191,671	373,623	1,599,623
Subtotal	\$33,080,409	\$10,384,458	\$7,698,411	\$10,000,000	\$61,163,278

Statewide Reference Library Resource Grant	1,012,378
Grant-In-Aid to Institutional Libraries	62,609
Library Construction Reimbursement	2,821,772
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-

Total **\$65,060,037**

Fiscal Year 2012 Revised Pass Through Aid-Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2012 Total Shared Taxes State Aid	FY 2012 Total Shared & Appropriated Aid
Barrington	183,574	125,369	308,943	941,023
Bristol	258,355	331,443	589,798	1,541,596
Burrillville	179,579	174,724	354,303	1,052,197
Central Falls	218,083	90,188	308,271	770,968
Charlestown	88,095	106,584	194,679	283,242
Coventry	394,094	338,344	732,438	1,161,184
Cranston	904,782	1,380,307	2,285,089	8,574,289
Cumberland	377,121	358,998	736,119	1,218,965
East Greenwich	147,963	425,423	573,386	816,987
East Providence	529,417	741,320	1,270,737	3,022,499
Exeter	72,315	67,792	140,107	262,936
Foster	51,842	17,356	69,198	170,431
Glocester	109,694	58,673	168,367	333,464
Hopkinton	92,159	44,859	137,018	232,151
Jamestown	60,835	75,200	136,035	250,338
Johnston	323,804	448,373	772,177	1,264,925
Lincoln	237,544	634,679	872,223	1,295,493
Little Compton	39,304	32,707	72,011	123,854
Middletown	181,774	572,552	754,326	970,114
Narragansett	178,600	450,262	628,862	848,465
Newport	277,691	1,654,747	1,932,438	3,381,032
New Shoreham	11,829	237,402	249,231	330,939
North Kingstown	298,109	442,617	740,726	1,228,720
North Providence	361,048	374,096	735,144	2,374,530
North Smithfield	134,692	157,666	292,358	529,258
Pawtucket	800,794	654,796	1,455,590	4,445,755
Portsmouth	195,719	165,836	361,555	573,603
Providence	2,003,921	4,111,509	6,115,430	37,274,707
Richmond	86,756	107,840	194,596	277,558
Scituate	116,256	54,344	170,600	392,542
Smithfield	241,202	515,963	757,165	1,839,469
South Kingstown	344,852	541,974	886,826	1,422,665
Tiverton	177,609	158,402	336,011	521,110
Warren	119,430	222,899	342,329	477,385
Warwick	930,500	2,248,356	3,178,856	6,215,366
Westerly	256,475	584,160	840,635	1,469,362
West Greenwich	69,051	87,954	157,005	233,030
West Warwick	328,554	344,913	673,467	1,965,553
Woonsocket	463,562	506,063	969,625	2,569,248
Subtotal	\$11,846,984	\$19,646,690	\$31,493,674	\$92,656,952
Statewide Reference Library Resource Grant				1,012,378
Grant-In-Aid to Institutional Libraries				62,609
Library Construction Reimbursement				2,821,772
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total				\$96,553,711

Changes in Formula Aid - FY 2012 Revised vs. FY 2012 Enacted

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Total Appropriated Difference
Barrington	-	-	9,482	-	9,482
Bristol	-	-	12,806	-	12,806
Burrillville	-	-	(148)	-	(148)
Central Falls	-	(1,337)	(14,411)	-	(15,748)
Charlestown	-	-	901	-	901
Coventry	-	-	4,785	-	4,785
Cranston	-	-	(34,336)	-	(34,336)
Cumberland	-	-	23,754	-	23,754
East Greenwich	-	-	3,599	-	3,599
East Providence	-	-	(58,436)	-	(58,436)
Exeter	-	-	7,707	-	7,707
Foster	-	-	(2,858)	-	(2,858)
Glocester	-	-	1,632	-	1,632
Hopkinton	-	-	609	-	609
Jamestown	-	-	1,250	-	1,250
Johnston	-	-	13,890	-	13,890
Lincoln	-	-	7,217	-	7,217
Little Compton	-	-	1,593	-	1,593
Middletown	-	-	3,128	-	3,128
Narragansett	-	-	10,643	-	10,643
Newport	-	-	282,930	-	282,930
New Shoreham	-	-	(290,972)	-	(290,972)
North Kingstown	-	-	11,188	-	11,188
North Providence	-	(3,215)	8,395	-	5,180
North Smithfield	-	-	1,469	-	1,469
Pawtucket	-	(9,472)	(32,841)	-	(42,313)
Portsmouth	-	-	2,648	-	2,648
Providence	-	25,228	60,489	-	85,717
Richmond	-	-	888	-	888
Scituate	-	-	2,203	-	2,203
Smithfield	-	-	12,489	-	12,489
South Kingstown	-	-	(2,955)	-	(2,955)
Tiverton	-	-	(14,086)	-	(14,086)
Warren	-	-	1,121	-	1,121
Warwick	-	-	(18,699)	-	(18,699)
Westerly	-	-	244,661	-	244,661
West Greenwich	-	-	(144,922)	-	(144,922)
West Warwick	-	(5,786)	(113,374)	-	(119,160)
Woonsocket	-	(5,418)	(3,439)	-	(8,857)
Subtotal	-	(0)	-	-	(0)

Statewide Reference Library Resource Grant (Providence)	-
Grant-In-Aid to Institutional Libraries	-
Library Construction Reimbursement	-
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-
Total	(0)

Changes in Pass Through Aid - FY 2012 Rev vs. FY 2012 Enacted

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	(12,663)	(12,663)	(3,181)
Bristol	-	22,731	22,731	35,537
Burrillville	-	(1,325)	(1,325)	(1,473)
Central Falls	-	402	402	(15,346)
Charlestown	-	7,721	7,721	8,622
Coventry	-	(1,014)	(1,014)	3,771
Cranston	-	34,223	34,223	(113)
Cumberland	-	2,282	2,282	26,036
East Greenwich	-	(10,541)	(10,541)	(6,942)
East Providence	-	(1,014)	(1,014)	(59,450)
Exeter	-	(4,637)	(4,637)	3,070
Foster	-	(338)	(338)	(3,196)
Glocester	-	3,675	3,675	5,307
Hopkinton	-	304	304	913
Jamestown	-	(6,666)	(6,666)	(5,416)
Johnston	-	11,499	11,499	25,389
Lincoln	-	13,812	13,812	21,029
Little Compton	-	(7,593)	(7,593)	(6,000)
Middletown	-	1,002	1,002	4,130
Narragansett	-	(18,923)	(18,923)	(8,280)
Newport	-	99,989	99,989	382,919
New Shoreham	-	7,331	7,331	(283,641)
North Kingstown	-	15,627	15,627	26,815
North Providence	-	23,272	23,272	28,453
North Smithfield	-	(5,709)	(5,709)	(4,240)
Pawtucket	-	10,018	10,018	(32,295)
Portsmouth	-	(3,839)	(3,839)	(1,191)
Providence	-	77,159	77,159	162,876
Richmond	-	3,328	3,328	4,216
Scituate	-	925	925	3,128
Smithfield	-	(6,976)	(6,976)	5,513
South Kingstown	-	(4,498)	(4,498)	(7,453)
Tiverton	-	3,699	3,699	(10,387)
Warren	-	16,830	16,830	17,951
Warwick	-	57,879	57,879	39,180
Westerly	-	(20,402)	(20,402)	224,259
West Greenwich	-	(9,714)	(9,714)	(154,636)
West Warwick	-	16,273	16,273	(102,887)
Woonsocket	-	2,329	2,329	(6,528)
Subtotal	-	\$316,459	\$316,459	\$316,459

