Five-Year Financial Projection

FY 2010 – FY 2014 Overview

Summary

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

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

The five-year projection includes tables that present anticipated revenues and expenditures for the five fiscal years ending in June 2014. Tables which detail planning values are also included. The planning values reflect policy assumptions as well as economic and demographic forecasts.

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

From the FY 2010 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2014. The operating deficits range from $155.6 million in FY 2011, $370.0 million in FY 2012, $429.9 million in FY 2013, and $482.4 million in FY 2014. In percentage terms, the deficits are projected to approach 4.7 percent of spending in FY 2011 and 12.6 percent in FY 2014. The expenditure-side of the budget is estimated to increase at an average annual rate of 5.5 percent from the FY 2010 base to FY 2014. Inflation, however, as measured by the CPI, is expected to grow at an annual rate of 2.1 percent. A number of factors are responsible for the rate of growth above inflation, as discussed in detail below.

The five year projection anticipates average annual revenue growth of approximately 2.5 percent beyond the budget year, based upon the adopted November 2008 Revenue Estimating Conference forecast for the Rhode Island economy and the Governor's recommended changes to adopted revenues. The forecasts used here assume the immediate downward swing in the economy will impact both FY 2009 and FY 2010 before beginning to recover in FY 2011. The recovery is expected to strengthen in FY 2012 and then achieve a long-run equilibrium growth rate in FY 2013 and FY 2014. Personal income is forecast to grow at an average annual rate of 4.3 percent, employment at an average annual rate of 1.2 percent, and wage and salary disbursements at an average annual rate of 3.5 percent over the FY 2011 — FY 2014 period. A risk to the revenue forecast is the timing of the economic recovery. If the recovery takes hold sooner than forecast, then the out-year growth rates, particularly in employment, would be lower. The tradeoff, of course, is that near-term revenue estimates would likely be better than currently estimated. Conversely, if the economic recovery takes hold later than forecast, then the outyear growth rates would be too optimistic and both the near-term and the outyear revenue forecasts may be overstated.

The FY 2010-FY 2014 five year forecast reveals the impact of recent federal action, which was aimed at generating economic activity and providing the states with fiscal relief. Congress proposed, and on February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA"). The Act provides $789 billion nationwide through spending programs, tax cuts, and other provisions. While one of the goals of the ARRA is to generate economic activity that will result in improved financial performance, this five year forecast does not attempt to estimate the impact, if any, the stimulus will have on state revenues. It does discuss two major components of the ARRA, the State Fiscal Stabilization Fund and the increased Federal Medicaid Assistance Percentage (FMAP) both of which have a direct impact on the State operating budget. This forecast shows that the federal stimulus funds provide relief of $231.2 million in FY 2010 and $139.2 million in FY 2011, and will cause stress as the stimulus funds sunset pursuant to federal law.

The provisions of the American Recovery Act and Reinvestment (ARRA) are temporary, providing an increase in the FMAP only through December 31, 2010. The five year forecast reflect a change in the FMAP rate from 52.62 percent to 63.92 percent in State FY 2010, and an assumed change in FY 2011 from a base rate of 52.63 percent to 58.28 percent, and an assumed rate in FY 2012 of 52.63 percent. When applied to the applicable base Medicaid expenditures, the resultant increase in federal participation totals $184.2 million, which is included in the Governor's recommended FY 2010 budget. The appropriation of these additional federal funds allows a reduction of an equivalent amount of general revenue expenditures in the Medicaid program. The forecast includes federal participation declines of an estimated $92.2 million in FY 2011 and, further declines of $184.2 in FY 2012 when the program sunsets pursuant to federal law.

