



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUDGET OFFICE  
One Capitol Hill  
Providence, R.I. 02908-5886

*Memorandum*

**To:** The Honorable Donald L. Carcieri  
Governor

Jerome F. Williams, Director  
Department of Administration

**From:** Rosemary Booth Gallogly  
Executive Director/State Budget Officer *R. B. Gallogly*

**Date:** November 17, 2008

**Subject:** FY 2009 First Quarter Report

The first quarter report for FY 2009 contains estimates of annual expenditures based upon analysis of expenditures through the first quarter of FY 2009 (July 1, 2008 through September 30, 2008), as well as caseload and medical assistance expenditure estimates adopted at the November 7, 2008 and November 10, 2008 Revenue and Caseload Estimating Conferences. The projected fiscal year 2009 balance, based upon these assumptions, is estimated to show a \$357.4 million deficit.

Chapter 35-1-5 of the General Laws states that the Director of Administration shall "direct the State Budget Officer to project on a quarterly basis the anticipated year-end balance assuming current trends continue and the typical cyclical expenditure patterns prevail over the course of the year. A consolidated quarterly report incorporating the current status and projections shall be released to the public within forty-five days of the end of each quarter." This report demonstrates compliance with this section of the General Laws.

The Budget Office continues to review department and agency FY 2009 expenditure plans in conjunction with the FY 2010 budget process. Any changes recommended by the Governor to the FY 2009 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations act, which under current law, must be submitted to the General Assembly no later than January 15, 2009.

The projected budget deficit of \$357.4 million for FY 2009 is the result of both revenue shortfalls and overspending, although the revenue shortfall represents approximately two-thirds of the problem. The revenue estimate reflects recent revenue trends and expected collections

based upon the economic forecast. On the revenue side, general revenue receipts are expected to be \$233.6 million less than enacted. Taxes and departmental revenues are expected to fall short of the enacted estimates by \$198.2 million and \$16.1 million, respectively. Other sources, including lottery revenues, are expected to be below enacted estimates by \$19.3 million. The November Revenue Estimating Conference predicts that revenues will be \$3,113.1 million, which is \$233.6 million less than the enacted estimate of \$3,346.7 million for FY 2009.

Table 1 demonstrates that revenues, net of reserve fund contributions, have been adjusted downward from the enacted budget by \$229.9 million. The opening surplus of \$0.0 million projected by the Budget Office for FY 2009 reflects an estimated transfer of \$38.4 million to the General Fund from the Budget Reserve and Cash Stabilization Account in order to close FY 2008 in balance (this transfer is based on the deficit of \$33.6 million shown in the preliminary closing report issued by the State Controller, plus \$4.8 million for final RIBCO arbitration settlement payments). This transfer requires an appropriation by the General Assembly, which the Governor intends to seek. This zero closing balance is a decrease of \$3.2 million from the enacted figure. Expenditures increase by a net of \$127.6 million, including \$1.7 million of reappropriations from FY 2008 for the General Assembly, \$34.8 million for the repayment to the Budget Reserve Fund, \$10.0 million for the Station Fire Settlement, and \$79.2 million of other projected changes in expenditures.

#### Statewide Personnel Costs

As part of the FY 2009 budget, the Governor recommended, and the General Assembly agreed, that State Government operate with fewer state employees and that several measures be taken to reduce the overall cost of the workforce. In addition to the elimination of vacant positions and targeted reductions of positions based upon specific programmatic reductions, the enacted budget contained statewide personnel savings that were not assigned to agencies in the legislatively enacted budget. The FY 2009 Enacted Budget includes \$60.6 million in personnel savings, of which \$33.4 million is general revenues, which were to be achieved from negotiations with the unions. Additionally, the FY 2009 Enacted Budget assumed \$30.5 million in savings from all fund sources (\$16.0 million general revenues) from permanent position eliminations as a result of retirements for FY 2009. The FY 2009 Enacted Budget assumes that 400 non-critical positions will be eliminated upon the incumbent's retirement. Of the \$90.9 million from all fund sources, \$50.2 million was general revenue funded personnel savings and was to be allocated from the Department of Administration to agencies as part of the revised FY 2009 budget. Overall, the FY 2009 Enacted Budget provides that state employee full time equivalent positions be reduced from the FY 2008 enacted level of 15,987.3 to 14,958.6 in FY 2009, a reduction of 1,028.7 positions. As a result of changes enacted by the General Assembly that modified the cost sharing of State employee retiree health benefits effective October 1, 2008, there were a significant number of state employees who retired. According to the Retirement Division, there were 1,715 retirements from October 2007 to October 2008. On average, over the last five fiscal years (2003-2007), there are 510 retirements annually. As of November 8, 2008, there were 13,306.9 FTE positions filled, 1,651.7 less than authorized. Since July 1, 2007, the State has reduced its non-sponsored research workforce by 1,749.3 FTE positions.

