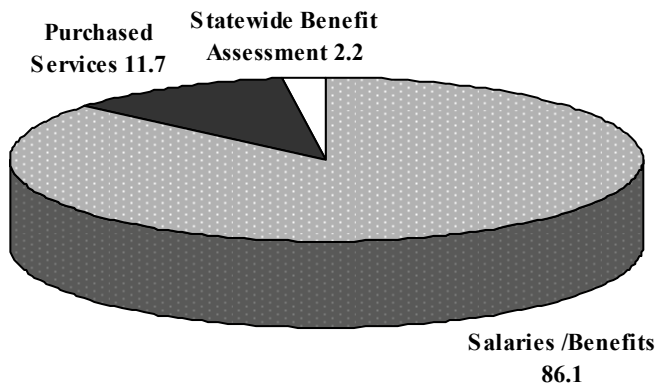


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The Governor's FY 2010 recommended budget finances personnel at \$1.68 billion. This includes \$1.451.0 billion for salary and benefits (86.1 percent), \$197.3 million for purchased services (11.7 percent), and \$36.4 million (2.2 percent) for such statewide benefits as severance, unemployment and workers compensation that are funded by a statewide assessment. This total includes expenditures financed from general revenues, federal grants, restricted receipts, other funds, and internal service funds. After adjusting to reflect internal service fund personnel expenditures in the personnel category rather than as an operating expense, personnel expenditures constitute approximately 26.0 percent of the state budget, the second largest category of spending (after assistance, grants and benefits).

FY 2010 Personnel Expenditures



Personnel expenditures recommended for FY 2010 include a net increase of \$52.5 million, or 3.2 percent, from the FY 2009-revised budget. Direct salaries increase by 6.9 percent. Overtime decrease by 13.4 percent. Fringe benefits increase by 5.8 percent overall, with increases in health benefits (7.4 percent) and retiree health (9.2 percent) as well as a smaller increase in retirement (3.5 percent).

Reduction in Force

The Governor recommends that State Government operate with fewer state employees and that several measures be taken to reduce the overall cost of the workforce. The enacted budget included 400 undesignated positions which were expected to be eliminated after October 1, 2008 when provisions relating to retiree health benefits changed. The State experienced significant attrition from retirement. Between May 1, 2008 and October 1, 2008, there were 1,396 state employees who were members of the Employees Retirement System who retired. The Governor recommends reductions in personnel in most agencies based upon the elimination of vacant positions. The Governor's recommendation for FY 2009 assumes that non-critical positions will be eliminated upon the incumbent's retirement. Overall, the state employee full time equivalent positions have been reduced from the FY 2008 final enacted level of 15,688.7 to 14,465.8 in the FY 2009 revised budget, a reduction of 1,222.9 positions. In FY 2010, because of the need to fill certain critical positions, particularly due to the implementation

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of the global Medicaid waiver and the federal stimulus funds resulting from passage of the American Recovery and Reinvestment Act, the Governor recommends an FTE level of 14,828.9, an increase of 363.1 from the FY 2009 revised budget, but a 859.8 FTE decrease from the FY 2008 revised budget.

Uncompensated Leave Day

The Governor's recommendation includes one uncompensated leave day during FY 2009 for all non-union employees and members of unions that have ratified the memorandum of settlement agreement. The decrease is equivalent to a 10 percent reduction in the bi-weekly payroll rate, excluding overtime, and will be effective for one pay period in June 2009. Employees will be credited one day of personnel leave in the pay period in which the salary reduction occurred. Employees may request to discharge this additional leave day during any pay period in which it was earned and/or elect cash payment for that one day in the fiscal year beginning July 2010 and until June 30, 2012. Implementation of this measure will save \$1.9 million in salary costs, as well as associated fringe benefit costs. These savings are depicted within each department or agency.

Pension Reform

The Governor proposed pension reform which was contained in Article 32 of the Supplemental Budget submitted in January 2009. The original proposal set forth in the budget article set a minimum retirement age of 59 for state employees and teachers, and would eliminate cost of living adjustments for state employees, teachers, judges and state police who retire after April 1, 2009. The Governor has submitted an amendment which would change the proposal such that those eligible to retire as of July 1, 2009 would not be impacted. It also modifies wage base for the pension benefit calculation for state police to be comparable to other state employees. It provides that public employees who receive a disability pension in accordance with 36-10-14 will either receive 66 2/3 percent or 50 percent of their allowance depending on a finding by the retirement board of whether the individual is entirely disabled from further employment. For State Police members who are not eligible to retire on July 1, 2009, the retirement allowance will be calculated based on "whole salary" which is now defined as the average of the highest three (3) consecutive years of compensation. This change is consistent with the calculation for other public employees.

The savings for the revised FY2009 and FY2010 budget contained herein reflect this amendment to the Governor's original pension reform proposal. The amendment was recommended because the savings to the plan and the resultant reduction in the unfunded liability are greater if employees eligible to retire remain on the payroll. This also would be preferred as there would be less disruption to state and local operations. Combining State Employees and Teachers, the savings from the amended bill in FY 2010 is \$76.4 million (\$32.4 for State Employees and \$44.0 for Teachers). This represents about a 23 percent reduction in combined contributions for ERSRI for state employees for FY 2010. The State of Rhode Island only achieves 40 percent of the savings for Teachers, since the cities and towns pay 60 percent of the cost for this group. Therefore, the savings for the State is about \$39.7 million, with the other \$25.2 million going to the cities and towns. As discussed further below, the FY 2009 revised budget reflects no savings for state employees and \$42.1 million in savings for teachers.

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State Employees Pension Reform

The Governor recommended savings in the FY2009 Supplemental Budget in anticipation of an actuarial report. Within the recommended revised 2009 agency budgets, there was \$134.4 million budgeted statewide for state employee retirement contributions, prior to the proposed savings from the reduced contributions starting in February. The savings estimated for FY2009 was budgeted as a negative in the Department of Administration. The General Revenue savings were \$25,942,333, Federal Funds savings are \$9,055,950. Restricted Receipt savings are \$1,966,166 and Other Funds savings are \$6,074,607. The amended FY2009 budget restores the funds in the DOA budget for FY2009, and for FY2010 the reduced rate is applied to the benefit costs for employees in all agencies.

