

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2015

Lincoln D. Chafee, Governor

Dedication

*This year's budget documents are dedicated to the
Memory of William V. Golas, Jr.
Sr. Budget Analyst 1987 - 2013*

The image on the cover of this year's budget document is a Winter Scene of the State House from Artist John Pitocco of Providence and is reproduced by permission of the artist in collaboration with the Rhode Island State Council on the Arts.

Introduction

As Governor, I have consistently championed key policies that I believe are central to making sure Rhode Island is a great place to raise a family, find good jobs and grow a business. First and foremost, to ensure Rhode Island is competitive in the region and the nation, it is essential to invest in the state's education and workforce programs. Since taking office, my budgets have reflected this commitment by fully funding the new school aid formula every year. In fact, over the past three years, we have invested over \$108.2 million in general revenue in the school aid formula and its categorical aid programs. My FY 2015 Recommended Budget adds another \$37.9 million in direct school support.

Because we know that higher education is the key to advancement and good paying jobs, I have worked to keep tuition affordable. That is why, for a second year in a row, my FY 2015 Recommended Budget provides the resources needed to freeze tuition at all three public higher education institutions. We have neglected our higher education facilities, and that is why I have also shepherded significant capital investments at both the University of Rhode Island and Rhode Island College. My FY 2015 Recommended Budget continues on the path of making the State's higher education institutions state of the art, yet affordable, opportunities for Rhode Islanders, by proposing a \$125 million capital investment for the URI College of Engineering. According to a 2013 study by The Perryman Group, URI's Engineering School has a positive economic impact on the state, contributing \$142.1 million annually and supporting 1,748 permanent jobs, making this a prudent investment for Rhode Island's future.

Investments made in our workforce are extensions of our formal education system. My FY 2015 Recommended Budget includes investments in getting Rhode Islanders back to work. Based on recommendations included in my budget last year, the state invested general revenues for the first time into targeted workforce training and workforce assistance programs. Prior to that, we had relied almost entirely on federal assistance, and this has clearly not been enough. A state investment in our workforce was long over due, and my FY 2015 Recommended Budget not only continues this state commitment, it enhances it with an additional \$500,000 in general revenue.

In FY 2014, I led efforts to reopen the historic tax credit program, putting nearly \$35.0 million in abandoned tax credits back into much needed service to help create jobs for our citizens who work in the trades and put these valuable assets back into the economy. When this program began, the demand for tax credits far outpaced what was available, and therefore, my FY 2015 Recommended Budget also includes providing access to an additional \$50.0 million in historic tax credits. According to a 2007 report commissioned by GrowSmartRI, the state historic tax credit program was estimated to leverage \$5.35 million in economic output for each \$1.0 million in state investment.

The backbone of our economy is the transportation infrastructure that businesses and citizens rely on every day to get to work and move goods throughout the state and the region. As Governor, I led the way to moving Rhode Island off of the habit of borrowing to meet federal matching requirements for the highway program. In addition, my budgets have continued to shift debt service away from the gas tax to general revenues to free up resources for transportation projects. My FY 2015 Recommended Budget builds on recent investments in Rhode Island's infrastructure, and includes a new initiative to dedicate resources to a statewide bridge renovation and retention program. Beginning in FY 2015, my plan is to invest nearly \$80.0 million over the next five years to begin repairing or replacing the 834 bridges across the state. Overall, the condition of the state's bridges is poor, and there is a critical need to invest in these bridges to bring them up to good repair and ensure these assets will last for generations of Rhode Islanders.

Introduction

In addition, the Rhode Island Public Transit Authority, the Department of Transportation and the Division of Statewide Planning are working cooperatively on a comprehensive operational analysis of the state's mass transit hub system to determine if the current system is the most effective and efficient structure that best serves the citizens of the state. The goal is to enhance access to multiple intermodal sites throughout the state and to expand access to key transportation hubs, health care providers and other locations. My Recommended Budget calls for a \$40.0 million general obligation bond authorization be placed on the November 2014 ballot, to be used to undertake major enhancements and renovations to mass transit hub infrastructure throughout the state. To facilitate this work, I have included \$250,000 from the Rhode Island Capital Plan Fund in FY 2015 for preliminary conceptual design of a new mass transit hub system in the State of Rhode Island.

As Governor, we have made significant investments in our natural resources as well. We have acquired and have funded remedial environmental clean-up at the former Rocky Point Amusement Park. My Recommended Budget includes \$10.0 million for improvements to the Fort Adams State Park to create an event center to host sailing events. The Department of Environmental Management (DEM) has been working with the Rhode Island Commerce Corporation (formerly the Economic Development Corporation) to design improvements to Fort Adams that will allow it to host large sailing events, such as the America's Cup, the Extreme Sailing Championship, and the Volvo Regatta. My FY 2015 Recommended Budget also includes \$775,000 in general revenue in support of the Volvo Regatta.

We have also made and continue to make significant investments in maintaining and improving port facilities and piers that support the state's commercial marine fishing industry and provide access points for the Department's enforcement and marine wildlife divisions. I am including a \$75.0 million bond question for the voters for various improvements to our programs administered at DEM, such as brownfield remediation, land and open space acquisition, as well as providing additional resources to municipalities through the Clean Water Finance Agency and Water Resources Board to improve our water and wastewater systems.

Getting the economy going requires more than repairing our bricks and mortar. It requires targeted investments in segments of the Rhode Island's economy. The General Assembly recently enacted legislation that exempted selected art from the statewide sales tax. This is an exciting step growing Rhode Island's creative and cultural economy. To build on this and make a significant investment in our arts, culture and historic assets, I am calling upon Rhode Islanders to make a \$35.0 million commitment through a bond referendum to move this critical segment of our economy forward. Tourism, especially arts and historic based tourism, is the backbone of much of what Rhode Islanders do and how they make a living. This \$35.0 million investment to renovate and improve our valuable arts and historic facilities will pay deep dividends to the economic future of the state. In addition, to ensure we are cultivating our artists and enhancing our momentum in this critical economic engine, I have included an additional \$1.0 million in general revenue for the arts.

I have been at the forefront of proposing initiatives to improve the state's tax competitiveness over the years. Also, the General Assembly initiated and enacted much needed personal income tax reform in 2010. There is still clearly a need to improve our relative tax position in the country, and I believe there is a real opportunity in the near future to set the stage for true reform and fundamentally change the tax climate for the State. The U.S.

Introduction

Congress is close to taking action on the Marketplace Fairness Act, which would permit states to collect sales and use taxes on remote retailers with no physical presence in their respective states.

Should this legislation pass, current Rhode Island law dictates that the sales tax be reduced from 7.0 to 6.5 percent. I believe that there are more effective ways to improve the state's competitiveness with these revenues. My FY 2015 Budget would reduce the corporate tax to 6.0 percent and eliminate the sales tax on non-manufacturers' electricity and gas. The corporate tax rate reduction will result in having all business income in the state taxed at 6.0 percent. Furthermore, reducing the costs of utilities to non-manufacturers will ensure solid footing when businesses look to grow or expand here.

Instilling Fiscal Discipline – Back to Basics

Rhode Island is steadily moving forward, with many economic indicators showing that we are not only moving in the right direction, but our economy is picking up steam and households are emerging from the difficulties of the Great Recession. This is good news, but we need to keep this momentum going and increase its intensity. As I have emphasized throughout my career, being competitive and ensuring that investments take root starts with fiscal discipline. Taxpayers deserve value for their investment and should have high expectations of their state and local governments. Knowing that we continue to face difficult challenges, it is critical that the Ocean State be prepared and focus on getting the fundamentals right to be a great place to live and work.

In formulating the FY 2015 Budget, we needed to close a projected \$150.0 million operating deficit while investing in key areas to improve the state's overall financial outlook. My administration has emphasized fiscal discipline and controlling costs in the current year, which has translated into ongoing savings to assist in closing the projected deficits in FY 2015 and beyond.

Rhode Island's financial health is paramount to ensuring we provide quality services that taxpayers can afford. Demonstrating that Rhode Island is financially well managed and adheres to the necessary discipline is fundamental to attracting and retaining families and businesses. The FY 2015 Recommended Budget is submitted to the General Assembly on January 15, 2014. Again, this represents the second budget in a row submitted to the General Assembly on time. In fact, as was done last year, it is actually a day early. I appreciate all of the hard work the state departments and agencies and my Budget Office put into this effort to adhere to this aggressive timeline. Again, as was done last year for the first time in over twenty years, submitting a quality budget on time will provide ample time for the General Assembly to review my proposed budget. As always, I look forward to working with the state's legislative leadership throughout this important process to move Rhode Island forward.

For the third year in a row, Rhode Island has finished the fiscal year with a surplus. Rhode Island completed FY 2013 with a \$104.1 million surplus, primarily driven by spending less than enacted by the General Assembly. We are projecting to finish FY 2014 with another healthy surplus, projected at \$68.9 million by year's end. By FY 2014 close, the state will have completed four years of strong financial footing and year-end surpluses.

In addition, this fiscal discipline has also translated into avoiding having to issue short-term debt for cash flow purposes, which are called Tax Anticipation Notes, or TANS. FY 2015 will represent the third year in a row where the state has not had to issue this debt, saving taxpayer money by avoiding interest payments.

Introduction

Department heads continue to work hard to manage their respective programs and stay within their appropriations. Directors have continued to ensure there are tight spending controls throughout state government. Nearly all state departments and agencies are expected to complete the current fiscal year with spending at or below enacted levels. Those few that are projecting a need for a modest supplemental appropriation are still working with the Office of Management and Budget (OMB) to implement appropriate corrective action plans to work towards resolving these issues.

When I embarked on resolving the projected deficit for FY 2015, I directed departments and agencies to develop and submit options to ensure there were alternatives to consider. While this was a difficult task for the departments and agencies, it provided a range of options that helped shape the direction of the budget. Previous expenditure reductions have left fewer options available to balance the FY 2015 budget without impacting Rhode Islanders. However, I wanted to build on the gains made in closing the budget gap achieved over the past three years. With some very difficult choices, my FY 2015 Recommended Budget improves the state's out-year forecast and provides resources to our education and transportation systems. This has been done without asking more of our already burdened taxpayers.

Strong fiscal discipline translates into less pressure on taxpayers as well. My revenue plan is very simple – taxpayers have already shouldered enough of the cost of government, and the recovery we are in today should not be derailed by any tax increases. Building on my budget from last year, which did not include any tax or fee increases of any kind, the FY 2015 Recommended Budget continues to hold the line on taxes. My FY 2015 Recommended Budget does not include any increases in the state's broad based taxes. In my FY 2015 Recommended Budget, the limited revenues used to balance the budget were primarily derived from closing loopholes in the tax system or through enhanced enforcement efforts.

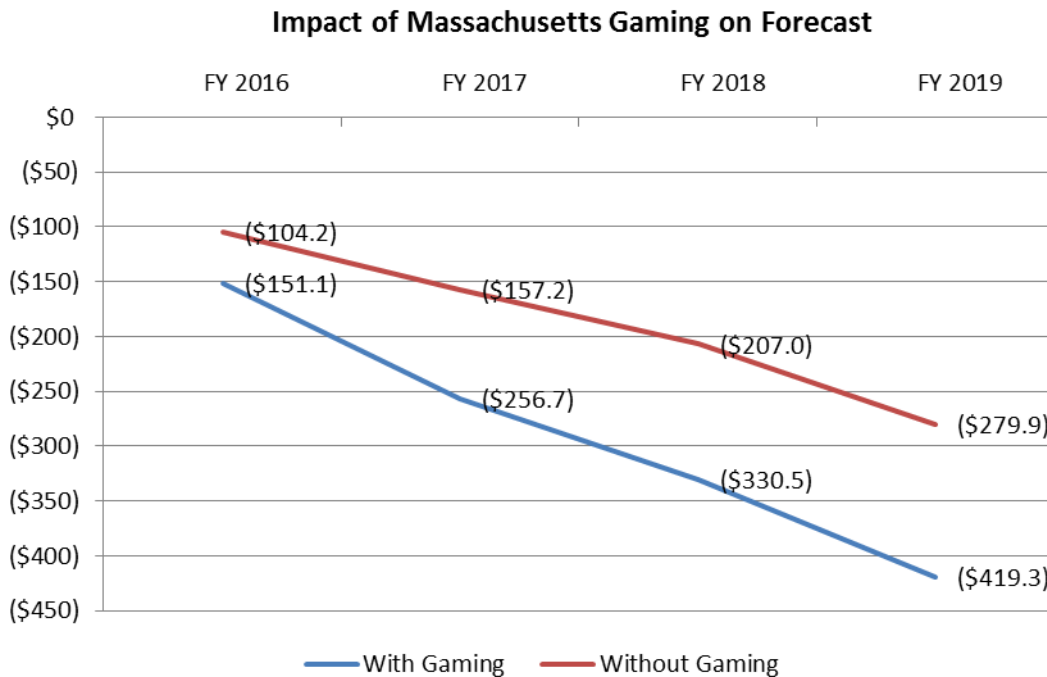
While our economy begins to emerge from the Great Recession and economic indicators are pointed in the right direction, we continue to be challenged with projected operating deficits in the near future. To make key investments and still ensure State government is affordable to taxpayers, I faced some very difficult decisions to deliver a balanced budget for the General Assembly's consideration. For example, similar to the FY 2014 Budget as Enacted, the FY 2015 Budget does not include planned rate increases for hospitals and nursing homes, and limits the increases permitted to managed care providers. The Budget includes several initiatives to identify savings for high utilizers of various Medicaid programs. The FY 2015 Budget does not include funding for the upper payment limit to hospitals, and implements a cost sharing requirement for participants in the Katie Becket Program. In addition, the FY 2015 Budget proposes to close one Pod at the training school given a decreasing population, and to make additional improvements to the System of Care. While I certainly would have liked to avoid such actions, these were less onerous than some of the other choices that I had before me as my team worked to close the \$150 million projected deficit for FY 2015.