Table 2 delineates the projected general revenue expenditure changes by agency in FY 2009, including a display of the allocation of the personnel savings from the Department of Administration to each agency, if these savings were allocated on a prorata distribution of budgeted personnel costs. The budget allotments submitted by the State Budget Officer to the State Controller in July of 2008 reflected this "working budget" for FY 2009. The Judiciary and Legislature's budget allotments were not reduced by their share of the statewide personnel savings, but rather the legislatively enacted budget was allotted. The \$6.2 million savings for those branches of government remains unachieved in the Department of Administration.

Contracts with all but two of the collective bargaining units expired on or prior to June 30, 2008. The two unions with contracts in effect until the Spring of 2009 are the Rhode Island Troopers Association and the Howard Union of Teachers. After months of negotiations during the summer of 2008, the Administration signed a memorandum of settlement that reflected a negotiated four-year agreement, requiring approval of the various union memberships, and which reflected a portion of the savings needed to accomplish the proposed \$50.2 million general revenue savings in personnel costs to balance the FY 2009 Budget. The majority of the collective bargaining units ratified the agreement, but the State's largest union, Council 94, did not. Discussions continued between the State and Council 94, and on October 16, 2008, a slightly modified memorandum of settlement was signed by the State and Council 94 leaders, which was later ratified by the membership. The impact of the new contract which includes increased co-sharing of medical benefit costs based upon premium costs, plan design changes effective during the current year, no cost-of-living increase and one uncompensated leave day in June 2009, has been reflected in this quarterly report. Four collective bargaining units have not ratified the agreement, R.I. Court Reporters Alliance, RIBCO Professionals, R.I. Probation and Parole Association (Clericals), and R.I. Probation and Parole Association (Supervisors and Counselors). No increased co-share, medical benefit plan design change, or furlough day savings have been assumed for these employees. Additionally, the Rhode Island Brotherhood of Correctional Officers was recently awarded, through arbitration, contractual provisions for FY 2004 through FY 2006. The amount awarded was more than the amount budgeted for that period. The Brotherhood and the State have begun negotiations for the subsequent contract period, and the Department of Corrections, for purposes of this report, has estimated the incremental cost should they settle for the same cost of living and medical benefit changes as other unions received for that same period. A projected \$3.1 million additional expenditures for FY 2009 are included as a contract settlement reserve for RIBCO.

The general revenue funds provided in the enacted budget for salaries and benefits totaled \$753.3 million, including all agency specific reductions and the statewide savings discussed above. In FY 2008, the State spent \$811.9 million from general revenues for salaries and benefits (including payment of an arbitration for RIBCO of \$28.3 million). The payroll projections are based upon the positions filled as of mid-October after the retirees were off the payroll, with minor adjustment for position refills. Based upon the vacancies that have occurred to date, it appears that overall personnel expenditures from general revenues for the executive branch will be \$4.0 million higher than the budgeted levels. In order to accomplish the full savings in personnel costs enacted in the FY 2009 Budget, a significant number of vacant positions will need to be left unfilled for a longer period of time than was originally contemplated.

The Administration is monitoring the savings resulting from vacated positions and has restricted hiring to only critical vacancies until a full assessment is performed on agency organizational structures and projected spending levels.

#### Retiree Payouts - Assessed Fringe Benefit Fund

As of November 14, 2008, the Assessed Fringe Benefit (AFB) Fund paid out \$16.6 million in unused sick leave, vacation time and "Sundlun" days, for approximately 1,492 retired state employees. To accommodate the surge in state employee retirements, the AFB Fund rate was increased on July 1, 2008 from 3.8 percent of salaries to 6.3 percent of salaries. This change results in increased costs to agency budgets, which are incorporated into the Personnel adjustments projected by each agency. Receipts deposited into the Fund during FY 2009 are expected to be sufficient to fund all employee assessed fringe benefit costs during the year.

#### Privatization Initiatives

In his FY 2009 budget recommendation, the Governor recommended privatizing certain services in the Department of Mental Health, Retardation, and Hospitals, the Department of Human Services, the Department of Corrections, and the Department of Elementary and Secondary Education in order to provide state services in a more efficient and cost effective manner. The functions recommended for privatization, along with the first year net general revenue savings (or cost) associated with the 243.0 FTE positions, were as follows:

- Dietary services at Eleanor Slater Hospital (88.0 FTE positions) – savings of \$1.5 million
- Housekeeping services at Eleanor Slater Hospital (67.0 FTE positions) – savings of \$260,475
- Dietary services at Rhode Island Veteran's Home (28.0 FTE positions) – savings of \$686,911
- Counseling and case management at the Department of Corrections (33.0 FTE positions) – first year cost of \$100,024.
- Dental services at the Department of Corrections (4.0 FTE positions) – savings of \$142,249
- Central Distribution Center (CDC) at the Department of Corrections (14.0 FTE positions) – savings of \$409,258
- Janitorial Services at Davies Career and Technical School and School for the Deaf (9.0 FTE positions) – savings of \$122,839.