The reason the funds are restored for FY2009 for state employees is that in analyzing the proposal, the actuary discovered complications. Article 4 of last year's budget modified the State's post-retirement medical benefits for all members who retired after October 1, 2008. In order to be grandfathered under the benefit structure that was in effect prior to that date, about 1,200 state employees retired between enactment of last year's budget and October 1, 2008. Because of these "Article 4" retirees, the actuary's estimate of the State's payroll for FY 2009 is down from an earlier estimate upon which the original contribution rate was determined. Due to the decrease in payroll, the Employees Retirement System is not collecting enough in amortization payments.

The following table shows the retirement contribution rates as determined for the FY 2009 budget. The Governor recommends no change in the FY2009 contribution rate.

	FY 2009 Board Certified Rate	FY 2009 Rate Recommended February 2009	Estimated GR FY 2009 Savings (millions)	Estimated All Funds FY2009 Savings
State Employees	21.13%	21.13%	0	0
State Police	26.03%	26.03%	0	0
Judges	27.11%	27.11%	0	0
Total			0	0

The following table shows the retirement contribution rates as determined by the Retirement Board for the FY 2010 budget and those recommended by the Governor based upon the actuarial study. These savings reflect his amendment to grandfather those employees eligible to retire as of July 1, 2009.

	FY2010 Board Certified Rate	FY2010 Rate Recommended February 2009	Estimated GR FY 2010 Savings (millions)	Estimated All Funds FY 2010 Savings
State Employees	25.03%	20.77%	\$16.6	\$28.2
State Police	26.03%	0.92%	\$3.4	\$3.5
Judges	27.11%	17.68%	\$0.6	\$0.7
Total			\$20.6	\$32.4

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Teachers Pension Reform

The savings for FY2009 and FY2010 reflect an amendment to the Governor's original pension reform proposal. The amendment is to grandfather those employees eligible to retire as of July 1, 2009. The amendment is being recommended because the savings to the plan and the reduction in the unfunded liability are greater. This also would be preferred as there would be less disruption to state and local operations if there was not a mass exodus of experienced employees.

The current rate of payroll for the Teacher Retirement system is 25.03 percent. The local share is 60 percent and the State's share is 40 percent, resulting in a local payroll rate of 14.86 percent and a state rate of 10.17 percent for all school districts, except for Burrillville, East Greenwich, Little Compton, New Shoreham, and North Smithfield, which have a local payroll rate of 14.21 percent and a state rate of 9.74 percent. For FY 2009, this would have resulted in total contributions of \$138,383,041 from local governments and \$94,714,215 from the state. Teachers would continue to contribute at 9.75 percent each biweekly payroll. The state share of the teacher retirement contribution is not reflected as a state personnel cost, but rather is reflected in local aid. The savings contained in the Governor's January supplemental budget were based on reducing the requirement to 25 percent of the rate determined by the actuary in June 2008 for the final five months of the fiscal year. The general revenue savings estimated were \$28,128,197. Local governments would have corresponding savings, and the Governor's budget recommended reducing state education aid expenditures by a corresponding amount. The local savings were estimated to be \$41,096,932.

For the amended budget article, the actuary indicates the savings from grandfathering in those eligible to retire as of July 1, 2009, for FY 2009 would be similar to the FY2010 savings for Teachers since the Article 4 retiree impact on the teacher payroll is not significant. The 4.58 percent decrease in the contribution rate would be the same, with the employer contribution decreasing from 25.03 percent (current) to 20.45 percent (H 5019). The FY 2009 budget assumes a total Teacher payroll base of \$933.2 million, which produces savings of \$42.3 million in FY 2009. The \$42.1 million savings is the total savings for the State and the cities and towns. The State would receive \$18,379,814 and the local governments would save \$23,714,996. The FY 2010 budget assumes a total Teacher payroll base of \$975.2 million, which produces savings of \$44.0 million in FY 2010. The \$44.0 million savings is the total savings for the State and the cities and towns. The State would receive \$19,206,910 and the local governments would save \$24,786,802.

The following table shows the retirement contribution rates as determined by the Retirement Board for the FY 2009 budget and those recommended by the Governor based upon the actuarial study. These savings reflect his amendment to grandfather those employees eligible to retire as of July 1, 2009.

Teachers	FY 2009 Board Certified Rate	FY 2009 Rate Recommended February 2009	Estimated FY 2009 Savings (millions)
State Share	10.17%	8.18%	\$18.4
Local Share	14.86%	12.27%	\$23.7
Total	25.03%	20.45%	\$42.1

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The following table shows the retirement contribution rates as determined by the Retirement Board for the FY 2010 budget and those recommended by the Governor based upon the actuarial study. These savings reflect his amendment to grandfather those employees eligible to retire as of July 1, 2009.

Teachers	FY 2010 Board Certified Rate	FY 2010 Rate Recommended February 2009	Estimated FY 2010 Savings (millions)
State Share	9.71%	7.72%	\$19.2
Local Share	14.17%	11.58%	\$24.8
Total	23.88%	19.30%	\$44.0

Retiree Health Unfunded Liability

In order to address this unfunded liability and reduce the ongoing cost to the taxpayer, as part of his FY 2009 financial plan, the Governor recommended modifying eligibility requirements and co-share percentages for retiree health. The General Assembly adopted his proposal with minor modifications including changing the effective date to October 1, 2008. Employees retiring after October 1, 2008 would be eligible for retiree health coverage through the State if they are age 59 or over with a minimum of 20 years of service. For employees retiring before October 1, 2008, an employee with over 10 years of service as of July 1, 2005 was eligible for retirement with at least 28 years of service at any age, or at least 10 years of service and at least age 60, and was therefore eligible for retiree health. For those employees with less than 10 years of service prior to July 1, 2005, the employee had to be age 59 with at least 29 years of service, age 65 with ten years of service, or age 55 with 20 years of service. The enacted reform modified the co-share percentage to require a 20 percent co-share on the full cost of the early retiree or post-65 plan in which the retiree is enrolled. For those retiring prior to October 1, 2008, the early retirees pay a co-share based on years of service on the active employee rate. For these employees retiring prior to October 1, 2008, who are over age 60 with at least 28 years of service, the state pays 100 percent of the cost of the plan. The General Assembly adopted comprehensive legislation which authorized creation of a trust fund and required that the State's obligation be funded on an actuarial basis.

