

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2019

Gina M. Raimondo, Governor



State of Rhode Island and Providence Plantations

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Providence, Rhode Island 02903-1196
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Gina M. Raimondo
Governor

January 18, 2018

To the Honorable General Assembly:

The State of Rhode Island is stronger than it was four years ago because of critical investments we are making in job creation, job training, education and programs that support the health and wellbeing of the people of Rhode Island.

I am proposing a balanced budget for Fiscal Year 2019 that protects those investments, so we continue to improve the lives of all Rhode Islanders. This budget also closes the State's estimated budget shortfall while making smart, targeted investments in programs we know are working. I also propose new investments that build on existing programs, providing businesses with tools for job creation and economic opportunity. It is time to take Rhode Island to the next level.

In my first three years as Governor, we have worked closely together to jumpstart Rhode Island's economy. We have made Rhode Island more business-friendly, with programs and incentives that support small businesses and improve our regulatory landscape. Our work is demonstrating results:

- U.S. News and World Report ranks Rhode Island's economy as the 18th best in America.
- The U.S. Chamber of Commerce ranks us as the second-best state in the nation for innovation and entrepreneurship.
- Four years ago, Rhode Island ranked last in Gallup's jobs index. Last year, Rhode Island was ranked No. 28.

We have made real, clear progress. But we all know that change doesn't happen overnight. Our public school buildings are crumbling, with children and teachers in every school district in our state who spend their days in schools that are not safe, warm and dry. My budget includes a bold plan to make a generational investment in our school facilities, with a question on the 2018 ballot that authorizes \$250 million of General Obligation bonds for public school construction and repair over five years.

While we continue to focus on creating jobs and giving all Rhode Islanders the training and education they need to get the good jobs we're creating, we must also address the opioid and mental health crises we face in

Rhode Island and across our nation. My budget proposes a statewide resource to ensure people with urgent mental health care needs are quickly connected to care. It also funds a new program that combines job training with substance use disorder counseling.

Rhode Island's children and families also need our help. Last week, I announced a \$1.36 million investment in resources for foster families as part of our work to increase the number of children in foster care while reducing the number of children in group homes and other congregate care. All children deserve to live in a home with a stable, loving family.

I am hopeful that there will be opportunities to identify additional strategic investments before the budget is finally enacted. Under current law, the Governor's budget recommendations are based on projected revenues from the November Revenue Estimating Conference. If, however, revenues come in higher than anticipated such that there are additional resources available after the May conference, I recommend the General Assembly consider the following actions:

- Repeal the proposed transfers from quasi-public agencies;
- Reduce the minimum corporate tax to ensure Rhode Island's small businesses realize savings from federal corporate tax changes;
- Increase education funding formula categorical spending for high-cost special needs, career and technical education, and transportation;
- Increase base payment rates for certain service providers to bring home health and developmental disability (DD) direct service worker wages closer to neighboring states, and continue ensuring access to high-quality home- and community-based services for Rhode Islanders;
- Allow payments to nursing homes to increase more than the 1% currently proposed in my budget; and
- Increase funding for Rhode Island hospitals.

After a lost decade, Rhode Island is finally on the move again. We're making real progress to put Rhode Islanders back to work. I'm in this for the long haul, and I know the leaders and members of the Rhode Island General Assembly are, too.

Sincerely,



Gina M. Raimondo
Governor

Executive Summary

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Executive Summary

Introduction

Since Governor Gina Raimondo came into office in 2015, the State of Rhode Island has moved forward with a wide range of critical investments that fostered economic growth and innovation.

The state's unemployment rate – which was as high as 8.8 percent in 2014 and the highest in the nation for much of that year – has dropped to 4.3 percent. The last time Rhode Island's unemployment rate was this low was in March 2001. Economic progress continues in large part due to the key investments the State has made in education, economic development and important programs and initiatives. However, not every hard-working Rhode Islander is feeling the effects of a better economy. It's more important than ever to preserve the State's long-term investments, continue to support economic growth, and increase accessibility to education and training, connecting Rhode Islanders with the skills they need to become successful in the 21st century.

Governor Raimondo's FY 2019 \$9.37 billion budget embraces the principle that the State must continue to see its long-term investments through, while making difficult, but fiscally responsible decisions to keep Rhode Island's economy moving forward. The Governor submits a balanced budget that aims to build on the progress we've made so far and take Rhode Islanders to the next level through innovation, education and smarter, more targeted investments to help the State's most vulnerable populations. The Governor's FY 2019 Budget focuses on three key areas:

- 21st Century Education & Training
- Attracting & Retaining Jobs
- Helping Rhode Islanders In Need

More specifically, this budget includes incentives to fix Rhode Island's crumbling school buildings; invest in highly successful jobs and training programs; spur growth of in-state supply chains; improve patient access while ensuring strong controls in the state's medical marijuana system; fight the opioid epidemic; and address mental health care needs of Rhode Islanders. It also includes revenue-generating initiatives, such as sports betting and modernizing and enhancing collections within the Department of Revenue.

21st Century Education & Training

A Historic Investment in Rhode Island's School Buildings

Rhode Island's public-school buildings are in dire need of funding just to bring many of them to an adequate level where students and teachers can be safe, warm and dry.

In September 2017, the Rhode Island Department of Education (RIDE) released the 2017 State of Rhode Island Schoolhouses Report, which was compiled following an in-depth analysis of the condition of every public school facility in the state. The report found more than 50,000 deficiencies, many of them severe in nature, across Rhode Island's 306 public schools. These deficiencies range from direct threats to the health and safety of children – including the presence of hazardous materials and inadequate fire suppression systems – to programmatic deficiencies, such as a lack of adequate science labs, that speak directly to the ability of the state to prepare our students to be successful in the modern economy.

The Governor is proposing a once-in-a-generation investment to upgrade our public-school buildings across the state. Together with investments made by cities and towns, the Governor's plan sets the ambitious goal of \$1 billion in school construction activity over the next five years. To fund the first phase of this work, the Governor proposes a question on the 2018 ballot that would ask voters for authorization to issue \$250 million of General Obligation bonds for public school construction and repair over the next five years. The Governor's plan also continues the traditional Housing Aid School Construction Program, introduces

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expiring incentives targeted toward high priority projects, and introduces several national best practices to require smarter investments and cost controls.

Under the Governor's plan, each school district would see meaningful improvements to the condition of its public-school buildings, better arming students across the state with 21st century learning environments.

PK-12 Education

Rhode Island must provide students with a first-class education so they are prepared for success in the modern economy. The State has committed substantial resources for public education by adopting a funding formula that reimburses school districts according to their needs. The Governor's budget proposes to again fully fund the funding formula. In addition, this budget proposes a number of initiatives to improve K-12 education and to achieve the Governor's Third Grade Reading Goal to double the number of third graders reading at grade level by 2025:

- *Increasing Access to High Quality Pre-Kindergarten* – The Governor proposes adding \$1.1 million in state funding to increase access to high quality pre-kindergarten programs. Over four years, the state has tripled the number of pre-kindergarten seats, enabling more than 1,000 children to enroll in early learning programs. This additional funding is necessary in order to fulfill the State's commitment to provide a non-federal match for the pre-kindergarten expansion grant and to leverage \$5.6 million in federal funds. Through this increase, the State will have fulfilled its match obligations in return for a total of \$19 million in federal funding over the four-year grant program.
- *Investing in Quality Improvements in Child Care Settings* – The Governor proposes adding \$1.5 million in state funding to increase rates for high-quality infant and toddler child care settings. High-quality child care directly impacts a child's future educational success. This investment will encourage and enable providers to invest in quality improvements.
- *3rd Grade Reading Action Plan* – The Governor proposes \$100,000 of funding to invest in high quality early learning curriculum and provide support to educators to ensure coherency among curriculum practices in the early grades. This recommendation was featured in the multi-year Unified Approach Statewide Education Plan, commissioned by the General Assembly in 2016.
- *Computer Science for Rhode Island* – The FY19 budget continues the Governor's Computer Science for Rhode Island (CS4RI) initiative, investing another \$260,000 in support of further expanding computer science education across the state.

Higher Education

- *Performance Funding for Higher Education* – The Governor is proposing an investment of \$3.0 million in additional funding for our higher education institutions to incentivize high-wage, high-demand degree attainment, overall degree attainment, and other institutional-specific goals. In 2016, the RI General Assembly passed and the Governor signed the Performance Incentive Funding Act, which was designed to support the public higher education system with additional funds and promote alignment between the state's priorities for higher education and institutional policy and practice. During the FY 2018 budget cycle, the Council and Board approved performance-based funding metrics and weights for each institution, with the goal of implementation beginning in FY 2019. The funds will be distributed equally to each school upon the review of performance metrics and determination of steps toward continued improvement.
- *Dual/Concurrent Enrollment* – The Governor is proposing \$500,000 in additional funding to support the increased number of high school students taking college classes through the state's universal dual and concurrent enrollment programming. More students are expected to take advantage of the state's existing programs, which allow them to accelerate toward a post-secondary degree by earning college credits while they are still in high school.

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- *Replication of Westerly Higher Education Center Model to Northern RI* — The Governor is proposing \$4.0 million in capital funding for FY 2019 and FY20 to replicate the successful Westerly Higher Education Center by adding a second center focused on residents and employers in northern Rhode Island. The Westerly Center, which opened in 2017, connects the state’s public institutions for higher education with business, industry and community partners to provide high-quality educational programs to meet projected workforce growth in the region.
- *Child Care for Low-income College Students* – The Governor proposes \$200,000 for a pilot program allowing eligible low-income parents to receive child care assistance while they are enrolled full-time in a qualified Rhode Island public institution of postsecondary education or in workforce training programs that lead to employment. Rhode Island is currently one of three states in the country that do not allow eligible low-income parents who are college students to receive child care assistance.
- *Making Good on Rhode Island’s ‘Promise’* – To meet projected enrollment needs, the Governor proposes adding \$3.6 million to the Rhode Island Promise Scholarship fund to support the second year at the Community College of Rhode Island (CCRI). Rhode Island guarantees free tuition and fees for two years at CCRI for all Rhode Island high school graduates who enroll full-time the fall after high school graduation. Because of the Promise Scholarship, CCRI saw more than a 40% increase in the number of first-time, full-time students enroll this past Fall.

Skills Development & Training

Equally crucial to building a skilled, dynamic workforce is the State’s ability to train workers who are already out in the field or who are searching for jobs. From the very beginning, Governor Raimondo has tackled a sluggish economy from both ends – job creation and connecting Rhode Islanders with the skills they need to fill those jobs.

Designed to create and enhance a symbiotic relationship between Rhode Island employers that need talent to compete and Rhode Island workers who require specialized education and training, the *Real Jobs Rhode Island* program has been part of the state’s success story. The Governor proposes preserving that investment and expanding it to include non-traditional apprenticeships, along with new sources of funding to fuel the momentum.

Attracting & Retaining Jobs

Small Business is our Business

Small businesses make up the backbone of Rhode Island’s economy. Today, small- and medium-sized businesses employ more than 200,000 people in Rhode Island – almost half of the state’s workforce. Governor Raimondo has worked hard to secure and maintain investments that ultimately make it easier for small businesses to set up shop and expand. This budget hones in on innovative ways to boost the economy and create more jobs with a focus on small business:

- *Giving RI’s Supply Chain a Boost* – The Governor proposes \$475,000 for a new program called SupplyRI that will incentivize companies to invest locally and help build up Rhode Island’s supply chain. SupplyRI will help enable large in-state purchasers of goods and services (i.e. universities, hospitals and other large employers) to shift more spending from out-of-state suppliers to in-state suppliers. The State will connect large buyers with small local suppliers and provide courses, mentoring, and technical expertise to help small businesses develop capacity to do business with large buyers.
- *Expanding the Manufacturing Tax Credit* – The Governor proposes \$300,000 in funding to pilot the expansion of the Manufacturing Tax Credit. This tax credit encourages investment in equipment

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that can increase production and employment. The State has improved the program by making the credit usable or refundable so that more credits can be available to new and small businesses.