In the FY 2009 enacted budget, the General Assembly restored the 243.0 FTE position reductions to the affected agencies, however, the enacted budget continued to include the dollar savings attributed to the privatizations.

Due to legislation enacted during the 2008 session of the General Assembly and agreements with the unions concerning rescission of previously issued layoff notices relating to the privatization of services, there will be no privatization savings realized in FY 2009. These savings will be offset by savings projected across State government from leaving non-critical positions vacant, or from other budget balancing initiatives.

#### Department of Children, Youth and Families

The Department of Children, Youth and Families is projecting a deficit of \$15.9 million. This is primarily attributable to a change in Medicaid billing as the result of an extensive analysis of Child Welfare programs, current billing rates and time studies at every residential provider. The

new billing rates, which will be retroactively effective to July 1, 2008, are in line with recent guidelines from CMS and reviews that have been conducted in other states. The new billing rates will result in a projected increase in general revenue costs of \$18.7 million. Costs for the 18 and older population are also projected to exceed enacted resources by approximately \$3.4 million and overtime at the Youth Training School is projected to be approximately \$2.0 million over budget. The additional expenses related to youth 18 and older are primarily for disabled youth in high-end residential facilities and other intensive community-centered services, as well as youth in Temporary Community Placement in a residential facility from the RI Training School or Juvenile Probation. Offsetting these deficits are surpluses of almost \$8.2 million in direct salary and benefits compared to the legislatively enacted budget due to currently vacant positions.

#### Department of Corrections

The Department of Corrections is projecting a surplus of just over \$1.0 million. The Department has achieved significant salary savings due to maintaining vacant positions resulting from retirements and/or normal attrition. Total direct payroll savings are projected at over \$10.6 million. Offsetting this, however, are additional overtime costs of approximately \$9.7 million necessary to cover posts in Institutional Corrections. The projected deficit in per diem inmate operating expenses is \$1,196,160 (\$634,923 in medical-related expenses and \$561,237 in other expenses, primarily food). The FY 2009 enacted budget assumed an inmate population level of 3,848, including a reduction of 211 based on various earned-time initiatives that were projected to reduce the sentences of qualified inmates. The Department has not been able to achieve any post closings that were contemplated as a result of these initiatives because of offsetting increases in the awaiting trial population. Reductions attributable to the earned-time initiatives are estimated to be 50 inmates, but the average awaiting trial population has increased from an FY 2008 average of 694 to an average of 790 through the first four months of FY 2009. In addition, though retirement-related vacancies have occurred, this has produced an increase in overtime expenditures due to the necessity to cover module posts. As a result, overtime and operating expenses are projected based on an inmate population of 3,859, the October average, 11 greater than the enacted level.

During the first quarter of FY 2009, an arbitration between the State of Rhode Island and the RI Brotherhood of Correctional Officers (RIBCO) was decided. As a result of this arbitration, retroactive payroll payments for fiscal years 2004 through 2006 were processed, with \$28.3 being charged back to FY 2008 as a payable. The Department's payroll projection takes into account the higher wage rates being charged in FY 2009 as a result of that arbitration. The Department's quarterly projections also assume that a settlement will be reached on the 2007/2008 contract period and will result in retroactive payments totaling approximately \$3.1 million, which is not sufficiently funded in the enacted budget due to the higher arbitration award.

#### Caseload Conference – Department of Human Services

The November Caseload Estimating Conference increased projected Department of Human Services caseload costs by \$36.1 million, including a \$37.0 million increase for Medical Benefit costs and a decrease of \$0.9 million for cash assistance. The change from the enacted general revenue funded medical assistance costs includes increased costs due to delayed

implementation of Medicaid reform and approval of the requested global waiver, changes in base costs, and delayed or reduced initiatives. Savings from enacted general revenue appropriations for cash assistance payments include \$811,771, due primarily to increased savings from the SSI federal COLA offset, which was part of the enacted FY 2009 budget.