The Governor recommends that the State delay funding of retiree health benefits on an actuarial basis. Because of changes in the retiree health benefits, there was a significant increase in the number of retirees and a corresponding reduction in the active payroll base. For this reason the retiree health percentage in the enacted budget would not be sufficient to fund estimated claims, nor would it be able to fund amortization of the unfunded liability over a thirty year period. Due to the financial stress experienced by the State, the Governor recommends delaying actuarial funding until FY 2011. The FY 2009 "pay go" rate of payroll increases from the enacted level of 3.6 percent to 5.62 percent for state employees, 3.86 percent to 1.79 percent for judges, 0 percent to 9.03 percent for legislators, and 20.06 percent to 13.2 percent for state police. The FY 2010 pay-as-you go rate is estimated at 5.62 percent for state employees, 1.79 percent for judges, 9.03 percent for legislators, and 13.2 percent for the state police.

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In compliance with GASB Statements 43 and 45, "Other Post Employment Benefits," the State obtained an actuarial estimate of the unfunded liability relating to retiree medical benefits. Based upon the June 30, 2007 valuation issued in February 2009, which takes into account the retirements occurring prior to October 1, 2008 and the lower state payroll (assuming pay go funding and a discount rate of 3.566 percent), the unfunded liability for retiree health care benefits would be \$788.2 million. This includes \$679.5 million for state employees, \$54.6 million for state police, \$29.7 million for legislators, \$14 million for judges, and \$10.2 million for the state share of teachers.

If the State funded these future obligations on an actuarial basis in FY 2010, and used a discount rate of 5.0 percent in the valuation, the annual required contribution would be 6.74 percent for state employees, 25.67 percent for state police, 95.49 percent for legislators, and 9.86 percent for judges. These rates are higher than the rate actually budgeted (see Salaries and Benefits).

Statewide Cost of Living Adjustment

The Governor recommends a 2.5 percent cost of living adjustment for salaries and benefits in FY 2010, reflecting negotiated and/or ratified union contracts with state employees. There was no cost of living increase in FY 2009. The adjustment would also apply to non-union employees. The adjustment also applies to holiday and overtime costs.

Savings in Employee Medical Benefits

The Governor's recommendation for employee medical insurance is based upon current employee claims data adjusted for inflationary increases for FY 2010 of 9.5 percent for medical costs and 10.5 percent for pharmacy costs. The rates also reflect changes in plan design, and changes in employee co-shares for FY 2009 and FY 2010 as shown below.

FY 2009			
For full time employees:			
Effective the pay date Friday, August 8, 2008:			
\$45,000 to less than \$75,000	15%	\$25,000 to less than \$35,000	11.5%
\$75,000 to less than \$90,000	18%	\$35,000 to less than \$45,000	12%
\$90,000 and above	25%	\$45,000 to less than \$75,000	15%
		\$75,000 to less than \$90,000	18%
		\$90,000 and above	25%

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FY 2010			
For full time employees:			
Effective July 1, 2009			
Individual Plan Less than \$45,000	15%	Family Plan less than \$45,000	13.5%
\$45,000 to less than \$90,000	20%	\$45,000 to less than \$90,000	20%
\$90,000 and above	25%	\$90,000 and above	25%

Effective the pay date, August 8, 2008, eligible part time employees (scheduled hours less than 35.0 for a 35.0 hour position or less than 40.0 for a 40.0 hour position) shall contribute toward the cost of health care coverage based on a percentage of premiums for either the individual or family plan as set forth below for medical insurance, dental benefits and/or vision/optical benefits. Said co-share percentages shall apply based on the employee's annualized total rate and shall be via payroll deductions.

FY 2009	
For part time employees:	
Effective the pay date Friday, August 8, 2008: Individual or Family Plan	
Less than \$55,000	15%
\$55,000 to less than \$90,000	20%
\$90,000 and above	35%

FY 2010	
For part time employees:	
Effective July 1, 2010 Individual or Family Plan	
Less than \$90,000	20%
\$90,000 and above	35%

Plan Design

Effective November 23, 2008, the following co-pays shall be in effect:

- (1) Primary Care office visit co-pay is \$10 (includes internal medicine, family practice, pediatrics and geriatrics);
- (2) Emergency room co-pay to increase to \$100;

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- (3) Urgent Care co-pay to increase to \$35;
- (4) Specialist office visit co-pay to increase to \$20 (includes all physicians other than primary care physicians);
- (5) The drug co-pay for a 31-day supply shall be as follows:

<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
\$5.00	\$20.00	\$40.00

There is no separate co-pay arrangement for 60-day supplies or 100 units.

Effective November 23, 2008, the following change shall be in effect:

- (1) Mail order network pharmacies: 3 month supply of a prescription drug for 2 co-payments. Maximum fill is 3 month supply

Full-Time Equivalent Positions (FTE)

The FY 2009 enacted budget contained 14,958.6 full-time equivalent (FTE) positions, including 785.0 FTEs that are federal/sponsored research positions in Higher Education. This FTE cap included both reductions in departments and agencies and a statewide reduction of 400.0 FTE's which were distributed to each agency in the FY 2009 working budget. In order to achieve significant personnel costs savings while maintaining an acceptable level of critical services, the Governor recommends 14,465.8 FTE for FY 2009, a decrease of 492.8 FTEs from the enacted level, as well as elimination of an additional 400.0 FTE statewide reduction. The decrease is due primarily to eliminating positions that were vacant as of October 2008 the instructions of the Governor to cabinet level departments and other agencies. Major FTE reductions are recommended in Human Services (351.2 FTE's total, 109.8 in Human Services, and 182.2 in Mental Health, Retardation and Hospitals); General Government (198.2 total, 110.2 in Administration); Education (126.5 total, 95.9 in Higher Education and 27.6 in Elementary and Secondary Education); Public Safety (114.9 total, 92.0 in Corrections); Environmental Management (64.0 total) and Transportation (38.0 total).

In FY 2010, the Governor recommends a total FTE level of 14,828.9, including 785.0 Higher Education federal/sponsored research positions, a net increase of 363.1 FTE's from the revised FY 2009 level. Increases are due to 57.0 additional positions to implement the global Medicaid waiver initiative, 136.0 additional positions to implement the federal stimulus proposals, and 170.1 program and other position restorations, including FTE reductions for unfunded vacancies.