- *Innovating Through Research and Development* – The Governor recommends the enacted level of \$1.0 million to continue grant-making for collaboration among Rhode Island companies and research institutions through the state’s Innovation Initiative, with an added focus on company-based manufacturing research and development.
- *Developing Pad-ready Manufacturing Sites* – The Governor proposes allotting \$200,000 for the Manufacturing Site Readiness program, which would help develop an inventory of vetted, pad-ready sites in the state capable of supporting large-scale manufacturing facilities for use in economic development.
- *Increasing Small Business Loans* – A few years ago, Governor Raimondo established the state’s first small business loan program in at least a generation. In addition to adding \$500,000 to the small business loan fund, the Governor has committed to doubling the number of small business loans awarded over the next 12 months.
- *RI’s Main Streets On The Move* – The Governor proposes a fourth year of funding in the amount of \$500,000 for the Main Street RI Streetscape initiative, which ensures loans, matching grants and other forms of financing to improve the environment of local business districts by enhancing sidewalks, signage of public space and lighting. A proposed amendment to the Rebuild RI tax credit would allow credits or loans to small businesses along these Main Street corridors.

Eradicating Barriers to Business

Rhode Island residents and business leaders have repeatedly expressed their frustration with inefficient and disparate permitting systems, duplicative and confusing fee structures, and outdated business application or licensing requirements. Under the Governor’s leadership, the State has already made great strides with initiatives like e-Permitting and comprehensive reform of its regulatory landscape. The proposed Modern Economy Omnibus package includes amendments to existing legislation that simplify the process of doing business in Rhode Island and promote the modernization of the State’s economy through:

- Elimination of unnecessary and duplicative licenses;
- Removal of small fees for filing complaints or business applications;
- Consolidation or elimination of fees for secondary business activities;
- Amendment of documentation requirements to enable the digital submission of application materials;
- Elimination of unnecessary notarization and oath requirements for business owners and professionals; and
- Alignment of various certification and permit renewal periods.

Building, Design, and Fire Professionals

To improve the business climate in the state, the Governor recommends that the Office of the State Fire Marshal and the Construction Permitting, Approvals and Licensing program from the Department of Administration be consolidated with the Boards for Design Professionals within the Department of Business Regulation. All professions related to building and construction design, inspection, and enforcement of the building and fire codes will be housed within and responsible to the same agency. This new division will provide a single point of contact for building and construction professionals seeking authorization from the state, and will encompass the staffing and operations of the:

- Building Code Commission
- Contractors’ Registration and Licensing Board
- Fire Code Safety Board of Appeal and Review
- Office of the State Fire Marshal
- Boards for Design Professionals

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Wavemaker Fellowship

This program provides a financial incentive for graduates pursuing a career or starting a business in Rhode Island in technology, engineering, design and other key sectors by defraying student loan payments for up to four years. The Fellowship offers qualifying individuals a refundable Tax Credit Certificate worth the value of their annual student loan burden for up to four years. In addition to the financial benefit, fellows are invited to participate in various personal and professional development programs, social and professional networking opportunities, community-based events and more. The Governor proposes funding \$1.6 million to ensure future cohorts can benefit from this program.

Jumpstarting Business in RI

The Governor proposes adding \$1.0 million to the First Wave Closing Fund and \$1.0 million to the I-195 Fund to ensure transactions critical to the State's economy move forward by offering funding for working capital, equipment, furnishings, fixtures, construction, land acquisition, rehabilitation and other costs needed to start a business.

Providing the Assist

The Governor proposes \$200,000 for R.I. Commerce Corporation's municipal technical assistance program, which will help pilot cities and towns improve their permitting and zoning procedures and make them more efficient for businesses and other applicants.

RI Takes Flight

The Governor proposes adding \$500,000 to the Air Service Development Fund, which would go toward supporting more direct flights into T.F. Green Airport and helping Rhode Island become a hub for business activity.

Helping Rhode Islanders in Need

State government plays a key role in fostering a safe and healthy environment for all Rhode Islanders. The Governor's budget includes programs to address the State's urgent challenges among Rhode Island's most vulnerable populations, including initiatives to reduce fatal drug overdoses, respond directly to mental health needs for those in crisis, and to support the health and well-being of seniors and children.

Tackling the Opioid & Behavioral Health Crisis

Opioid-related accidental drug overdose deaths remain a public health crisis in Rhode Island. Rhode Island reported 233 overdose deaths from January to September of 2017. Governor Raimondo's Executive Order 15-14 created the Overdose Prevention and Intervention Task Force, which delivered a strategic plan to address the crisis in November 2015. Based on those recommendations, the Governor set a statewide goal of reducing the number of overdoses by one-third within three years. The Task Force has moved aggressively to implement the Overdose Action Plan strategies in four areas: prevention, rescue, treatment and recovery. In July 2017, the Governor signed Executive Order 17-07, which enhances the existing strategies of the Task Force's Action Plan. This public health crisis knows no geographic or socioeconomic boundaries. It has touched nearly every single community in Rhode Island, and necessitates a response that addresses the complex behavioral health needs that for too long have been stigmatized and ignored.

In her budget, the Governor proposes the creation of a statewide resource called Behavioral Health Link that ensures people with urgent mental health care needs are connected instantly and efficiently to the care they need. The program includes the need for a non-residential facility that would maintain up-to-date data on RI's treatment resources, divert people with mental health needs away from the justice system and include a statewide mobile outreach program that would allow mental health workers to ride with law enforcement and respond to crises. Supporting Rhode Islanders in recovery is also critical. The Governor

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proposes to make funds available for a supported employment program for those in recovery that pairs job training through a pre-apprenticeship model with substance use disorder counseling.

Graduate Medical Education (GME)

The Governor proposes \$1.5 million to increase the number of practitioners of underrepresented medical specialties, especially mental health treatment, among Rhode Island's teaching hospitals.

Providing a Safety Net for Foster Children In Transition

The Voluntary Extension of Care (VEC) program, which is federally funded, allows eligible youths aged 18 to 21 continued access to Department of Children, Youth and Families (DCYF) services.

Removing Barriers to Foster Care

The Governor proposes removing financial burdens to becoming a foster parent by increasing the rates paid to foster families. Combined with DCYF's efforts to increase home- and community-based services, the State is promoting a better home environment for children and families.

Doubling Senior Supports

The Governor proposes doubling the state's investment in Rhode Island's Senior Support Services. Senior Support Services, a program within the Department of Elderly Affairs, provides funding primarily to senior centers and other local organizations across the state. This funding allows community organizations to provide meals, social activities, educational opportunities, and health services to Rhode Island seniors.

Supporting Veterans Most in Need

The Veterans Treatment Court aims to rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans' unique challenges to reintegrate successfully into society and to maintain a productive and law-abiding lifestyle within the community. The Governor proposes shifting \$140,000 in state funding to replace federal funding that is no longer available for this vital resource.

2018 Ballot Initiatives

Fixing Rhode Island's infrastructure – whether it's through RhodeWorks or the School Construction bond proposal – has been an important piece of Governor Raimondo's plan to pull the State's economy out of the doldrums. Without safe, accessible roads and bridges, people can't get to work or open new businesses. Without modern learning environments, children can't stay competitive in a 21st century job market and the state becomes a less attractive option for businesses and individuals looking to relocate.

The Governor proposes several capital budget investments for voters' consideration in November, including:

➤ ***Improvements to the URI Narragansett Bay Campus – \$45 million***

Renovations are needed to sustain and adapt facility infrastructure on the Narragansett Bay Campus to elevate the Graduate School of Oceanography into the first tier of oceanographic institutions by:

- Supporting the research and teaching mission of the university through improved facilities
- Enhancing resiliency and ecological function through improved energy efficiency, infrastructure, land use and building consolidation.

The Narragansett Bay Campus also serves as the homeport for the GSO's research vessel, R/V Endeavor, with a pier located on the campus waterfront. One of Bay Campus's priorities is the operation and maintenance of the research vessel. The Endeavor will soon be retired and the operation of a larger vessel will be competitively bid by the national marine science entities. The

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new research vessel will be a \$125 million Regional Class Research Vessel, which will require an upgrade to the current pier and marine operations facilities.

➤ ***Renovations of Rhode Island College's Horace Mann Hall – \$25 million***

Horace Mann Hall was constructed in 1969 and is home to the Feinstein School of Education and Human Development. The existing building is in need of a full renovation. With the exception of select bathroom and classroom renovations, most parts of the building are largely original to their date of construction.

Green Economy and Clean Water Bond

Quality of life is also a factor in spurring economic growth. The Governor proposes a \$48.5 million Green Economy and Clean Water Bond that will protect our environment, support economic development, and improve the lives of Rhode Islanders. This bond will:

- Help our state adapt to changing weather conditions, including protecting our coastline, dams, and drinking water.
- Support our small family farmers by improving access to farm land. The bond will also protect vital open space in our communities and fund our successful Brownfields program, which helps to clean up contaminated industrial sites and prepare them for redevelopment.
- Improve Rhode Islanders' outdoor experiences, by investing in recreational facilities including updated bike paths, parks, playgrounds and campgrounds.

Deficit Reduction

The FY 2019 budget closes an estimated shortfall of \$204.1 million, up from the FY 2018 deficit of \$66.2 million. The Governor's budget successfully closes the projected FY 2019 deficit through a combination of expenditure reductions, new revenues and other operating changes.

Under the Governor's leadership, the State has significantly lowered its structural deficit compared to projections from when she came into office. In developing the budget, Governor Raimondo has continuously emphasized the importance of addressing the state's structural deficit. In most instances, states seek to close a structural deficit by either constraining costs to match expected revenue growth levels or expanding revenue to match expected costs. However, the size of the structural deficit – along with the State's recent history of expenditure cuts and overall state of the economy four years ago – served as significant challenges to the State's ability to use those traditional approaches.

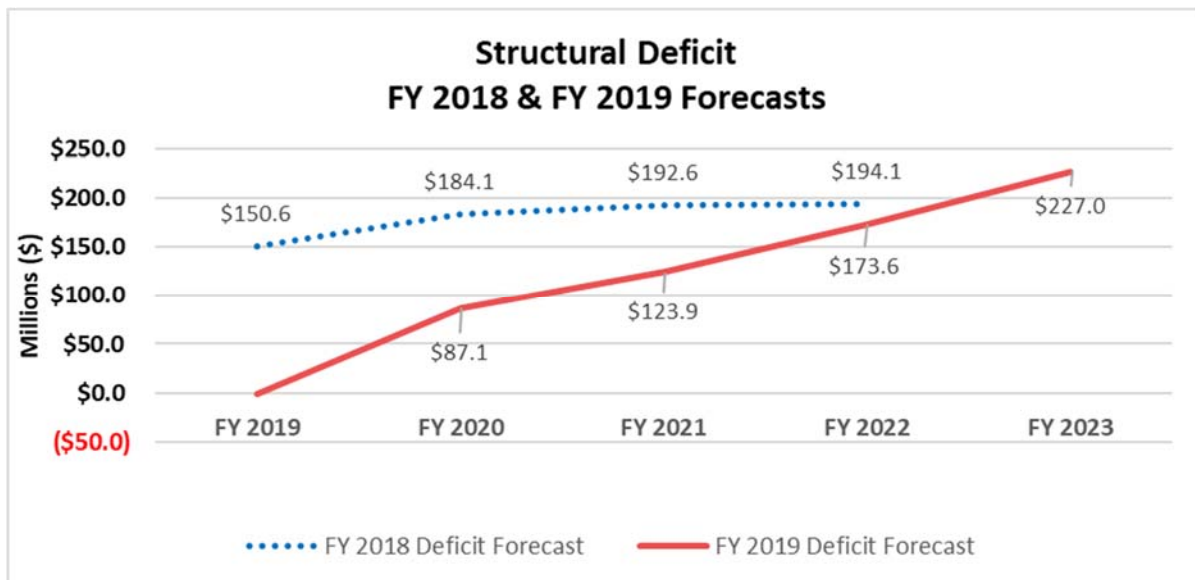
In order to effectively combat the structural deficit, the State had to create the conditions to more broadly foster economic growth and improve revenues. To accomplish that goal, and even more importantly to improve the opportunities for every day Rhode Islanders, the State needed to attract companies to invest in Rhode Island and encourage the State's existing businesses to expand and grow. For those reasons, each of the Governor's proposed budgets of the last three years has been built on creative initiatives and investments promoting economic development and expanding Rhode Island's tax base.