Statewide Reference Library Resource Grant (Providence)	-
Grant-In-Aid to Institutional Libraries	-
Library Construction Reimbursement	-
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-
Total	\$316,459

Fiscal Year 2013 State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2013 Total Appropriated State Aid
Barrington	38,836		334,107	245,208	618,151
Bristol	673,000		118,895	117,205	909,100
Burrillville	108,973		125,987	214,709	449,669
Central Falls	22,991	289,708	47,079	84,330	444,107
Charlestown	-		47,128	41,218	88,346
Coventry	-		207,369	225,597	432,966
Cranston	4,555,409	1,201,480	524,404	951,625	7,232,918
Cumberland	96		264,240	216,513	480,849
East Greenwich	164,605		114,121	123,478	402,204
East Providence	163,199		416,425	445,084	1,024,708
Exeter	-		40,082	82,437	122,519
Foster	435		29,625	69,333	99,393
Glocester	-		69,879	94,919	164,798
Hopkinton	-		29,999	65,621	95,620
Jamestown	-		79,139	36,685	115,824
Johnston	-		111,963	382,377	494,340
Lincoln	-		189,340	236,662	426,002
Little Compton	-		28,078	23,548	51,626
Middletown	-		128,935	89,262	218,197
Narragansett	-		121,555	95,791	217,346
Newport	905,571		374,002	138,612	1,418,185
New Shoreham	-		73,011	8,132	81,143
North Kingstown	1,859		257,842	228,200	487,901
North Providence	528,770	1,025,738	164,384	350,127	2,069,019
North Smithfield	-		62,569	173,847	236,416
Pawtucket	398,753	1,416,751	369,002	664,782	2,849,288
Portsmouth	-		102,367	109,483	211,850
Providence	23,460,727	4,804,334	1,217,603	1,617,922	31,100,586
Richmond	-		24,829	60,200	85,029
Scituate	-		94,008	127,207	221,215
Smithfield	497,162		265,315	281,936	1,044,413
South Kingstown	151,272		196,594	172,163	520,029
Tiverton	-		91,928	108,700	200,628
Warren	-		51,832	82,773	134,605
Warwick	1,150,596		662,952	1,156,532	2,970,080
Westerly	118,406		270,491	230,697	619,594
West Greenwich	-		26,290	49,532	75,822
West Warwick	-	817,916	171,858	223,933	1,213,707
Woonsocket	139,749	828,531	193,184	373,623	1,535,087
Subtotal	\$33,080,409	\$10,384,458	\$7,698,411	\$10,000,000	\$61,163,278
Statewide Reference Library Resource Grant					1,012,378
Grant-In-Aid to Institutional Libraries					62,609
Library Construction Reimbursement					2,471,714
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-	-
Total					\$64,709,979

Fiscal Year 2013 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2013 Total Shared Taxes State Aid	FY 2013 Total Shared & Appropriated Aid
Barrington	183,574	127,367	310,941	929,092
Bristol	258,355	336,726	595,081	1,504,181
Burrillville	179,579	177,509	357,088	806,757
Central Falls	218,083	91,626	309,709	753,816
Charlestown	88,095	108,283	196,378	284,724
Coventry	394,094	343,737	737,831	1,170,797
Cranston	904,782	1,402,310	2,307,092	9,540,010
Cumberland	377,121	364,720	741,841	1,222,690
East Greenwich	147,963	432,204	580,167	982,371
East Providence	529,417	753,137	1,282,554	2,307,262
Exeter	72,315	68,873	141,188	263,707
Foster	51,842	17,633	69,475	168,868
Glocester	109,694	59,608	169,302	334,100
Hopkinton	92,159	45,574	137,733	233,353
Jamestown	60,835	76,399	137,234	253,058
Johnston	323,804	455,520	779,324	1,273,664
Lincoln	237,544	644,796	882,340	1,308,342
Little Compton	39,304	33,228	72,532	124,158
Middletown	181,774	581,678	763,452	981,649
Narragansett	178,600	457,440	636,040	853,386
Newport	277,691	1,681,125	1,958,816	3,377,001
New Shoreham	11,829	241,187	253,016	334,159
North Kingstown	298,109	449,672	747,781	1,235,682
North Providence	361,048	380,059	741,107	2,810,126
North Smithfield	134,692	160,179	294,871	531,287
Pawtucket	800,794	665,234	1,466,028	4,315,316
Portsmouth	195,719	168,480	364,199	576,049
Providence	2,003,921	4,177,048	6,180,969	37,281,555
Richmond	86,756	109,559	196,315	281,344
Scituate	116,256	55,210	171,466	392,681
Smithfield	241,202	524,188	765,390	1,809,803
South Kingstown	344,852	550,613	895,465	1,415,494
Tiverton	177,609	160,927	338,536	539,164
Warren	119,430	226,453	345,883	480,488
Warwick	930,500	2,284,195	3,214,695	6,184,775
Westerly	256,475	593,472	849,947	1,469,541
West Greenwich	69,051	89,356	158,407	234,229
West Warwick	328,554	350,411	678,965	1,892,672
Woonsocket	463,562	514,130	977,692	2,512,779
Subtotal	\$11,846,984	\$19,959,866	\$31,806,850	\$92,970,128
Statewide Reference Library Resource Grant (Providence)				1,012,378
Grant-In-Aid to Institutional Libraries				62,609
Library Construction Reimbursement				2,471,714
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total				\$96,516,829