The Governor recommends the transfer of the Contractors' Registration Board from Administration to Business Regulation, and the transfer of the Forensic Sciences Unit in Health to Public Safety. The Governor recommends position transfers from the Department of Administration to Municipal Finance in the Department of Revenue, and positions from the Office of Health and Human Services to the Departments of Health, Labor and Training, and the Office of the Governor

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In **General Government**, the Governor recommends a net decrease of 122.8 in FY 2010 from the FY 2009 enacted budget. The increase from FY 2009 revised is 75.4 FTE's. There is a 43.0 FTE increase in Administration due to the addition of 33.0 FTEs related to the management of federal stimulus funds and a total of 22.0 positions added in various programs, including Budget, Energy, Capital Projects & Facilities Management, Sheriffs, and Information Technology. There is an increase of 14.0 in the Department of Revenue due to additional positions in Taxation and Municipal Finance. Reductions are also recommended in the following agencies: Secretary of State and the Lieutenant Governor, as well as transfers in (Business Regulation-12.0 Contractors Registration Board; Labor and Training-1.0 from OHHS; Governor- 3.0 from OHHS).

In **Human Services**, the Governor recommends a net decrease of 240.2 FTE in FY 2010, from the FY 2009 enacted FTE cap. The increase from FY 2009 revised is 111.0. The Governor recommends the reduction of an additional of 12.0 FTE's in the Office of Health and Human Services due the above-mentioned transfer to other agencies. The Governor recommends the addition of 119.0 FTE's, 70.0 FTE's in Human Services, 6.0 in Children, Youth and Families, and 43.0 in Mental Health, Retardation and Hospitals, 57.0 for implementation of the global Medicaid waiver and 65.0 FTE's to restore positions in various programs. Offsetting this increase are vacancy reductions due to the elimination of vacancies in Elderly Affairs and MHRH.

In **Education**, the Governor recommends a decrease of 108.4 FTEs in FY 2010 from the FY 2009 enacted budget, and an increase of 18.1 from the FY 2009 revised budget. The increase reflects program restorations (10.0 FTE's) in the School for the Deaf, 5.0 additional positions to implement the American Recovery and Reinvestment Act stimulus program, and other program adjustments in Public Higher Education (2.1), and Elementary Education (1.0).

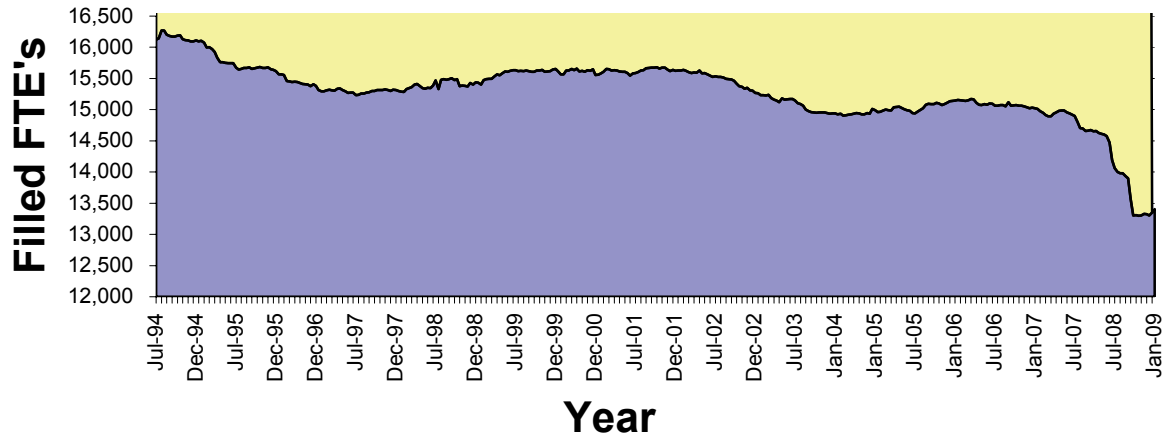
In **Public Safety**, the Governor recommends a net increase of 53.3 FTEs in FY 2010 from the FY 2009 Enacted budget, and an increase of 61.6 from the FY 2009 revised budget. In addition to the transfer of 15.6 positions to the Department of Public Safety for the Forensic Sciences Unit referred to above, the increase reflects the addition of 35.0 State Police trainees, program restorations in Emergency Management and the Fire Marshall (1.0 FTE each), and additional federal funded FTE's in the National Guard in Facilities Maintenance, Environmental Response, and Facility Security, (9.0).

In **Natural Resources**, the Governor recommends a reduction of 56.0 FTEs in FY 2010 from the enacted FY 2009 budget, and an increase of 8.0 from the FY 2009 revised level to implement the American Recovery and Reinvestment Act stimulus program. In **Transportation**, the Governor recommends a reduction of 38.0 from the enacted FY 2009 budget level, and an increase of 89.0 from the FY 2009 revised budget to implement the American Recovery and Reinvestment Act stimulus program.

As directed by the Governor, the overall filled FTE level must be constrained through careful management by cabinet directors of existing and upcoming vacancies. Actual filled positions totaled 13,330.7 as of the end of 2008, versus 14,703.8 as of January 18, 2008 and 15,082.8 as of July 2007. This included 545.12 filled sponsored research positions. Actual filled positions excluding sponsored research positions as of the end of 2008 were 12,785.6, 1,727.0 less than in July 2007. The filled level of 13,330.7 FTE is 1,627.9 FTEs (10.9 percent) less than the enacted cap of 14,958.6. Since records have been kept on FTE levels, filled full-time equivalent positions

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are at an all time low. In the FY 2010 budget, turnover (all funds) is estimated to be 2.2 percent of salaries, comparable to the FY 2009 enacted level of 4.1 percent, FY 2008's level of 3.7 percent of salaries, and FY 2007's level of 3.8 percent (The FY 2009 revised rate is 4.63 percent). The turnover level reflects in part the centralization process in the Department of Administration, as well as the increased constraints on filling existing vacancies.