Despite the state's progress in cutting down the structural deficit by hundreds of millions of dollars over time, tax uncertainty and a relatively unpredictable policy environment at the national level has presented a challenging budget environment leading up to Fiscal Year 2019. Soft revenues, likely due to uncertainty at the federal level, contributed to the higher deficit. The Governor's recommended budget closes this shortfall through a combination of increased revenue – the anticipation of sports betting activities in Rhode Island and enhanced collections through the Department of Revenue – as well as expenditure reductions across state government. Specifically, the Governor proposes making strategic cuts from the Medicaid budget that protect eligibility and benefits for Rhode Islanders while increasing efficiency and holding the state's health system accountable for quality care.

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The FY 2019 Budget continues to focus on both holding down costs and creating economic growth in the out-years. Compared to FY 2018 projections the FY 2019 budget shrinks the projected FY 2020 deficit by 53 percent from \$184 million to \$87.1 million. The five-year forecast also sees decreases in later years, with the FY 2021 deficit declining 36 percent and FY 2022 dropping 11 percent.

While the FY 2019 structural deficit forecast sees decreases relative to the Governor’s proposed FY 2018 budget, it also reflects an increase in the structural deficit’s overall growth rate. This is primarily due to the multi-year phase-out of the motor vehicle excise tax. The FY 2018 enacted budget included substantial changes to the motor vehicle excise tax program, with the intent of phasing out the local tax on motor vehicles by FY 2024. The FY 2019 recommended budget includes the resources to continue the phase-out by adding \$20.2 million. The five-year forecast assumes increases of \$37.6 million in FY 2020, \$21.0 million in FY 2021, \$27.8 million in FY 2022 and \$34.6 million in FY 2023.



Overview

The FY 2019 Recommended Budget addresses a projected operating deficit of nearly \$204.1 million, while investing in key areas to improve the State's overall financial outlook. The FY 2019 Budget reflects ongoing improvements in the State's overall financial condition over the past several years. FY 2017 closed with a surplus of \$61.7 million, representing the eighth year in a row the State has closed with a strong surplus. The following outlines the FY 2018 Revised and the FY 2019 Recommended Budgets as proposed by Governor Raimondo on January 18, 2018.

Investment in Growth

The Raimondo Administration aims to rebalance state expenditures by constraining consumption-oriented spending – for example, health care and benefits programs – and increasing investments such education and workforce training, economic development, and infrastructure. The enacted FY 2018 budget included a Medicaid reform proposal to reduce consumption while increasing funds for economic development and education.

The FY 2019 budget continues the Governor's goal toward investment, specifically in elementary and secondary education, higher education, and economic development.

FY 2019 Recommended Budget: Governor Raimondo recommends an all funds budget totaling \$9,377.6 million for FY 2019, a decrease of \$84.6 million, or 0.9 percent, from the FY 2018 Revised Budget of \$9,462.2 million. The \$84.6 million decrease includes reductions of \$130.0 million in federal funds and \$44.0 million from the Rhode Island Capital Plan Fund. Offsetting these reductions are increases of \$22.6 million in general revenue, \$9.6 million from restricted receipts, and \$57.2 million from other funds. Of the \$9,377.6 million budget, \$3,829.3 million, or 40.8 percent, is from general revenue; \$3,092.1 million, or 33.3 percent, is from federal funds; \$2,170.8 million, or 23.1 percent is from other sources; and \$285.4 million, or 3.0 percent, is from restricted or dedicated fee funds. The Governor's FY 2019 Recommended Budget includes 15,426.3 authorized full-time equivalent (FTE) positions, which is 240.1 FTE positions greater than what is included in the Governor's FY 2018 Revised Budget Plan and 266.1 FTE positions more than what was included in the FY 2018 Enacted Budget.

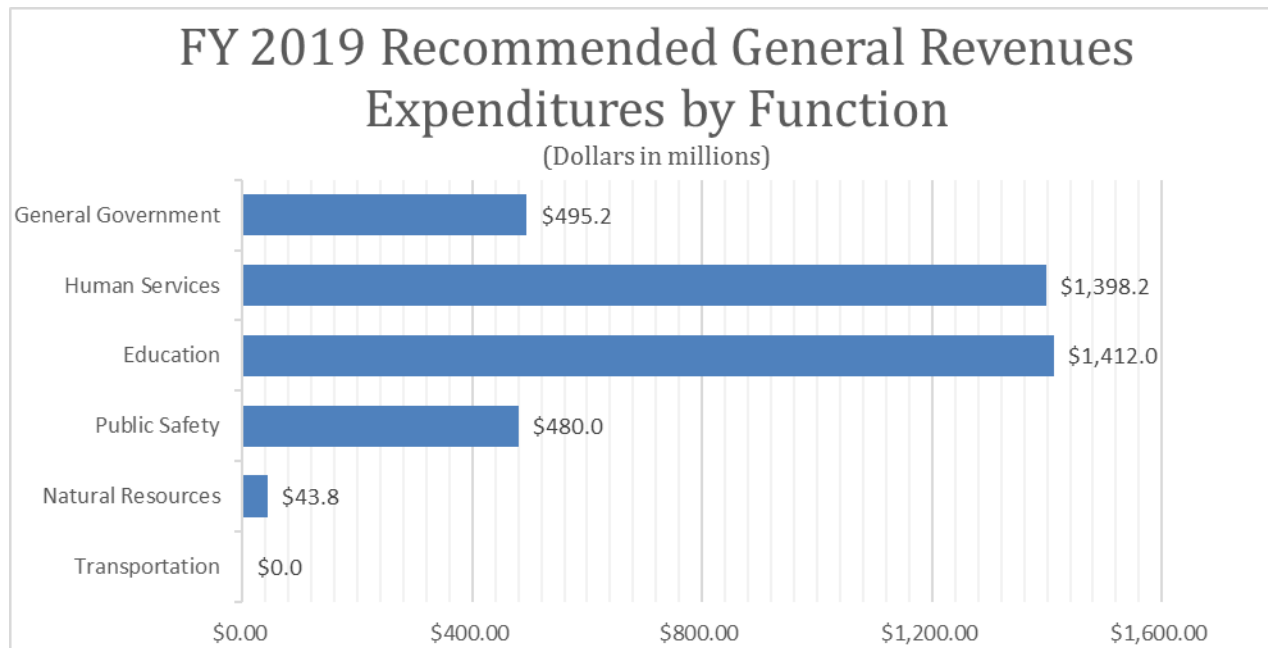
Recommended FY 2019 general revenue funding of \$3,829.3 million represents an increase of \$61.9 million, or 1.6 percent, over the FY 2018 enacted budget of \$3,767.4 million, and is 0.6 percent higher than the FY 2018 revised budget proposed by the Governor (\$3,806.7 million). Revised recommended FY 2018 federal funding of \$3,092.1 million is a decrease of \$42.1 million, or 1.3 percent, below the FY 2018 enacted budget, and is \$130.0 million below the FY 2018 revised budget (\$3,222.0 million). Other funds and operating transfers increase from \$2,079.2 million in the FY 2018 enacted budget to \$2,170.8 million in the FY 2019 Budget. Financing from restricted receipts increases from the FY 2018 enacted budget by \$23.4 million to \$285.4 million.

FY 2018 Revised Budget: Governor Raimondo recommends a revised all funds budget totaling \$9,462.2 million for FY 2018, an increase of \$219.4 million, or 2.4 percent, from the FY 2018 Enacted Budget of \$9,242.8 million. Of this total, \$3,806.7 million, or 40.2 percent, is from general revenue, \$3,222.0 million, or 34.1 percent, is from federal funds, \$2,157.7 million, or 22.8 percent, is from other sources, and \$275.8 million, or 2.9 percent, is from restricted or dedicated fee funds. The Governor's FY 2018 Revised Budget includes 15,186.2 authorized FTE positions, which is 26.0 FTE positions higher than included in the FY 2018 Enacted Budget.

Overview

Recommended FY 2018 general revenue funding of \$3,806.7 million represents a net increase of \$39.4 million, or 1.0 percent, from the FY 2018 enacted budget of \$3,767.4 million, and is 3.7 percent higher than the FY 2017 actual expenditure (\$3,672.5 million). Federal funds increase from \$3,134.1 million in the FY 2018 enacted budget to \$3,222.0 million in the revised FY 2018 budget. Other funds and operating transfers increase from \$2,079.2 million in the FY 2018 Enacted Budget to \$2,157.7 million in the revised FY 2018 budget.

Expenditure Plan by Function: Expenditures from general revenue are projected to total \$3,829.3 million for FY 2019, increasing by \$22.6 million over FY 2018 revised spending levels. Expenditures are divided into five functional areas aligned with state departments and agencies: General Government, Health and Human Services, Education, Public Safety, and Natural Resources.



Education is the largest component of State spending, totaling \$1,412.0 million, or 36.9 percent of general revenue spending. This includes state support for local education aid, support for the state university and colleges, and scholarships. The Governor’s budget implements the eighth year of the education funding formula and increases support for early childhood programs. The FY 2019 budget also increases funding to higher education by \$3.0 million for performance-based incentive funding and by \$3.6 million for the Governor’s Rhode Island Promise Scholarship program, which provides free tuition to the Community College of Rhode Island for students that meet eligibility requirements.

Health and Human Services agencies are the second largest component of the budget. General revenue expenditures total \$1,398.2 million, representing 36.5 percent of the total general revenue budget. The agencies 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. The Governor’s budget continues to constrain cost growth in these areas while focusing on improving outcomes. The budget implements Medicaid reform efforts begun in FY 2016 and continues initiatives to improve the child welfare system, state hospitals, and services provided to people with developmental disabilities.

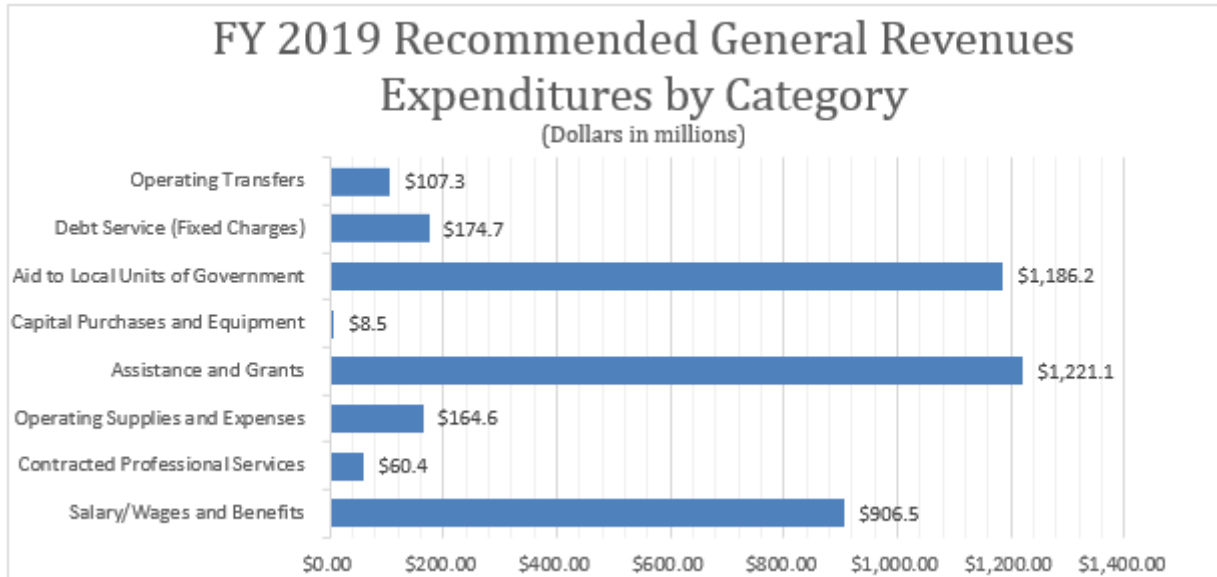
Overview

General revenue expenditures for General Government and Public Safety comprise \$495.2 million (12.9 percent) and \$480.0 million (12.5 percent), respectively. General Government include 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 \$43.8 million, or 1.1 percent of total general revenue funding. The Natural Resources function includes 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.