The improvements to the five-year forecast represent a culmination of many difficult choices made over the past several years, and certainly include the difficult expenditure reductions outlined in the FY 2015 Recommended Budget. The five-year forecast also includes the recent reforms to the state's various pension programs. While very difficult choices were made, the reforms result in providing a sustainable pension program at a price taxpayers' can afford. There is no question that the savings derived from the reforms ensure that the state's general revenue budget can maintain desired levels of services, programs, and staffing necessary to deliver quality services to Rhode Islanders.

Introduction

These efforts are reflected in the updated five-year forecast, which shows improvement over the forecast from one year ago. Although expenditures are projected to exceed revenues in each of the out-years projected through FY 2019, the gap has narrowed in each year by an average of \$121.0 million compared to the FY 2015 – FY 2018 forecast. The operating deficits by fiscal year are projected at \$151.1 million in FY 2016, \$256.7 million in FY 2017, \$330.5 million in FY 2018, and \$419.3 million in FY 2019. In percentage terms, the deficits are projected to range from 4.2 percent of spending in FY 2016 to 10.4 percent of spending in FY 2019. The expenditure-side of the budget is estimated to increase at an average annual rate 4.1 percent from the FY 2015 base to FY 2019. 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 2.3 percent over this same period.

The anticipated opening of gaming facilities in Massachusetts will have a significant impact on Rhode Island revenues and is reflected in the five-year projection. Lottery transfers to the state general fund are projected to diminish by a total of \$422.1 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 \$104.2 million in FY 2016, \$157.2 million in FY 2017, \$207.0 million in FY 2018 and \$279.9 million in FY 2019. In FY 2016, the deficit would be 2.9 percent of expenditures, as opposed to the 4.2 percent under the current forecast, or a total of \$48.4 million less. In FY 2019, the deficit would be 6.9 percent of expenditures, as opposed to the 10.4 percent under the current forecast, or a total of \$139.4 million less.



There is one aspect of the FY 2015 Recommended Budget that deserves attention – repaying the state’s moral obligation bonds as they relate to the Job Creation Guaranty Program administered by the Rhode Island Commerce Corporation (formerly the Economic Development Corporation). This is by far the most discussed and most controversial aspect of the financial decisions the state will have to make over the next decade. I raised

Introduction

concerns about the RICC's Job Creation Guaranty Program and in particular this specific arrangement with 38 Studios well before 38 Studios failed to meet its obligations under this program. Nevertheless, we must protect the state's credit rating, and its positive reputation in the market, as well as maintain access to the capital markets.

I have included as part of my budget \$12.3 million in general revenue funding to provide the necessary resources to meet this obligation. I strongly recommend that the state meet its obligations and fully fund the debt service for this moral obligation debt. While the cost to taxpayers is distasteful and all is being done to mitigate this initiative undertaken by the prior administration, we must ensure the state's credit rating and access to markets is maintained at a cost taxpayers can afford.

Rating agencies do make a distinction between an inability to pay obligations and an unwillingness to repay obligations. If the state is unwilling to repay its debts, the rating agencies will likely react harshly and over a long period of time, which increases the risks to the state, and will not be confined to only the state's General Obligation Bonds and appropriation debt – municipalities and other state entities will also likely feel the impact. Rhode Island's reputation, its credit, and its ability to access the capital markets are truly at stake.

Rhode Island has made great strides in improving its overall financial condition, is recognized for its improvements to capital financial management, and has made significant changes to its long-term pension obligations. All the hard work to make the state more attractive to capital investment and to attract talent will be swiftly squandered if Rhode Island does not meet its fundamental obligations.

Again, we all are upset and frustrated by the failure of 38 Studios and having this costly burden placed on us. I will work diligently to recoup whatever we can to offset this debt. However, as financial stewards for the taxpayers of Rhode Island, I implore the General Assembly to protect the interests of Rhode Islanders and make good on this debt. Should we fail to meet this obligation, the other investments we have made, whether they be pension reform, school finance reform, personal income tax reform, or transportation finance reform, will be futile. Rating agencies, the capital market, businesses, and others will turn away from Rhode Island and never look back.

Changing the Culture of Government

My priorities have included changing the culture of state government, improving the way services are delivered, and enhancing the value provided to taxpayers. I also want to make sure state employees treat taxpayers humanely and use tax dollars prudently. My administration has embarked on improving customer service at the Division of Motor Vehicles, the Division of Taxation, and the Department of Environmental Management, and I expect this to proliferate throughout state government over time. There have been investments made in setting high expectations through a more aggressive use of performance measurement, process improvements such as using manufacturing practices such as LEAN, and beginning an assault on the state's regulatory environment to make it easier for businesses to invest and grow in the state. My FY 2015 Recommended Budget continues to invest in the Office of Digital Excellence, which is already paying dividends in more effective management of our technology and improvements by providing taxpayers with better and more transparent information about their government.

Diversity, Equal Opportunity and Minority Business Enterprises – On May 9, 2013, I issued an executive order (Executive Order 13-05 – Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island) tasking the Department of Administration to develop recommendations regarding diversity, equal

Introduction

opportunity, and affirmative action hiring and using Minority Business Enterprises (MBEs). The Department of Administration issued a report on September 1, 2013, and I have included a number of its recommendations in my FY 2015 Recommended Budget. Since then, my team has worked to develop new approaches to improve diversity in the state government workforce and to encourage greater participation by MBEs in state contracting.

My FY 2015 Recommended Budget includes creating an Executive Division within the Department of Administration which encompasses the existing structure of Diversity, Equity and Opportunity under a newly created Chief Diversity and Equity Officer. The FY 2015 Budget merges the Office of Outreach and Diversity and the State Equal Opportunity Office from Human Resources and the Minority and Disadvantaged Business Enterprise programs from Purchasing into the Office of Diversity, Equity and Opportunity. This new program is projected to add 3.0 FTE positions and cost \$1.2 million, but is only a net increase of \$294,076 with the consolidation of existing programs in Human Resources and Purchasing.

Regulatory Review - My Administration has already published two reviews of the state's regulations and their potential impact on small businesses, and I surveyed more than 700 Rhode Island businesses for their feedback on the regulatory environment. I intend to reform the rules identified by regulatory entities that unnecessarily impede growth. I have directed the Office of Management and Budget to focus on the efforts underway by the Office of Regulatory Reform, and I expect this comprehensive evaluation to be completed by July, 2014.

Navigating state government can be very difficult and complex. As such, my administration has been assisting small businesses with the state's regulatory environment. During the past year, the Small Business Ombudsman has worked with over 30 companies to provide clarity and predictability with the processes and has helped facilitate positive outcomes. The Ombudsman will continue to provide direction and assistance to small businesses stuck in the regulatory system through OMB's Office of Regulatory Reform.

My Administration has also been working to implement the ePermitting initiative to establish a uniform web-based system for the Rhode Island Building Commissioner and State Fire Marshal as Phase I. Subsequent phases will be used by the state, its municipalities, and taxpayers for statewide electronic plan review, permit management and inspection system management. A formal request for proposal will be issued in January, 2014 to implement Phase I.

Performance Management – My administration has implemented a Performance Management initiative for Rhode Island government departments and agencies to improve the effectiveness and efficiency of state programs and to maximize the value of taxpayer dollars. By developing performance measures and analyzing program data, departments and agencies are able to make better decisions about allocating personnel and financial resources to have the greatest impact.

In FY 2013, departments created new performance measures for their programs, and they now report data on a regular basis to the Office of Management and Budget (OMB). An interagency Performance Management team meets with departmental leadership quarterly to review performance data, determine whether departments are meeting their goals and develop innovative solutions to solve problems. OMB makes performance data available to the public on the Transparency Portal (<http://www.transparency.ri.gov/>) and has published numerous reports on individual agency performance.

The Performance Management initiative has also promoted interagency collaboration to improve the efficiency and effectiveness of state programs. Rhode Island was selected as a partner state in the Pew-MacArthur Results

Introduction

First Initiative, which helps states assess the costs and benefits of policy options and use that data to make decisions based on results. OMB is heading an interagency effort to review the state's existing adult and juvenile justice programs and determine which ones are most cost-effective in reducing recidivism. OMB has also led efforts to improve interagency cooperation among transportation agencies, leading to greater use of shared services and improved customer service training.

My FY 2015 Recommended Budget includes many new performance measures, as well as historical data and targets when available. The OMB will work with departments and agencies to further develop performance measures that reflect the impact of their programs and assist them in using them to improve programs and services. The OMB will also report performance data on a regular basis to improve the transparency and accountability of Rhode Island government.

Department of Environmental Management - The Department of Environmental Management (DEM) has embarked on an aggressive campaign to improve its customer service and to reduce the time and effort for businesses to successfully navigate the department. DEM undertook a Lean Government initiative to review the permitting processes that are closely linked to economic development activities in the Rhode Island. The Lean initiative involves comprehensively mapping regulatory processes to understand the current state, identify waste and inefficiencies in those processes, and formulate plans to eliminate it - all in an effort to improve the quality, timeliness, and customer service of DEM programs.

DEM has taken several steps to improve the way it interacts with the public. First, with assistance from Amica Mutual Insurance Company, DEM provided customer service training for its entire staff. Second, to date, DEM has conducted Lean reviews of four major processes: site remediation, wetlands preliminary determination, air preconstruction minor source permit, and the underground storage tank fund. My FY 2015 Recommended Budget includes legislation that actually formalizes the technical assistance programs developed as part of this effort in order to institutionalize this new customer service-oriented culture in state government.

As opportunities were identified at DEM, action plans to close these gaps were put into place using suggestions from frontline staff. A good example is the new EXPRESS policy being used by the site remediation program. This policy was developed by the staff in the program, and in certain circumstances allows less complicated sites to be expedited through the review process so that staff can focus their efforts on sites that require more attention. Another example is the new Permit Application Center (PAC). The PAC will provide immediate confirmation of receipt for customers, conduct an administrative review of every application before it is forwarded to the appropriate program for technical review, and provide quick feedback to customers if an application is incomplete.

The Rhode Island Office of Management and Budget (OMB) has embraced the Lean initiative and is exploring how it can be applied in other agencies to achieve similar time-saving results. In fact, as the state gets ready to embark on implementing a new online application system for the Human Resources (HR) division in the Department of Administration, the OMB and HR will work cooperatively to conduct a Lean review so that efficiencies are built directly into the new system. The Division of Purchasing within the Department of Administration is also excited to pursue this strategy to enhance its processes and procedures, and find greater efficiencies in its operations.

Digital Government - The Office of Digital Excellence (ODE) was a key investment I advocated to bring focus and attention to the information infrastructure state government provides taxpayers. Over the last year, the Office

Introduction

has focused on aligning the infrastructure for website and applications development in 2013, as well as instituting a strong technology project management practice. The successful launch of HealthSource RI and the UHIP application on October 1, 2013, along with the strong gains made on the new enterprise Tax system were two of the larger projects this past year. ODE also played a key role in expanding the RI Transparency Portal, the redesign of RI.gov, and the comprehensive revision of the agency website templates. The Division of Municipal Finance, Department of Transportation, and Department of Health will be launching websites using the new design and code in the first quarter of 2014. ODE is also serving on the RIDE Wireless Classrooms Initiative Advisory Panel to ensure that best practices are adhered to in the rollout of the \$20.0 million in bond funds to enable Wi-Fi connectivity across the state's K-12 schools.

Current ODE projects include participating in the Lean Process review for the Human Resources' recruitment and on-boarding practices, which in turn will drive the new Rhode Island HR portal to digitize this entire process. ODE is handling the technology strategy and project management for this initiative, slating the new RI Human Resources application to be live by May 2014. The Office of Digital Excellence is also conducting an independent assessment of the DMV RIMS application on three levels over the next six weeks: the presentation layer and user interface; the middle-tier code including business logic; and the database back-end. Phase I of the new RI Tax system is planned for a July release, with two additional phases set to roll out over the next two years.

The Office of Digital Excellence is also actively engaged in the following 2014 projects: review of solutions for a time & attendance system for DOA and BHDDH; a budgeting and grants management system for OMB; emergency notification platform for RIEMA and other state agencies; a number of DEM mobile applications; GIS location-based apps; the consolidation of a number of meteorological services across agencies; and the digitization of death and marriage records, which can be integrated across multiple systems to ensure timely records and prevent fraud. Many of these projects need the necessary resources to ensure their success. Accordingly, my FY 2015 Recommended Budget includes a proposed \$30.0 million Certificates of Participation initiative to finance and invest in these and other IT projects that will enhance the taxpayer experience with state government.

Health Exchange - The FY 2015 Recommended Budget includes federal funding for the Health Benefits Exchange, which will serve as a resource for Rhode Islanders and Rhode Island businesses to learn about and easily compare the quality and affordability of their health insurance options, enroll in coverage and, if eligible, access subsidies for coverage. The Exchange is a way for small employers and their employees and individuals to have an advocate and negotiator, and a quality monitor to represent them in their interactions with health insurers and health care providers

I look forward to working with the General Assembly, municipal leaders, and others this legislative session as we deliberate my FY 2015 Recommended Budget. I am confident the Budget will help Rhode Island take great strides to make the Ocean State a better place to raise a family, find good jobs, and grow the business community. This budget helps us become more competitive. It invests in getting people back to work, and ensures our schools are properly funded. In addition, it includes significant steps forward in our infrastructure, especially in our higher education institutions and our bridges.