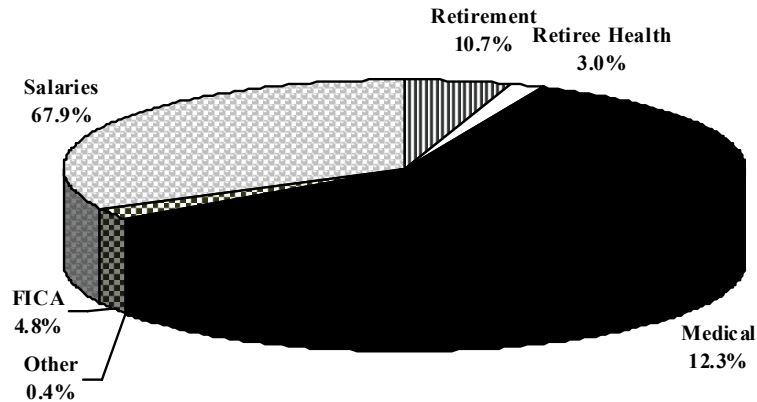
General revenue finances 50.1 percent of FY 2010 personnel expenditures. Federal funds finance 22.7 percent. Other Funds (primarily college tuition funds) and Internal Service Funds finance 23.8 percent. Restricted receipts finance the remaining 3.4 percent. This document contains all expenditures for personnel, including those of the internal service funds, as noted above. Since internal service positions are financed through charges to state agencies categorized as operating expenses, totals shown in this document will differ in some cases from personnel costs shown in complementary documents of the FY 2010 Budget.

Salaries and Benefits

The largest category of personnel expenditures is for salaries and benefits. Salaries and benefits (including temporary and seasonal) represent \$1,451.0 billion or 86.1 percent of total personnel costs. Salaries, including payroll accrual, overtime, holiday, and other salary-related items, equal \$996.8 million and fringe benefits equal \$454.3 million. Fringe benefit payments include \$155.4 million for retirement costs, \$178.2 million for medical benefits (including \$176.1 million for benefit plans and \$2.1 million for medical benefits-salary disbursements), \$44.1 million for retiree health benefits, \$70.2 million for FICA, and \$6.3 million for other benefits, including group life insurance and other contract stipends. In addition, the statewide benefit assessment, consistent with federal OMB Circular A-87, is included to finance severance, unemployment, employee assistance, workers' compensation payments and administrative costs, and DLT employer assessments, and totals \$36.4 million.

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FY 2010 Salaries and Benefits



Direct Salaries (including uncompensated leave day) decrease by 5.7 percent in the FY 2009 Revised Budget over FY 2008 (unaudited expenditures), but increase by 6.9 percent in FY 2010 over FY 2009 revised. When adjusted for overtime, which increases in FY 2009 revised and decreases in FY 2010, the respective salary change is a 5.4 percent decline in FY 2009 and a 5.7 percent growth in FY 2010. The FY 2009 revised decrease reflects both a higher than expected level of retirements and a limitation on the number of replacement hires so that filled FTE's are at their lowest level in years. The FY 2010 increase results from the 2.5 percent cost of living (COLA) adjustment, the addition of 363.1 FTE's, and prospective COLA and wage base adjustments resulting from negotiation of the contract with RIBCO correctional officers. A total of \$1.5 million in FY 2009 Revised is budgeted for retroactive payments due to correctional officers as a result of a 2008 arbitration award through FY 2006. A total of \$21.9 million is budgeted in FY 2010 for unnegotiated COLA/Medical Co-Pay amounts with correctional officers. \$7.3 million is included in salaries and benefits for the FY 2010 base wage adjustment, with no adjustment for possible retroactive payments for FY 2007, FY 2008, and FY 2009. When adjusted for the RIBCO base wage adjustment, the growth in salary is 4.9 percent over FY 2009 revised.

Fringe benefit adjustments increase by 2.3 percent in FY 2009 revised over FY 2008, and by 5.8 percent in FY 2010 over FY 2009 revised. Retirement decreases by 3.6 percent in FY 2009 but increases by 3.5 percent in FY 2010. As previously discussed, the funding levels reflect the Governor's proposed pension reform. Costs would be higher if reform is not adopted. FICA decreases by 3.5 percent in FY 2009 but increases by 6.5 percent in FY 2010. Retiree health, on the other hand, increases by 52.4 percent in FY 2009 over FY 2008. Within state agency budgets, state employer retirement contributions are budgeted at 21.13 percent and 20.77 percent of payroll for FY 2009 and FY 2010.

For **medical benefits**, the recommended budget for FY 2009 revised of \$166.1 million includes an overall increase of 1.8 percent over FY 2008 actual expenditure levels. For FY 2010, the recommendation of \$177.7 million in medical benefits is an increase of only 7.3 percent from the recommended revised budget amount for FY 2009. The Governor's recommendation includes a decrease of 2.0 percent from the initial estimate (plus reductions of 7.1 percent dental rates and 2.1

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percent in vision rates), based on lowering of the working rates due to the better trend experience through October 2008.

The Governor recommends a **retiree health** budget of \$40.4 million in FY 2009 revised and \$44.1 million in FY 2010, a growth rate of 52.4 percent in FY 2009 from FY 2008, and a 9.2 percent increase from FY 2009 revised to FY 2010, due in part to extra adjustments in Public Higher Education. The initial planning value for FY 2009 was 3.86 percent, and was intended to finance both pay-as-you go retiree health benefit costs and to pre-fund the financial obligations of current and future employees. Due to the significant number of retirees prior to October 1, 2008 responding to new legislation changing retiree health benefits, the cost for retiree health increased while the active payroll base decreased. Therefore the planning value rate has increase to 5.62 percent in both FY 2009 and FY 2010, which will finance pay-as-you go costs but will not finance the amortization of the unfunded actuarial accrued liability.

Retiree Health is budgeted at 5.62 percent in FY 2009 for state employees, 1.79 percent for judges, 9.03 percent for legislators and 13.2 percent for state police. For FY 2010, retiree health is budgeted at 5.62 percent for state employees, 1.79 percent for judges, 9.03 percent for legislators and 14.62 percent for state police.