Expenditures by Category: General revenue expenditures are also sorted into eight categories to group similar types of expenditures across departments. The largest general revenue categories are grants, local aid and personnel. Grants and assistance expenditures total \$1,221.1 million, comprising 31.9 percent of total general revenue spending in FY 2019. Local aid expenditures of \$1,186.2 million represent 31.0 percent of total spending, which includes fully funding the eighth year of the school aid formula. Personnel expenditures and contracted services of \$967.0 million represent 25.3 percent of the budget. Operating expenditures total \$164.6 million, or 4.3 percent of the budget; and capital expenditures, including debt service, and operating transfers total \$290.5 million, or 7.6 percent of the total general revenue budget.



Expenditures on grants and benefits represent \$1,221.1 million, or 31.9 percent of general revenue spending in FY 2019. More than 90.0 percent of these expenditures occur in the Health and Human Services function. Governor Raimondo’s budget continues initiatives to control costs and deliver better health outcomes to Rhode Islanders.

Overview

Local aid represents \$1,186.2 million of general revenue spending in FY 2019, or 31.0 percent. The largest component of local aid is education aid, totaling \$1,153.1 million. General revenue funding for local education aid increases by \$18.4 million in FY 2019 over the FY 2018 revised funding level. The Governor's budget provides \$13.5 million for year eight of the K-12 education funding formula, as well as \$1.1 million more in categorical funding for early childhood programs.

The Governor recommends changes to local K-12 education aid in FY 2018 arising from proposals of the Fair Funding Formula Working Group established in late 2016 to review the existing formula. It continues to fund an English Language Learners weighting component to the formula and adjusts the allocation of funds to school districts and charter schools to reflect local costs and conditions.

The third-largest category, personnel and contracted services, includes \$967.0 million in FY 2019, or 25.3 percent of general revenue expenditures.

The Economy

Introduction

The consensus economic forecast, adopted twice a year at the Revenue Estimating Conference (REC), establishes forecasted growth rates for a variety of national and state-level economic indicators. State-level indicators include: total employment; personal income; wage and salary disbursements; dividends, interest, and rent; personal consumption expenditures; housing starts; and the unemployment rate. National indicators include the Consumer Price Index for all Urban Consumers (CPI-U).

The three REC conferees — the State Budget Officer, House Fiscal Advisor, and Senate Fiscal Advisor — use the economic indicators to estimate state revenues for the current year and the budget year. The indicators are also used to inform the state's out-year forecasts.

Economic Forecast

During testimony for the November 2017 REC, IHS Markit economists presented forecasts for the U.S. and Rhode Island economies. The Rhode Island Department of Labor and Training (DLT) presented current state employment and labor force trends. The REC conferees adopted the economic forecast through a consensus process, informed by the testimony provided to the conferees. The updated economic forecast made changes to the consensus outlook adopted at the May 2017 REC.

IHS Markit economists predicted national real GDP growth would accelerate from 1.5 percent in 2016 to 2.2 percent in 2017, and continue at 2.4 percent in 2018 and 2.2 percent in 2019. Hurricanes disrupted economic activity in the third quarter of 2017, but recovery and rebuilding are expected to boost growth in subsequent quarters. The slowdown of GDP growth in 2019 reflects the economy's proximity to maximum output as the decade ends.

Both U.S. consumer spending and employment are forecasted to grow over the next few years before slowing at the end of the decade. IHS Markit testimony indicated that consumer sentiment is upbeat, and consumer spending continues to drive national economic growth. Consumption growth is expected to hold steady with 2.7 percent growth in 2016 and 2017, before slipping to 2.5 percent and 2.3 percent in 2018 and 2019 respectively. IHS Markit economists noted that job openings are at an all-time high and the quit rate is back to normal, which suggest the economy is nearing full employment. U.S. payroll employment growth is expected to slow from 1.8 percent in 2016, to 1.5 percent in 2017, 1.3 percent in 2018, and 1.1 percent in 2019. IHS Markit testimony noted that wage growth is currently barely outpacing inflation, but the tight labor market should accelerate wage growth over the next few years. IHS Markit economists also noted that increasing demand and low inventories will encourage homebuilding. U.S. housing starts are expected to accelerate, from 1.2 million units in both 2016 and 2017 to 1.3 and 1.4 million units in 2018 and 2019 respectively.

IHS Markit testimony specified that the forecast assumes no significant changes in federal tax, infrastructure, healthcare, or international trade policies. This is a change from the May 2017 forecast which assumed a tax cut stimulus. The forecast also assumes a 25-basis-point increase in the federal funds rate in mid-December. Subsequent moves bring the policy rate to a high of 3.00 percent by 2020.

Specific to the Rhode Island economy, IHS Markit testimony noted that year to date through September the state had added 3,800 positions and the unemployment rate fell 0.8 percentage points to reach 4.2 percent. A slight dip in September employment numbers was expected to be a temporary setback. Similar to the national forecast, IHS Markit economists discussed the tightness of the Rhode Island labor market and noted that the low unemployment rate and low initial claims for unemployment insurance bode well for the

The Economy

state in the near term. Longer term, the unemployment rate is expected to rise a bit, from 4.3 percent in 2017 to 4.7 percent in 2020. Payroll growth in Rhode Island is forecasted to continue but at a relatively slow pace compared to the rest of the country; payrolls are expected to expand 0.4 percent per year on average between 2017 and 2022, ranking 48th in the United States. IHS Markit testimony indicated that the tight labor market is expected to accelerate wage growth, from 2.0 percent in 2017 to 4.3 percent in 2020, and noted that growth in personal consumption expenditures should remain steady, growing 4.1 percent in 2017 and 4.0 percent in 2020.

IHS Markit economists discussed the makeup of the state's job growth, and noted gains in the healthcare, finance, and professional business services sectors. However, going forward professional business service job gains will be concentrated in lower-skilled, lower-wage administrative support positions. Healthcare spending in Rhode Island is expected to outpace the national average, which will help drive employment gains in that sector. The retail trade sector is expected to be the biggest weak point of the labor market as sector payrolls decline 1.1 percent per year through 2022. The manufacturing sector has seen some bounce back after previous job losses, but IHS Markit forecasts these gains to taper off and cease by 2021. However, in the near term wage growth in the manufacturing sector is expected to average a relatively healthy 3.3 percent per quarter through the third quarter of 2019.

IHS Markit testimony noted some strengths in the Rhode Island economy. While IHS Markit economists discussed how future job gains in the professional business services will be concentrated in low-income support positions, they noted that the business services sector remains a key asset of the state. The management of companies segment of professional business services employment boasts a share of jobs that is 1.7 times the national average. IHS Markit predicted that business services job gains will be an important part of recovery and diversification of Rhode Island's economic base in the longer term. The firm's testimony also noted that year-to-date total passenger traffic at T.F. Green Airport through August 2017 is up nearly 17 percent over the prior year.

Similar to previous years, IHS Markit economists noted that one of the state's main weaknesses is low population growth. In 2016, Rhode Island did experience a third straight year of positive net migration flows. Net domestic migration remains negative, but migration of residents from foreign countries has helped ensure the population continues to grow. IHS Markit testimony predicted population and labor force growth of about 0.1 percent per year over the next few years, a rate that would rank Rhode Island among the lowest in the country. The firm's economists noted that Rhode Island's population is already slightly older than the country as a whole, and forecasted that the 20-29-year-old cohort will contract over the next decade.

IHS Markit testimony also discussed trends in Rhode Island's housing market, and noted that Rhode Island currently has a limited inventory of homes for sale. This has precipitated an uptick in building, with total housing starts in the third quarter of 2017 at the highest level in nearly ten years. IHS Markit economists predicted that housing starts will level off through the end of the decade and home prices should continue to appreciate, although not at the high rates seen in the past few years. Weak household formation and population growth will render the state incapable of sustaining high volumes of homebuilding over the medium-to-long term.

While testimony from IHS Markit gave a broad picture of Rhode Island's economic conditions as of November 2017, DLT presented a detailed analysis of Rhode Island's labor market. Rhode Island's unemployment rate was 4.2 percent in September 2017, the latest data available at the time of the REC. DLT noted that the last time the unemployment rate in the state was this low was in 2001, and the state has not seen a rate below 4.0 percent since June 1989. In February 2017, Rhode Island's unemployment rate

The Economy

fell below the national average for the first time since May of 2005, and as of September 2017 was in line with the national average.

The chart below shows the total labor force and number of employed residents for the period of FY 2006 through the first quarter of FY 2018.



Source: Rhode Island Department of Labor and Training, Labor Market Information, Current Employment Statistics

According to testimony provided by DLT, Rhode Island employment increased by 4,500 jobs between September 2016 and September 2017.

| Sector | Jobs Change | Sector | Jobs Change |
|---------------------------------|-------------|-----------------------------------|--------------|
| Accommodation & Food Services | 2,600 | Professional & Business Services | (1,400) |
| Construction | 2,500 | Financial Activities | (1,000) |
| Manufacturing | 1,100 | Information | (500) |
| Wholesale Trade | 900 | Retail Trade | (200) |
| Health Care & Social Assistance | 400 | Arts, Entertainment & Recreation | (100) |
| Other Services | 200 | Government | (200) |
| Private Educational Services | 100 | | |
| Transportation and Utilities | 100 | Total Non-Farm Jobs Change | 4,500 |

The November 2017 Consensus Economic Forecast

In FY 2017, total non-farm employment increased by 1.0 percent over FY 2016. In FY 2018, non-farm employment is expected to increase by 1.2 percent to 498,800 jobs. Over the FY 2018 through FY 2023 period, Rhode Island’s economy is expected to add 7,800 jobs. The adopted forecast assumes employment growth will slow from 0.5 percent in FY 2019 to 0.3 percent in FY 2021, and then hold steady for the next

The Economy

two years. The employment forecasts adopted at the November 2017 REC show slightly stronger growth when compared to the forecast adopted at the May 2017 REC, especially in FY 2018 (0.3 percentage point increase in growth).

Personal income growth is expected to be 2.8 percent in FY 2018, an increase from FY 2017's 1.4 percent growth over FY 2016. The November 2017 REC's estimates for personal income growth show a positive upward trend, peaking at 4.4 percent growth in FY 2020, before a decrease in year-over-year growth to 3.9 percent in FY 2023. The adopted estimates are downwardly revised from the estimates adopted at the May 2017 REC, with the largest revision coming in FY 2018 (1.1 percentage point decrease). Wage and salary growth was also revised downward during the November 2017 REC, especially in FY 2017 (3.1 percentage point downward revision) and FY 2018 (1.1 percentage point downward revision). Wage and salary growth is expected to increase from 3.0 percentage in FY 2018 to 4.2 percent in FY 2019, before holding steady at 4.3 percent for the next four years.

The November 2017 REC consensus estimates of 2.7 percent growth in FY 2018 for dividends, interest and rents indicates an increase over FY 2017 growth, which was 1.6 percent over FY 2016. Growth is then expected to reach a high of 6.1 percent in FY 2020 before trending downward. The adopted November 2017 REC estimates were decreased from the estimates adopted at the May 2017 REC.

The CPI-U is anticipated to dip slightly to 1.8 percent in FY 2018 from 1.9 percent in FY 2017. CPI-U is forecasted to increase to a peak of 2.6 percent in FY 2020 before stabilizing.

Personal consumption expenditure growth is forecasted to hold steady between 3.6 and 3.7 percent between FY 2018 through FY 2020, before increasing to 4.1 percent in FY 2021 and then dipping slightly. The November 2017 consensus estimates for personal consumption expenditure growth are lower than those adopted at the May 2017 REC for FY 2018 and FY 2019, and were upwardly revised for FY 2020 through FY 2022.

Housing starts are expected to bump up slightly from 1,200 in FY 2017 to 1,400 in FY 2018, before leveling out at 1,300 per year starting in FY 2020.

The Consensus Economic Forecast for the fiscal years 2018 through 2023 agreed upon by the conferees at the November 2017 REC is shown in the following table.