Changes in Formula Aid - FY 2013 vs. FY 2012 Revised

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Total Appropriated Difference	
Barrington	(15,414)	-	1,485	-	(13,929)	
Bristol	(42,338)	-	(360)	-	(42,698)	
Burrillville	(6,297)	(243,867)	1,939	-	(248,225)	
Central Falls	(904)	(2,464)	(15,222)	-	(18,590)	
Charlestown	-	-	(217)	-	(217)	
Coventry	-	-	4,220	-	4,220	
Cranston	(251,647)	1,201,480	(6,115)	-	943,718	
Cumberland	(28)	-	(1,969)	-	(1,997)	
East Greenwich	155,881	-	2,722	-	158,603	
East Providence	9,794	(757,468)	20,621	-	(727,053)	
Exeter	-	-	(310)	-	(310)	
Foster	(40)	-	(1,800)	-	(1,840)	
Glocester	-	-	(299)	-	(299)	
Hopkinton	-	-	487	-	487	
Jamestown	-	-	1,521	-	1,521	
Johnston	-	-	1,592	-	1,592	
Lincoln	-	-	2,732	-	2,732	
Little Compton	-	-	(217)	-	(217)	
Middletown	-	-	2,409	-	2,409	
Narragansett	-	-	(2,257)	-	(2,257)	
Newport	(27,409)	-	(3,000)	-	(30,409)	
New Shoreham	-	-	(565)	-	(565)	
North Kingstown	(122)	-	29	-	(93)	
North Providence	23,346	404,911	1,376	-	429,633	
North Smithfield	-	-	(484)	-	(484)	
Pawtucket	(36,515)	(108,049)	3,687	-	(140,877)	
Portsmouth	-	-	(198)	-	(198)	
Providence	350,912	(364,801)	(44,802)	-	(58,691)	
Richmond	-	-	2,067	-	2,067	
Scituate	-	-	(727)	-	(727)	
Smithfield	(36,075)	-	(1,816)	-	(37,891)	
South Kingstown	(9,360)	-	(6,450)	-	(15,810)	
Tiverton	-	-	15,529	-	15,529	
Warren	-	-	(451)	-	(451)	
Warwick	(90,672)	-	24,242	-	(66,430)	
Westerly	(10,314)	-	1,181	-	(9,133)	
West Greenwich	-	-	(203)	-	(203)	
West Warwick	-	(76,489)	(1,890)	-	(78,379)	
Woonsocket	(12,798)	(53,251)	1,513	-	(64,536)	
Subtotal	\$	-	\$	0	\$	0
Statewide Reference Library Resource Grant					-	
Grant-In-Aid to Institutional Libraries					-	
Library Construction Reimbursement					(350,058)	
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-	
Total					(350,058)	

Changes in Pass Through Aid - FY 2013 vs. FY 2012 Revised

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	1,998	1,998	(11,931)
Bristol	-	5,283	5,283	(37,415)
Burrillville	-	2,785	2,785	(245,440)
Central Falls	-	1,438	1,438	(17,152)
Charlestown	-	1,699	1,699	1,482
Coventry	-	5,393	5,393	9,613
Cranston	-	22,003	22,003	965,721
Cumberland	-	5,722	5,722	3,725
East Greenwich	-	6,781	6,781	165,384
East Providence	-	11,817	11,817	(715,236)
Exeter	-	1,081	1,081	771
Foster	-	277	277	(1,563)
Glocester	-	935	935	636
Hopkinton	-	715	715	1,202
Jamestown	-	1,199	1,199	2,720
Johnston	-	7,147	7,147	8,739
Lincoln	-	10,117	10,117	12,849
Little Compton	-	521	521	304
Middletown	-	9,126	9,126	11,535
Narragansett	-	7,178	7,178	4,921
Newport	-	26,378	26,378	(4,031)
New Shoreham	-	3,785	3,785	3,220
North Kingstown	-	7,055	7,055	6,962
North Providence	-	5,963	5,963	435,596
North Smithfield	-	2,513	2,513	2,029
Pawtucket	-	10,438	10,438	(130,439)
Portsmouth	-	2,644	2,644	2,446
Providence	-	65,539	65,539	6,848
Richmond	-	1,719	1,719	3,786
Scituate	-	866	866	139
Smithfield	-	8,225	8,225	(29,666)
South Kingstown	-	8,639	8,639	(7,171)
Tiverton	-	2,525	2,525	18,054
Warren	-	3,554	3,554	3,103
Warwick	-	35,839	35,839	(30,591)
Westerly	-	9,312	9,312	179
West Greenwich	-	1,402	1,402	1,199
West Warwick	-	5,498	5,498	(72,881)
Woonsocket	-	8,067	8,067	(56,469)
Subtotal	-	313,176	\$313,176	\$313,176
Statewide Reference Library Resource Grant				-
Grant-In-Aid to Institutional Libraries				-
Library Construction Reimbursement				(350,058)
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total				(\$36,882)

Summary of Formula Aid to Cities and Towns

	FY 2010 Actual	FY 2011 Actual	FY 2012 Enacted	FY 2012 Revised	FY 2013 Recommend
Public Service Corporation Tax	11,350,386	11,846,984	11,846,987	11,846,984	11,846,984
Meals and Beverage Tax	18,808,231	18,983,046	19,330,231	19,646,690	19,959,866
Payment In Lieu of Taxes (PILOT)	27,580,407	27,580,409	33,080,409	33,080,409	33,080,409
Total Miscellaneous Aid	\$57,739,024	\$58,410,439	\$64,257,627	\$64,574,083	\$64,887,259
General Revenue Sharing	-	-	-	-	-
Total State Aid to Cities and Towns	-	-	-	-	-
Central Falls Stabilization Payment	-	-	-	2,636,932	-
Dist. Comm. - General Appropriation	10,384,458	10,384,458	10,384,458	10,384,458	10,384,458
Total Distressed Communities Aid	\$10,384,458	\$10,384,458	\$10,384,458	\$13,021,390	\$10,384,458
Motor Vehicle Tax Phase-out Program ¹	135,376,122	117,179,992	10,000,000	10,000,000	10,000,000
Total Motor Vehicle Tax Phase-out Prog.	\$135,376,122	\$117,179,992	\$10,000,000	\$10,000,000	\$10,000,000
Subtotal Formula Aid - All Sources	\$203,499,604	\$185,974,889	\$84,642,085	\$87,595,473	\$85,271,717
Percent Change from prior year	-20.87%	-8.61%	-58.41%	-52.90%	-2.65%
Resource Sharing & Library Aid ²	8,773,023	8,741,818	8,773,398	8,773,398	8,773,398
Library Construction Aid	2,739,488	2,490,094	2,821,772	2,821,772	2,471,714
Total Library Aid	\$11,512,511	\$11,231,912	\$11,595,170	\$11,595,170	\$11,245,112
Property Revaluation Program	1,531,211	718,306	1,125,000	1,004,286	1,611,032
Total Other Aid	\$1,531,211	\$718,306	\$1,125,000	\$1,004,286	\$1,611,032
Total Aid	\$216,543,326	\$197,925,107	\$97,362,255	\$100,194,929	\$98,127,861
Percent Change from prior year	-19.70%	-8.60%	-50.81%	2.91%	0.79%

¹ Amounts for the Motor Vehicle Excise Tax represent final payments due each community based upon the exemption amounts in effect for the given fiscal year. Actual cash payments may have occurred over multiple fiscal years.

² Resource Sharing and Library Aid for state institutions is included in these totals.

Appendix D

Aid to Schools

Education Aid to Local Governments

Education Aid to Local Governments totals \$913.3 million in FY 2013, a \$67.6 million increase in total state funding relative to the FY 2012 revised budget, an 8.0 percent increase. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, the Central Falls School District and the Metropolitan Career and Technical School, as well as support for the state share of teacher retirement and school Housing Aid.