Workers' compensation costs budgeted directly in the agencies in FY 2009 and FY 2010 are \$100,444 and \$99,704 respectively and are funded in the Departments of Corrections and Mental Health, Retardation and Hospitals. These amounts reflect the continuation of wages in excess of those amounts received as a result of the Workers' Compensation statute (primarily as a result of assault cases). Since FY 2001, all workers' compensation costs, as well as unemployment insurance and unused leave severance payments, have been paid from a separate Assessed Fringe Benefits Administrative Fund. The fund is financed by a statewide benefit assessment of a fixed percentage of direct salaries that is charged to every department and agency in this document. The FY 2009 revised budget includes an increase in the **assessed fringe benefit** rate from the initial planning value of 3.8 percent to 6.3 percent for regular state employees (and the exception rate was raised from 2.1 percent to 4.6 percent). The assessed fringe benefit rate is applied to all direct salaries, except overtime. The increase in FY 2009 from the enacted rate reflects the higher than originally estimated cost of severance payments and unemployment compensation payments for state employees, as well as a lower salary base over which the rate increase is applied. The surge in severance payments is due to the large number of employees that retired prior to changes in retiree health benefit provisions, which became effective October 1, 2008. The assessed fringe benefit budget in the FY 2009 revised budget is \$51.7 million, a 64.2 percent increase from FY 2008 actual expenditure. The budget in FY 2010 is \$36.4 million, a decrease of 29.6 percent, reflecting a decrease in severance costs and a resultant change in the planning value to 4.2 percent.

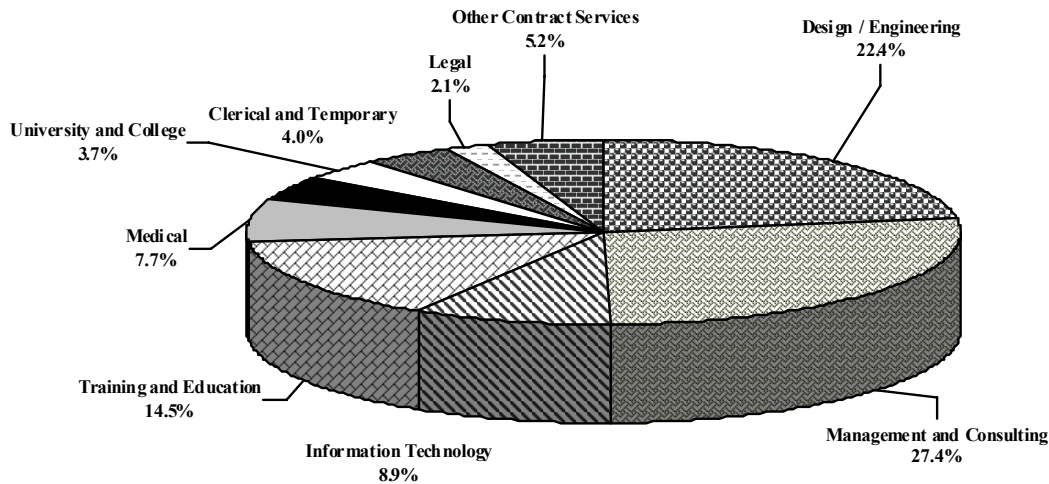
The Assessed Fringe Benefit Fund is used to fund the following: services provided by the Donley Center; services of the Workers' Compensation Court; the Division of Workers' Compensation administrative costs related to workers' compensation activities; workers' compensation benefit payments to employees;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

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Purchased Services

Purchased Services costs in the FY 2010 Budget are \$197.5 million, and represent 11.6 percent of total personnel costs. Expenditures in this category are for services provided by outside contractors in cases where special expertise is needed or where it would be less efficient to hire full-time employees. Major categories of expenditure are management and consulting services (comprising 27.4 percent of the total), design and engineering services (comprising 22.4 percent), training and education services (comprising 14.5 percent), medical services (7.7 percent), and information technology services (comprising 8.9 percent).

FY 2010 Purchased Services



Expenditures in FY 2009 revised are \$29.1 million more than FY 2008, a 16.3 percent increase in spending for these services. Expenditures in FY 2010 are \$9.9 million less than FY 2009. The greatest decreases are in training and education services (\$3.4 million), information technology services (\$5.8 million), other contract services (\$985,953) and clerical and temporary services (\$739,011). Management and consultant services increase by \$1.7 million. A major reason for the decline is the finalization of project work in FY 2009, as well a goal to reduce contract employee services.

The various sections of the Personnel Supplement contain the personnel costs for each agency and program in state government for FY 2009 and FY 2010. All positions and their respective costs are displayed. Footnotes will assist readers in understanding variances between the years. Footnotes are included in the back section of this document. Additionally, there are a number of terms used in the Personnel Supplement that are not part of every day usage. A Glossary with extended explanations is included in the back of the Personnel Supplement. For more information on the codes used to identify the pay scales, refer to the Glossary. Pay scales are also reflected on the State's Human Resources web site.

Personnel Supplement

Statewide Summary

<u>Distribution by Category</u>	<u>FY 2009</u>		<u>FY 2010</u>	
	FTE Positions	Cost	FTE Positions	Cost
Classified	9,265.6	473,790,026	9,546.8	507,843,574
Unclassified	2,180.0	141,393,761	2,239.4	149,017,458
Nonclassified	2,646.2	202,223,440	2,660.6	211,569,075
Uncompensated Leave Days-Salary		(1,900,191)		-
Overtime		67,522,307		60,139,499
First Quarter Vacated Postion Costs	-	9,733,429	-	-
Turnover	-	(37,868,204)	-	(19,218,606)
Cost Allocation from program Y	204.0	13,710,388	230.8	15,085,053
Cost Allocation to program X	(204.0)	(13,710,388)	(230.8)	(15,085,053)
Salaries	14,091.8	\$854,894,568	14,446.8	\$909,351,000
Benefits				
Retirement		150,188,921		155,416,847
Medical		166,138,046		178,182,904
FICA		65,925,065		70,231,893
Retiree Health		40,434,091		44,142,754
Other		6,530,904		6,303,186
Holiday Pay		7,440,436		7,114,308
Payroll Accrual		4,433,032		4,542,300
Salaries and Benefits	14,091.8	\$1,295,985,063	14,446.8	\$1,375,285,192
Cost per FTE Position ⁽¹⁾		91,967		95,197
Temporary and Seasonal		75,799,321		75,753,303
Severance Costs		-		-
Statewide Benefit Assessment		51,678,601		36,374,556
Retroactive Payment ⁽²⁾		1,525,828		-
Worker's Compensation (assault)		100,444		99,704
Payroll Costs	14,091.8	\$1,425,089,257	14,446.8	\$1,487,512,755

(1) Reflects proposed salary and benefit savings for FY 2009 and FY 2010. Average FTE cost shown does not reflect an adjustment for turnover, and is therefore understated.