The Economy

| The November 2017 Consensus Economic Forecast | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Rates of Growth (%) | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Non-Farm Employment | 1.2 | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 |
| Personal Income | 2.8 | 4.0 | 4.4 | 4.3 | 4.1 | 3.9 |
| Wage and Salary Income | 3.0 | 4.2 | 4.3 | 4.3 | 4.3 | 4.3 |
| Dividends, Interest and Rent | 2.7 | 4.2 | 6.1 | 5.2 | 4.0 | 2.9 |
| Personal Consumption | 3.7 | 3.6 | 3.7 | 4.1 | 3.9 | 3.8 |
| Nominal Rates | | | | | | |
| Housing Starts (Thous.) | 1.4 | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 |
| RI Unemployment Rate (%) | 4.3 | 4.5 | 4.7 | 4.8 | 4.9 | 4.9 |
| U.S. CPI-U (%) | 1.8 | 2.0 | 2.5 | 2.6 | 2.4 | 2.5 |

The differences between the November 2017 and the May 2017 Consensus Economic Forecasts, primarily downward revisions, are shown below.

| Percentage Point Changes from November 2017 to May 2017 Consensus Economic Forecasts | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Rates of Growth (%) | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Non-Farm Employment | 0.3 | -0.1 | 0.0 | 0.1 | 0.1 | 0.1 |
| Personal Income | -1.1 | -0.5 | -0.2 | 0.0 | -0.1 | -0.3 |
| Wage and Salary Income | -1.1 | -0.5 | -0.2 | -0.2 | -0.1 | -0.2 |
| Personal Consumption | -1.9 | -1.3 | 0.1 | 0.8 | 0.5 | -0.2 |
| Dividends, Interest and Rent | -0.2 | -0.8 | -0.7 | -0.3 | -0.4 | -0.4 |
| Nominal Rates | | | | | | |
| Housing Starts (Thous.) | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RI Unemployment Rate (%) | 0.0 | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 |
| U.S. CPI-U (%) | -0.3 | -0.1 | -0.2 | -0.2 | -0.4 | -0.2 |

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.852 billion in FY 2018 and \$3.948 billion in FY 2019. Annual estimated growth during FY 2018 and FY 2019 is 4.6 percent and 2.5 percent, respectively. Estimated deposits of \$117.4 million and \$118.5 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 2018 and FY 2019. The revenue estimates contained in the Governor's FY 2018 supplemental and FY 2019 recommended budgets are predicated upon the revenue estimates adopted at the November 2017 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 2018 Revised Revenues

The principals of the November 2017 Revenue Estimating Conference adopted revenue estimates that were \$10.3 million less than the enacted FY 2018 revenue estimates, a decrease of 0.3 percent. As shown in the *Changes to FY 2018 Enacted Revenue Estimates* table in Appendix A of this document, the Governor's revised FY 2018 Budget recommends an increase of \$28.0 million in revenues over the amount adopted at the November 2017 Revenue Estimating Conference.

The recommended change to the FY 2018 adopted estimates is attributable to six items. The first item is a reduction of the transfer to the Rhode Island Highway Maintenance Account of motor vehicle license and registration fees from the enacted amount of eighty percent to sixty percent. This increases general revenue by \$10.3 million in FY 2018. The second item impacts other miscellaneous revenue and consists of the transfer of excess reserves totaling \$18.6 million from five quasi-public agencies: Rhode Island Housing, \$5.0 million; Rhode Island Infrastructure Bank, \$5.0 million; Rhode Island Student Loan Authority, \$3.0 million; Rhode Island Resource Recovery Corporation, \$3.0 million; and Rhode Island Turnpike and Bridge Authority, \$1.5 million. The third item is the transfer of surplus fee revenues from two divisions of the Department of Business Regulation: a transfer of \$800,000 from the Division of Commercial Licensing & Gaming & Athletics and a transfer of \$750,000 from the Division of Insurance Regulation. The fourth item is a transfer of residual revenue from the former Rhode Island Water Resources Board Corporate of \$1.1 million. The fifth item is a reclassification of the Office of Management and Budget's fraud initiative from revenue to an expenditure credit, resulting in a decrease in general revenue of \$5.0 million. The sixth item increases other miscellaneous revenue and the lottery transfer, respectively, due to a \$2.0 million transfer from Twin River to Rhode Island Lottery and a \$612,783 reduction in operating expenses by Rhode Island Lottery.

FY 2018 Revised Revenues vs. FY 2017 Final Audited

Recommended revenues for FY 2018 are based upon a \$168.1 million increase in total general revenues over FY 2017 final audited revenues, or growth of 4.6 percent. Much of this increase is attributable to projected increases in personal income taxes, business corporation tax, and sales and use taxes. However,

General Revenues

these increases are partially offset by decreases in motor vehicle license and registration fees and estate and transfer taxes.

Personal income tax revenues continue to be the single largest source of state general revenues in revised FY 2018 at 33.7 percent. Revised FY 2018 personal income tax revenues are estimated to grow at an annual rate of 4.5 percent or \$55.5 million above FY 2017 final audited personal income tax revenues. Much of this increase is due to a projected \$51.8 million increase in withholding payments and a \$9.1 million increase in estimated payments, which are expected to grow at 4.6 percent and 3.9 percent respectively. However, these increases are partially offset by an additional \$9.7 million in refund payments. Final payments are expected to increase by \$1.4 million compared to FY 2017 final audited revenues, and there was a \$2.9 million positive adjustment in the net accrual.

FY 2018 revised general business tax revenues are projected to increase by \$42.3 million or 10.6 percent. The change is made up of a \$31.9 million increase in business corporation tax revenue along with a combined increase of \$11.1 million in public utilities gross earnings taxes, insurance company gross premiums taxes, and the health care provider assessment. These increases are offset by a \$760,163 combined decrease in financial institutions taxes and bank deposit taxes.

FY 2018 revised sales and use tax revenues are projected to increase by \$54.8 million, or 5.5 percent, over final FY 2017 audited revenues. Sales and use taxes represent 27.3 percent of total general revenues in FY 2018 and are projected to be \$1,053.0 million.

Excise taxes other than the sales and use tax are expected to decrease by \$2.0 million or 1.1 percent in revised FY 2018 over final audited FY 2017 revenues. This change is largely driven by a projected decrease in motor vehicle operator license and registration fees of \$5.4 million. The decrease in motor vehicle operator license and registration fees is largely due to the fact that in revised FY 2018 sixty percent of these fees are being removed from general revenue and placed in the Rhode Island Highway Maintenance Account (RIHMA) which is slightly more than the 50 percent of fees that were deposited in RIHMA in audited FY 2017. Cigarette excise taxes are expected to increase by \$2.8 million in FY 2018 revised over final audited FY 2017 revenue due to an increase in the cigarette excise tax of \$0.50 per pack.

Other taxes are projected to decrease by \$45.2 million, or 45.6 percent in revised FY 2018 relative to final FY 2017 audited revenues. Of the total decrease in other taxes, estate and transfer taxes are expected to decrease by \$46.0 million or 53.9 percent. This sizeable decrease is largely explained by the fact that state received substantial estate and transfer tax payment(s) totaling \$58.0 million which were accrued back to FY 2017 and similar payments are not expected to recur in FY 2018. Revised FY 2018 realty transfer taxes are anticipated to increase by \$910,732 while racing and athletics tax revenues are projected to decrease slightly.

In the Governor's FY 2018 revised budget, departmental receipts are projected at \$387.0 million, an increase of \$16.9 million from final audited FY 2017 revenues, representing an increase of 4.6 percent. The large majority of this increase can be accounted for by the hospital licensing fee which is expected to generate \$13.0 million more in revised FY 2018 vs. final audited FY 2017.

For revised FY 2018, total other sources general revenues are projected to increase by \$45.9 million, or 11.8 percent from final FY 2017 audited other sources general revenues. Total other sources general revenue 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.

General Revenues

Other miscellaneous revenues are projected to increase by \$42.9 million, or 353.7 percent from final audited FY 2017 other miscellaneous revenues. This large increase is explained by the fact that the FY 2018 revised budget includes \$47.6 million in transfers of excess reserves from various quasi-public agencies. In addition, an increase is expected in FY 2018 revised for the lottery transfer of \$5.1 million, or 1.4 percent, from the final audited FY 2017 lottery transfer. Revenues from video lottery terminals (VLTs) are projected to increase by \$793,901, or 0.3 percent, over FY 2017 final audited revenues. Revenues from table games are projected to increase by 6.4 percent, an increase of \$1.1 million over FY 2017 final audited revenues. Traditional lottery and monitor games revenues are projected to increase by 5.7 percent, or \$3.2 million, over FY 2017 final audited revenues.

The unclaimed property transfer to the general fund is forecasted to decrease by \$2.1 million in FY 2018 or 16.7% percent from final FY 2017 audited revenues.

The revised FY 2018 other sources general revenues is \$17.7 million above the FY 2018 revenue estimate adopted at the November 2017 Revenue Estimating Conference. This change results from the items described above, including the transfer of excess reserves, transfer of surplus fee revenue from the Department of Business Regulation, reclassification of the fraud initiative to expenditure credit, transfer of a negotiated payment from Twin River, and an increase in the lottery transfer due to a reduction in operating expenses.

FY 2019 Recommended Revenues

Total General Revenue

The Governor's recommended FY 2019 budget estimates general revenues of \$3.948 billion, an increase of 2.5 percent from the revised FY 2018 level. The Governor's recommendation is comprised of \$3.682 billion of revenue estimated at the November 2017 Revenue Estimating Conference (REC) for FY 2019 and \$266.8 million of recommended changes to these adopted estimates. These changes are shown in the schedule *Changes to FY 2019 Adopted Revenue Estimates* located in Appendix A of this document.

Personal Income Tax

The largest source of FY 2019 general revenues is the personal income tax. The Governor recommends personal income tax revenues of \$1.365 billion in FY 2018, \$4.4 million more than the estimate adopted at the November 2017 REC and reflecting anticipated growth of 5.1 percent from the revised FY 2018 budgeted amount. The Governor recommends the following changes to the November 2017 REC adopted estimate for FY 2019 personal income tax revenues:

- The Governor recommends restructuring the Department of Revenue's Division of Taxation to improve the productivity of the discovery, collections, and audit functions. This initiative will result in the hiring of additional revenue officers, revenue agents, taxpayer service specialists, audit leads, data analysts, and information technology support. The addition of these positions is estimated to have a total revenue impact of \$13.5 million divided among personal income tax, business corporation tax, sales and use tax, and interest on overdue taxes (which is categorized under departmental receipt fines and penalties). The estimated impact on FY 2018 personal income tax revenue is an increase of \$4.4 million. Impacts on the other revenue streams are described in each relevant section below.

General Revenues

General Business Taxes

General Business taxes are recommended to comprise 11.5 percent of total general revenue collections in the FY 2019 Budget. Business corporation tax revenues are expected to yield \$162.1 million, an increase of \$1.6 million from the FY 2018 estimate adopted at the November 2017 REC. This increase is attributable to the following initiatives:

- The Governor recommends restructuring the Department of Revenue's Division of Taxation to improve the productivity of the discovery, collections, and audit functions as noted above. This is expected to have an impact of \$1.1 million in additional business corporation tax revenue resulting from enhanced compliance with current tax policy.
- The Governor recommends repealing the Jobs Training Tax Credit, effective for tax years beginning on or after January 1, 2018, which is expected to increase business corporation tax revenue by \$450,000.

Insurance company gross premiums tax revenues are projected to reach \$128.7 million in FY 2019, a decrease of \$2.9 million from the FY 2019 estimate adopted at the November 2017 REC. This decrease is due to the Governor recommending the following initiatives:

- The Governor recommends a collection of Executive Office of Health and Human Services initiatives, eleven of which will decrease insurance company gross premiums tax revenue. The eleven initiatives that will result in decreases are: (1) Dual eligible and long term services and supports (LTSS) redesign, \$(307,736); (2) eliminate state-only funded contracts and services; \$(53,890); (3) eliminate inpatient upper payment limit funding; \$(281,284); (4) freeze hospital rates; \$(309,050); (5) modernize LTSS eligibility integrity, \$(222,700); (6) managed care organization administrative rate reduction; \$(111,266); (7) managed care organization medical rate reduction, \$(880,222); (8) managed care organization profit margin rate reduction, \$(409,468); (9) non-emergency medical transportation reform, \$(190,377); (10) reallocate Perry Sullivan funding, \$(124,000); and (11) revenue maximization, \$(45,896).

The health care provider assessment is projected to reach \$45.2 million in FY 2019, a decrease of \$2.1 million from the FY 2019 estimate adopted at the November 2017 REC. This decrease is due to the Governor recommending the following initiative:

- The Governor recommends increasing nursing home rates by 1.0 percent, effective October 1, 2018. This is expected to reduce health care provider assessment revenue by \$296,799.