Fiscal year 2013 represents year two of the education aid funding formula. As of July 1, 2011, education aid to all districts, charter schools and state schools (Davies and the Met) will be formula based. The School for the Deaf is a special education program and the funding method will not change since it already has a state, federal and local share. Based on the principle that the money follows the student, the formula was developed with the following guiding principles: (1) Build a strong foundation for all children; (2) improve equity among districts and schools; (3) be transparent; and (4) be financially responsible.

The funding formula has been designed to distribute aid based on three key components:

- Core Instructional Amount – (\$8,679 per student in FY 2013) Derived from a regional average of the National Center for Education Statistics (NCES) expenditure data, the core instructional amount is based on cost studies from states that have been deemed by education researchers to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what Rhode Island should be spending to provide a high quality of education. The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instructional support, and leadership costs.
- Student Success Factor – (\$3,472 per student in FY 2013) Provides additional funding to support student needs beyond the core services listed above with the ultimate goal of closing student achievement gaps. Within the formula, each student is entitled to a 40% student success factor which is applied to the core instructional amount. This factor is also applied to PK-12 students who are eligible for free and reduced price lunch.
- State Share Ratio – After the core components have been determined, a state share ratio formula is applied to address two key questions: How to account for differences in the revenue-generation capacity of communities and how to allocate funding to communities based on the supports that students need. The state share ratio is dependent on district property values weighted for median family income and students eligible for free and reduced price lunch.

Data plays a crucial role in how education aid is distributed to districts, charter schools, Davies, and the Met. The funding formula will incorporate annual data updates including student counts, the core instruction per pupil, and the most recently assessed community property values and median family income data in order to ensure aid distribution uses the best available data. The formula establishes a platform for creating horizontal equity. It attempts to get a like amount of funding to children who have similar characteristics regardless of where they sit, which in turn gradually rebalances education funding to provide all districts a common level of purchasing power.

In addition, specific categorical funds for certain high-cost items were established outside the formula distribution: High cost special education, career and technical education, early childhood education, transportation for non-public and regional districts, as well as regional district bonuses. A Central Falls Stabilization Fund has also been created to assure that appropriate funding is available to support the district, due to concerns regarding local capacity. According to law, state stabilization funds are only paid upon transfer of a matching amount to the school district by the city. If Central Falls is unable to pay its share, the State will not provide funding under the stabilization fund.

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Lastly, funding allocations will be phased in over ten years based on a transition model where overfunded districts shall have a level decrease period, while underfunded districts will have a quicker transition. In FY 2013, the second year of the formula implementation, the transition periods will be nine years for overfunded districts and six years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2013 Education Aid.

Distributed Aid

Beginning in FY 2012, distributed aid will now reflect aid to both districts and charter schools as a result of the education aid funding formula. Please note that in prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2013, total distributed education aid increases \$63.7 million from the revised FY 2012 budget. The Governor's budget fully funds year two of the education aid funding formula in FY 2013, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$64.1 million from the revised FY 2012 budget. A reduction of \$420,000 in Group Home aid is made to reflect updated group home bed census figures.

In September 2010, the State of Rhode Island received \$32.9 million in funding from a federal grant called the Education Jobs Fund. Of this total, 98%, or \$32.3 million was distributed by formula to school districts, charter schools, and state schools. In September 2011, Rhode Island received notice that the federal government was awarding the state an additional \$486,517 under the same Education Jobs Fund program. Similar to the original distribution, 98% of these funds will be distributed by formula to Local Education Agencies (LEAs), with 2% remaining with the state to pay for the administrative costs of administering the program. The additional funds were made available to LEAs on November 1, 2011 with LEAs having up until September 30, 2012 to spend the funds, similar to the original funding distribution and federal guidelines. This additional Education Jobs Fund money will be used to offset any general revenue reductions that occur in FY 2013. Unlike the previous guidelines for State Fiscal Stabilization funding, where the State could dictate when LEAs drew down federal money, terms for this federal fund allow districts to withdraw funds at anytime up until September 30, 2012.

State Schools

The State Schools- Davies Career and Technical School, Metropolitan Career and Technical School, and the Rhode Island School for the Deaf are collectively financed at \$31.2 million in general revenue, which constitutes a \$316,141 increase from the revised FY 2012 budget. Please note that Davies and the Met will also fall under year two of the funding formula.

Non-Distributed Aid

Non-distributed aid in FY 2013 increases \$4.7 million from the revised FY 2012 budget. The FY 2013 budget includes \$7.5 million to finance five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010. These categorical funds will not be distributed according to the formula, but instead according to their own individual set of rules. The Governor recommends \$3.0 million to be used for the career and technical education fund which will support the initial investment requirements to transform existing or create new career and technical programs and offset the higher than average costs of maintaining the highly specialized programs. An increase of \$1.1 million from the FY 2012 revised budget for a total of \$2.2 million is recommended for year two of the transportation fund, designed to reimburse districts for the excess costs associated with transporting non-public, non-special education students to out-of-district non-public schools and public school students within regional districts. Only those districts participating in the statewide system are eligible for non-public transportation funding. The Governor recommends \$1.5 million for early childhood programs to increase access to voluntary, free, high-quality pre-kindergarten programs. The Pre-K expansion in Rhode Island will start with seventeen

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communities with selected concentrations of children from low-income families. This began as a pilot program in FY 2010 and continued in FY 2011; however, funding was eliminated in the FY 2012 enacted budget. The FY 2013 budget restores funding for these early childhood programs. \$500,000 is recommended for a high cost special education fund which will reimburse districts for special education costs exceeding five times the total foundation per pupil (\$60,753 in FY 2013), including but not limited to instructional and related services provided to a child as defined in his/her Individual Education Plan (IEP), transportation costs, tuition costs, assistive technology costs, and other associated costs. Lastly, the Governor provides \$413,170 for the second year of the regional bonus. In FY 2013, the regional bonus decreases from 2.0% to 1.0% of the state's share of the foundation aid for regionalization districts as calculated per the formula and in accordance with the statutory provisions.

Offsetting some of these increases in education aid including a substantial investment in non-public transportation is the elimination of state aid that supplements the non-public textbook fund. The non-public textbook reimbursement fund provides a small fraction of the cost to purchase certain types of textbooks provided to non-public school students as the districts generally provide the majority of funding for these books. This reduction in state aid would have no impact on students who attend non-public schools, for the laws requiring the districts to loan the textbooks to students remain unchanged. Also, the FY 2013 budget eliminates state aid towards a school breakfast program. Currently the United States Department of Agriculture reimburses schools for breakfasts served to students each and every morning. This federal aid will not be affected by eliminating the state's funding.

General revenue funding for the Rhode Island Telecommunications Access fund is also eliminated in FY 2013, to be replaced with a broadening of the fee charged only off land-lines to include wireless lines as well. An estimated \$2.0 million in revenue will be gained from this surcharge and will be used to both leverage additional federal funds as well as provide a continuous source of funding for internet access lines for all K-12 public schools and libraries around the state.