(2) Reflects retroactive payments due to RIBCO to be paid in FY 2009

Personnel Supplement

Statewide Summary

Purchased Services	<u>FY 2009</u>		<u>FY 2010</u>	
		Cost		Cost
Contractual Services				
Medical Services		15,154,986		15,210,315
Design & Engineering Services		44,628,777		44,149,266
Training & Educational Services		32,115,005		28,699,456
Buildings and Grounds Maintenance		7,687,463		8,145,670
Information Technology		23,290,022		17,504,712
Legal Services		4,812,828		4,194,811
Management & Consultant Services		52,377,195		54,101,879
Clerical & Temporary Services		8,408,011		7,669,000
Other Contract Services		11,286,459		10,300,506
Miscellaneous Services		0		0
University/Colleges Services		7,447,479		7,306,826
Total		\$207,208,225		\$197,282,441
Total Personnel	14,091.8	\$1,632,297,482	14,446.8	\$1,684,795,196

<u>Distribution by Source of Funds</u>	<u>FY 2009</u>		<u>FY 2010</u>	
	FTE	Cost	FTE	Cost
General Revenue	7,446.5	813,988,305	7,576.8	836,486,706
Federal Funds	2,582.7	371,051,769	2,787.7	385,387,497
Restricted Receipts	450.5	58,523,893	464.1	58,365,884
Internal Service Funds	100.7	9,155,679	80.8	9,319,452
Other Special Funds	2,959.1	328,843,114	2,993.2	347,019,244
Federal/Garvee/MF/Bond Proceeds	142.3		142.3	
Other Funds Third Party-Research	410.0	50,734,722	401.9	48,216,413
Reconcile to Higher Ed FTE Auth.	374.0		382.1	
Total: All Funds	14,465.8	\$1,632,297,482	14,828.9	\$1,684,795,196

Agency Summary

	FY 2009 FTE Positions	FY 2009 Personnel Costs	FY 2010 FTE Positions	FY 2010 Personnel Costs
General Government				
Administration	845.6	88,188,316	888.6	92,875,642
Business Regulation	91.0	10,159,067	103.0	11,510,922
Labor & Training	395.3	42,187,979	396.3	40,076,312
Revenue	410.0	34,807,237	424.0	37,958,865
Legislature	289.8	30,166,932	289.8	31,596,778
Office of the Lieutenant Governor	7.0	825,754	8.0	938,004
Secretary of State	55.0	5,269,465	56.4	5,554,355
General Treasurer	83.0	10,116,975	83.0	9,949,065
Board Of Elections	12.0	1,827,767	12.0	1,717,338
Rhode Island Ethics Commission	12.0	1,233,487	12.0	1,256,562
Office of the Governor	39.0	4,593,980	42.0	5,007,304
Commission for Human Rights	14.5	1,154,466	14.5	1,175,274
Public Utilities Commission	44.0	5,918,170	44.0	6,072,007
Rhode Island Commission on Women	1.0	98,331	1.0	99,416
Subtotal - General Government	2,299.2	236,547,926	2,374.6	245,787,844
Human Services				
Office of Health and Human Services	85.1	7,603,107	73.1	9,087,306
Children, Youth, and Families	694.0	76,059,867	700.0	77,016,594
Elderly Affairs	32.0	3,137,348	31.0	2,955,830
Health	409.6	57,306,274	414.6	57,130,730
Human Services	884.6	128,874,189	954.6	136,387,929
Mental Health, Retardation, & Hospitals	1,352.4	127,210,426	1,395.4	127,553,456
Office of the Child Advocate	5.7	536,957	5.7	571,061
Commission on the Deaf & Hard of Hearing	3.0	360,594	3.0	369,440
Governor's Commission on Disabilities	4.0	390,308	4.0	409,218
Office of the Mental Health Advocate	3.7	429,165	3.7	437,105
Subtotal - Human Services	3,474.1	401,908,235.0	3,585.1	411,918,669.0
Education				
Elementary and Secondary Education	311.4	54,631,843	327.4	54,296,631
Public Higher Education ⁽¹⁾	4,180.0	445,408,548	4,182.1	466,479,812
RI Council On The Arts	7.6	681,792	7.6	699,912
RI Atomic Energy Commission	8.6	947,033	8.6	941,197
Higher Education Assistance Authority	42.6	10,946,775	42.6	11,106,420
Historical Preservation & Heritage Comm.	16.6	1,514,463	16.6	1,570,194
Public Telecommunications Authority	18.0	1,855,078	18.0	1,844,858
Subtotal - Education	4,584.8	515,985,532	4,602.9	536,939,024

Agency Summary

Public Safety				
Attorney General	231.1	21,676,325	231.1	22,250,692
Corrections	1,423.0	164,774,873	1,423.0	167,779,556
Judicial	729.3	75,686,443	729.3	75,514,370
Military Staff	101.0	8,793,334	111.0	9,901,943
Public Safety ⁽²⁾	396.1	48,578,379	447.7	49,258,905
Office of the Public Defender	91.0	8,791,259	91.0	8,964,730
Subtotal - Public Safety	2,971.5	328,300,613	3,033.1	333,670,196
Natural Resources				
Environmental Management	409.0	51,215,635	417.0	52,277,956
Coastal Resources Management Council	30.0	3,539,184	30.0	3,495,729
Water Resources Board	6.0	1,261,676	6.0	1,188,096
Subtotal - Natural Resources	445.0	56,016,495	453.0	56,961,781
Transportation				
Transportation	691.2	93,538,681	780.2	99,517,682
Subtotal - Transportation	691.2	93,538,681	780.2	99,517,682
Total	14,465.8	1,632,297,482	14,828.9	1,684,795,196

⁽¹⁾Includes 785.0 FTEs in FY2008 and FY 2009 that are supported by Sponsored Research Funds and are included in the overall FTE cap.