The Governor's FY 2019 recommended revenues for the public utilities gross earnings tax, the financial institutions tax, and the bank deposits tax remain at the same level as adopted at the November 2017 REC.

Sales and Use Tax

Sales and use tax revenues are expected to yield \$1.102 billion in the Governor's recommended FY 2019 budget, \$20.4 million more than was adopted at the November 2017 REC for FY 2019. The increase is reflective of the Governor recommending the following initiatives:

- The Governor recommends restructuring the Department of Revenue's Division of Taxation to improve the productivity of the discovery, collections, and audit functions as noted above. This is expected to have an impact of \$4.4 million in additional sales and use tax revenue resulting from enhanced compliance with current tax policy.

General Revenues

- The Governor recommends modernizing the sales tax to include Software as a Service (SaaS), which is expected to yield an additional \$4.8 million in sales and use tax revenue in FY 2019.
- The Governor recommends including security services, such as armored car services, within the sales tax, which is expected to yield an additional \$9.7 million in sales and use tax revenue in FY 2019.
- The Governor recommends changes to the medical marijuana program which will lead to increases in sales and use tax revenue, compassion center surcharge revenue (which is classified as a departmental receipt), and application and license fees classified as other miscellaneous revenue. The three changes to the program that have an impact on sales and use tax revenue are the licensing of twelve new retail-only compassion centers (leading to greater retail sales that generate an additional \$1.1 million in sales and use tax revenue), classifying acute pain as an eligible condition (\$180,565 in additional sales and use tax revenue), and allowing Connecticut and Massachusetts cardholders to purchase at Rhode Island compassion centers (\$248,157 in additional sales and use tax revenue).
- In addition, the proposed cigarette excise tax increase of \$0.25 per pack (see below) is expected to reduce sales and use tax revenue by \$22,458.

Excise Taxes Other than Sales and Use Taxes

The Governor recommends FY 2019 excise taxes other than sales and use taxes totaling \$169.5 million or \$9.3 million more than was adopted at the November 2017 REC for FY 2019.

The Governor recommends motor vehicle license and registration fees in FY 2019 in the amount of \$3.1 million more than the estimate adopted at the November 2017 REC for FY 2019. The Governor recommends two initiatives that will increase motor vehicle license and registration fees as described below:

- The Division of Motor Vehicles projects additional revenues following the launch of REAL-ID compliant licenses as Rhode Islanders seek to exchange their existing license for the new one. The Governor recommends keeping the fees from these transactions as general revenues (as opposed to transferring them to the Rhode Island Highway Maintenance Account (RIHMA) to pay for additional staff at the DMV to ensure a seamless transition to REAL-ID.
- The Governor recommends consolidating the duplicate license fee and the update fee, and keeping those fees as general revenues (as opposed to transferring them to RIHMA) for the same reason. This adds an additional \$1.0 million in motor vehicle license and registration fee revenue.

The Governor recommends cigarette excise taxes in FY 2019 in the amount of \$145.7 million or \$6.2 million more than the estimate of \$139.5 million adopted at the November 2017 REC for FY 2019. The Governor recommends three initiatives that will increase cigarette excise tax revenues as described below:

- The Governor recommends increasing the excise tax on cigarettes to \$4.50 per pack from \$4.25, effective August 1, 2018. The increase in the cigarette excise tax is expected to result in a \$3.9 million increase in FY 2019 recommended cigarette excise tax revenues. This expected increase is comprised of \$3,165,631 in increased cigarette excise tax revenues and \$730,241 from the cigarette floor stock which is triggered when there is an increase in the cigarette excise tax rate.

General Revenues

- The Governor recommends imposing the other tobacco products tax on electronic nicotine delivery systems (also called e-cigarettes or vaping). This is expected to increase other tobacco product revenue by \$720,174.
- The Governor recommends the changing the other tobacco products tax per cigar cap from \$0.50 to \$0.80, resulting in \$551,306 in additional revenue.
- The Governor recommends requiring all dealers of other tobacco products to purchase such products only from dealers licensed by the state, resulting in an additional \$1.0 million in other tobacco products tax revenue.

The Governor's FY 2019 recommends revenues for the alcohol excise tax at the same level as adopted at the November 2017 REC.

Other Taxes

The Governor's FY 2019 recommended revenues for the estate and transfer tax, racing and athletics tax, and realty transfer tax remain at the same levels as adopted at the November 2017 REC.

Departmental Receipts

The Governor's FY 2019 recommended departmental receipts revenues of \$397.7 million are \$10.7 million more than the revised FY 2018 estimate, and represent 10.1 percent of recommended FY 2019 total general revenues. The proposed FY 2019 departmental receipts revenue estimate is \$194.7 million above the FY 2019 departmental receipts estimate adopted at the November 2017 REC. The Governor's FY 2019 recommended total for departmental receipts revenues includes the following proposals:

Licenses and Fees

- The Governor recommends reinstating the hospital licensing fee on the hospital FY 2016 base year at a rate of 5.856 percent. This is expected to result in an increase of \$182.0 million in FY 2019 recommended departmental receipts revenues.
- The Governor recommends aligning two fees administered by the Department of Business Regulation to the rates of neighboring states: an increase in the annual mutual fund retailer's registration fee from \$1,000 to \$1,500, which is expected to yield an additional \$4.6 million in revenue in FY 2019, and an increase in the insurance claims adjuster license fee from \$150 to \$250, which is expected to yield an additional \$3.0 million in revenue in FY 2019.
- The Governor recommends changes to the medical marijuana program that, as described above, will increase compassion center surcharge revenue in FY 2019 by \$873,524. Those changes are twelve additional retail-only compassion centers (leading to an increase in surcharge revenue of \$628,541), adding acute pain as an eligible condition (\$103,180 in additional revenue), and allowing Connecticut and Massachusetts patients to purchase in Rhode Island (\$141,804 in additional revenue).
- The Governor recommends a small business friendliness omnibus initiative from the Commerce Corporation. Four proposals included in this initiative have an impact on departmental receipts in FY 2019: elimination of the annual \$160 retail frozen dessert processor license fee, \$(80,000); elimination of the \$50 per chair/station fee for hair design shop licenses, \$(60,000); reduction of the wholesale food processor license fee from \$500 to \$300, \$(104,200); and increase in the certified food safety license from three years to five years, \$(60,000).

General Revenues

- The Governor's budget also includes a placeholder for the current law regarding the registration reinstatement fee for inspection sticker suspensions (presently on hold pending decision by the General Assembly on the amount of the fee), which is, under current law, expected to increase departmental receipts revenue by \$2.6 million in FY 2019.

Fines and Penalties

- The Governor recommends increasing child care violation fines, resulting in \$5,500 in additional departmental receipts revenue in FY 2019.
- The Governor recommends restructuring the Department of Revenue's Division of Taxation to improve the productivity of the discovery, collections, and audit functions as noted above. Because this initiative is expected to result in the collection of overdue taxes, it is estimated that this initiative will increase departmental receipts revenue by \$3.6 million in FY 2019.

Sales and Services

- The Governor recommends delaying the motor vehicle license plate reissuance from January 2019 to January 2020, which is expected to decrease FY 2019 recommended departmental receipts revenues by \$1.8 million.

Miscellaneous

- The Governor recommends adding bank examiner positions at the Department of Business Regulation, which is expected to increase FY 2019 recommended departmental receipts revenues by \$284,310.

Other Sources

The FY 2019 recommended revenues for the other sources component of total general revenues totals \$413.8 million, a decrease of \$19.6 million, or 4.5 percent, compared to the revised revenue estimate for FY 2018. The FY 2019 recommended revenues for other general revenue sources are \$39.6 million above the estimate of \$374.2 million adopted at the November 2017 REC for FY 2019. Other sources of general revenue are comprised of the lottery transfer, other miscellaneous revenues and the unclaimed property transfer. The Governor's proposed changes contained in the FY 2019 recommended budget impacting the other miscellaneous revenues component within other sources of revenue are listed below:

- The Governor recommends a transfer from the Departments of Business Regulation and Health for excess funds in the departments' restricted receipts accounts for medical marijuana regulation. This transfer is expected to increase FY 2019 recommended other miscellaneous revenues by \$2.6 million. This excess, which is net of new expenditures, is driven by new fees resulting from the changes to the medical marijuana program described above. This revenue is made up of new licensing and application fees from the issuance of twelve new retail-only compassion center licenses, \$1.3 million; fees from new medical marijuana manufacturing and research and development licenses, \$1.2 million; and fees from new patient cardholders who now qualify for a temporary patient card because of an acute pain diagnosis, \$125,917.
- The Governor recommends the establishment of a centralized collections unit in the Department of Revenue, which is expected to increase FY 2019 recommended other miscellaneous revenues by \$1.3 million.
- The Governor recommends transferring \$3.0 million in excess reserves from the Rhode Island Resource Recovery Corporation.

General Revenues

- The Governor recommends transferring \$5.0 million in excess reserves from Rhode Island Housing.

The Governor recommends lottery revenues in FY 2019 in the amount of \$391.2 million or \$27.6 million more than the estimate of \$363.6 million adopted at the November 2017 REC for FY 2019. The Governor recommends two initiatives that will increase lottery revenues:

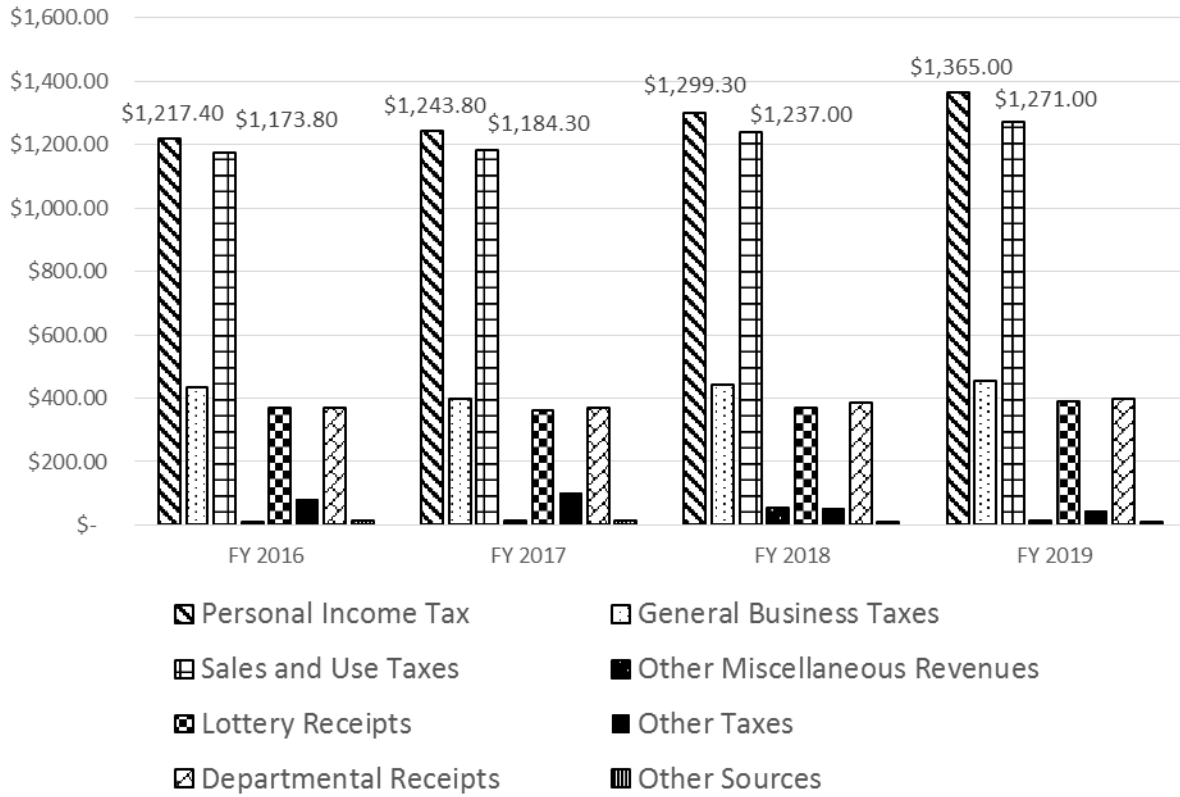
- The Governor recommends the legalization of sports betting in the state, which is expected to increase FY 2019 recommended lottery revenues by \$23.5 million.
- The Governor recommends Rhode Island Lottery gaming innovation pilot initiatives, such as stadium gaming, which are expected to increase FY 2019 recommended lottery revenues by \$4.1 million.