Other Aid

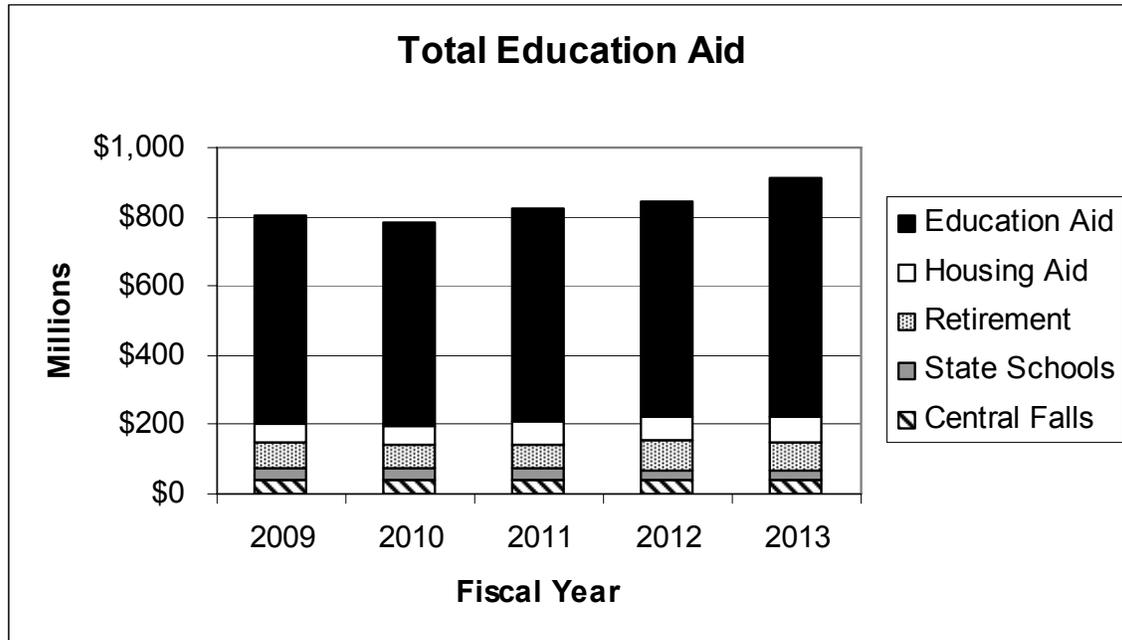
The FY 2013 Budget also includes a decrease in other aid of \$1.1 million; a \$4.8 million increase for school housing aid reimbursements is offset by a \$5.9 million decrease in state contributions for teachers' retirement.

FY 2013 Education Aid Increases (Decreases) From the Revised FY 2012 Budget

- Formula Aid: \$63,884,371
- Group Home Funding: (\$420,000)
- Central Falls School District: \$251,502
- Textbook Expansion: (\$265,698)
- School Breakfast (\$270,000)
- Telecommunications Access: (\$350,000)
- Early Childhood Demonstration: \$1,450,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$3,000,000
- Regionalization Bonus: (\$438,071)
- Metropolitan Career and Technical School: (\$40,864)
- School for the Deaf: \$372,764
- Davies Career and Technical School: (\$15,759)
- Teachers' Retirement: (\$5,893,513)
- School Housing Aid: \$4,792,896

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The following graph displays total school aid from FY 2009 to FY 2013. The “Education Aid” component is comprised of all aid categories under the standard Education Aid program. For FY 2012 and on, this includes such items as the Funding Formula Distribution and Group Home Aid. FY 2011 and prior include but are not limited to, General Aid, Targeted Aid, Charter School Aid, and the Student Investment Initiatives. Other components of total aid include: State Contributions for Teachers’ Retirement; School Housing Aid; Central Falls School District; and State Schools (Davies, Deaf, and the Metropolitan School).



Housing Aid

The School Housing Aid Program reimburses a community for eligible construction expenditures beginning in the fiscal year after the project is completed. The reimbursement rate is based on the cost of the project over the life of the bonds issued for the project. The Commissioner and the Board of Regents review each local community's request for reimbursement through the program. Pursuant to recent legislation, the Department of Education and the Board of Regents promulgated new regulations governing both this process as well as the oversight of all projects eligible for School Housing Aid.

It should be noted that although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, FY 2010 allocations were based on 2008 wealth and enrollment levels. The housing aid share ratio calculation is based on a district's income adjusted per-pupil property wealth compared to aggregate state per-pupil property wealth. The average state housing aid share ratio is thirty-eight percent, adjusted to ensure a minimum of thirty percent in each community. Under current law, beginning FY 2012, the minimum reimbursement to each community shall increase by five percent each year until a forty percent minimum share ratio has been achieved. A four percent bonus is awarded when a minimum of seventy-five percent of a project's cost is for energy conservation, asbestos removal, or handicapped access. Regional districts receive a two percent bonus for each regionalized grade for new construction projects, and an additional four percent bonus for renovation projects.

Reimbursement is based on total expended project cost, plus related bond interest cost, not on the amount of the original bond issuance. For example, if a community issued \$6.5 million for ten years for a capital

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improvement to a school, but only spent \$6.0 million, the department would reimburse the community for the State's appropriate share of the \$6.0 million spent on the completed project, plus the bond interest payments over a ten year period. This statute was amended to include the use of lease revenue bonds, financial leases, capital reserve funding, and similar financial instruments to finance school construction. Communities used this amendment to receive project reimbursements commencing in FY 1999. The FY 2004 Appropriation Act amended the housing aid statute to require that all future school construction debt be issued through the Rhode Island Health and Education Building Corporation.

In June 2011, the General Assembly enacted a moratorium on new school construction project approvals (except for health and safety projects) and a sunset provision for projects approved before the current school construction regulations went into effect. The Governor recommends amending RIGL 16-7-39, which sets the minimum state share ratio, by lowering the minimum share from 40% to 35% in FY 2013 and beyond.

The revised FY 2012 and FY 2013 budget propose general revenue expenditures of \$69.8 million and \$74.6 million, respectively, for the School Housing Aid program.

Teachers' Retirement

RIGL 16-16-22 requires the State to make contributions to the teacher retirement system in Rhode Island. The State shall contribute a percentage of the employer's share, with the school districts contributing the balance. The State's share has varied over the years based upon the total actuarially determined rate of payroll, but since FY 1993 it has been fixed at 40 percent, with the municipalities contributing 60 percent. Each district receives the same percentage, regardless of district wealth.

The State deferred the State's contributions to Teachers' Retirement in both FY 1991 and FY 1992. Most municipalities also deferred the local portion of teacher retirement contributions for this period. The state deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be financed over twenty years, as will the local deferral. The annual calculation applied to the state contribution to Teachers' Retirement includes an adjustment to accommodate the deferral liability.