The FY 2009 budget enacted in June 2008, contained \$66.6 million of savings from Medicaid Reform. The majority of the savings, \$42.6 million, was budgeted in the Department of Human Services. This quarterly report reflects the adopted caseload estimates, which assume there will be no savings from waiver-dependent Medicaid reform because, at the time the Conference met, there was no approval from CMS concerning the requested global waiver. Saving initiatives in the FY 2009 budget which were waiver dependent total \$37.5 million for the Department of Human Services. Also, the Department of Human Services budget included several initiatives that were projected to save \$39.9 million general revenues in activities relating to items that are estimated by the Caseload Estimating Conference. The Department testified at the caseload conference that there are approximately \$10.2 million of increased general revenue costs resulting from changes in the timing of implementation for three of these initiatives. These are: mandated use of generic drugs for Rite Care recipients, \$9.8 million; imposition of premium co-sharing for Rite Care families earning between 133 percent and 150 percent of the Federal Poverty Level (FPL), \$95,854; and the use of a preferred drug list for fee-for-service pharmaceutical coverage, \$330,000.

The adopted estimate for medical assistance assumes that federal funding for the S-CHIP program will be provided at a level of \$33.7 million, continuing to provide \$7.8 million of enhanced federal funding compared to the FMAP rate.

#### Department of Elementary and Secondary Education

The state provides local school districts with reimbursement for school construction projects based upon their share ratio, which commences after the projects are completed. For FY 2009, School Construction Aid is estimated to be \$2.9 million less than the enacted level. This savings is attributable to several projects: the Compass and CVS Highlander schools did not complete expansion/renovation projects, Foster-Glocester did not complete its energy enhancement project at the middle school, and Providence did not complete the Hanley Career and Technical School renovations. Additionally, with respect to the state share of contributions to the Teacher Retirement System, there is a projected surplus of \$2.2 million reflecting the payment in FY 2008 to correct for prior year contributions. The funds were appropriated in FY 2009 for this purpose, but the payment was charged to FY 2008 by the State Controller as part of the closing process.

#### Legislative and Judicial Budgets

The quarterly report reflects the revised budget submitted by the General Assembly for FY 2009, which maintains the Legislature's current, authorized FTE level of 297.9. It includes the legislatively enacted funding plus the balance forward of \$1.7 million from FY 2008, resulting in total general revenue spending of \$35.8 million. According to the Assembly's budget request, anticipated turnover savings due to staff retirements will absorb new actuarial funding rates for retiree health costs for legislators of \$236,717 (14.61% of Legislator salaries that resulted from an actuarial valuation) and the new costs associated with the increase to the

assessed fringe benefits rate totaling \$318,659. The FY 2009 Revised Budget does not reflect changes to healthcare co-shares for legislative employees. They presently remain at FY 2008 co-share levels of 8%, 10%, 12%, and 15% depending on salary level and selection of individual or family coverage. Savings associated with Legislators who have voluntarily contributed a 10% co-share are also incorporated in the submission.

The Budget Office's quarterly report assumes that the \$2.1 million attributable to the Legislature's pro-rata share of the enacted personnel savings is not achieved by the Legislative branch.

The quarterly report reflects the revised budget submitted by the Judicial branch for FY 2009, which maintains the Judiciary's current, authorized FTE level of 729.3. According to the agency request, general revenue personnel expenses decrease by approximately \$1.2 million, but this is primarily due to the shift of positions budgeted in the enacted budget under temporary/seasonal employees to the contracted professional services category. The Judiciary has indicated that they have increased medical co-shares for judicial employees to be in line with those in effect for executive branch agencies, producing savings in FY 2009 of approximately \$350,000. Funding for pay-as-you-go judicial pensions increase by approximately \$250,000 and funding for capital purchases increases by \$375,000, offset by a decrease in operating expenditures of approximately \$230,000. The Judiciary's first quarter report projected a \$1.3 million general revenue deficit, compared to the enacted budget of \$85.0 million, but also indicated that the finance staff and the court administrators were working to eliminate this deficit and end the year in balance. This report assumes their efforts will be successful and that the judicial branch will have no deficit.

The Budget Office's quarterly report assumes that the \$4.2 million attributable to the Judicial pro-rata share of the enacted personnel savings is not achieved by the Judicial branch.

#### Higher Education

The Board of Governors has indicated that the \$6.1 million allocation of the statewide personnel savings would result in a deficit at the three institutions, totaling \$4.5 million, and has approved mid-year tuition increases, which would be required to fund expenditures. This report assumes that the \$6.1 million reduction contained in the working budget allotments will be part of the revised budget and, therefore, tuition increases or actions to reduce expenditures totaling \$4.6 million will be required.

#### Utility Costs

In the Department of Administration, where most utility costs are budgeted, there is a projected surplus of \$832,000 in general revenue funds for utility related costs. This is a net result of lower fuel prices and an increase in the state share of costs at the Center General Building due to the move of the Department of Business Regulation to this facility. However, it should be noted that uncertainty over the future movement of energy prices presents a risk to this analysis.