Overview

The FY 2015 Recommended Budget is designed to address a projected operating deficit of nearly \$150.0 million while investing in key areas to improve the State's overall financial outlook. The FY 2015 Budget reflects ongoing improvements in the State's overall financial condition over the past several years. FY 2013 closed with a surplus of \$104.1 million, representing the fourth year in a row the State has closed with a strong surplus. An additional indicator of cost control is that the FY 2013 surplus was primarily achieved through controlling spending – spending was \$17.8 million less than the enacted appropriation. Similarly, the FY 2014 Revised Budget achieves additional net savings of \$8.0 million from enacted spending levels. The FY 2015 Recommended Budget also relies less on prior year balances than budgets have in the past. The FY 2015 Recommended Budget assumes a \$68.9 million opening surplus from FY 2014, which is \$46.3 million less than it was in FY 2013. The following outlines the FY 2014 Revised and the FY 2015 Recommended Budgets as proposed by Governor Chafee on January 15, 2014.

FY 2015 Recommended Budget: Governor Chafee recommends an all funds budget totaling \$8,543.3 million for FY 2015, an increase of \$164.3 million, or 2.0 percent, from the FY 2014 Revised Budget of \$8,379.4 million. Of the \$164.5 million increase, \$104.3 million was growth in general revenues. Of the \$8,543.3 million budget, \$3,456.1 million, or 40.5 percent, is from general revenue, \$2,878.4 million, or 33.7 percent, is from federal funds, \$1,950.6 million, or 22.8 percent, is from other sources, and \$258.9 million, or 3.0 percent, is from restricted or dedicated fee funds. The Governor's FY 2015 Recommended Budget includes 15,097.0 authorized FTE positions, which is 3.3 FTE positions lower than what is included in the Governor's FY 2014 Revised Budget Plan and 21.3 FTE positions less than what was included in the FY 2014 Enacted Budget.

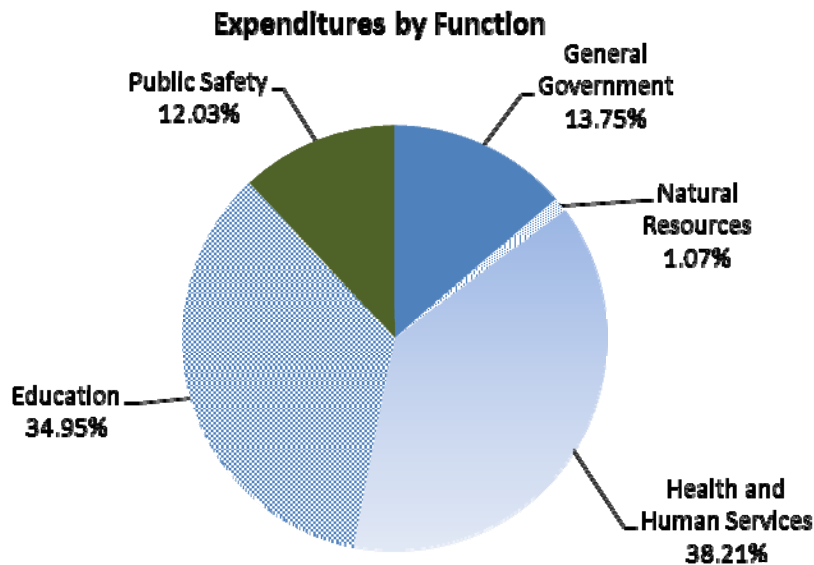
Recommended FY 2015 general revenue funding of \$3,456.1 million represents an increase of \$96.3 million, or 2.9 percent, over the FY 2014 enacted budget of \$3,359.8 million, and is 3.1 percent higher than the FY 2014 Revised Budget proposed by the Governor (\$3,351.7 million). Federal funds increase from \$2,717.7 million in the FY 2014 enacted budget to \$2,878.4 million in the recommended FY 2015 Budget. The FY 2015 Recommended Budget included reviews of department and agency federal spending patterns and has more closely aligned requested spending levels with actual experience. Other funds increase from \$1,880.6 million in the FY 2014 enacted budget to \$1,950.6 million in the FY 2015 Budget.

FY 2014 Revised Budget: Governor Chafee recommends a revised all funds budget totaling \$8,379.4 million for FY 2014, an increase of \$166.4 million, or 2.0 percent, from the FY 2014 Enacted Budget of \$8,213.1 million. Of this total, \$3,351.7 million, or 40.0 percent, is from general revenue, \$2,882.8 million, or 33.7 percent, is from federal funds, \$1,925.5 million, or 22.8 percent, is from other sources, and \$279.4 million, or 3.0 percent, is from restricted or dedicated fee funds. The Governor's FY 2014 Revised Budget includes 15,100.3 authorized FTE positions, which is 18.0 FTE positions lower than what is included in the FY 2014 Enacted Budget.

Recommended FY 2014 general revenue funding of \$3,351.7 million represents a net decrease of \$8.0 million, or 0.2 percent, from the FY 2014 enacted budget of \$3,359.8 million, and is 4.2 percent higher than the FY 2013 actual expenditure. Federal funds increase from \$2,717.7 million in the FY 2014 enacted budget to \$2,822.8 million in the revised FY 2014 budget, primarily due to additional funding for the Health Benefits Exchange and for federal highway projects. Other funds increase from \$1,880.6 million in the FY 2014 Enacted Budget to \$1,925.5 million compared to the enacted plan.

Overview

Expenditure Plan by Function: Governor Chafee focused attention on the current year spending levels and the FY 2015 spending levels to address the projected operating deficits. 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 \$3,456.1 million for FY 2015, increasing by \$104.3 million over FY 2014 revised spending levels.



Expenditures totaling \$1,320.5 million for Health and Human Services agencies represent nearly 38.2 percent of the total general revenue budget to support various health care and prescription drug coverage programs for low-income children, their parents, seniors and the poor, and community residential and treatment programs for the disabled.

Education is the second largest component of State spending, totaling \$1,207.8 million, or 35.0 percent of general revenue spending. This includes the State support for local education aid, support for the state university and colleges, and scholarships. The General Assembly enacted significant changes to the governance of Rhode Island's elementary and secondary education and its higher education systems through creating a singular board of education. Governor Chafee's FY 2015 Recommended Budget includes legislation to implement this reform, funding for a central office to support the Board's work, and funding to support the school aid formula and freeze higher education tuition for a second year in a row.

Governor Chafee's FY 2015 Recommended Budget continues his top priority to invest in education in Rhode Island. The Governor fully funds the fourth year of the school funding formula and all its categorical programs, requiring an additional \$37.9 million in state funding. The Governor also continues his efforts to hold down tuition at the three public higher education institutions to ensure the State maintains opportunities at our University and colleges. The Governor's recommendation ensures no tuition increase for a second year in a row, which requires an additional \$10.0 million investment from the State.

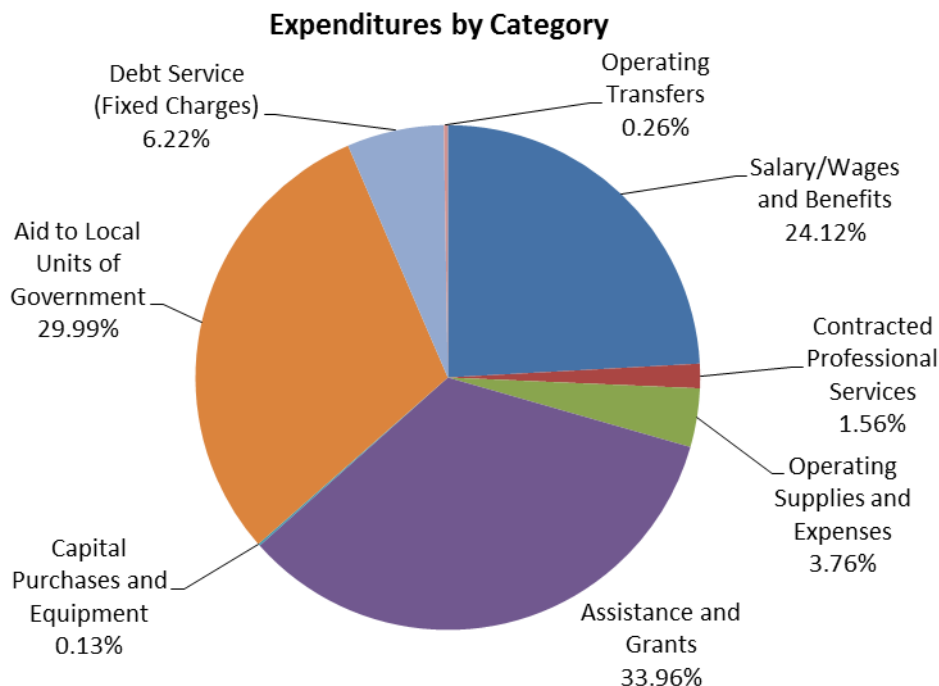
Overview

General revenue expenditures for General Government and Public Safety comprise \$475.2 million (13.8 percent) and \$415.6 million (12.0 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, RI Emergency Management Agency, State Police, Attorney General and Judicial departments.

Finally, general revenue expenditures for Natural Resources comprise \$37.1 million, or 1.1 percent of total general revenue funding. The Natural Resources function is comprised of the Department of Environmental Management and the Coastal Resources Management Council.

Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending. The Governor's FY 2015 Recommended Budget builds on his initiative to eliminate borrowing to provide the State's match for federal transportation dollars. In November 2012, for the first time in recent history, Rhode Island taxpayers did not have to approve a bond referendum to support the State's match for transportation.

Expenditures by Category: General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. The largest component is grants and assistance expenditures of \$1,173.8 million, comprising 34.0 percent of total general revenue spending. Local aid expenditures of \$1,036.6 million represent 30.0 percent of total spending, which includes fully funding the fourth year of the school aid formula; personnel expenditures of \$887.7 million comprise 25.8 percent of the budget; operating expenditures total \$129.9 million, or 3.8 percent of the budget; and capital expenditures, including debt service, total \$219.4 million, or 6.4 percent of the total general revenue budget.



Overview

Local aid comprises over \$1.036 billion of general revenue spending. The largest component of local aid is education aid. General revenue funding for local education aid increases by a net of \$42.4 million in FY 2015, as compared to the FY 2014 enacted funding level. The Governor's budget provides \$34.8 million for year four of the new funding formula and \$3.1 million more for categorical aid. Education aid provided to local communities, charter schools, and state schools in FY 2015 total \$829.5 million or \$36.3 million more than provided in the FY 2014 Enacted Budget.

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 2014 student data, including final charter school lottery data, which is expected by April 1, 2014.

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, and certain transportation costs. Governor Chafee's FY 2015 Budget recommends funding each of these programs as requested by the Department of Education at an additional cost of \$3.1 million over enacted FY 2014 levels.

The State's FY 2015 share of teacher retirement costs increases by \$8.1 million from the FY 2014 enacted levels to \$89.8 million. In addition to anticipated payroll growth, the required rate of contribution for the State share increases from 8.42 percent in FY 2014 to 9.19 percent in FY 2015.

Health and Human Services: After education aid, the next largest growth area in the FY 2015 Budget is in health and human service programs. The Departments under the Executive Office of Health and Human Services have implemented a number of initiatives authorized in the FY 2014 Enacted Budget with the goal of addressing the significant and unsustainable growth in this functional area. These efforts will continue in FY 2015 by implementing proposals recommended by the Governor.

In the Medical Assistance program, the Governor recommends a \$42.7 million reduction to the Caseload Estimating Conference's (CEC) adopted funding level. This is achieved through various policy actions designed to contain the Medicaid program's expenditure growth in FY 2015. First, the Governor recommends reductions to all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2014, for savings totaling \$10.8 million in general revenue. Rates will be negotiated so as to reduce average annual growth in these rates by 2.95 percentage points, relative to the increases assumed at the November 2013 CEC. The Governor further recommends freezing (to FY 2013 levels, for one additional year) payment rates for inpatient and outpatient hospital services within both the fee-for-service and the managed care segments of the Medical Assistance program, yielding \$3.9 million in general revenue savings. Also recommended is the suspension of the rate increase to nursing care facilities scheduled for October 1, 2014, generating savings of \$3.7 million in general revenue.

Overview

Personnel: Total state personnel costs comprise 21.9 percent of total recommended spending in FY 2015. General revenue spending for personnel costs total \$887.7 million, nearly half of the total personnel costs. Actual filled positions totaled 13,947.5 FTE positions as of December 28, 2013, a 290.6 position increase from the 13,656.9 filled position level as of December 29, 2012, and 1,218.7 FTE positions below the 15,166.2 FTE positions level in July 2007. The filled FTE position level of 13,947.5 is 1,170.8 FTE positions less than the FY 2014 enacted cap of 15,118.3 FTE positions.

In the FY 2014 revised budget, the Governor recommends a FTE position level of 15,100.3, a decrease of 18.0 FTE positions from the FY 2014 enacted budget. In the FY 2015 budget, the Governor recommends a net decrease of 3.3 FTE positions from the FY 2014 revised budget, or 15,097.0 FTE positions. While maintaining an acceptable level of critical services, reducing FTE position authorization in response to completed programs, and addressing new program concerns, the Governor recommends offsetting FTE position reconciliations and vacancy reductions to maintain the overall position authorization at or near the FY 2014 enacted level.