Furthermore, the municipalities of Burrillville, East Greenwich, Little Compton, New Shoreham and North Smithfield did not participate in the 1990 early retirement window for teachers and therefore contribute a slightly smaller percentage of teachers' salaries than the ones listed in the tables below.

Contribution Rates for Teachers' Retirement Fund

- Defined Benefit Retirement Plan

	Actuarial Contribution Rate of Payroll(60%)*	Employer Share			
		Local (40%)*	State Total	Sub Share	Teacher
1999	21.02%	6.62%	4.90%	11.52%	9.5%
2000	24.14%	8.43%	6.21%	14.64%	9.5%
2001	21.51%	6.86%	5.15%	12.01%	9.5%
2002	19.45%	5.73%	4.22%	9.95%	9.5%
2003	21.47%	6.93%	5.04%	11.97%	9.5%
2004	23.22%	7.99%	5.73%	13.72%	9.5%
2005	24.34%	8.72%	6.12%	14.84%	9.5%
2006	25.97%	9.72%	6.75%	16.47%	9.5%
2007	29.14%	11.62%	8.02%	19.64%	9.5%
2008	31.51%	13.04%	8.97%	22.01%	9.5%
2009	29.57%	11.89%	8.18%	20.07%	9.5%

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2010	29.57%	11.89%	8.18%	20.07%	9.5%
2011	28.51%	11.25%	7.76%	19.01%	9.5%
2012	31.82%	13.23%	9.09%	22.32%	9.5%
2013	23.04%	11.41%	7.88%	19.29%	3.75%

* Adjusted for deferral liability

- Defined Contribution Retirement Plan

	<u>Required Contribution Rate of Payroll</u>	<u>Employer Share</u>			
		<u>Local (60%)</u>	<u>State (40%)</u>	<u>Sub total</u>	<u>Teacher Share</u>
2013	6.0%	0.6%	0.4%	1.0%	5.0%
2013 (non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%

The following table displays the state contributions to Teacher Retirement since FY 1999. The State Retirement Board uses the districts' retirement contribution data to calculate the state obligation each month, and contributions are accrued to the appropriate fiscal period.

State Contributions for Teacher Retirement

<u>Fiscal Year</u>	<u>State Share</u>
1999 Actual	\$30,202,943
2000 Actual	\$40,719,407
2001 Actual	\$35,365,234
2002 Actual	\$30,652,207
2003 Actual	\$38,242,690
2004 Actual	\$45,039,269
2005 Actual	\$48,503,125
2006 Actual	\$54,537,733
2007 Actual	\$70,286,753
2008 Actual	\$83,028,510
2009 Actual	\$73,592,722
2010 Actual	\$68,550,306
2011 Actual	\$70,286,261
2012 Revised	\$84,113,207
2013 Recommended	\$78,219,694

The FY 2013 recommend reflects statewide pension changes achieved through the Rhode Island Retirement Security Act of 2011. This legislation made significant changes to benefits received by current retirees and those to be received by teachers. As a result, the “employer” contribution rate changed from 35.25% to 19.29%.

Explanation of Tables- by Category and LEA

The following two tables display education aid first by category, and then by apportionment among the state’s local and regional education agencies (LEAs). “Distributed LEA Aid” consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, such as General Aid in FY 2011 and Formula Aid in FY 2012 and FY 2013, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for

Education Aid to Local Governments

indirect Charter School Aid on the LEA table only up until FY 2011) is also displayed in this section. “State Schools” include the Metropolitan School, Davies, and School for the Deaf. “Non-Distributed Aid” includes several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. “Other Aid” consists of allocations for School Housing Aid and state contributions to the Teachers’ Retirement Fund. For the purposes of these tables, direct aid to charter schools is categorized as non-distributed, up until FY 2011. Starting FY 2012 and beyond, direct aid to charter schools is categorized as distributed aid as a result of the funding formula.

Education Aid to Local Units of Government

	FY 2012 Revised	FY 2013 Recommend	Difference
Distributed LEA Aid			
Barrington	\$2,282,481	\$3,344,207	\$1,061,726
Burrillville	12,406,291	12,994,485	588,194
Charlestown	1,604,513	1,671,305	66,792
Coventry	17,841,361	19,702,293	1,860,932
Cranston	32,511,574	38,810,741	6,299,167
Cumberland	12,101,575	13,788,120	1,686,545
East Greenwich	1,442,707	1,928,774	486,067
East Providence	24,248,207	26,775,214	2,527,007
Foster	1,181,984	1,200,896	18,912
Glocester	2,725,127	2,781,494	56,367
Hopkinton	5,374,182	5,548,323	174,141
Jamestown	351,708	358,264	6,556
Johnston	9,617,586	10,875,308	1,257,722
Lincoln	6,710,317	8,231,951	1,521,634
Little Compton	300,714	340,404	39,690
Middletown	8,969,558	9,286,789	317,231
Narragansett	1,423,886	1,670,018	246,132
Newport	10,205,734	10,600,145	394,411
New Shoreham	59,350	72,329	12,979
North Kingstown	10,188,036	10,802,852	614,816
North Providence	12,160,857	13,936,915	1,776,058
North Smithfield	4,421,796	5,108,314	686,518
Pawtucket	61,722,490	68,519,984	6,797,494
Portsmouth	5,488,899	5,382,636	(106,263)
Providence	177,121,395	196,948,277	19,826,882
Richmond	5,298,508	5,414,664	116,156
Scituate	3,017,177	3,558,575	541,398
Smithfield	4,734,817	4,957,217	222,400
South Kingstown	8,395,479	8,478,752	83,273
Tiverton	5,088,118	5,682,400	594,282
Warwick	32,262,907	34,556,005	2,293,098
Westerly	5,721,060	6,536,425	815,365
West Warwick	18,267,435	19,784,418	1,516,983
Woonsocket	42,973,256	46,720,789	3,747,533
Bristol/Warren	17,223,772	17,311,653	87,881
Exeter/W Greenwich	6,208,981	6,340,874	131,893
Chariho District	273,805	305,512	31,707
Foster/Glocester	4,917,949	5,115,094	197,145
Central Falls	39,161,820	39,413,322	251,502
Subtotal	\$616,007,412	\$674,855,738	\$58,848,326