Transportation

The operating budget for the Department of Transportation is expected to experience more gas tax resources in FY 2009 than were anticipated in the enacted budget. This is primarily from an estimated \$7.6 million carry-over of funds from FY 2008. The November Revenue Estimating Conference estimated each cent of the gas tax to yield \$4.475 million, \$210,000 less than the enacted estimate of \$4.685 million, which would result in a reduction in resources of \$3.9 million. DOT receives 18.75 cents of the gas tax and RIPTA receives 7.25 cents.

The overall projected general revenue spending for FY 2009, as compared to the enacted budget, is approximately \$127.5 million more than budgeted. Major expenditure changes include:

Legislative Reappropriation	\$1,738,518
Repayment of Budget Reserve Fund	38,374,852
Station Fire Settlement	10,000,000
Unachieved Statewide Personnel Savings – Legislature/Judicial	6,263,389
Additional Personnel Costs	3,997,497
November Caseload Estimating Conference – DHS Other Cash Assistance	(1,094,131)
November Caseload Estimating Conference – DHS Medicaid	36,974,842
November Caseload Estimating Conference – Rhode Island Works	205,100
MHRH – Medicaid Reform Implementation Delays	12,500,000
MHRH – DD RICLAS and Private Providers	(4,227,107)
MHRH – CMAP Pharmaceuticals	582,250
MHRH – Food Service Privatization Reversal – Contract Savings	(376,121)
MHRH – Housekeeping Privatization Reversal – Contract Savings	(1,089,598)
DCYF – 18 and Older Population	3,400,000
DCYF – Time Study – Medicaid Billing Methodology Change	18,719,013
DHS – Housing Assistance to RIHMFC (loss of revenue)	(1,293,500)
DHS- Reverse Privatization of Dietary Services – Veterans’ Home	(759,000)
Energy/Utility Costs	(831,812)
Building Contractor’s Registration Board to Restricted Receipts	(1,098,647)
TANS Interest (lower interest rates)	(2,400,000)
Teachers’ Retiree Health Subsidy	1,100,000
Motor Vehicle Excise Tax Phase Out	2,800,000
Delay in Implementation of Equipment Insurance Program	560,942
Police and Fire Pension Benefits	360,000
Board of Elections – Depletion of Federal HAVA Grant Funds	609,215
School Construction-delayed projects	(2,856,196)
Teachers’ Retirement- excess appropriation	(2,213,778)
RIBCO Contract Reserve	3,056,853
Department of Corrections – Per Diem Inmate Costs	1,196,160
State Police – Pay-as-you-go Pension	601,198
Net All Other Items	<u>2,759,844</u>
Total	\$127,559,783

The changes to general revenue expenditures are intended to be comprehensive, reflecting both increases and decreases to agency spending plans. The free surplus for FY 2008 includes a modification from the preliminary closing reflecting the intent of the Governor to request an appropriation from the Budget Reserve and Cash Stabilization Account in the amount of the deficit, currently estimated to be \$38.4 million. The request will be made by the Governor when the General Assembly convenes in January 2009, in to order to maintain a balanced



budget for FY 2008. The free surplus for FY 2009 shows the impact of the repayment of the Budget Reserve Fund transfer estimated at \$38.4 million to be made for FY 2008 and the need to develop a budget balancing plan totaling \$357.5 million that will reduce expenditures, increase revenues, or a combination of both.

As you know, I am working with the departments to take actions to minimize, to the extent possible, the need for supplemental appropriations in the current fiscal year, and continue to develop plans to reduce expenditures to meet the available resources. The Administration has also implemented enhanced monthly departmental reporting and monitoring to address departmental expenditures.

The attached Table 3 displays the revenue estimates of November 10, 2008 Revenue Estimating Conference, as compared to those contained in the enacted budget. If you have any questions, please feel free to call me.

RBG: S/10budget/revised09/Q1report/Q1report  
Attachments

cc: The Honorable Steven M. Costantino, Chairman  
House Finance Committee

The Honorable Stephen Alves, Chairman  
Senate Finance Committee

Michael O'Keefe, House Fiscal Advisor  
Kevin Madigan, Interim Senate Finance Advisor