⁽²⁾E-911, Rhode Island State Fire Marshal, Rhode Island Justice Commission, Municipal Police Training Academy, Capitol Police (DOA), Forensics Unit (DOH) and State Police are merged within the Department of Public Safety.

Full-Time Equivalent Positions

	FY 2007	FY 2008	FY 2009 Enacted	FY 2009 Revised	FY 2010
General Government					
Administration	1,065.2	1,032.9	955.8	845.6	888.6
Business Regulation	103.0	105.0	97.0	91.0	103.0
Labor & Training	467.9	454.9	407.2	395.3	396.3
Revenue	473.0	475.0	464.0	410.0	424.0
Legislature	294.0	298.2	297.9	289.8	289.8
Office of the Lieutenant Governor	9.5	9.5	8.0	7.0	8.0
Secretary of State	56.0	58.0	57.0	55.0	56.4
General Treasurer	86.5	88.0	86.0	83.0	83.0
Boards for Design Professionals (4)	4.0	-	-	-	-
Board Of Elections	14.0	14.0	14.0	12.0	12.0
Rhode Island Ethics Commission	12.0	12.0	12.0	12.0	12.0
Office of the Governor	46.0	44.0	39.0	39.0	42.0
Commission for Human Rights	14.5	14.5	14.5	14.5	14.5
Public Utilities Commission	45.7	45.7	44.0	44.0	44.0
Rhode Island Commission on Women	1.0	1.0	1.0	1.0	1.0
Subtotal - General Government	2,692.3	2,652.7	2,497.4	2,299.2	2,374.6
Human Services					
Office of Health and Human Services	5.0	5.0	92.2	85.1	73.1
Children, Youth, and Families	789.0	805.0	738.5	694.0	700.0
Elderly Affairs	48.0	46.0	35.0	32.0	31.0
Health	465.6	459.0	413.5	409.6	414.6
Human Services	1,111.0	1,109.0	994.4	884.6	954.6
Mental Health, Retardation, & Hospitals	1,824.3	1,761.0	1,534.6	1,352.4	1,395.4
Office of the Child Advocate	5.8	5.8	5.8	5.7	5.7
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0
State Council on Developmental Disabilities (3)	2.0	2.0	-	-	-
Governor's Commission on Disabilities	6.6	5.6	4.6	4.0	4.0
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	3.7
Subtotal - Human Services	4,264.0	4,205.1	3,825.3	3,474.1	3,585.1
Education					
Elementary and Secondary Education	131.2	134.2	140.2	128.4	134.4
Davies	133.0	133.0	133.0	133.0	133.0
School for the Deaf	68.0	68.0	65.8	50.0	60.0
Elementary Secondary Education - Total	332.2	335.2	339.0	311.4	327.4
Office of Higher Education Non-Sponsored Research	21.0	21.0	20.1	19.4	19.4
URI Non-Sponsored Research	1,940.1	1,930.1	1,902.1	1,849.9	1,851.5
RIC Non-Sponsored Research	843.5	850.5	835.5	812.6	813.1
CCRI Non-Sponsored Research	750.2	748.2	733.2	713.1	713.1
Higher Education - Total Non-Sponsored	3,554.8	3,549.8	3,490.9	3,395.0	3,397.1
RI Council On The Arts	8.6	8.6	8.6	7.6	7.6
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	46.0	46.0	42.6	42.6	42.6
Historical Preservation and Heritage Commission	17.6	17.6	16.6	16.6	16.6
Public Telecommunications Authority	20.0	20.0	20.0	18.0	18.0
Subtotal - Education	3,987.8	3,985.8	3,926.3	3,799.8	3,817.9

Full-Time Equivalent Positions

	FY 2007	FY 2008	FY 2009 Enacted	FY 2009 Revised	FY 2010
Public Safety					
Attorney General	234.8	234.8	231.1	231.1	231.1
Corrections	1,498.6	1,508.6	1,515.0	1,423.0	1,423.0
Judicial	732.5	732.5	729.3	729.3	729.3
Military Staff	109.0	110.0	103.0	101.0	111.0
Public Safety	-	-	414.5	396.1	447.7
E-911 (1)	53.6	53.6	-	-	-
RI State Fire Marshal (1)	36.0	35.0	-	-	-
Commission on Judicial Tenure and Discipline	1.0	-	-	-	-
Rhode Island Justice Commission (1)	7.6	7.6	-	-	-
Municipal Police Training Academy (1)	4.0	4.0	-	-	-
State Police (1)	273.0	272.0	-	-	-
Fire Safety Code Board of Appeal and Review (2)	3.0	3.0	-	-	-
Office of the Public Defender	93.5	93.5	93.5	91.0	91.0
Subtotal - Public Safety	3,046.6	3,054.6	3,086.4	2,971.5	3,033.1
Natural Resources					
Environmental Management	505.3	491.4	473.0	409.0	417.0
Coastal Resources Management Council	30.0	30.0	30.0	30.0	30.0
Water Resources Board	9.0	9.0	6.0	6.0	6.0
Subtotal - Natural Resources	544.3	530.4	509.0	445.0	453.0
Transportation					
Transportation	786.7	773.7	729.2	691.2	780.2
Subtotal - Transportation	786.7	773.7	729.2	691.2	780.2
Statwide Retirement Vacancies	-	-	(400.0)	-	-
Total Non Sponsored	15,321.7	15,202.3	14,173.6	13,680.8	14,043.9
Higher Education Sponsored Research *					
Office	1.0	1.0	1.0	1.0	1.0
CCRI	100.0	100.0	100.0	100.0	100.0
RIC	82.0	82.0	82.0	82.0	82.0
URI	602.0	602.0	602.0	602.0	602.0
Subtotal Sponsored Research	785.0	785.0	785.0	785.0	785.0
Total Personnel Authorizations	16,106.7	15,987.3	14,958.6	14,465.8	14,828.9
Total Personnel **	16,106.7	15,987.3	14,958.6	14,465.8	14,828.9

*A total of 785.0 FTE positions in Higher Education in FY 2008 and FY 2009 represent FTE's supported by sponsored research funds. Commencing in FY2005, these positions were included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

- (1) Agencies merged with Department of Public Safety
- (2) Agencies merged with Department of Administration
- (3) Agency merged with URI
- (4) Agency merged with Department of Business Regulation