Agency	General Revenue Expenditures Relieved by ARRA – FMAP (In millions)			
	FY 2009	FY 2010	FY 2011	FY 2012
Department of Human Services	$95.0	$129.0	$64.5	0
Department of Health	0.1	0.1	0.1	0
Department of Mental Health, Retardation and Hospitals	35.2	45.6	22.8	0
Department of Elderly Affairs	.7	.9	.4	0
Department of Children, Youth and Families	6.3	8.5	4.2	0
Total	$137.3	$184.2	$92.2	0

The State Stabilization Fund for Rhode Island totals $164.9 million and may be used in FY 2009, FY 2010, and FY 2011. Of the total, 81.8 percent is to be allocated to elementary and secondary education and public higher education and the remaining 18.2 percent for public safety or other government services, including K-12 or higher education. The Governor's budget strategy for FY 2009 and FY 2010 assumes the funds are used evenly over the three year period. The Governor's budget proposes that $55.0 million be incorporated each year from FY 2009 through FY 2011. Higher Education would receive $6.7 million, $7.8 million and $7.8 million in fiscal years 2009 through 2011, K-12 would receive $38.3, $37.2 and $37.2 million, and the general purpose funds would be allocated $10.0 million each year. The FY 2010 budget incorporates the availability of new K-12 education federal stimulus funds and the need to reduce the growth in local government costs by providing local government officials more flexibility to manage efficiently and effectively through legislative changes proposed in the FY 2009 Supplemental Budget. For FY 2010, when local education authorities begin to receive increased Title I and IDEA funds, in addition to the Stabilization funds, the Governor recommends a decrease in general revenue funded state education aid of $37.0 million, as an offset to the stabilization funds. No offset is recommended relating to Title I ($17.0 million) or IDEA ($19.8 million) funds which are distributed to the local governments. The FY 2010 budget also allocates $10.0 million of general purpose stabilization funds to distressed communities aid, with a commensurate reduction in general revenue funding. The table below displays the impact of the State Stabilization Fund in the period FY 2010 though FY 2012.

Agency	General Revenue Expenditures Relieved by ARRA – FMAP (In millions)			
	FY 2009	FY 2010	FY 2011	FY 2012
Department of Elementary and Secondary Education	$31.0	$37.0	$37.0	0
Higher Education	[6.7]	[7.8]	[7.8]	0
Department of Administration	10.0	10.0	10.0	0
Total	$41.0	$47.0	$47.0	0

Total All General Revenue Expenditures Relieved by ARRA (In millions)				
	FY 2009	FY 2010	FY 2011	FY 2012
FMAP	$137.3	$184.2	$92.2	0
Stabilization	41.0	47.0	47.0	0
Total	$178.3	$231.2	$139.2	0

Highlights

The forecast takes into account four major initiatives included in the Governor's FY 2009 and FY 2010 budgets which impact the revenue and expenditure estimates – pension reform, Medicaid reform, tax reform, and reduced state aid for local governments supported by proposed legislative changes to encourage spending efficiencies. In the three expenditure areas, the forecast assumes the Governor's proposed FY 2010 proposed budget is the baseline, and the out-year forecast adjusts for the sunsetting of federal stimulus dollars and utilizes projected inflationary trends.

In the category of personnel costs, the forecast assumes the Governor's pension reform proposal contained in the FY 2009 Supplemental Act is enacted, resulting in $20.4 million of general revenue savings in FY 2010 for state employees, state police and judges. The forecast also includes estimated increases in the state's retirement contributions due to recent investment losses in the pension fund, as described under the section discussing personnel and operating costs. The Governor's FY 2010 budget includes savings from a proposal submitted to the General Assembly to delay the enacted change to fund retiree health benefits on an actuarial basis from FY 2009 to FY 2011. The forecast assumes that the proposed change is enacted, requiring the state to fund retiree health benefit costs on an actuarial basis beginning in FY 2011. The forecast assumes that the actuarially determined contribution rate for the retiree health benefits remains constant through the forecast period. It is assumed that the medical benefit co-sharing and plan design changes which have been implemented also remain constant through the planning horizon.

Grants and benefits account for approximately 28 percent of the general revenue budget. Total Medicaid spending in FY2009 is estimated to be $756 million, reflecting reduced state support as a result of the federal enhancement. In FY2008, the state spent $854 million in general revenues, and $1.8 billion from all funds. According to the Centers for Medicare and Medicaid Services

(CMS) projections, Medicaid growth is projected to be 7.9 percent annually, outpacing the average projected annual revenue growth of 2.5 percent. The projected annual growth for Medicaid costs included in the forecast range from 5.3 percent and 9.5 percent over the forecast period, depending upon the service provided. The Global Waiver is expected to lower costs below those baseline costs included in the forecast, based upon the premise that serving clients in less restrictive settings will cost less, provide incentives for efficiencies, and increase competition amongst providers. In an attempt to present a conservative forecast, no additional Medicaid savings above those contained in the Governor's FY 2010 budget are assumed.