Education Aid to Local Units of Government

	FY 2012 Revised	FY 2013 Recommend	Difference
Distributed LEA Aid			
Beacon Charter School	\$1,636,387	\$1,694,902	\$58,515
Blackstone Academy	1,481,057	1,566,758	85,701
Compass School	579,438	580,372	934
Greene School	640,513	825,758	185,245
Highlander	2,591,368	2,738,290	146,922
International Charter School	2,762,161	2,874,178	112,017
Kingston Hill Academy	692,088	687,796	(4,292)
Learning Community	5,724,503	5,922,924	198,421
New England Laborers	1,648,397	1,616,987	(31,410)
Nurses Institute	1,130,376	1,771,215	640,839
Paul Cuffee Charter School	6,526,131	7,444,006	917,875
RIMA Blackstone Valley	3,957,168	6,138,917	2,181,749
Segue Institute for Learning	2,482,437	2,570,134	87,697
Textron	2,323,795	2,317,949	(5,846)
Times 2 Academy	7,111,479	7,039,888	(71,591)
Trinity Academy	707,819	1,072,590	364,771
Subtotal	\$41,995,117	\$46,862,664	\$4,867,547
 Distributed LEA Subtotal	 \$658,002,529	 \$721,718,402	 \$63,715,873
	FY 2012 Revised	FY 2013 Recommend	Difference
Non-Distributed Aid			
Textbook Expansion	\$265,698	-	(\$265,698)
School Breakfast	270,000	-	(270,000)
Telecommunications Access	350,000	-	(350,000)
Early Childhood Demonstration	-	1,450,000	1,450,000
Transportation Categorical	1,087,840	2,175,680	1,087,840
High Cost Special Ed Categorical	-	500,000	500,000
Career and Tech Categorical	-	3,000,000	3,000,000
Regionalization Bonus	851,241	413,170	(438,071)
Subtotal	\$2,824,779	\$7,538,850	\$4,714,071
State Schools			
Metropolitan School	\$11,642,563	\$11,601,699	(\$40,864)
School for the Deaf	5,867,878	6,240,642	372,764
Davies School	13,416,256	13,400,497	(15,759)
Subtotal	\$30,926,697	\$31,242,838	\$316,141
Other Aid			
Teachers' Retirement	\$84,113,207	\$78,219,694	(\$5,893,513)
School Housing Aid	69,776,010	74,568,906	4,792,896
Subtotal	\$153,889,217	\$152,788,600	(\$1,100,617)
Total	\$845,643,222	\$913,288,690	\$67,645,468

Appendix E
Five-Year Financial
Projection

FY 2013 – FY 2017 Overview

Summary

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

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

The five-year financial projection includes tables that present anticipated revenues and expenditures for the five fiscal years ending in June 2017. Also included are tables that provide detail on the planning values used in these projections. The planning values reflect policy assumptions, as well as economic and demographic forecasts.

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

From the FY 2013 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2017. The operating deficits by fiscal year are as follows: \$103.6 million in FY 2014, \$232.2 million in FY 2015, \$348.7 million in FY 2016, and \$464.4 million in FY 2017. In percentage terms, the deficits are projected to range from 3.0 percent of spending in FY 2014 to 11.7 percent of spending in FY 2017. The expenditure-side of the budget is estimated to increase at an average annual rate 4.9 percent from the FY 2013 base to FY 2017. Inflation, however, as measured by the United States consumer price index for all urban consumers (CPI-U), is expected to grow at an average annual rate of 2.4 percent over this same period. A number of factors are responsible for the rate of growth above inflation, as discussed in detail below.

As described further below, projected out year revenues are significantly impacted by the expected opening of gaming facilities in Massachusetts in the coming years. Lottery transfers to the State general fund are projected to diminish by a total of \$310.6 million over the five year forecast period, due to the increased competition to Rhode Island's gaming facilities in Lincoln and Newport. Without this impact on Rhode Island's revenues, the five year forecast would show deficits of \$103.6 million in FY 2014, \$180.7 million in FY 2015, \$238.3 million in FY 2016 and \$324.6 million in FY 2017. In FY 2017, the deficit would be 8.2 percent of expenditures, as opposed to the 11.7 percent under the current forecast, or a total of \$140.0 million less.

The five year projection anticipates average annual general revenue growth of approximately 1.8 percent beyond the budget year, based upon the adopted November 2011 Revenue Estimating Conference forecast for the Rhode Island economy and the Governor's recommended changes to adopted revenues. The forecasts underlying the five year projection assume that the recovery in the Rhode Island economy that started in FY 2011 will not strengthen significantly until FY 2014 when both non-farm employment and personal income growth begin to accelerate. Thus, although FY 2012 shows more robust general revenue growth than FY 2011 did, due in part to revenue changes enacted by the General Assembly that took effect in FY 2012, general revenue growth in FY 2013 would slow considerably without the Governor's recommended general revenue changes. General revenue growth slows in FY 2014 to 2.9 percent as the economy approaches its long-run equilibrium growth rate. General revenue growth remains positive in FY 2015 but diminishes significantly to a rate of 1.5 percent, as the proposed gaming facilities in

FY 2013 – FY 2017 Overview

Massachusetts begin operation.¹ General revenue growth remains positive in FY 2016 and FY 2017 but at rates below 1.5 percent annually, as increased gaming competition in Massachusetts takes hold. The impact of Massachusetts-based gaming facilities is significant as, absent their establishment, average general revenue growth in the FY 2015 through FY 2017 period would be 2.7 percent versus the 1.4 percent average annual growth rate currently projected.

Personal income is forecast to grow at an average annual rate of 4.4 percent over the FY 2013 – FY 2017 period. Nonfarm employment is anticipated to grow at an average annual rate of 2.3 percent and wage and salary disbursements at an average annual rate of 4.6 percent over the same period. Dividends, interest and rent payments are forecast to grow at an average annual rate of 6.1 percent over the FY 2013 – FY 2017 period, the strongest growth of any personal income component.

There are several risks to the revenue forecast. First, the timing of the national and regional economic recovery will impact the growth in general revenues. If the recovery takes hold sooner than forecast, then the out-year growth rates, particularly in employment, would be lower. The tradeoff, of course, is that near-term revenue estimates would likely be better than currently estimated. Conversely, if the economic recovery takes hold later than forecast, then the out-year growth rates would be too optimistic and both the near-term and the out-year revenue forecasts may be overstated.

Second, the behavior of consumers as the economy recovers will also impact general revenue growth. Consumer spending has historically comprised two-thirds of total spending. If consumer spending after the Great Recession does not rebound to pre-Great Recession levels, then the out-year revenue forecasts are likely to be overstated. Furthermore, European financial instability and unrest in the Middle East could negatively impact U.S. consumer spending. The United States has recently seen an increase in exports, which may be short-lived if the European financial crisis deepens. Recent turmoil in the Middle East has put significant upward pressure on energy prices, particularly oil, and a sustained increase in the price of oil could dampen consumer spending as income is diverted from discretionary purchases to gasoline and heating fuel.

Finally, the expansion of gaming in Massachusetts will impact the state's general revenues via the lottery transfer. Two items are important in this regard. One is the timing of the opening of gaming facilities in Massachusetts. If Massachusetts' gaming facilities become operational earlier than is estimated in the forecast, then general revenue growth will weaken sooner than is currently forecast. If Massachusetts' gaming facilities become operational later than is estimated in the forecast, then general revenue growth will be stronger than is currently forecast. Second is the location of the gaming facilities in Massachusetts. The five year revenue projection assumes the Likely Case for the location of the racino and the three resort casinos in Massachusetts.² If the locations of the Massachusetts gaming facilities are closer to the state's two gaming facilities, then a larger negative impact on general revenue growth will occur. If the locations of the Massachusetts gaming facilities are farther from the state's two gaming facilities, then a smaller negative impact on general revenue growth would be expected.