The Governor's FY 2018 recommended revenues for the unclaimed property transfer remain at the same level as adopted at the November 2015 REC.

The chart below shows the sources of general revenues for the period FY 2016 – FY 2019. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted.

General Revenues

General Revenue Sources
(dollars in millions)



Restricted Receipts and Pass Through Revenues

Introduction

The Governor's recommended budget proposes changes to revenue sources other than general revenues for FY 2018 and FY 2019. The revenue estimates in the Governor's FY 2018 revised budget contains a decrease of \$11.9 million in non-general revenues. The revenue estimates in the Governor's FY 2019 recommended budget contain a decrease of \$2.7 million in non-general revenues.

FY 2018 Revised Non-General Revenues

The Governor's revised FY 2018 budget includes a transfer out of restricted receipts into general revenues of surplus fee revenues from two divisions in the Department of Business Regulation: a transfer of \$800,00 of fee revenue from the Division of Commercial Licensing & Gaming & Athletics and a transfer of \$750,000 of fee revenue from the Division of Insurance Regulation. This transfer reduces restricted receipts revenue by a total of \$1.6 million.

The Governor's revised FY 2018 budget includes a reduction of the transfer to the Rhode Island Highway Maintenance Account of motor vehicle license and registration fees from the enacted amount of eighty percent to sixty percent. This decreases Rhode Island Highway Maintenance Account revenue by \$10.3 million in FY 2018.

FY 2019 Recommended Non-General Revenues

The Governor's FY 2019 recommended budget includes a transfer from the Departments of Business Regulation and Health for excess funds in the departments' restricted receipts accounts for medical marijuana regulation. This transfer is expected to decrease FY 2019 restricted receipt revenues by \$2.6 million. This transfer, which is net of new expenditures, is driven by new fees resulting from the changes to the medical marijuana program. This transfer is made up of new licensing and application fees from the issuance of twelve new retail-only compassion center licenses, \$(1.3) million; fees from new medical marijuana manufacturing and research and development licenses, \$(1.2) million; and fees from new patient cardholders who now qualify for a temporary patient card because of an acute pain diagnosis, \$(125,917).

The Governor's FY 2019 recommended budget includes additional underground economy enforcement activity by the Department of Labor and Training, which will result in an increase in restricted receipts fine revenue of \$558,142.

The Governor's FY 2018 recommended budget includes a transfer to general revenue of duplicate license fees and license updates fees. This is expected to reduce Rhode Island Highway Maintenance Account revenue by \$506,450 and \$100,540 respectively.

All Sources

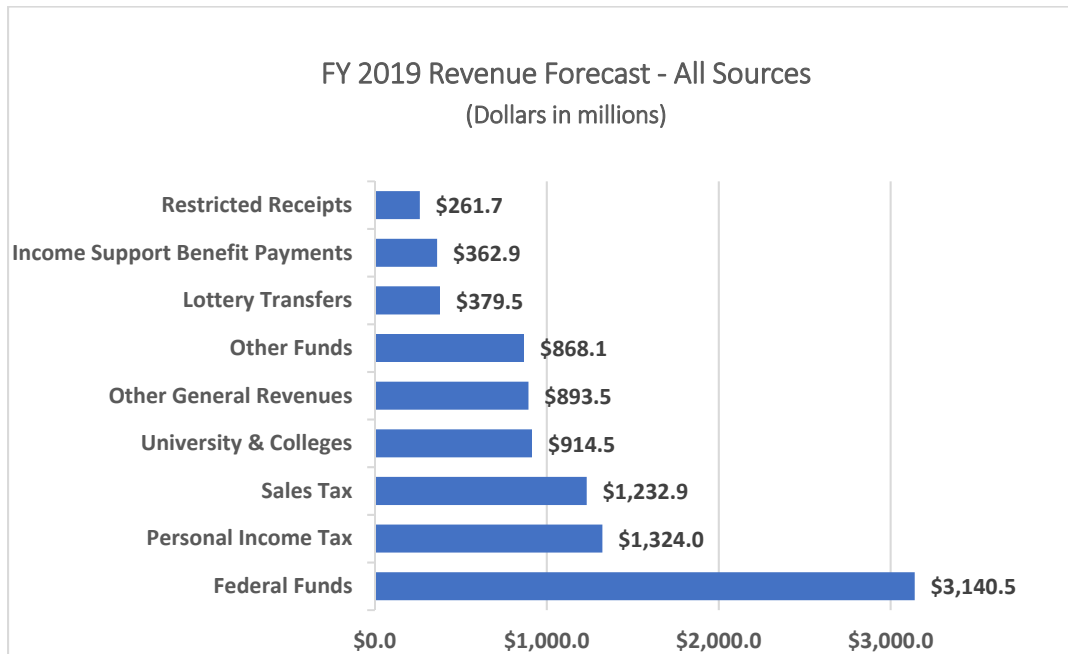
The total budget of \$9.378 billion includes all sources of funds from which state agencies make expenditures.

Federal funds represent 33.5 percent of all funds. Almost 76.7 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales Taxes combined represent 27.3 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 9.8 percent, and 3.9 percent of the total, respectively.

Remaining sources include: Other General Revenues, 9.5 percent; the Lottery Transfer, 4.0 percent; Restricted Receipts, 2.8 percent; and Other Funds 9.3 percent.



All Expenditures

The Governor's FY 2019 Budget recommendation is \$9.378 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 41.6 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, client advocacy, case management and residential support, and medical regulation, prevention, treatment, and rehabilitation services. The FY 2019 recommended budget for all health and human service agencies is \$3.898 billion.

Approximately 28.1 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 2019 recommended budget for education is \$2.640 billion.

Approximately 16.5 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 2019 recommended budget for all General Government agencies is \$1.546 billion.

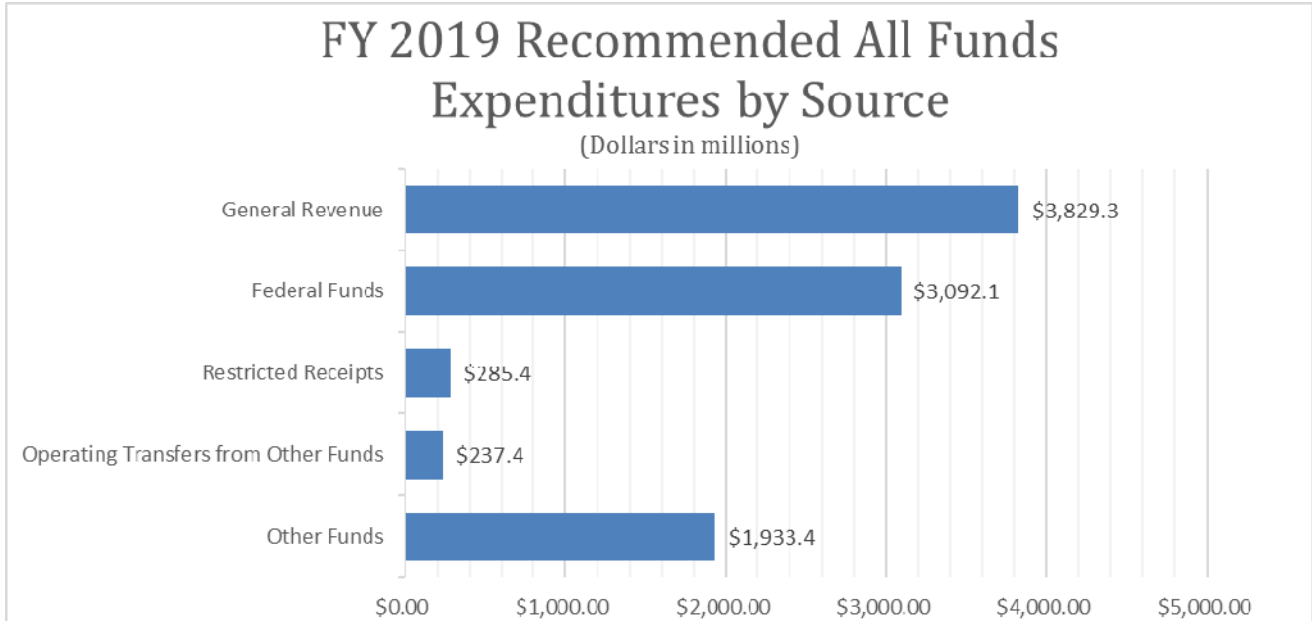
Approximately 6.3 percent of all expenditures are for Public Safety, which is the system that provides law enforcement, adjudicates justice, performs correction and rehabilitative services, and handles emergencies impacting Rhode Island's citizens. The FY 2019 recommended budget for the public safety system is \$591.7 million.

Approximately 6.3 percent of all expenditures are for Transportation, which provides for the state's maintenance and construction of a quality transportation infrastructure. The FY 2019 recommended budget for transportation is \$592.4 million.

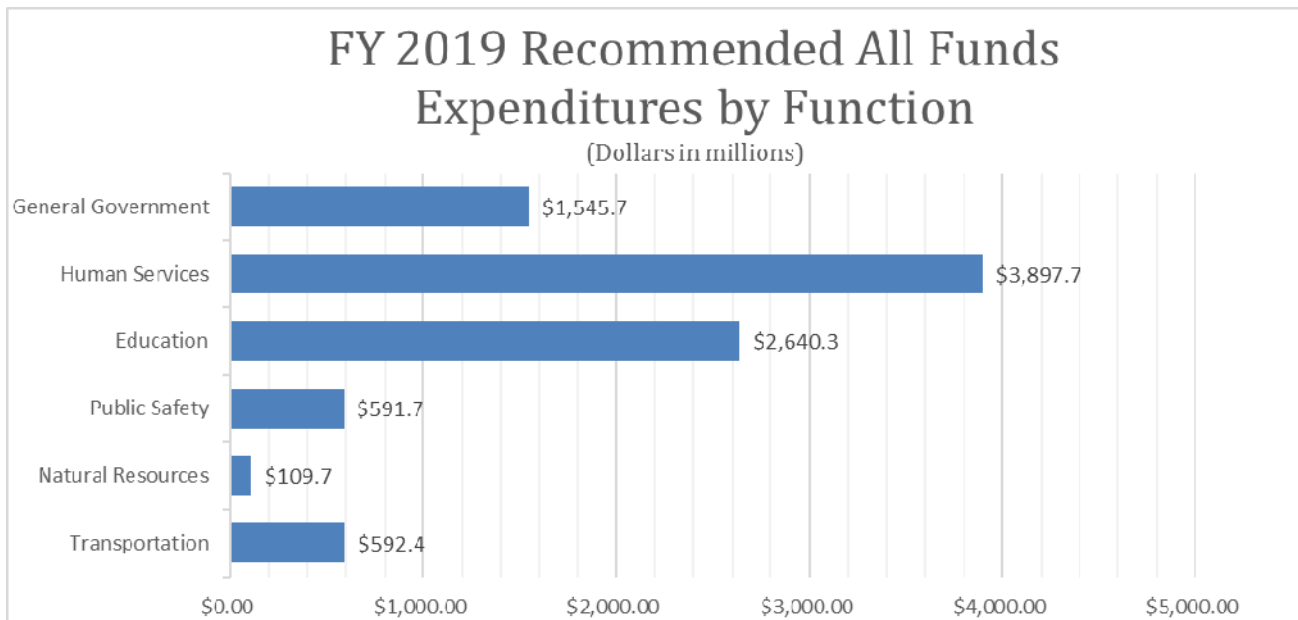
Approximately 1.2 percent of all expenditures are for Natural Resources, which includes the Department of Environmental Management and the Coastal Resources Management Council. The FY 2019 recommended budget for natural resources is \$109.7 million.

Expenditure Summary

All funds expenditures for FY 2019 are \$9.378 billion. Of this total, \$3.829 billion, or 40.8 percent, is from general revenue, \$3.092 billion, or 33.0 percent, from federal funds, \$2.171 billion, or 23.1 percent, from other sources, and \$285.4 million, or 3.0 percent, is from restricted or dedicated fee funds.