The local aid expenditures contained in the forecast assume that the general revenue sharing program is not funded in FY 2010 – FY 2014. It assumes level funding of general education aid, after restoration for federal stabilization funds, and estimated increases in charter schools and construction aid programs. It also assumes passage of the teacher pension reform proposed by the Governor resulting in state and local savings. The employer retirement contribution rate for teachers' system is adjusted upward in the out-years to reflect the anticipated increase in contributions resulting from recent investment performance.

The tax reform proposed by the Governor in the FY 2010 budget is phased in over the five year forecast horizon and results in savings to the taxpayers of $16.0 million in FY 2010 to $154.8 million by FY 2014.

Economic Forecast and Revenues

The economic forecast was developed by the principals of the November 2008 Revenue Estimating Conference with input from the consulting economists at *Moody's Economy.com* and *Global Insight* and respective staff. This forecast serves as a "best guess" as to the future path of the Rhode Island economy since no formal economic model was employed by the conferees in arriving at the forecast. A detailed analysis of the conferees near-term economic forecast for the State is contained in ***The Economy*** section of the Executive Summary. In that section, particular attention is paid to how the state fared relative to the past year with respect to non-farm employment and personal income growth. In addition, a brief explanation of the actual economic performance of the State against the economic forecast contained in the FY 2009 budget is undertaken. Finally, the economic forecast is presented for the out-years through FY 2014.

The fallout from the housing market and the national financial crisis present the greatest risks to the economic forecast. Of particular note, the performance of the U.S. economy in general has been better than the performance of the Rhode Island economy, although the discrepancy in performance has begun to narrow. Given that Rhode Island's economy entered into a recession in late 2007 — early 2008, and the U.S. economy did not do so until mid- to late 2008, it is conceivable that economic recovery may take hold earlier in Rhode island than the rest of the country. This possible outcome, however, is contingent on the stabilization of national financial markets.

In particular, employment growth rates are expected to be negative in the FY 2009 – FY 2010 period. During the FY 2011 – FY 2013 period, Rhode Island employment growth rates are expected to be positive and accelerating. In FY 2014, employment growth is expected to decline to a 1.1 percent annual rate. In FY 2012, Rhode Island employment growth should peak at 1.5 percent and total nonfarm employment should exceed the peak reached in FY 1997. Growth in Rhode Island personal income is expected to be weak in FY 2009 and FY 2010, averaging 2.0

percent over the period. Beginning in FY 2011, personal income growth is expected to pick up and average 4.3 percent, a rate slightly below that achieved in the FY 2002 through FY 2008 period. Further, energy prices remain a risk to both the U.S. macroeconomic and Rhode Island forecasts. As an energy importer, Rhode Island's economy is vulnerable to both sharp increases and decreases in energy prices, with the former being more detrimental than the latter is beneficial. Finally, it should be noted that the economic forecast adopted at the November 2008 Revenue Estimating Conference incorporates approximately $200 billion of federal economic stimulus, far below the $787 billion economic stimulus bill signed into law by President Obama on February 17, 2009.

The five year revenue projection includes the Governor's proposals to modify the adopted Revenue Estimating Conference estimates for FY 2010. Overall revenues are expected to grow from $3.146 billion in FY 2010 to $3.474 billion in FY 2014. This is growth of $327.7 million, reflecting average annual growth of 2.5 percent. This includes a proposal to increase the tax on the gross premiums of nonprofit medical service corporations, nonprofit hospital service corporations, nonprofit dental service corporations, and health maintenance organizations from 1.75 percent to 2.00 percent, and to incorporate managed care plans under Title XIX. These two provisions are expected to increase revenues by $13.6 million in FY 2010 and $16.1 million in FY 2014. It also includes increased motor vehicle fees resulting from the increase in the fee for the reinstatement of suspended licenses and registrations to $250, and the increase in certificate of title fees to $50. These fee increases are estimated to increase revenues by $8.4 million in FY 2010 and $8.5 million in FY 2014. Further, the five year forecast incorporates the revenue impact from the Governor's proposal to increase the state cigarette excise tax to $3.46 per pack from $2.46 per pack. The total estimated revenue increase in FY 2010 is $30.2 million and $30.5 million in FY 2014. Finally, the five year revenue forecast includes the increase in small and consumer claims mediation entry fees, the Bureau of Criminal Identification background check fees, and the implementation of a penalty for the late renewal of Office of Food Protection licenses. The combined amount of these fees is $1.2 million in FY 2010 and a similar amount in FY 2014. As has been the case in the past, the five year forecast contains the reinstitution of the hospital licensing fee at the current rate of 4.78 percent of FY 2007 net patient revenues for a total of $111.4 million in FY 2010. The revenue from the Hospital Licensing Fee is held constant over the forecast period.