¹ 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.

² See *Gaming Study and Economic Impact Analysis*, page 25 for a description of the Likely Case for the location of gaming facilities in Massachusetts.

FY 2013 – FY 2017 Overview

Economic Forecast and Revenues

The economic forecast was developed by the principals of the November 2011 Revenue Estimating Conference with input from the consulting economist at Moody's Economy and respective staff. This forecast is derived from the U.S. macroeconomic model and the State of Rhode Island economic model that Moody's Economy.com has developed. A detailed analysis of the conferees near-term economic forecast for the State is contained in The Economy section of the Executive Summary. In that section, particular attention is paid to how the state fared relative to the past year with respect to non-farm employment and personal income growth. In addition, a brief explanation of the actual economic performance of the State against the economic forecast contained in the FY 2012 budget is undertaken. Finally, the economic forecast is presented for the out-years through FY 2017.

The biggest risk to the economic forecast is the sustainability of the current economic recovery underway in the United States and Rhode Island. Rhode Island's economic momentum has slowed in recent months along with the national economy and weak business and consumer confidence could cause national and state economic growth to stall in the near-term. If Rhode Island's economic recovery slows significantly relative to that of the U.S., then personal income, employment, and wage and salary growth will be reduced in the near-term and likely be pushed out toward the end of the forecast horizon contained in this document.

In particular, employment growth rates are expected to be positive in FY 2012 building on the turn in the economy that took root in FY 2011. Rhode Island employment growth is expected to be tepid in FY 2013 before achieving its peak in FY 2015 at 3.7 percent. In FY 2016, Rhode Island employment growth declines to 3.0 percent, a rate nearly four times FY 2013's forecast growth rate. FY 2016 total non-farm employment is expected to eclipse 510,000 jobs which would be the highest level of employment in the last 20 years. In FY 2017 employment growth slows to a rate of 1.6 percent, a rate that is double the forecast growth rate for FY 2013. Rhode Island personal income growth is expected to slow in FY 2012 and then return to a more normal growth rate in FY 2013. FY 2014, personal income growth is projected to match FY 2013's growth rate of 4.1 percent and then tick upward to an average annual growth rate of 4.6 percent for the FY 2015 – FY 2017 period. Further, energy prices remain a risk to both the U.S. macroeconomic and Rhode Island forecasts. As an energy importer, Rhode Island's economy is vulnerable to both sharp increases and decreases in energy prices, with the former being more detrimental than the latter is beneficial. Finally, it should be noted that the economic forecast adopted at the November 2011 Revenue Estimating Conference does not incorporate any additional federal economic stimulus and is predicated on a tempering of the debt crisis in the Euro zone countries.

The revenue projections contained in the five year forecast incorporate the Governor's proposed FY 2013 general revenue changes to estimates adopted at the November 2011 Revenue Estimating Conference. Overall revenues are expected to grow from \$3.366 billion in FY 2013 to \$3.609 billion in FY 2017. This is growth of \$243.7 million, reflecting average annual growth of 1.8 percent. This revenue forecast includes the expected impact that the opening of gaming facilities in Massachusetts will have on the state's general revenues. Absent the opening of these facilities, the projected growth in general revenues would be \$387.9 million yielding an average annual growth rate of 2.8 percent.

The Governor recommends relatively few revenue enhancement initiatives. Of the revenue initiatives recommended by the Governor, the most significant is the increase in the meals and beverage tax rate from 1.0 percent to 3.0 percent. This proposal increases general revenues by \$205.3 million over the five year period from FY 2013 through FY 2017.

The Governor's recommendation to repeal the sales and use tax exemption for clothing and footwear that

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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.

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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 from 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

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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

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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

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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.

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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.

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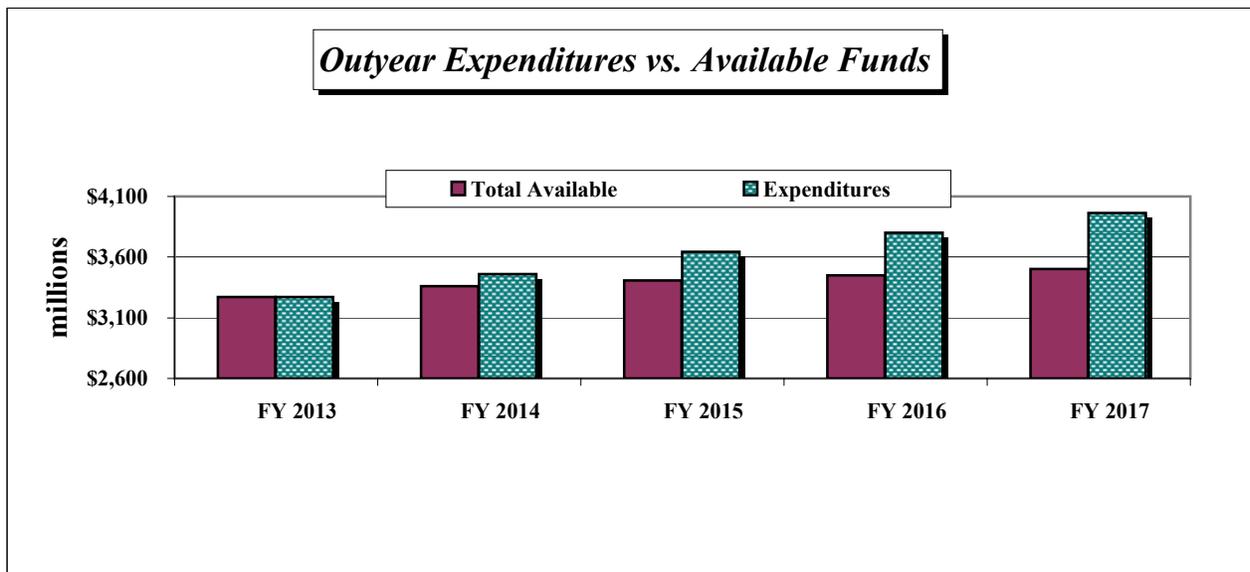
The obligations arising from performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to require the same amount of state appropriations due to the projected achievement of performance targets. Fidelity job rent credits are expected to result 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)
<i>Operating Surplus or Deficit</i>	<i>(\$4.7)</i>	<i>(\$103.6)</i>	<i>(\$232.2)</i>	<i>(\$348.7)</i>	<i>(\$464.4)</i>
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					
<i>Capital Projects Disbursements</i>	<i>\$115.3</i>	<i>\$124.0</i>	<i>\$101.7</i>	<i>\$93.2</i>	<i>\$95.7</i>



⁽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 Christensen 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					
<i>Debt Service</i>					
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
<i>Capital Improvements</i>					
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
		E-14 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
<i>Change</i>		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
<i>Change</i>		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 these 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

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