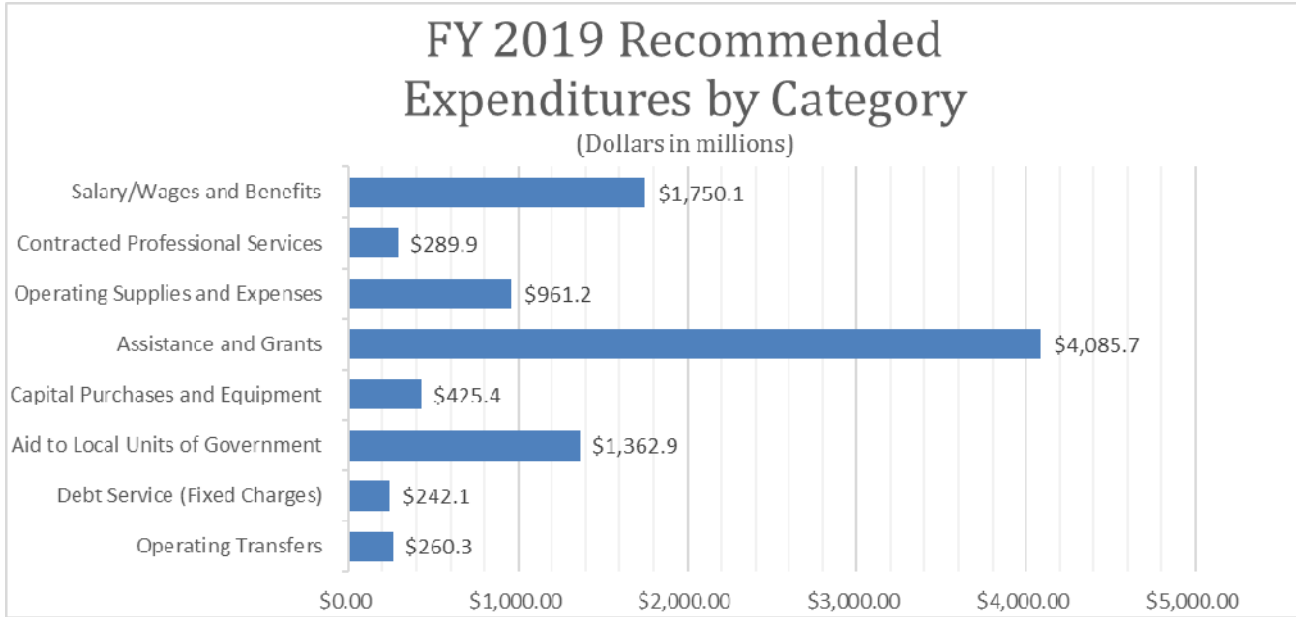
On a functional basis, the largest percentage of expenditures is in the Health and Human Services area, which comprises \$3.898 billion, or 41.6 percent of the total budget. This is followed by spending for Education of \$2.640 billion, which comprises 28.2 percent of all spending, and expenditures for General Government of \$1.546 billion, equaling 16.5 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$1.294 billion, or 13.8 percent of the total budget.



The second way to view expenditures is by major category. On this basis, the largest share of the FY 2019 budget is for assistance, grants and benefits equaling \$4.086 billion or 43.6 percent of the total. This is followed

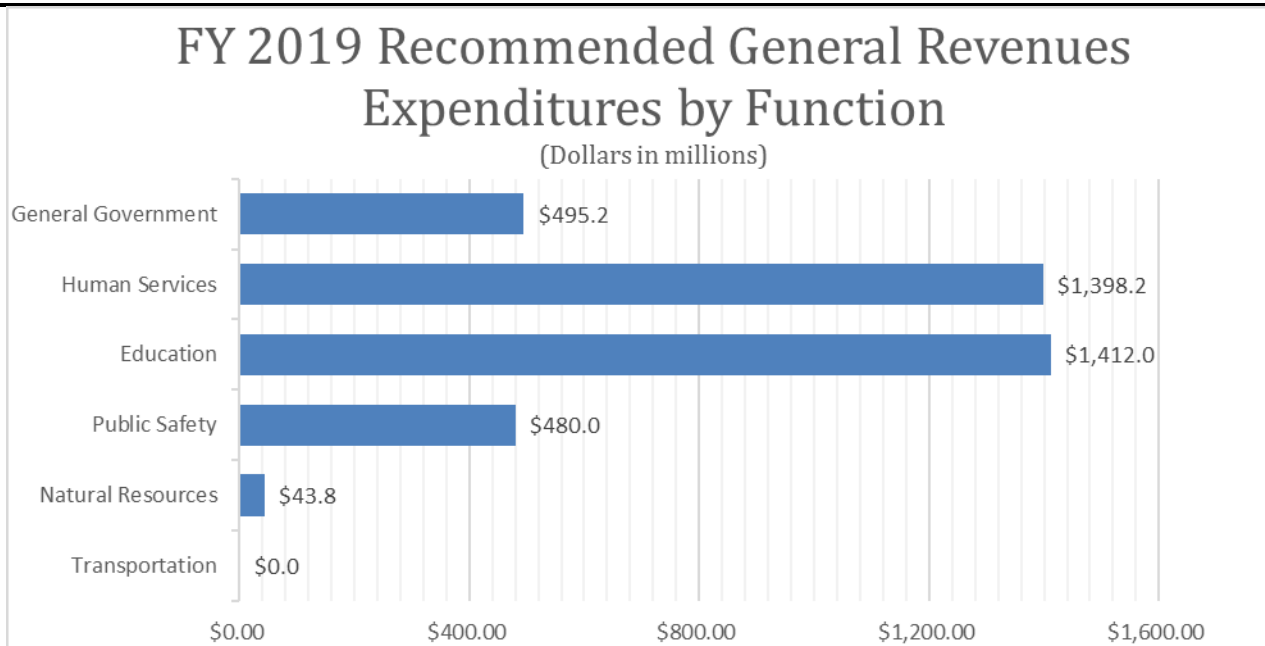
Expenditure Summary

by personnel expenditures (including consultants), which comprise 21.8 percent, or \$2.040 billion, and local aid expenditures, which make up 14.5 percent, or \$1.363 billion of the total budget. Expenditures for capital purchases and debt service total \$667.5 million or 7.1 percent, with the balance of spending used to finance operating expenditures and operating transfers of \$1.221 billion, or 13.0 percent of the total.

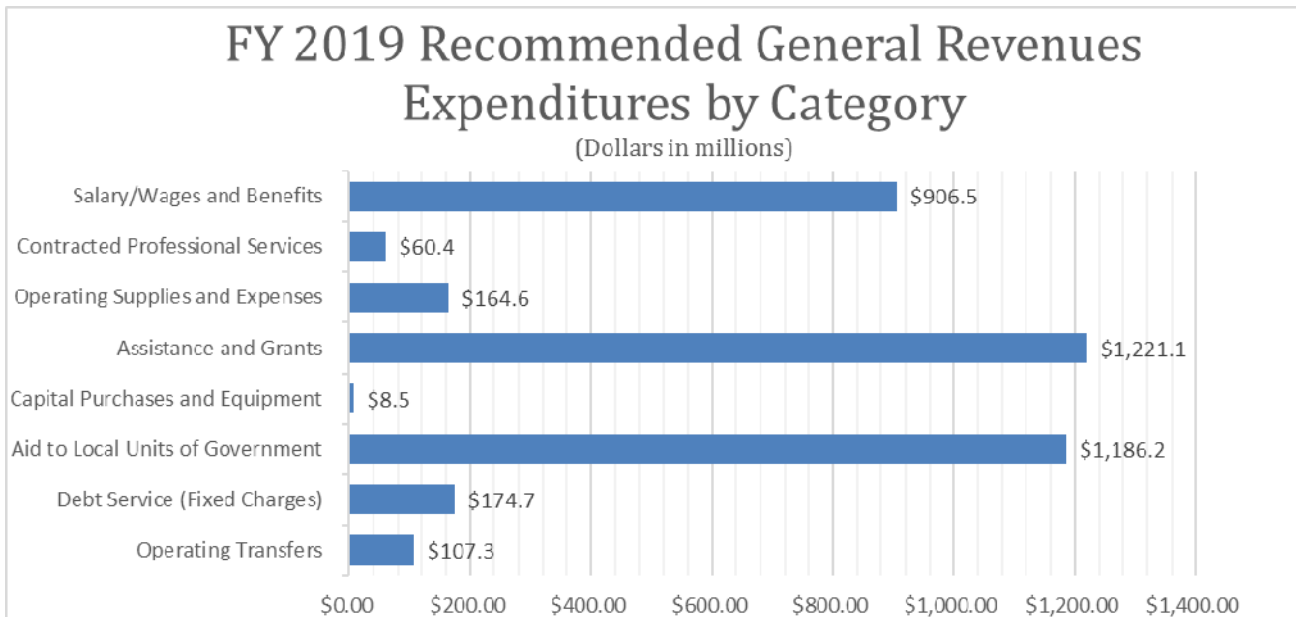


For general revenue only, expenditures total \$3.829 billion for FY 2019. By function, Education represents the largest share of expenditures, totaling \$1.412.0 billion, or 36.9 percent of the general revenue budget. This is followed by spending for Human Services, which totals \$1,398.2 billion, or 36.5 percent. General revenue expenditures for General Government and Public Safety comprise \$495.2 million (12.9 percent) and \$480.0 million (12.5 percent), respectively. Expenditures for Natural Resources comprise \$43.8 million, or 1.1 percent of total general revenue spending. Transportation expenditures are financed mostly by dedicated gasoline taxes and motor vehicle fees and are not a component of general revenue spending.

Expenditure Summary



The largest components of general revenue expenditures are assistance, grants, and benefit expenditures of \$1.221 billion, comprising 31.9 percent of total general revenue spending. Local Aid expenditures of \$1.186 billion represent 31.0 percent of total spending; personnel expenditures (including contracted services) of \$967.0 million comprise 25.3 percent of the budget; capital expenditures total \$8.5 million and debt service is \$174.7 million, or a combined total of 4.8 percent of the general revenue budget; and, operating expenditures and operating transfers total \$271.9 million, or 7.1 percent of the budget.



Expenditure Summary

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

| General Revenue Funds Category of Expenditure (in millions) | FY 2018 Enacted | FY 2018 Revised | Change from Enacted | FY 2019 Recommended | Change from Enacted |
|--|--------------------|--------------------|------------------------|------------------------|------------------------|
| Personnel (Including Consultants) | \$941.5 | \$937.8 | (\$3.7) | \$967.0 | \$25.5 |
| Operating Supplies and Expenses | \$138.5 | \$175.8 | \$37.3 | \$164.6 | \$26.0 |
| Assistance and Grants | \$1,256.8 | \$1,268.2 | \$11.3 | \$1,221.1 | (\$35.7) |
| Capital Purchases and Equipment | \$9.5 | \$10.4 | \$0.9 | \$8.5 | (\$1.0) |
| Aid to Local Units of Government | \$1,147.8 | \$1,147.6 | (\$0.2) | \$1,186.2 | \$38.4 |
| Debt Service | \$169.4 | \$169.4 | (\$0.0) | \$174.7 | \$5.3 |
| Operating Transfers | \$103.7 | \$97.6 | (\$6.1) | \$107.3 | \$3.6 |
| Total | \$3,767.3 | \$3,806.7 | \$39.5 | \$3,829.3 | \$62.0 |

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

| Source of Funds | FY 2018 Enacted | FY 2018 Revised | Change from Enacted | FY 2019 Recommended | Change from Enacted |
|---------------------|--------------------|--------------------|------------------------|------------------------|------------------------|
| General Revenue | \$3,767.4 | \$3,806.7 | \$39.4 | \$3,829.3 | \$61.9 |
| Federal Funds | \$3,134.1 | \$3,222.0 | \$87.9 | \$3,092.1 | (\$42.1) |
| Restricted Receipts | \$262.1 | \$275.8 | \$13.7 | \$285.4 | \$23.4 |
| Operating Transfers | \$251.8 | \$279.4 | \$27.6 | \$237.4 | (\$14.5) |
| Other Funds | \$1,827.4 | \$1,878.2 | \$50.8 | \$1,933.4 | \$106.0 |
| Total | \$9,242.8 | \$9,462.2 | \$219.4 | \$9,377.6 | \$134.7 |