Total personnel costs decrease \$18.5 million, or 1.0 percent, in FY 2015, as compared to the FY 2014 Revised Budget. The budget assumes no cost of living adjustment for state employees in FY 2015, given that most employee contracts expired on June 30, 2013 and are currently in renegotiation. Until the contracts are resolved, the Governor's Budget assumes no significant salary cost increases or savings.

Governor Chafee's FY 2013 Budget submission included an initiative to begin analyzing the State's personnel system to identify where improvements can be made to make it more efficient, cost effective and more agile for today's needs. The General Assembly included \$250,000 in funding to do this work, and an initial report is nearing completion. 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. Governor Chafee includes \$500,000 in FY 2014 to continue this work, focusing on reforming the classification system, which serves as the foundation for all personnel actions.

Transportation Finance: The Governor championed efforts to get Rhode Island off of the costly habit of borrowing to meet federal highway matching requirements to finance the State's highway improvement plan. To address this issue, 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 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. This results in not having to go back to voters to borrow to meet our match requirements, and over time, will reduce the amounts necessary for debt service, thereby freeing up funding for other purposes.

The Department of Transportation was also facing the same type of ongoing operating deficits that plague the State as a whole given that gas tax revenues fail to keep pace with the growth in transportation expenditures. The Governor proposed and the General Assembly enacted a plan to move debt service expenditures from the

Overview

Department to the General Fund, thereby freeing up gas-tax funded transportation resources for assisting in supporting operations and for project costs. The FY 2015 Recommended Budget continues to move debt service from the Department of Transportation's budget to the Department of Administration's general revenue funded budget. The plan decreases debt service expenses within the Transportation budget by \$10.0 million in FY 2015 and continues shifting debt service to the general fund in the out years 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 sound financial footing and providing needed resources to maintain our infrastructure.

With much of the Department of Transportation's operating deficits resolved, there is an opportunity to ensure these freed up funds are targeted to much needed infrastructure improvement. Therefore, the Governor has proposed that going forward, a portion of these resources will be dedicated to a new statewide bridge repair program to bring the State's 834 bridges in good repair over time so that these assets can last for generations to come. The Governor's FY 2015 Recommended Budget dedicates \$10.0 million in FY 2015, \$15.0 million in FY 2016 and FY 2017, and \$20.0 million in FY 2018 and thereafter for this program.

Second, the Governor has increased funding for heavy equipment for the Department of Transportation. The current fleet is in considerable disrepair, and therefore the Department is in need of heavy trucks for plowing and road maintenance, including equipment for addressing highway basin cleaning and repairs. The Governor's FY 2015 Recommended Budget includes \$12.5 million in Rhode Island Capital Plan Fund financing from FY 2015 through FY 2019, and has allocated \$12.4 million of the freed up resources from the debt service shift towards equipment purchases.

Third, the Governor has recognized the need to assist the Rhode Island Public Transit Authority improve its overall financial condition. While there is more work to be done, the Governor's resource team and new leadership have balanced the FY 2014 budget. The Governor had proposed and the General Assembly enacted transferring the cost of debt service on general obligation bonds issued on behalf of RIPTA from the Authority's budget to state general revenue in FY 2013 and FY 2014. This freed up over \$1.6 million of Authority resources in each fiscal year. The Governor proposes to transfer one additional year of debt service to the state to help RIPTA balance its budget in FY 2015. The Governor has made it clear he expects RIPTA to balance its FY 2015 budget and those in the out years without further assistance from the State.

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 2013 meeting, a forecast of the U.S. and Rhode Island economies was presented by Moody's Analytics. 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 from an economist with Moody's Analytics, and the Assistant Director for DLT's Labor Market Information unit.

The Revenue Estimating Conference adopted the economic forecast, shown at the end of this section, on November 8, 2013 through a consensus process informed by the testimony provided to the conferees. The updated economic forecast made slight changes to the consensus outlook adopted at the May 2013 Revenue Estimating Conference.

As reported at the November 2013 Revenue Estimating Conference through testimony provided by Moody's Analytics, the state's economy is being affected largely by the elevated level of political uncertainty surrounding Congressional actions with respect to the federal budget and the federal debt ceiling. Moody's Analytics testified that the "fiscal headwinds" that have been buffeting the national economy began to abate in the fourth quarter of 2013 and will continue to do so through the fourth quarter of 2014. In the November 2013 quarterly forecast report on the U.S., Rhode Island and New England economies that Moody's Analytics provides to the state, it was noted that "Rhode Island's economy is growing at a slow pace that falls short of the rate of recoveries in New England and the nation." The State's economic recovery is being slowed by not only fiscal and monetary policy uncertainty at the federal level but the paucity of quality new jobs and the "housing hangover" at the state level.

Based on testimony at the November 2013 Revenue Estimating Conference, Moody's Analytics reported that nationally businesses have never been more profitable and this profitability coupled with the fact that households have deleveraged significantly since the beginning of the Great Recession provide ample evidence that the foundation for sustainable U.S. economic growth is in place. With regard to Rhode Island, Moody's Analytics noted that credit quality has improved in the state and that construction payrolls appear to be understated based on data from the Bureau of Labor Statistics Quarterly Census of

The Economy

Employment and Wages. The combination of these two factors and an improvement in Rhode Island's personal income levels indicates that Rhode Island's economy is in position to realize increased economic growth over the near term.

According to the November 2013 quarterly forecast report of the U.S., Rhode Island and New England economies produced by Moody's Analytics, the Philadelphia Federal Reserve Bank's state coincident index, which measures state economic activity on a comparable basis for all 50 states showed that Rhode Island's economy bottomed out in 2009 at a level of 139.6. In June of 2013 the index was 150.6, a gain of 7.9 percent, providing further evidence that Rhode Island's economy is growing modestly. These findings mirror three other indices that measure economic activity in the state: the Moody's Analytics Adversity Index, the Rhode Island Current Conditions Index and the Bryant University Current Economic Indicator.

Of particular concern for Rhode Island's economy is the competition from neighboring states. As Rhode Island tries to attract new and develop existing industries, in particular biotechnology and information services, other states are doing the same. Because of these factors and the continued slow recovery of Rhode Island's economy, Rhode Island's unemployment rate is expected to remain above 9.0 percent until CY 2014 and won't fall below 6.0 percent until CY 2017. Housing prices in the State are projected to bottom out at the end of CY 2013 and show modest increases over the CY 2014 and CY 2015 periods. Personal income growth is anticipated to trail that of the U.S. for the entire forecast period.

While testimony from Moody's Analytics gave a broad picture of Rhode Island's economic conditions as of November 2013, the Rhode Island Department of Labor and Training (DLT) presented a detailed analysis of Rhode Island's labor market. DLT reported that the Rhode Island unemployment rate was 9.1 percent in August 2013, the latest data available at the time of the Revenue Estimating Conference. This is down from 10.4 percent in August 2012 but was the second straight month-over-month increase in Rhode Island's unemployment rate. For November 2013, Rhode Island's unemployment rate was 9.0 percent, a decrease of one percentage point from November 2012's unemployment rate and a decrease of 0.2 percentage points from October 2013's unemployment rate.

Rhode Island's resident employment peaked at 548,900 in December 2006. Rhode Island resident employment in August 2013 totaled 502,200, or 46,700 off the peak. According to DLT, for November 2013, Rhode Island resident employment totaled 501,300, or 47,600 below the December 2006 peak. DLT's data shows that resident employment has declined between August 2013 and November 2013. According to testimony provided by DLT at the November 2013 Revenue Estimating Conference, Rhode Island establishment employment increased over the period August 2012 to August 2013 resulting in 4,500 jobs gained.

Sector	Jobs Change	Sector	Jobs Change
Leisure & Hospitality	2,500	Natural Resource & Mining	-
Professional & Business Services	1,200	Construction	(100)
Trade, Transportation & Utilities	900	Other Services	(200)
Financial Activities	700	Education and Health Services	(200)
Government	300	Information	(800)
Manufacturing	200	Total Non-Farm	4,500

DLT staff testified further that they expect to see revisions to the June 2013 job numbers reported by the Bureau of Labor Statistics (BLS). Using a methodology developed by the University of Massachusetts, DLT staff project that total non-farm employment for the quarter ending June 2013 will be revised

The Economy

upward by 2,800 jobs. It should be noted that Moody's Analytics economic forecast incorporates upward revisions to BLS data for forecast numbers, but uses current BLS total employment numbers for historical figures. As a result, it may be the case that the growth rates contained in the forecast below will be revised downward as historical figures are revised upward. The anticipated changes to the employment number by sector for the quarter ending June 30, 2013 as calculated by DLT are shown in the table below.

Sector	Jobs Change	Sector	Jobs Change
Leisure & Hospitality	3,000	Government	(100)
Education and Health Services	600	Manufacturing	(200)
Construction	600	Information	(200)
Other Services	500	Financial Activities	(800)
Trade, Transportation & Utilities	300	Professional & Business Services	(900)
Natural Resource & Mining	-	Total Non-Farm	2,800

Source: RI Department of Labor and Training, Labor Market Information Unit, Quarterly Census of Employment and Current Employment Statistics (CES) data, Using methodology developed by the University of Massachusetts.

*Difference is a result of rounding

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 2013, total non-farm employment increased by 0.5 percent. In FY 2014, non-farm employment is expected to increase by 0.9 percent. Total non-farm employment is projected to increase by 1.9 percent from 470,102 in FY 2014 to 479,254 in FY 2015. Over the FY 2016 through FY 2019 period, Rhode Island's economy is expected to add 10,159 jobs. It should be noted that adopted growth rates indicate a positive trend from FY 2013 through FY 2016 before a slowing down in FY 2017 and FY 2018 at rates of growth of 1.5 percent and 0.5 percent respectively.

The unemployment rate for FY 2014 is projected to decline sharply from 9.7 percent in FY 2013 to 8.8 percent. As recovery takes hold, Rhode Island's unemployment rate is expected to decline rapidly from 8.8 percent in FY 2014 to 5.5 percent by FY 2019. Even at this lower rate, Rhode Island's unemployment rate will be 0.6 percentage points higher than the State's unemployment rate of 4.9 percent achieved when the economy peaked in FY 2007.

Personal income growth is expected to be 3.7 percent in FY 2014 up from the 3.1 percent growth in FY 2013. The November 2013 Revenue Estimating Conference estimates for personal income growth suggest a positive upward trend from FY 2013 through FY 2016. It should be noted that for FY 2014 through FY 2019 the adopted estimates for personal income growth are below the adopted estimates from the May 2013 Revenue Estimating Conference for the same period. The FY 2013 projected growth rate for personal income is up 1.0 percentage point from what was adopted at the May 2013 Revenue Estimating Conference of 2.1 percent. For FY 2014 the adopted November 2013 Revenue Estimating Conference estimate is 0.4 percentage points below the 4.1 percent growth rate that was adopted in May 2013. Based on the November 2013 Revenue Estimating Conference, the personal income growth rate is expected to increase to 6.3 percent in FY 2015 and remain at or above 3.7 percent throughout the remainder of the forecast period. This projection indicates that personal income growth will be weaker than what was anticipated for the FY 2015 through FY 2018 period at the May 2013 Revenue Estimating Conference.

Similarly, the November 2013 REC estimates for FY 2014 dividend, interest and rents income growth indicate a slight decrease from FY 2013 growth of 5.8 percent with accelerated growth occurring in FY 2015 and moderated growth occurring in the FY 2016 through FY 2019 period. November 2013 Revenue Estimating Conference adopted wage and salary income growth was higher in FY 2013 relative to the

The Economy

projected growth adopted in May 2013 by 1.3 percentage points. For the FY 2014 to FY 2019 period, the November 2013 Revenue Estimating Conference growth rates were revised downward in every year except FY 2015 when compared to the forecast adopted in May 2013. Wage and salary income growth is expected to see continued improvement in FY 2014 with projected growth of 4.2 percent, an increase of 1.1 percentage points from FY 2013. The rate of growth accelerates in FY 2015 to 6.7 percent and increases again in FY 2016 to 7.0 percent before decelerating in FY 2017 and FY 2018 to 5.8 percent and 4.3 percent respectively. The downward trend in wages and salaries income growth continues into FY 2019 with a projected growth rate of 3.5 percent.

The U.S. rate of inflation as measured by the Consumer Price Index for all urban consumers (CPI-U) is anticipated to decrease to 1.5 percent in FY 2014 from 1.7 percent in FY 2013. The projected decrease is mainly due to the supply of oil and other commodities increasing and becoming more stable over this period. The rate of growth in CPI-U is forecasted to increase in FY 2015 to 2.0 percent before rising to 2.3 percent in FY 2016 and 2.5 percent in FY 2017. In FY 2018 through FY 2019, inflation is expected to decelerate and settle at 2.3 percent.

From FY 2013 through FY 2015, the interest rate on three month Treasury bills is expected to remain stable at approximately 0.1 percent. In FY 2016, the interest rate on three month Treasury bills is expected to rise to 1.0 percent and increase again by 1.8 percentage points to approximately 2.8 percent in FY 2017. For FY 2018, the interest rate on three month Treasury bills climbs to 3.4 percent before stabilizing at 3.6 percent in FY 2019. The interest rate on ten year Treasury notes is expected to increase from 1.8 percent in FY 2013 to 2.9 percent in FY 2014 and continue to rise to 3.7 percent and 4.7 percent in FY 2015 and FY 2016. The interest rate on ten year Treasury notes is anticipated to increase again to 5.0 percent in FY 2017 and then decrease to 4.7 percent in FY 2018 and remain flat for FY 2019.