## Table 1 - FY 2009 General Revenue Budget Surplus

	FY2007 Actual	FY2008 Preliminary Actual(1)	FY2008 Preliminary Actual Modified(2)	FY2009 Enacted Budget(3)	FY2009 Revised Budget(4)
<b>Surplus</b>					
Opening Surplus	\$ 38,330,947	\$ -	\$ -	\$ 3,199,106	\$ 0
Adjustment	202				
Reappropriated Surplus	17,381,365	3,640,364	3,640,364	-	1,738,518
Subtotal	<b>55,712,514</b>	<b>3,640,364</b>	<b>3,640,364</b>	<b>3,199,106</b>	<b>1,738,518</b>
<b>General Taxes</b>	2,529,241,036	2,518,689,049	2,518,689,049	2,600,358,244	2,600,358,244
Revenue estimators' revision	-	-	-		(198,228,244)
Changes to the Adopted Estimates	-	-	-		
Subtotal	<b>2,529,241,036</b>	<b>2,518,689,049</b>	<b>2,518,689,049</b>	<b>2,600,358,244</b>	<b>2,402,130,000</b>
<b>Departmental Revenues</b>	277,790,450	352,107,296	352,107,296	347,627,559	347,627,559
Revenue estimators' revision		-	-		(16,127,559)
Change to Preliminary FY2008 Closing					
Changes to the Adopted Estimates					
Subtotal	<b>277,790,450</b>	<b>352,107,296</b>	<b>352,107,296</b>	<b>347,627,559</b>	<b>331,500,000</b>
<b>Other Sources</b>					
Gas Tax Transfers	4,704,602	4,513,745	4,513,745	4,630,000	4,630,000
Revenue estimators' revision	-	-	-		(155,000)
Other Miscellaneous	67,471,487	182,892,012	182,892,012	19,400,000	19,400,000
Rev Estimators' revision-Miscellaneous	-	-	-		(2,802,960)
Changes to the Adopted Estimates	-	-	-		
Lottery	320,989,832	354,311,448	354,311,448	365,500,000	365,500,000
Revenue Estimators' revision-Lottery	-	-	-		(16,400,000)
Unclaimed Property	11,456,513	15,387,030	15,387,030	9,200,000	9,200,000
Revenue Estimators' revision-Unclaimed	-	-	-		100,000
Subtotal	<b>404,622,434</b>	<b>557,104,235</b>	<b>557,104,235</b>	<b>\$ 398,730,000</b>	<b>\$ 379,472,040</b>
<b>Total Revenues</b>	<b>\$ 3,211,653,920</b>	<b>\$ 3,427,900,580</b>	<b>\$ 3,427,900,580</b>	<b>\$ 3,346,715,803</b>	<b>\$ 3,113,102,040</b>
<b>Transfer to Budget Reserve</b>	<b>(65,388,158)</b>	<b>(68,558,012)</b>	<b>(68,558,012)</b>	<b>(73,698,128)</b>	<b>(68,488,245)</b>
<b>Transfer from Budget Reserve</b>	<b>19,423,025</b>	<b>-</b>	<b>38,374,852</b>	<b>-</b>	<b>-</b>
<b>Total Available</b>	<b>\$ 3,221,401,301</b>	<b>\$ 3,362,982,932</b>	<b>\$ 3,401,357,784</b>	<b>\$ 3,276,216,781</b>	<b>\$ 3,046,352,314</b>
Actual/Enacted Expenditures	\$ 3,217,760,937	\$ 3,394,844,107	\$ 3,394,844,107	3,276,156,221	3,276,156,221
Change to Preliminary FY2008 Closing			4,775,159		
Projected net changes in expenditures					87,446,413
Reappropriations	-	-	-	-	1,738,518
Repayment of FY2008 Transfer	-	-	-	-	38,374,852
<b>Total Expenditures</b>	<b>\$ 3,217,760,937</b>	<b>\$ 3,394,844,107</b>	<b>\$ 3,399,619,266</b>	<b>\$ 3,276,156,221</b>	<b>\$ 3,403,716,004</b>
<b>Free Surplus</b>	<b>\$ (0)</b>	<b>\$ (33,599,693)</b>	<b>\$ 0</b>	<b>\$ 60,560</b>	<b>\$ 136,310</b>
<b>Reappropriations</b>	<b>(3,640,364)</b>	<b>(1,738,518)</b>	<b>(1,738,518)</b>	<b>-</b>	<b>-</b>
<b>Budget Balancing Plan(5)</b>					<b>357,500,000</b>
<b>Total Ending Balances</b>	<b>\$ 3,640,364</b>	<b>\$ (31,861,175)</b>	<b>\$ 1,738,518</b>	<b>\$ 60,560</b>	<b>\$ 136,310</b>
<b>Budget Reserve and Cash Stabilization Account</b>	<b>\$ 78,659,212</b>	<b>\$ 102,837,017</b>	<b>\$ 64,462,165</b>	<b>\$ 113,839,470</b>	<b>\$ 118,570,824</b>

(1) Reflects the FY 2008 Preliminary Actual data as reported by the State Controller in his August 29, 2008 report which revealed a \$33,599,693 deficit.