The revenue reductions contained in the five year forecast include the Governor's proposal to begin to phase-out the state's Business Corporation Tax commencing on January 1, 2010. The proposal is to reduce the Business Corporation Tax rate to 7.5 percent on January 1, 2010, to 6.0 percent on January 1, 2011, to 4.0 percent on January 1, 2012, to 2.0 percent on January 1, 2013, and complete elimination on January 1, 2014. The revenue reduction from this phased out rate reduction is estimated to be $(14.5) million in FY 2010 and $(115.0) million in FY 2014.

The elimination of the Health Care Provider Assessment on group homes is also included in the five year forecast, as is a reduction in the Health Care Provider Assessment on nursing homes due to a base change. The combined revenue loss from these changes in the Health Care Provider Assessment are $(12.7) million in FY 2010 and $(13.6) million by FY 2014.

The five year revenue forecast also incorporates the Governor's proposal to increase the State's estate tax exemption amount below which the state's Estate Tax does not apply from $675,000 to $1,000,000. The revenue loss from this exemption is estimated to be $(1.5) million in FY 2010 and $(3.5) million in FY 2014.

The five year forecast also includes the impact of the Governor's proposal to reform the Personal Income Tax system. This reform would replace the current personal income tax system with a simpler one consisting of four taxable income brackets with a top marginal rate of 5.5 percent. It would tax income from capital gains at the same rate as ordinary income, provide for a larger standard deduction in lieu of allowing itemized deductions to pass through from the federal income tax return, and eliminate the use of most credits against personal income tax liabilities. The implementation date for the reformed Personal Income Tax system is January 1, 2011 and thus it only has an impact in FY 2011 through FY 2014. In FY 2011, the estimated impact of the reform of the state income tax is a revenue loss of $(15.5) million. In FY 2014, the fiscal impact increases to $(35.0) million. When fully implemented, the combined impact resulting from the personal income, corporate income, and estate tax changes proposed by the Governor result in $154.8 million in savings to Rhode Island taxpayers in FY 2014.

Finally, the out-year revenue forecast includes the transfer of the last $0.01 of the $0.30 per gallon motor fuel tax from the general fund to the Intermodal Surface Transportation Fund for distribution to the Department of Transportation. This reduces general revenue receipts in FY 2010 by $(4.575) million in FY2010 and $(4.3) million in FY2014.

Several revenue enhancements in the Governor's proposed FY 2010 Budget have only FY 2010 impacts and thus are not included in the five year forecast. These items include: the four American Recovery and Reinvestment Act items that have limited duration by federal law, two land sales, and the transfer from the Rhode Island Health and Educational Building Corporation. It should be noted that the lottery estimates assume 3.6 percent growth in video lottery terminal revenues and do not factor in the impact of expanded gambling in the state or new competition in neighboring states.

In the FY 2009 five year forecast, the estimated revenues were projected to be $3.832 billion by FY 2013, the last year of the forecast, reflecting average annual growth of over 3.4 percent. The current five year forecast projects $3.361 billion of revenues by FY 2013, resulting in $471.0 million less in resources than previously projected.