The Consensus economic forecast for the fiscal years 2014 through 2019 agreed upon by the conferees at the November 2013 Revenue Estimating Conference is shown in the following table.

The November 2013 Consensus Economic Forecast						
Rates of Growth (%)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Non-Farm Employment	0.9	1.9	2.3	1.5	0.5	0.0
Personal Income	3.7	6.3	6.4	5.4	4.0	3.7
Wage and Salary Income	4.2	6.7	7.0	5.8	4.3	3.5
Dividends, Interest and Rent	5.7	9.0	8.5	7.0	3.8	3.2
Nominal Rates (%)						
U.S. CPI-U	1.5	2.0	2.3	2.5	2.4	2.3
Unemployment Rate	8.8	7.7	6.6	5.7	5.4	5.5
Ten Year Treasury Notes	2.9	3.7	4.7	5.0	4.7	4.7
Three Month Treasury Bills	0.1	0.1	1.0	2.8	3.4	3.6

The Economy

Percentage Point Changes from November 2013 To May 2013 Consensus Economic Forecasts					
Rates of Growth (%)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Non-Farm Employment	-0.1	-0.1	-0.3	-0.3	-0.2
Personal Income	-0.4	-0.2	-0.4	-0.5	-0.3
Wage and Salary Income	-0.8	0.2	-0.4	-0.9	-0.6
Dividends, Interest and Rent	3.0	-1.8	-2.4	-0.8	-0.1
Nominal Rates (%)					
U.S. CPI-U	-0.4	-0.3	-0.2	0.0	0.0
Unemployment Rate	0.0	0.2	0.2	0.1	0.2
Ten Year Treasury Notes	0.3	0.1	0.0	0.1	0.1
Three Month Treasury Bills	-0.2	-0.4	-1.3	-0.9	-0.3

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.425 billion in FY 2014 and \$3.495 billion in FY 2015. Annual estimated growth during FY 2014 and FY 2015 is 3.0 percent and 2.0 percent, respectively. Estimated deposits of \$105.9 million and \$106.9 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 financed by limiting annual appropriations to 97.0 percent of estimated revenues in FY 2014 and FY 2015. The revenue estimates contained in the Governor's FY 2014 supplemental and FY 2015 recommended budgets are predicated upon the revenue estimates adopted at the November 2013 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 2014 Revised Revenues

The principals of the November 2013 Revenue Estimating Conference adopted revenue estimates that were \$45.6 million greater than the enacted FY 2014 revenue estimates, an increase of 1.4 percent. As shown in the *Changes to FY 2014 Enacted Revenue Estimates* table in Appendix A of this document, the Governor's revised FY 2014 Budget recommends a decrease of \$1.3 million in revenues.

The recommended change to the FY 2014 adopted estimates is attributable to receipts of \$5.6 million in an overdue FY 2012 Hospital Licensing Fee payment being accrued back to FY 2013. This payment was initially included in the FY 2014 general revenue estimate adopted at the November 2013 REC. Additionally, the change to the FY 2014 adopted estimates incorporates an increase of \$4.2 million from the transfer of \$925,419 in surplus funds from a restricted receipt account in the Department of Administration and the transfer of \$3.3 million in bond premiums from the Rhode Island Capital Plan Fund.

FY 2014 Revised Revenues vs. FY 2013 Final Audited

Recommended revenues for FY 2014 are based upon a \$101.3 million increase in total general revenues over FY 2013 final audited revenues, or growth of 3.0 percent. Much of this increase can be found in personal income taxes, sales and use taxes, the lottery transfer, insurance companies gross premiums taxes, alcohol taxes and other miscellaneous revenues. The increases are partially offset by a projected decrease in public utilities gross earnings and financial institutions taxes.

Personal income tax revenues continue to be the single largest source of state general revenues in FY 2014 at 32.7 percent. FY 2014 personal income tax revenues are estimated to grow at an annual rate of 3.2 percent or \$34.9 million over FY 2013 final audited personal income tax revenues. Much of this increase, 56.4 percent to be exact is due to projected increased withholding income tax payments of \$19.7 million and increased estimated tax payments of \$7.6 million. Additionally, final tax payments are expected to increase by \$3.1 million while refunds and adjustments are estimated to be \$4.7 million less than in FY 2013.

General Revenues

FY 2014 revised general business tax revenues are projected to increase by \$1.0 million or 0.3 percent. This slight change is made up of a combined \$12.0 million increase in business corporations taxes and insurance companies gross premiums taxes and an offsetting \$12.0 million total decrease in public utilities gross earnings taxes and financial institutions taxes. The remaining difference is due primarily to an increase in the health care provider assessment of \$1.0 million while bank deposits taxes are left virtually unchanged from FY 2013 final audited revenues. The largest single changes in FY 2014 general business taxes occur in insurance companies gross premiums taxes with a \$7.9 million increase from FY 2013 final audited revenues and financial institutions taxes with an \$8.3 million decrease from FY 2013 final audited revenues.

FY 2014 revised sales and use tax revenues are projected to increase by \$25.1 million or 2.9 percent, over final FY 2013 audited revenues. Sales and use taxes represent 26.4 percent of total general revenues in FY 2014 and are projected to be \$904.0 million.

Excise taxes other than the sales and use tax are expected to increase by \$11.4 million or 5.9 percent in FY 2014 over final audited FY 2013 revenues due to a projected increase in alcohol taxes of \$6.0 million and an increase in cigarette and other tobacco product taxes of \$3.8 million. The anticipated increase in alcohol taxes is the result of the increase in excise taxes on beer, still wine and high proof spirits that went into effect on July 1, 2013. FY 2014 revised motor vehicle operator's licenses and registration fees are projected to increase by \$1.4 million when compared to FY 2013 final audited revenues. Motor carrier fuel use tax revenues are estimated to increase by \$261,745 in FY 2014 when compared to FY 2013 final audited revenues.

Other taxes are projected to increase by \$3.9 million, or 10.6 percent in FY 2014 relative to final FY 2013 audited revenues. Of the total increase in other taxes, estate and transfer taxes are expected to increase by \$3.3 million, or 11.6 percent. FY 2014 realty transfer taxes are anticipated to increase by \$600,778 while FY 2014 racing and athletics tax revenues are projected to increase slightly. Racing and athletics taxes are expected to total \$1.2 million in FY 2014 an increase of 2.5 percent from FY 2013 final audited revenues. Realty transfer taxes are expected to total \$8.0 million in FY 2014, an increase of 8.1 percent from final FY 2013 audited revenues.

In the Governor's FY 2014 revised budget, departmental receipts are projected at \$354.5 million, a decrease of \$2.3 million from final audited FY 2013 revenues, a 0.7 percent decrease. The decrease in departmental receipts is attributable to the receipt of an overdue FY 2012 Hospital Licensing Fee payment of \$5.6 million being accrued back to FY 2013. The decrease in departmental receipt revenues attributable to the accrual of the FY 2012 Hospital Licensing Fee payment to FY 2013, is partially offset by the State's receipt of \$2.8 million from a legal settlement. The revised FY 2014 departmental receipt revenues are \$5.6 million below the FY 2014 revenue estimate adopted at the November 2013 Revenue Estimating Conference.

For FY 2014, total other sources general revenues are projected to increase by \$27.1 million, or 7.0 percent from final FY 2013 audited other sources general revenues. Total other sources general revenues is comprised of other miscellaneous revenues, the lottery transfer and the transfer of proceeds from the unclaimed property program administered by the Office of the General Treasurer.

Other miscellaneous revenues are projected to increase by \$7.5 million, or 180.9 percent from final audited FY 2013 other miscellaneous revenues. The revised FY 2014 other miscellaneous revenues estimate is \$4.2 million above the adopted FY 2014 estimate and is derived from two sources, a transfer from a Department of Administration restricted receipt account of \$925,419 and a transfer of bond proceeds premiums from the Rhode Island Capital Plan Fund of \$3.3 million.

General Revenues

In addition to the above general revenue components, an increase is expected in FY 2014 for the lottery transfer of \$15.0 million, or 3.9 percent from the final audited FY 2013 lottery transfer. The projected increase in the lottery transfer in FY 2014 is due to the results of the November 2013 Revenue Estimating Conference which increased the estimated transfer amount from video lottery terminals (VLTs) by \$3.3 million, from traditional lottery and monitor games by \$711,532 and from table games by \$11.0 million from final FY 2013 audited revenues. The revised FY 2014 estimate for table games increased significantly from FY 2013 final audited revenues as a result of the onset of full-time table gaming at Twin River and an increase in the number of table games in operation at Twin River effective November 29, 2013. On that date, 14 additional table games were put into operation increasing the total number of table games available at Twin River from 66 to 80.

The unclaimed property transfer to the general fund is forecasted to increase by \$4.6 million in FY 2014 or 73.9 percent from final FY 2013 audited revenues.

FY 2015 Proposed Revenues

The Governor's recommended FY 2015 budget estimates general revenues of \$3.495 billion, an increase of 2.0 percent from the revised FY 2014 level. The Governor's recommendation is comprised of \$3.338 billion of revenue estimated at the November 2013 Revenue Estimating Conference and \$156.0 million of recommended changes to the adopted estimates. These changes are shown in the schedule *Changes to FY 2015 Adopted Revenue Estimates* located in Appendix A of this document.

The largest source of FY 2015 general revenues is the personal income tax, with estimated receipts of \$1.158 billion, \$4.4 million more than the November 2013 REC adopted estimate for FY 2015 or growth of 3.4 percent from the revised FY 2014 budgeted amount. This \$4.4 million revenue increase is the result of the Governor's recommendation in FY 2015 for the addition of 10 new revenue officer positions in the Division of Taxation. The FY 2015 revenue impact of this initiative is an increase of \$2.7 million. The additional revenue officers will allow for the Division of Taxation to reduce the inventory of cases of delinquent accounts per revenue officer. In addition, the Governor recommends the creation of a statewide taskforce to combat employee misclassification. This taskforce will consist of representatives from the Department of Labor and Training, the Division of Taxation, the Rhode Island Commerce Corporation, the Office of the Attorney General, and the Rhode Island State Police. For FY 2015, this initiative is expected to increase personal income tax revenues by \$990,000. The last two proposed revenue initiatives affecting recommended FY 2015 personal income tax revenues are the establishment of a registration block on "new" registrations and the establishment of a state employee compliance project. The state employee compliance project will require all state employees, as a condition of employment, to be in compliance with Rhode Island income tax laws. The Division of Taxation indicates that approximately 850 state employees are non-compliant in filing Rhode Island state income tax returns and 187 state employees have outstanding personal income tax liabilities totaling approximately \$440,000. These two revenue proposals are projected to increase personal income tax revenues by \$268,400 and \$400,000, respectively in FY 2015.

General Business taxes are recommended to comprise 11.2 percent of total general revenue collections in the FY 2015 Budget. Business corporations tax revenues are expected to yield \$133.9 million, an increase of \$711,698 from the FY 2015 estimate adopted at the November 2013 REC. This increase is attributable to the aforementioned Governor's recommendation to add 10 new revenue officer positions in the Division of Taxation.

Insurance companies gross premiums taxes are projected to reach \$107.7 million in FY 2015, a decrease of \$961,189 from the FY 2015 estimate adopted at the November 2013 REC. This decrease is the result

General Revenues

of several initiatives designed to control escalating health care costs that are recommended by the Governor. These proposals include a managed care rate decrease yielding an estimated decline in revenues of \$433,860; an initiative to reduce the number of high utilizers of health care services resulting in a reduction in revenues of \$326,221; a hospital rate freeze estimated to reduce revenues by \$121,060; a proposal to determine the suitability of durable medical equipment purchases based on the results of U.S. Office of the Inspector General audits of such purchases, expected to decrease revenues by \$40,024; and the implementation of utilization reviews for imaging services also expected to decrease revenues by \$40,024. The recommended growth rate in FY 2015 insurance companies gross premiums tax revenues over the FY 2014 revised estimate is 7.1 percent.

FY 2015 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 2013 REC. The FY 2015 recommended growth rate for public utilities gross earnings tax revenues relative to the FY 2014 revised estimates is 1.7 percent. For financial institution taxes the recommend growth rate for FY 2015 relative to FY 2014 revised estimates is 4.7 percent. Bank deposit tax revenues are recommended to remain unchanged for FY 2015 when compared to the revised FY 2014 estimate.

The recommended FY 2015 health care provider assessment on nursing homes is forecasted to yield \$43.9 million, a decrease of \$439,368 from the estimate that was adopted at the November 2013 REC. This decrease is attributed to the estimated decline in revenues from the Governor's proposal to suspend the cost of living adjustment nursing homes are scheduled to receive October 1, 2014 and the Governor's initiative to review the financial eligibility of individuals receiving long-term care. The recommended growth rate in FY 2015 health care provider assessment revenues over the FY 2014 revised estimate is 3.0 percent.