(2) Reflects the FY 2008 Preliminary Actual data as reported by the State Controller in his August 29, 2008 report which revealed a \$33,599,693 deficit, modified by a change in paybles associated with a retroactive salary adjustment increasing expenditures by \$4,775,159 and an estimated \$38.4 million appropriation from the Budget Reserve Fund to be requested by the Governor in a resolution to be submitted to the General Assembly in January 2009.

(3) Reflects the FY 2009 budget enacted by the General Assembly in June 2008, including modifications to revenue estimates by the May 2008 Revenue Estimating Conference.

(4) Reflects the FY 2009 budget enacted by the General Assembly in June 2008, including enacted expenditures plus projected changes to agency spending and the repayment of the estimated Budget Reserve Fund Transfer to be requested by the Governor for FY 2008 which is required to be repaid in FY 2009.

(5) Estimate of budget balancing plan being developed based upon the FY 2008 preliminary closing, revised revenue estimates and projected changes to expenditures. This reflects the projected financial position contained in the first quarter report of the State Budget Office issued on November 15, 2008.

**Table 2- Summary Changes to FY 2008 Enacted General Revenue Expenditures**

	FY 2009 Enacted	Reappropriation	Redistribution Of Enacted Personnel Savings	Projected Changes	Projected Expenditures	Change From Enacted
<b>General Government</b>						
Administration	\$511,888,244	-	(\$4,355,092)	\$194,214	\$507,727,366	(\$4,160,878)
Statewide Personnel Savings	(\$50,227,972)	-	\$50,227,972	\$0	\$0	\$50,227,972
Business Regulation	10,118,066	-	(\$624,225)	(386,634)	9,107,207	(1,010,859)
Labor and Training	6,513,092	-	(\$194,958)	493,771	6,811,905	298,813
Department of Revenue	37,849,916	-	(2,052,394)	(2,276,923)	33,520,599	(4,329,317)
Legislature	34,099,202	1,738,518	(2,098,828)	2,082,126	35,821,018	1,721,816
Lieutenant Governor	901,418	-	(50,690)	42,380	893,108	(8,310)
Secretary of State	6,307,144	-	(294,083)	312,999	6,326,060	18,916
General Treasurer	2,563,767	-	(128,298)	4,584	2,440,053	(123,714)
Board of Elections	1,512,874	-	(81,411)	545,497	1,976,960	464,086
Rhode Island Ethics Commission	1,405,309	-	(71,349)	98,322	1,432,282	26,973
Governor's Office	5,158,611	-	(259,932)	471,730	5,370,409	211,798
Commission for Human Rights	991,659	-	(65,520)	(2,733)	923,406	(68,253)
Public Utilities Commission	-	-	-	-	-	-
Rhode Island Commission on Women	107,208	-	(5,360)	5,360	107,208	-
<b>Subtotal - General Government</b>	<b>569,188,538</b>	<b>1,738,518</b>	<b>39,945,832</b>	<b>1,584,693</b>	<b>612,457,581</b>	<b>43,269,043</b>
<b>Human Services</b>						
Office of Health & Human Services	5,223,297	-	(353,760)	(381,552)	4,487,985	(735,312)
Children, Youth, and Families	137,133,720	-	(3,687,532)	19,608,889	153,055,077	15,921,357
Elderly Affairs	16,071,786	-	(135,766)	(169,474)	15,766,546	(305,240)
Health	32,281,674	-	(1,358,491)	156,086	31,079,269	(1,202,405)
Human Services	767,224,135	-	(2,658,282)	32,598,365	797,164,218	29,940,083
Mental Health, Retardation, & Hosp.	219,361,864	-	(3,993,744)	11,873,727	227,241,847	7,879,983
Office of the Child Advocate	413,651	-	(33,819)	21,707	401,539	(12,112)
Comm. on Deaf & Hard of Hearing	368,807	-	(20,230)	19,573	368,150	(657)
RI Developmental Disabilities Council	-	-	-	-	-	-
Governor's Commission on Disabilities	519,657	-	(23,879)	(5,618)	490,160	(29,497)
Office of the Mental Health Advocate	431,171	-	(27,557)	31,412	435,026	3,855
<b>Subtotal - Human Services</b>	<b>1,179,029,762</b>	<b>-</b>	<b>(12,293,060)</b>	<b>63,753,114</b>	<b>1,230,489,816</b>	<b>51,460,054</b>
<b>Education</b>						
Elementary and Secondary	931,218,471	-	(1,795,472)	(4,475,886)	924,947,113	(6,271,358)
Higher Education - Board of Governors	179,856,018	-	(6,111,373)	-	173,744,645	(6,111,373)
RI Council on the Arts	2,094,847	-	(45,233)	(290,732)	1,758,882	(335,965)
RI Atomic Energy Commission	824,470	-	(41,470)	15,827	798,827	(25,643)
Higher Education Assistance Authority	7,323,051	-	(30,710)	-	7,292,341	(30,710)
Historical Preservation & Heritage Comm	1,348,825	-	(73,372)	3,865	1,279,318	(69,507)
Public Telecommunications Authority	1,365,306	-	(76,386)	58,092	1,347,012	(18,294)
<b>Subtotal - Education</b>	<b>1,124,030,988</b>	<b>-</b>	<b>(8,174,016)</b>	<b>(4,688,834)</b>	<b>1,111,168,138</b>	<b>(12,862,850)</b>
<b>Public Safety</b>						
Attorney General	\$21,212,039	-	(1,220,423)	1,165,413	21,157,029	(55,010)
Corrections	178,623,504	-	(9,237,871)	8,191,779	177,577,412	(1,046,092)
Judicial	85,000,000	-	(4,164,561)	4,154,137	84,989,576	(10,424)
Military Staff	3,739,948	-	(122,089)	(223,513)	3,394,346	(345,602)
Public Safety	66,828,094	-	(2,321,080)	1,898,838	66,405,852	(422,242)
Office Of Public Defender	9,468,259	-	(564,925)	359,964	9,263,298	(204,961)
<b>Subtotal - Public Safety</b>	<b>364,871,844</b>	<b>-</b>	<b>(17,630,949)</b>	<b>15,546,618</b>	<b>362,787,513</b>	<b>(2,084,331)</b>
<b>Natural Resources</b>						
Environmental Management	35,779,384	-	(1,703,604)	976,213	35,051,993	(727,391)
Coastal Resources Management Council	1,877,703	-	(102,392)	260,420	2,035,731	158,028
Water Resources Board	1,378,002	-	(41,811)	14,189	1,350,380	(27,622)
<b>Subtotal - Natural Resources</b>	<b>39,035,089</b>	<b>-</b>	<b>(1,847,807)</b>	<b>1,250,822</b>	<b>38,438,104</b>	<b>(596,985)</b>
<b>Total</b>	<b>3,276,156,221</b>	<b>1,738,518</b>	<b>-</b>	<b>77,446,413</b>	<b>3,355,341,152</b>	<b>79,184,931</b>
Reappropriations				<b>1,738,518</b>		-
Station Fire				<b>10,000,000</b>	<b>10,000,000</b>	10,000,000
Estimated Budget Reserve Repayment				<b>38,374,852</b>	<b>38,374,852</b>	38,374,852
				<b>127,559,783</b>	<b>3,403,716,004</b>	<b>127,559,783</b>