Expenditures

Expenditure side risks must also be noted within the five-year projection. As previously discussed, there are three major initiatives in the Governor's FY 2010 budget which set the expenditure base at a lower level and therefore a risk to the forecast is the passage of those proposals and their successful implementation. These include pension reform legislation changes promoting local efficiencies and Medicaid reform. A recurring risk to the five year forecast relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. This impacts both the costs incurred for the clients the state services and its employees. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that there will be a deceleration in the rate of growth for state employee health benefit costs with an average rate of growth of 6 percent through fiscal 2014. The forecast also assumes that state employees will continue to share in the cost of medical insurance premiums and costs will moderate due to proposed plan design changes.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. The forecast incorporates the savings contained in the Governor's FY 2010 budget which promotes serving clients into the least restrictive setting which reduces nursing home care estimates in FY 2010, but the forecast does not include any additional costs specific to Rhode Island demographics in the out-years.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume that there will be 3 percent COLA increases in FY 2011 and FY 2012 ,reflecting agreed upon wage increases with most state employee unions. Step increases, longevity increases and educational incentives will add 1.7 percent annually to the estimated salary and fringe benefit costs and have been incorporated into the analysis. COLA's reflecting the CPI are included for FY 2013 and thereafter. The FY 2010 base for correctional officers' compensation contains a yet to be negotiated pay increase equivalent to those COLA's negotiated with other employee unions from 2007 – 2014, commencing in FY 2010, but with no retroactive payment.

The forecast reflects cost sharing which is expected to offset health insurance costs in FY 2010 and throughout the forecast period. Average employee cost sharing of 18 percent of medical premium costs increasing to 19 percent in FY 2011 and thereafter is projected. This compares with average employee cost sharing of just 11 percent in FY 2009. Gross medical cost increases for health care premiums are just over 6 percent annually in the forecast.

Despite an aggressive reform proposed to address the escalating cost of funding the defined benefit retirement program, the cost saving measures are expected to be offset by additional costs related to investment losses. The forecast assumes that the Governor's proposed pension reform is enacted, but that investment losses experienced to date will cause contribution rates to continue to rise. In the forecast, the rate of contribution increases from 20.77 percent to 30.72 percent in FY 2014 for state employees. Thus, retirement contribution costs are expected to increase from $80.7 million in fiscal 2010 to $140.4 million by fiscal 2014.

As a result of the adopted reporting standards issued by the Governmental Accounting Standards Board (GASB) for Other Post Employment Benefits (OPEB), the state commissioned an updated actuarial study in February 2009 evaluating the accrued actuarial unfunded costs for the retiree health benefits program. The study took into account changes in cost sharing of health benefits for all employees retiring after September 30, 2008, and the increased number of retirees receiving benefits as a result of the October 1, 2008 benefit changes. The Governor has recommended that the state delay the funding of retiree health benefits on an actuarial basis, commencing in FY 2011 with amortization of the unfunded liability over a thirty year period. This funding mechanism will provide transparency with respect to the true cost of the benefit offered to state employees after employment.

Personnel and operating costs continue to be constrained during FY 2010. Even with the $42.95 million repayment to the RICAP fund included as an operating expenditure in the Governor's recommended FY 2010 budget, the Governor's proposed FY 2010 budget includes just $7.8 million more in personnel and operating than was projected for FY 2010 in the previous five year forecast. This points to success in managing costs within available resources. Personnel costs for FY 2010 are over $3 million less than projected last year reflecting reduction in workforce and success in health benefits cost sharing. Recurring operating expenses are also down; however, this reduction is offset by the requirement to transfer funds to the Rhode Island Capital Plan Fund to replenish resources that were used to restore the state rainy day fund. The current five year forecast assumes $987.8 million of personnel and operating costs in FY 2010 and an average growth of 4.9 percent over the five year interval, resulting in an estimated cost of $1.197 billion in FY 2014, an increase of $208.9 million. Over $25 million of this increase is attributable to restoring State Fiscal Stabilization Funds and FMAP participation to base levels in existence prior to enactment of the American Recovery and Reinvestment Act at the hospital in the Department of Mental Health, Retardation and Hospitals and the state schools operated by the Department of Elementary and Secondary Education.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 10.3 percent annually from FY 2010 to FY 2014. Most of this growth is reflected in the Department of Human Services budget, since this is where most of the Medicaid dollars are spent. This growth reflects the restoration of general revenue dollars totaling $184.2 million to replace the one-time stimulus money.