Sales and use tax revenues are expected to yield \$937.5 million in the Governor's recommended FY 2015 budget, \$6.9 million more than was adopted at the November 2013 Revenue Estimating Conference for FY 2015. This increase is attributable to the Governor's recommendation for 10 new revenue officer positions within the Division of Taxation. The FY 2015 budget projects increased sales and use tax revenue collections of \$2.7 million from this proposal. Additionally, a revenue increase of \$2.2 million is estimated for the Governor's proposal for the inclusion of a use tax safe harbor provision on the Rhode Island personal income tax return. Rhode Island residents who purchase tangible personal property from vendors not subjecting their customers to the Rhode Island sales tax still owe the use tax on such purchases. The Governor's proposal will provide Rhode Island resident income taxpayers a table that will allow the taxpayer to estimate the use tax owed to the state based on the taxpayers Rhode Island adjusted gross income. Remittance of the use tax estimated from the chart will absolve the taxpayer from penalties on use tax owed should a Division of Taxation audit uncover use tax evasion on the part of the taxpayer. The Governor also recommends expanding the sales and use tax base to hotel room resellers and the operators of bed and breakfast inns and owners of timeshare properties. The FY 2015 budget projects increased sales and use tax revenues of \$775,652 and \$441,304, respectively from this base expansion. Finally, as part of the FY 2015 budget, the Governor recommends the passage of anti-zapper legislation. Passage of this legislation would outlaw zapper technology that effectively understates actual sales for sales tax purposes. Sales and use tax revenues are projected to increase by \$770,000 in FY 2015 as a result of the passage of this legislation. Sales and use tax revenues are anticipated to contribute 27.9 percent to recommended FY 2015 total general revenues.

Motor vehicle operator license and vehicle registration fees are forecasted to equal \$50.8 million in FY 2015, the same amount that was adopted at the November 2013 REC. Motor carrier fuel use tax revenues are projected to be \$700,000 in the recommended FY 2015 budget, the same as the estimate adopted at the November 2013 Revenue Estimating Conference.

General Revenues

Cigarette and other tobacco products tax revenues are expected to total \$133.2 million in the Governor's recommended FY 2015 budget. Recommended cigarette and other tobacco product tax revenues are estimated at \$750,000 more than the estimate adopted at the November 2013 Revenue Estimating Conference. This difference reflects the Governor's proposal to define e-cigarettes, cigarette shaped devices that deliver nicotine to the user through a vaporization process, as other tobacco products. By defining e-cigarettes as other tobacco products, e-cigarettes would be subject to the State's other tobacco products tax of 80 percent on the wholesale price of e-cigarettes. The FY 2015 recommended growth rate for cigarette and other tobacco product tax revenues is -2.3 percent from the revised FY 2014 estimate.

Alcohol tax revenues are expected to total \$17.0 million in the Governor's recommended FY 2015 budget. FY 2015 alcohol tax revenues are projected to be the same as the adopted estimate at the November 2013 Revenue Estimating Conference. The FY 2015 recommended growth rate for alcohol excise tax revenues is -6.6 percent over the FY 2014 revised estimate.

FY 2015 estate and transfer tax, racing and athletics tax, and realty transfer tax revenues are all recommended at the amounts adopted at the November 2013 REC. Estate and transfer tax revenues are estimated at \$31.8 million, racing and athletics tax revenues are expected to total \$1.1 million, and realty transfer tax revenues are estimated to generate \$8.4 million in FY 2015. Other taxes in total are expected to comprise 1.2 percent of total general revenues in FY 2015.

FY 2015 recommended departmental receipts revenues are expected to generate \$1.6 million less than the revised FY 2014 estimate. Inclusive of the Governor's proposed changes to departmental receipts revenues, total departmental receipts revenues are expected to be \$352.9 million in FY 2015, or 10.1 percent of recommended FY 2015 total general revenues. The Governor's FY 2015 recommended budget includes the reinstatement of the hospital licensing fee at the current rate of 5.246 percent applied to the current base of hospital fiscal year 2012 net patient revenues. The hospital licensing fee rate of 5.246 percent is discounted by 37.0 percent "for all hospitals located in Washington County, Rhode Island" subject to the approval of the Centers for Medicare and Medicaid Services. The 37.0 percent discount yields an effective hospital licensing fee rate for Washington County hospitals of 3.305 percent. In addition to the hospital licensing fee reinstatement the FY 2015 recommended departmental revenues figure includes the following proposals:

- An increase of \$141.3 million from reinstating the hospital licensing fee at 5.246 percent of 2012 net patient revenues, "except that the license fee for all hospitals located in Washington County, Rhode Island shall be discounted 37.0 percent";
- An increase of \$2.2 million in interest and penalties on overdue taxes from the addition of 10 new revenue officers in the Division of Taxation to assist in the collection of delinquent taxes;
- An increase of \$810,000 in interest and penalties on overdue taxes through the creation of a statewide taskforce to combat employee misclassification;
- An increase of \$219,600 through the introduction in the Division of Taxation of a registration block for "new" registrations;
- An increase of \$116,348 in the state's share of hotel taxes from the expansion of the 5.0 percent state hotel tax to hotel room resellers;
- An increase of \$66,196 in the state's share of hotel taxes from the expansion of the state's 5.0 percent hotel tax to operators of bed and breakfast inns and owners of timeshare properties; and

General Revenues

- A decrease of \$40,024 as a result of the implementation of a utilization review procedure for imaging services which will reduce the revenues received by the Department of Revenue; from the imaging services surcharge.

The FY 2015 recommended revenues for the other sources component totals \$412.5 million, a decrease of \$4.3 million, or -1.0 percent, compared to the revised revenue estimate for FY 2014. Other miscellaneous revenues are anticipated to generate \$2.5 million in FY 2015 the same level adopted at the November 2013 Revenue Estimating Conference.

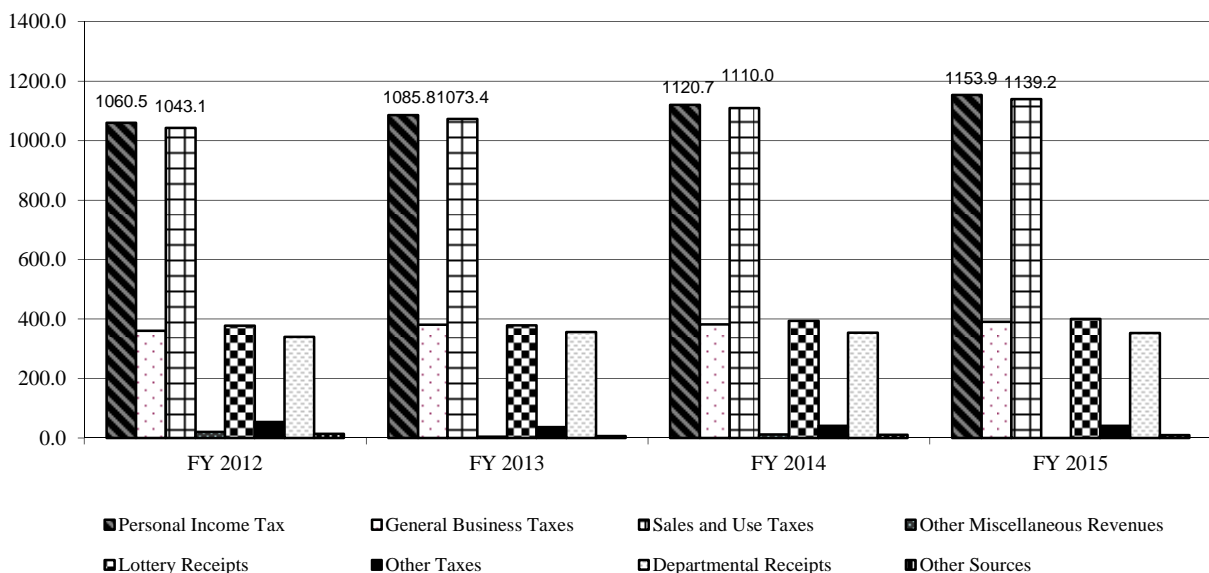
Within the gas tax transfer component, the Governor’s FY 2015 recommended budget shows no change from the FY 2014 revised estimate. Effective July 1, 2009, the state’s general fund no longer receives any of the revenues generated by the state’s \$0.32 per gallon gas tax.

Within the lottery category, the recommended FY 2015 budget is \$5.7 million more than the revised FY 2014 budget, an increase of 1.4 percent. The Governor recommended FY 2015 estimate remains unchanged from the adopted estimate at the November 2013 REC. In FY 2015, the lottery transfer is expected to be \$399.9 million and comprise 11.4 percent of total general revenues.

The final category of general revenue receipts is the unclaimed property transfer. In FY 2015, the unclaimed property transfer is expected to decrease by \$800,000, or -7.3 percent from the revised FY 2014 estimate. The unclaimed property transfer is projected to be \$10.1 million in FY 2015, and comprises 0.3 percent of all general revenues.

The chart below shows the sources of general revenues for the period FY 2012 – FY 2015. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted.

General Revenue Sources (\$ millions)



Restricted Receipts and Other Sources of Revenue

Introduction

The Governor's recommended budget proposes changes to revenue sources other than general revenues for FY 2014. The revenue estimates in the Governor's FY 2014 recommended budget contains a decrease of \$4.2 million in non-general revenue adjustments.

FY 2014 Recommended Non-General Revenues

The Governor's revised FY 2014 includes the transfer of surplus funds of \$925,419 from a Department of Administration restricted receipts account to general revenues and the transfer of \$3.3 million in 2013 general obligation bond premium proceeds from the Rhode Island Capital Plan Fund to general revenues.

All Sources

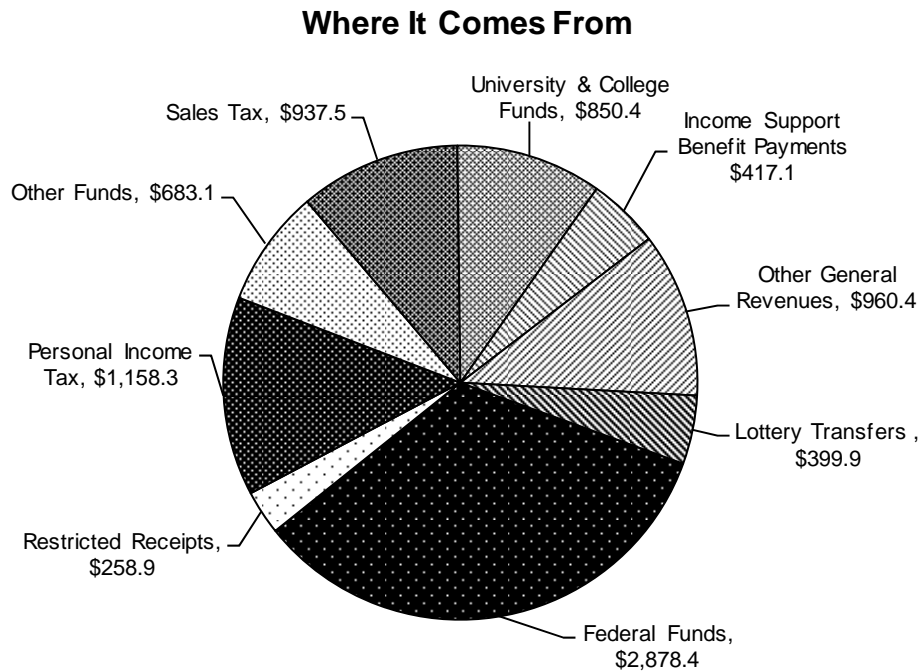
The total budget of \$8,544.0 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 33.7 percent of all funds. Over 73.5 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales Taxes combined represent 24.5 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 10.0 percent, and 4.9 percent of the total, respectively.

Remaining sources include: Other General Revenues, 11.2 percent; the Lottery Transfer, 4.7 percent; Restricted Receipts, 3.0 percent; and Other Funds 8.0 percent.



All Expenditures

The Governor's FY 2015 Budget recommendation is \$8.544 billion in all funds comprised of six functional units of state government: Health and Human Services, Education, General Government, Public Safety, Transportation, and Natural Resources.

Approximately 41.3 percent of all expenditures are for Health and 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 2015 recommended budget for all health and human service agencies is \$3.527 billion.

Approximately 27.6 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, and the Historical Preservation and Heritage Commission. The FY 2015 recommended budget for education is \$2.357 billion.

Approximately 17.7 percent of all expenditures are for General Government, which includes agencies that provide general administrative services to other state agencies, assist in developing the state's workforce, assist municipalities in achieving fiscal health, and those that perform state licensure and regulatory functions. The FY 2015 recommended budget for all General Government agencies is \$1.509 billion.

Approximately 6.2 percent of all expenditures are for Public Safety, which is the system that provides law enforcement, adjudicates justice, performs correction and rehabilitative services, and handles emergencies impacting Rhode Island's citizens. The FY 2015 recommended budget for the public safety system is \$531.4 million.

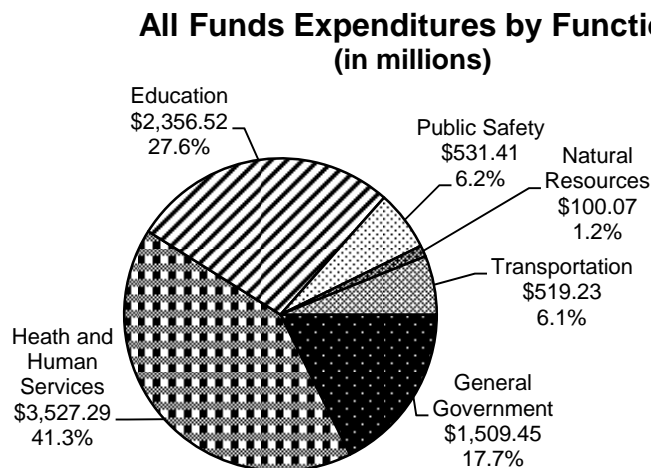
Approximately 6.1 percent of all expenditures are for Transportation, which provides for the state's maintenance and construction of a quality transportation infrastructure. The FY 2015 recommended budget for transportation is \$519.2 million.