**Table 3 - November 2008 Consensus Revenue Estimates**

<b>November 2008 Consensus Estimates</b>	<b>FY 2009 Enacted</b>	<b>FY 2009 Nov 08 Consensus</b>	<b>Change from Enacted</b>
<b>Personal Income Tax</b>	\$ 1,124,235,000	\$ 1,011,000,000	\$ (113,235,000)
<b>General Business Taxes</b>			
Business Corporations	161,000,000	108,000,000	\$ (53,000,000)
Public Utilities Gross	100,000,000	104,500,000	\$ 4,500,000
Financial Institutions	1,100,000	2,000,000	\$ 900,000
Insurance Companies	77,823,696	77,000,000	\$ (823,696)
Bank Deposits	1,700,000	1,700,000	\$ -
Health Care Provider	47,432,000	49,000,000	\$ 1,568,000
<b>Sales and Use Taxes</b>			
Sales and Use	863,100,000	831,000,000	\$ (32,100,000)
Motor Vehicle	45,667,548	48,000,000	\$ 2,332,452
Motor Fuel	1,200,000	930,000	\$ (270,000)
Cigarettes	114,500,000	119,600,000	\$ 5,100,000
Alcohol	11,100,000	11,100,000	\$ -
<b>Other Taxes</b>			
Inheritance and Gift	38,000,000	28,000,000	\$ (10,000,000)
Racing and Athletics	2,600,000	2,500,000	\$ (100,000)
Realty Transfer	10,900,000	7,800,000	\$ (3,100,000)
<b>Total Taxes</b>	<b>2,600,358,244</b>	<b>2,402,130,000</b>	<b>(198,228,244)</b>
Departmental Receipts	347,627,559	331,500,000	\$ (16,127,559)
Gas Tax Transfer	4,630,000	4,475,000	\$ (155,000)
Other Miscellaneous	19,400,000	16,597,040	\$ (2,802,960)
Lottery	365,500,000	349,100,000	\$ (16,400,000)
Unclaimed Property	9,200,000	9,300,000	\$ 100,000
<b>Total General Revenues</b>	<b>3,346,715,803</b>	<b>3,113,102,040</b>	<b>(233,613,763)</b>