The forecast for Department of Human Services grants and benefits is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program (TANF) and the RI Works Program (formerly FIP), will meet their stated objectives during the forecast period, and that federal block grants will continue at current levels, and that Medicaid matching rates will revert to pre-existing levels after December 30, 2010.

The forecast assumes that eligibility and economic influences on RI Works/Child Care caseloads will result in increases in costs of approximately 2.0 percent annually. Continuing additions for child care subsidies, which are extended to the working poor even after entry of cash assistance clients to unsubsidized employment offset savings in cash assistance. The block grant resources are assumed to be insufficient to finance the incremental costs throughout the forecast period, and, therefore, general revenue dollars are added. No additional effects from the implementation of the new RI Works program are recognized in the estimates. In the previous five year forecast, the estimated cost for TANF/Child Care/MOE was $19.2 million in FY 2013; the current five year forecast assumes $19.9 million in FY 2013.

SSI caseloads will increase slightly, as both the elderly and disabled population components are forecast to increase marginally over the five-year period, resulting in increased costs of 2.1 percent on average, including cost of living adjustments.

DHS Medicaid projections reflect proposed reforms in service delivery systems, such as reduced institutional care and greater participation in independent living and treatment arrangements, and reform of the purchasing model from reimbursement-based to client-based. The first year savings from this Medicaid reform initiative are included in the FY 2010 baseline totaling $24.3 million in general revenue savings. The forecast grows these savings by inflationary increases, but no additional savings is taken.

Pharmacy inflation is assumed at 6.9 percent, 7.2 percent, 7.9 percent, and 8.3 percent in FY 2011, FY 2012, FY 2013 and FY 2014, respectively. Five-year estimates also reflect a schedule increasing federal “clawback” assessment percentages for Part D Medicare benefits to dually eligible Medicaid clients at the pharmacy inflation rate.

The managed care forecast assumes that base costs will inflate at 6.4 percent in 2011 and 6.3 percent per year until FY 2014, when inflation is expected to decrease to 6.1 percent. Incorporated into the FY 2010 expenditure base for managed care is a proposal in the Governor's Budget mandating transition of the remaining fee-for-service Medicaid population to a managed care delivery system, yielding $14.7 million in additional (pre-stimulus) general revenues.

Similarly, cost trends in institutional long term care include an annual provider rate adjustment of 5.3 percent through FY 2013, with the growth rate increasing to 5.4 percent in FY 2014. The FY 2010 expenditure base for nursing care contains savings of $8.4 million in general revenues from the Medicaid reform diversion and transition initiative, countervailed by a corresponding increase to home and community care of $2.7 million.

The general revenue expenditures within the Developmental Disability system are projected to increase from $66.1 million in FY 2010 to $117.2 million in FY 2014, which equates to an average growth rate of approximately 15.7 percent per year. Approximately 41 percent of this increase, however, is associated with a loss of $20.8 million of sunsetting medicaid federal stimulus funding. The remaining growth is a result of assumed trend of approximately 8.0 percent per year. Although the growth in expenditures in the Developmental Disability system has been relatively stable over the past few years, there are several factors that could significantly impact expenditures during the forecast period. These include greater public awareness of the availability and, therefore, the utilization of services; the aging of caregivers; and the aging of the existing population. Efforts to increase shared living arrangements over and above those contained in the Governor's FY 2010 Budget should serve to constrain growth below those contained in the projection. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in Department of Human Services' grant costs.

Cost trends for general revenue state match expenditures to Medicaid and Title IV-E program in the Department of Children Youth and Families are projected to grow from $92.4 million to $136.8 million between FY 2010 and FY 2014. This equates to an average annual growth rate of 10.3 percent. Of the $44.4 million growth, $8.5 million is attributable to restoration of general revenue dollars to replace federal stimulus monies which sunset. Excluding the one-time savings provided by the Medicaid FMAP increase, costs are projected to increase by an 8.0 percent average annual growth rate through FY 2014.