Approximately 1.2 percent of all expenditures are for Natural Resources, which includes the Department of Environmental Management and the Coastal Resources Management Council. The FY 2015 recommended budget for natural resources is \$100.1 million.

Expenditure Summary

All funds expenditures for FY 2015 are \$8.544 billion. Of this total, \$3.456 billion, or 40.5 percent, is from general revenue, \$2.878 billion, or 33.7 percent, from federal funds, \$1.951 billion, or 22.8 percent, from other sources, and \$258.9 million, or 3.0 percent, is from restricted or dedicated fee funds.

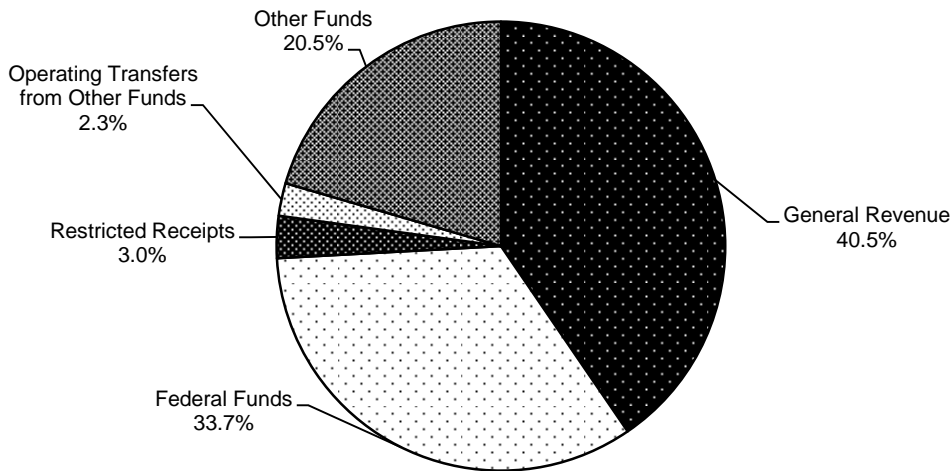
On a functional basis, the largest percentage of expenditures is in the Health and Human Services area, which comprises \$3.527 billion, or 41.3 percent of the total budget. This is followed by spending for Education of \$2.357 billion, which comprises 27.6 percent of all spending, and expenditures for General Government of \$1.509 billion, equaling 17.7 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$1.151 billion, or 13.5 percent of the total budget.



The second way to view expenditures is by major category. On this basis, the largest share of the FY 2015 budget is for assistance, grants and benefits equaling \$3.844 billion or 45.0 percent of the total. This is followed by personnel expenditures, which comprise 21.9 percent, or \$1.871 billion, and local aid expenditures, which make up 14.1 percent, or \$1.203 billion of the total budget. Expenditures for capital purchases and debt service total \$675.6 million or 7.9 percent, with the balance of spending used to finance operating expenditures and operating transfers of \$950.1 million, or 11.1 percent of the total.

Expenditure Summary

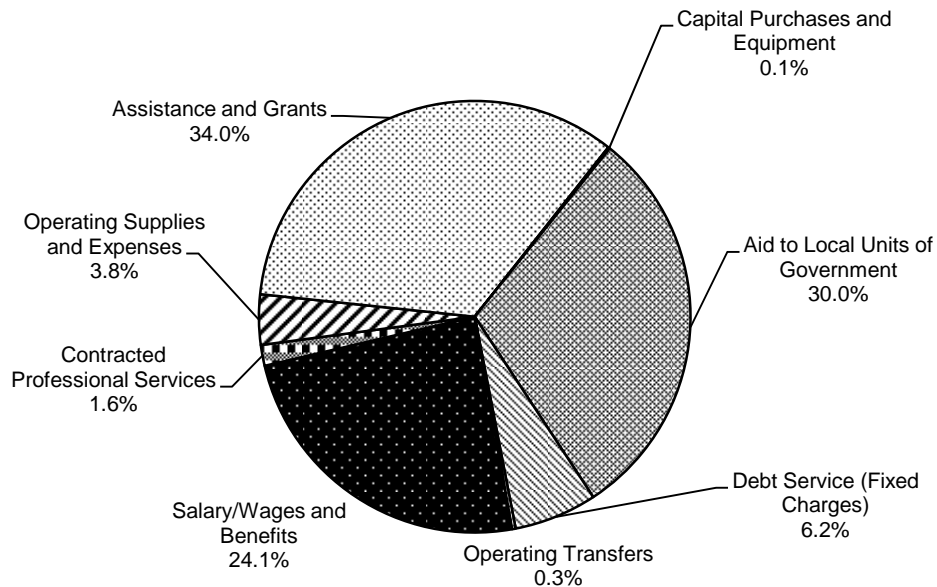
All Funds Expenditures by Source



Expenditures from general revenue total \$3.456 billion for FY 2015. By function, spending by Health and Human Service agencies represents the largest share with expenditures, totaling \$1.320 billion, or 38.2 percent of the general revenue budget. This is followed by spending for Education, which totals \$1.207 billion, or 34.9 percent. General revenue expenditures for General Government and Public Safety comprise \$475.2 million (13.7 percent) and \$415.6 million (12.0 percent), respectively. Expenditures for Natural Resources comprise \$37.1 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.

General Revenue Expenditures Statewide



Expenditure Summary

The largest components of general revenue expenditures are assistance, grants, and benefit expenditures of \$1.174 billion, comprising 34.0 percent of total general revenue spending. Local Aid expenditures of \$1.037 billion represent 30.0 percent of total spending; personnel expenditures (including contracted services) of \$887.7 million comprise 25.7 percent of the budget; capital expenditures and debt service total \$219.4 million, or 6.3 percent of the total general revenue budget; and, operating expenditures and operating transfers total \$138.7 million, or 4.1 percent of the budget.

Enacted and proposed expenditures for general revenue funds, by category of expenditure are shown in the following table:

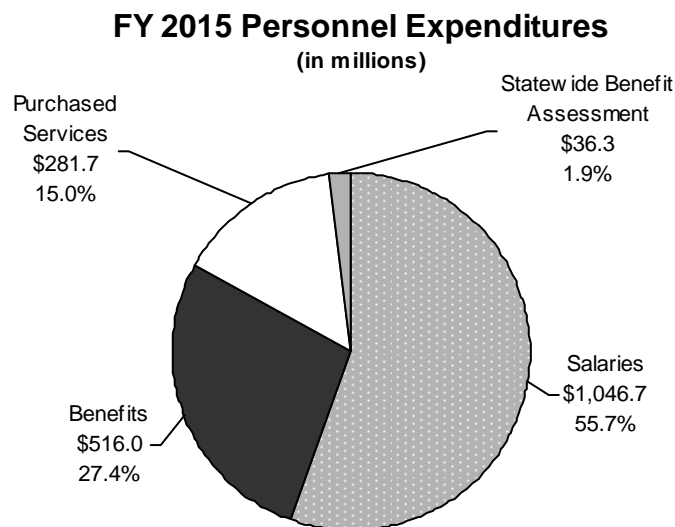
General Revenue Funds	FY 2014	FY 2014	Change	FY 2015	Change
Category of Expenditure	Enacted	Revised	from Enacted	Recommended	from Enacted
Personnel (Including Consultants)	\$866.1	\$865.7	-\$0.4	\$887.7	\$21.6
Operating Supplies and Expenses	\$128.4	\$127.8	-\$0.6	\$129.9	\$1.4
Assistance and Grants	\$1,174.0	\$1,169.4	-\$4.6	\$1,173.8	-\$0.2
Capital Purchases and Equipment	\$6.1	\$7.4	\$1.2	\$4.4	-\$1.7
Aid to Local Units of Government	\$994.6	\$991.8	-\$2.8	\$1,036.6	\$42.0
Debt Service	\$183.7	\$180.0	-\$3.7	\$214.9	\$31.2
Operating Transfers	\$6.8	\$9.6	\$2.8	\$8.8	\$2.0
Total	\$3,359.8	\$3,351.7	-\$8.0	\$3,456.1	\$96.3
<i>(in millions)</i>					

Enacted and proposed expenditures by source of funds are shown in the following table:

Source of Funds	FY 2014	FY 2014	Change	FY 2015	Change
Enacted	Revised	from Enacted	Recommended	from Enacted	
General Revenue	\$3,359.8	\$3,351.7	-\$8.0	\$3,456.1	\$96.3
Federal Funds	\$2,717.7	\$2,822.8	\$105.1	\$2,878.4	\$160.7
Restricted Receipts	\$255.0	\$279.4	\$24.4	\$258.9	\$3.9
Operating Transfers	\$146.8	\$158.1	\$11.3	\$279.4	\$132.6
Other Funds	\$1,733.8	\$1,767.5	\$33.6	\$1,671.2	-\$62.6
Total	\$8,213.1	\$8,379.4	\$166.4	\$8,544.0	\$330.9
<i>(in millions)</i>					

Personnel Summary

The Governor's FY 2015 recommended Budget finances personnel at \$1.899 billion. This includes \$1.560 billion for salary and benefits (85.0 percent) and \$281.7 million for purchased services (15.0 percent). This total includes expenditures financed from general revenue, federal grants, restricted receipts, other funds, and internal service funds. General revenue finances 47.2 percent of FY 2015 personnel expenditures. Federal funds finance 24.2 percent, Other Funds (primarily college tuition funds) and Internal Service Funds finance 23.2 percent, and restricted receipts finance the remaining 5.4 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 2015 Budget. After adjusting to reflect internal service fund personnel expenditures in the personnel category rather than as an operating expense, personnel expenditures constitute approximately 21.9 percent of the state budget, the second largest category of spending (after assistance, grants and benefits).



Personnel expenditures recommended for FY 2015 decrease by \$18.2 million from the FY 2014 revised Budget, but increase by \$45.9 million (2.5 percent) from the FY 2014 enacted Budget. From the enacted Budget, direct salaries increase by 2.1 percent, overtime increases by 4.2 percent, fringe benefits increase by 3.1 percent overall, with retiree health decreasing by 2.9 percent and retirement increasing by 3.4 percent. Medical benefits (including the medical waiver bonus) increase by 5.5 percent.

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 of Rhode Island, retired. Overall, authorized state employee full time equivalent positions declined from the FY 2008 final enacted level of 15,688.7 to 14,935.0 in the FY 2012 budget, a reduction of 753.7 positions. The FY 2013 enacted budget reversed this trend, with the addition of 141.4 FTE positions (for an FTE position level of 15,076.4) primarily in Health and Human Service agencies to meet program needs in Health, Children Youth and Families, Behavioral Healthcare, and the Office of Health and Human Services. In the FY 2014 enacted budget, the FTE level of 15,118.3 reflected further increases in Human Service and Public Safety agencies. In the FY 2014 revised Budget, however, the Governor recommends a FTE position authorization of 15,100.3, a decrease of 18.0 FTE positions from

Personnel Summary

the FY 2014 enacted Budget. In the FY 2015 Budget, the Governor recommends a further decrease of 3.3 FTE positions from the FY 2014 revised Budget, to a total of 15,097.0 FTE positions.

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 finance retiree health benefits on an actuarial basis and amortize the unfunded liability over a thirty year period. This financing 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 (OPEB)," 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 June 30, 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 percent and assumes that future financing will be on an actuarial basis. The annual required contribution as a percentage of payroll in FY 2014 is budgeted at 7.07 percent, 39.0 percent, 0.0 percent and 0.12 percent (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 finance 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 financing 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.

Actuarial valuations for the Retiree Health Fund are performed every two years and the rates determined by the valuation are used for the two fiscal years following their adoption. A valuation was completed in May 2012 for the fiscal year ending June 30, 2011 and the rates from this valuation would be used for fiscal years 2014 and 2015. Retiree health is calculated on salaries of different categories of employees, including state

Personnel Summary

employees, State Police, and judges. Due to full funding of their respective fund, no assessment is required for Legislators. The enacted FY 2014 rates reflect enactment of a proposal recommended in the Governor's FY 2014 Budget to implement a Medicare Exchange for post-65 retirees, where retirees choose between multiple Medicare supplemental plans from different insurers. Under this program, the State set up Health Reimbursement Accounts (HRAs) for retirees in the state-sponsored health plans and deposit money each month into the account. The amount would be determined by the current level of subsidy the State provides, i.e. a 100 percent subsidized retiree would receive 100 percent of the maximum HRA amount, and an 80 percent subsidized retiree would receive 80 percent of the maximum HRA amount. Approximately 5,300 post-65 retirees currently receive subsidies and an additional 2,700 non-subsidized members are on the plan (spouses and public school teachers). As a result of this proposal, an updated actuarial analysis was performed by the fund's actuary, which resulted in a revised retiree health rate in FY 2014 of 7.07 percent for state employees (from the previous level of 7.38 percent), dropping further to 6.75 percent for FY 2015.

Statewide Cost of Living Adjustment

Most current labor contracts expired as of June 30, 2012. Without a negotiated cost of living adjustment, no accommodation has been made in the FY 2015 Budget for any such increase.

Employee Medical Benefits

The FY 2014 enacted Budget for health benefit costs was predicated upon a planning value of \$17,561 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 2014, which are the rates used in the revised FY 2013 budget, are revised to a new total of \$17,246. This amount is \$315, or approximately 1.8%, less than the rates used in the enacted budget.

Based on current and projected balances in the state's Health Insurance Fund, the Governor recommends a medical holiday in FY 2014. The state is self-insured for medical benefits and develops annual working rates based upon prior claims experience, adjusted for medical inflation. This fund is used to pay insurers for medical benefits for state employees. Revenue is generated by assessing state agencies on a bi-weekly basis, by co-shares from employees and from pharmaceutical rebates. In the event that there is a surplus, the balance may be used to reduce the working rates by not charging the state agencies for medical coverage for a particular pay period, known as a medical holiday. Employees paying a co-share based on a percentage of the premium cost are also not charged for the respective pay period. Employees paying a co-share based on a percentage of their pay are still charged.

For FY 2015, the budget instructions contained an estimated planning value equal to \$18,601, an increase of 5.9 percent from the original FY 2014 enacted amount of \$17,561. This is the increase upon which the statewide target adjustment was based. Due to slower trend growth than assumed in the planning values and as a result of a new contract for administration of the state employee's medical plans, which is projected to result in lower costs to the state over the next three years, the Governor recommends lowering the projected increase in medical rates for FY 2015.

Full-Time Equivalent Positions (FTE)

The FY 2014 enacted budget contained 15,118.3 full-time equivalent (FTE) positions, including 776.2 FTE positions that are federal/sponsored research positions in Higher Education. While maintaining an acceptable level of critical services and addressing new program concerns, the Governor also recommends a reduction of 18.0 FTE positions to 15,100.3 FTE positions in the revised FY 2014 Budget. In FY 2015, the Governor recommends a total FTE position level of 15,097.0, including 642.9 Higher Education federal/sponsored

Personnel Summary

research positions, a decrease of 3.3 FTE positions from the revised FY 2014 level and 21.3 FTE positions from the FY 2014 enacted level.

In **General Government**, the Governor recommends 2,305.7 FTE positions, a net increase of 29.0 FTE positions in FY 2015 from the FY 2014 enacted budget. The largest increase is in the Department of Labor & Training, where an increase of 18.0 positions results from additional hires in the Workforce Development Services program for the Back to Work RI initiative (3.0), in the Temporary Caregiver Insurance program (7.0), as well as 7.0 interviewers in the Unemployment Insurance program and 1.0 FTE position in the Injured Workers Services program. The Governor recommends a 3.0 FTE position increase in the Department of Administration in the Office of Diversity, Equity & Opportunity. The Governor also recommends the addition of 7.0 revenue officer FTE positions in the Department of Revenue. There is also an additional FTE position in the Public Utilities Commission in the consumer unit to deal with utility shutoffs. The Governor also recommends an offsetting FTE reconciliation to maintain the overall position authorization at or near the FY 2014 enacted level.

In **Health and Human Services**, the Governor recommends 3,744.0 FTE positions; a net decrease of 3.8 FTE positions in FY 2015 from the FY 2014 enacted FTE authorization. This is comprised of reductions of 3.0 FTE positions in Health and 1.0 FTE position in Behavioral Healthcare. The Governor also recommends an offsetting FTE reconciliation to accommodate the following increases: 1) 1.0 FTE position in the Office of Health and Human Services, 2) 2.0 FTE positions in Children, Youth and Families for a community and planning services federal grant, and 3) 35.0 FTE positions in Human Services in Health Care Eligibility relating to the Unified Health Infrastructure Project, Individual and Family Support, and the Veterans' Home.

In **Education**, the Governor recommends a total authorization (non-sponsored and sponsored) of 4,644.1 FTE positions, a net increase of 2.9 FTE positions in FY 2015 from the FY 2014 enacted budget. This includes a program reduction of 16.5 FTE positions in Elementary and Secondary Education in the Administration for Comprehensive Education Strategy (ACES) program, reflecting the end of the Race to the Top initiative. The Governor also recommends the addition of 2.0 FTE positions in the Higher Education Assistance Authority to staff theWaytogoRI.org program. Public Higher Education positions have been restructured resulting in a net decrease of 1.0 FTE position. A total of 132.3 non-sponsored FTE positions are added at the University of Rhode Island and the Community College of Rhode Island, offset by reductions of 133.3 in third party sponsored research positions.

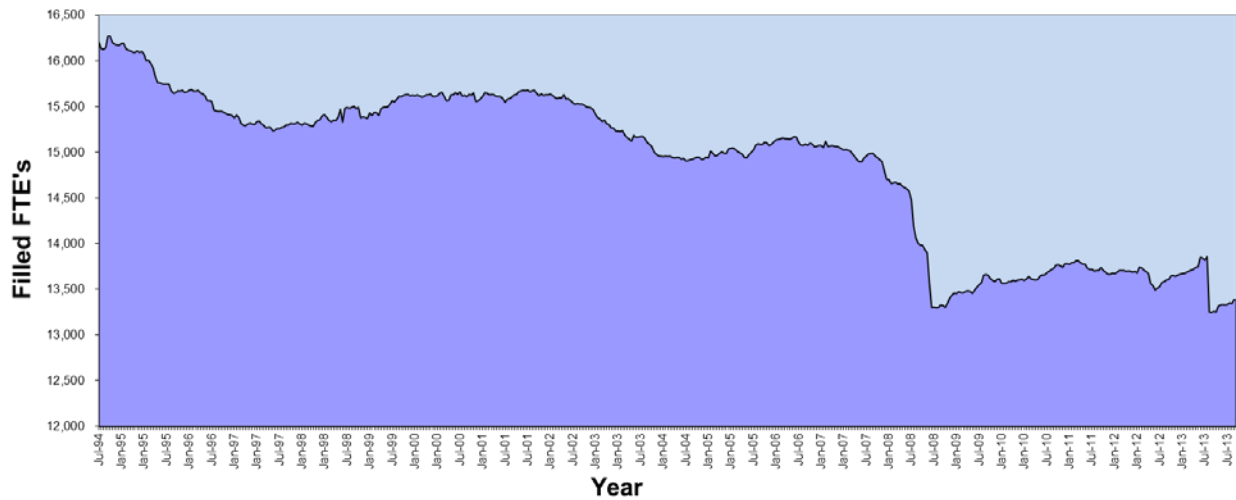
In **Public Safety**, there is a net decrease of 11.0 FTE positions to 3,222.6 in FY 2015 from the FY 2014 enacted budget in Public Safety. The Governor recommends reductions of 3.0 Capitol Police and 6.0 State Police officer FTE positions, as well as reductions of a general counsel and a Municipal Police Training Academy director position. In addition, the Governor recommends offsetting FTE reconciliation to accommodate the addition of 2.0 FTE positions in Corrections to implement the Certificate of Good Conduct program. The Governor also proposes the establishment the Rhode Island Emergency Management Agency as a stand-alone agency, split off from the Military Staff.

In **Natural Resources**, there is no net change in the FTE level of 428.0 from FY 2014 to FY 2015. The Governor recommends an offsetting FTE reconciliation to match the addition in Environmental Management of a senior reconciliation clerk, a federal-funded administrative officer, and a wildlife development officer in the Big River Management Area.

Personnel Summary

In **Transportation**, the Governor recommends 752.6, a reduction of 20.0 FTE positions in both FY 2014 and FY 2015, based on recent levels of filled positions.

As directed by the Governor, the overall filled FTE position level must be constrained through careful management by cabinet directors and other agency heads of existing and upcoming vacancies. Actual filled positions totaled 13,947.5 as of December 28, 2013, a 290.6 position increase from the 13,656.9 level in December 29, 2012, but still 1,135.3 below the 15,082.8 in July 2007. The filled level is 1,170.8 FTE positions less than the enacted cap of 15,118.3 FTE positions. Because of resource constraints, as reflected in the Governor's recommended turnover across most agencies (a total of 5.9 percent statewide), as well as the program reductions and reconciliations (54.7 in FY 2014 revised and 75.2 in FY 2015), there are FTE positions in the roster that will not be filled in FY 2014 or FY 2015.

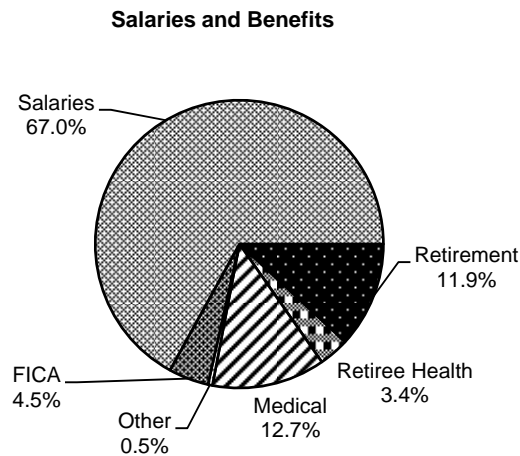


Salaries and Benefits

The largest category of personnel expenditures is for salaries and benefits. Salaries and benefits (including temporary and seasonal) represent \$1.563 billion or 83.1 percent of total personnel costs. Salaries, including payroll accrual, overtime, holiday, and other salary-related items, equal \$1.047 billion and fringe benefits equal \$516.0 million. Fringe benefit payments include \$185.9 million for retirement costs, \$198.1 million for medical benefits (including \$196.2 million for benefit plans and \$1.8 million for medical benefits-salary disbursements), \$53.9 million for retiree health benefits, \$70.2 million for FICA, and \$7.9 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 \$36.3 million, 1.9 percent of total personnel costs.

Direct Salaries increase by 4.4 percent in the FY 2014 Revised Budget over FY 2013 (audited expenditures), and increase by 1.8 percent in the FY 2015 recommended Budget over the FY 2014 revised Budget. The FY 2015 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.

Personnel Summary



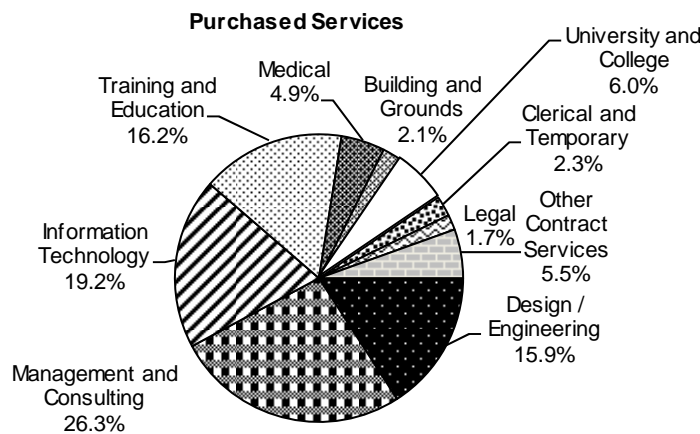
Fringe benefit adjustments increase by 8.0 percent in the FY 2014 revised Budget over FY 2013 actual expenditure and increase by a further 4.3 percent in FY 2015 over the FY 2014 enacted Budget. **Retirement** increases by 13.0 percent in FY 2014 revised from FY 2013 actual and by 2.7 percent in FY 2014 from the FY 2014 revised Budget, or 15.7 percent over the two years. This includes a one percent defined contribution addition of \$6.6 million. Within state agency budgets, state employer retirement contributions are budgeted at 24.05 percent of payroll for FY 2014 enacted and revised Budgets, but at 24.33 percent in FY 2015. **FICA** increases by 0.5 percent in FY 2014 from the enacted Budget but increases by only 1.1 percent from the revised Budget. **Retiree Health** increases by 3.4 percent in FY 2014 revised from FY 2013 actual expenditure, but decreases by 3.6 percent in FY 2015. The rate remains at 7.07 percent in FY 2014 enacted and revised, but decreases to 6.75 percent in FY 2015 for state employees.

The largest fringe benefit increase is in **medical benefits**. The FY 2014 revised Budget of \$180.5 million includes an overall increase of 7.0 percent over FY 2013 actual expenditure levels. For FY 2015, the recommendation of \$198.1 million in medical benefits is an increase of 9.7 percent from the recommended revised budget amount for FY 2014. The two year total is 16.7 percent. The increases include estimated reductions in FY 2014 due to a medical benefit holiday and changes in FY 2015 in estimated costs and program modifications associated with recent contract negotiations.

Workers' compensation costs budgeted directly in the agencies in FY 2014 and FY 2015 are \$234,832 and \$225,603 respectively and are financed primarily 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 direct salaries that is charged to every department and agency in this document. The FY 2014 revised Budget and the FY 2015 recommended Budget are 4.25 percent for regular state employees, an increase of 0.5 percentage points from the enacted level. 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

Personnel Summary

retired prior to changes in retiree health benefit provisions, which became effective October 1, 2008. The FY 2014 revised Budget is \$35.0 million, an increase of 12.9 percent from FY 2014 actual expenditure. The recommendation for FY 2015 is \$36.3 million, an increase of 3.5 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 2015 Budget total \$281.7 million, and represent 15.0 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 26.3 percent of the total), design and engineering services (comprising 15.9 percent), training and education services (comprising 16.2 percent), and information technology services (19.2 percent).

Recommended expenditures in the FY 2014 revised Budget of \$338.9 million are \$60.6 million more than FY 2014 enacted expenditures, a 17.9 percent increase in spending for services, including increases in other contract services (\$12.9 million), management and consultant services (\$6.1 million) and information technology services (\$44.2 million). A major portion of this increase is in the Health Benefits Exchange (HealthSource RI) for the development of the web-based exchange that will be available to Rhode Islanders and Rhode Island businesses. Recommended expenditures in FY 2015 are \$57.2 million less than FY 2014 revised. The greatest decreases are in information technology services (\$23.9 million), management and consultant services (\$10.3 million), other contract services (\$10.6 million), and training and education services (\$49.2 million). A major reason for the decline is the anticipated finalization of Health Benefits Exchange project work in FY 2014.

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

Personnel Summary

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.