Local Aid

Local aid expenditures include Education Aid, Aid to Local Libraries, the Payment in Lieu of Taxes (PILOT) program, Aid to Distressed Communities, the Motor Vehicle Excise Tax Reimbursement, General Revenue Sharing, and the Property Revaluation program. Growth in these programs is assumed to average 2.9 percent over the projection period. The forecast assumes that the reimbursed exemption for motor vehicles will remain at $6,000 per vehicle, while payments will continue to be discounted to 98 percent of the exemption value. The values of motor vehicles have fluctuated significantly from one year to the next. The forecast assumes no growth in values in FY 2011 over FY 2010, and growth at the level of CPI each subsequent year.

The General Revenue Sharing program is funded in the Governor's recommended budget for FY 2009 at $31.0 million and is assumed to be eliminated in subsequent years. The Distressed

Communities Relief program is recommended to be partially funded with $10.0 million in federal State Fiscal Stabilization Funds in FY 2010, which are restored as general revenue in FY 2011 and thereafter and increased by CPI. The Payment in Lieu of Taxes (PILOT) program is anticipated to add $5.2 million in expenditures over the forecast period, based upon increases allowed under current law for growth in local property taxes. Library Aid, including the construction reimbursement program, will add $1.8 million to the forecasted base.

In dollar terms, the largest driving force behind expenditure growth from FY 2010 to FY 2014 is Education Aid programs, which are expected to increase by a total of $94.2 million from the FY 2010 base level, an average of 2.7 percent per annum. This aggregate growth rate reflects an increase of $37.0 million in general revenue funding to offset the sunsetting of stimulus funding in 2012. Also in 2012, there is an increase of $451,384 to allow the East Bay Met School to expand to a 4th class. Charter school aid increases by $6.9 million, from $32.7 million in FY 2010 to $39.7 million in FY 2014. The forecast assumes that the Governor's proposed pension reform is enacted, resulting in $19.2 million in savings in FY 2010 to the state for its share (40 percent) of the employer contribution for teachers' pensions. The local governments' share is reduced by an estimated $24.8 million in FY 2010, which is withdrawn as a reduction from general education aid in the Governor's FY 2010 recommended budget. Projections for future required employer contributions to the teacher's retirement fund reflect 4.5 percent teacher payroll growth and increased contribution rates due to year to date investment performance. State contributions for teacher's retirement increase by $28.3 million, from $75.3 million in fiscal 2010 to $103.6 million by fiscal 2014. Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to increase by $24.0 million from $63.7 million to $87.7 million. The Governor's proposed FY 2010 budget assumes no growth in funding for any other category of distributed or non-distributed aid, including aid for the Central Falls School Department.

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2010 – FY 2014 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from $176.5 million in FY 2010 to $217.4 million in FY 2014. The increase is attributable largely to the issuance of debt for the Historic Tax Credit stabilization program, which increases by $33.2 million, the issuance of general obligation debt, which increases by $32.9 million, and is offset by reductions in other categories as described below.

The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2010-2014 Capital Budget. Interest rates for fixed rate general obligation bonds to be issued to fund FY 2010 projects are projected at 5.0 percent. Interest rates for issuance of twenty-year fixed rate certificates of participation are estimated at 5.5 percent. Division of Motor Vehicles debt is assumed to be issued at 4.5 percent and amortized over seven years. Innovative Technology Bonds are assumed to be issued at 4.5 percent and amortized over seven years. Motor Fuel Bonds are projected to be issued at 6.1 percent over 19 years. Energy projects at URI are assumed to be issued at 5.5 percent over ten years. Historic Tax Credit debt is projected to be issued in at 8 percent in 2009 over 9 years, and at 6 percent years in 2010. Projected amortization schedules are found in the exhibits contained in Appendix C of the State's Capital Budget.

FY 2010 – FY 2014 Overview

(Amounts below are shown in millions)

FY 2009	Historic Tax Credits	$150.0
FY 2009	Technology	$13.4
FY 2009	School for the Deaf	$30.0
FY 2009	DMV System	$13.0
FY 2009	URI Energy Conservation	$11.4
FY 2009	Pastore/Zambarano Energy	$20.0
FY 2009	EDC – Motor Fuel Bonds	$21.7
FY 2010	General Obligation Bonds	$95.4
FY 2010	Pastore/Zambarano Energy	$33.1
FY 2010	Historic Tax Credits	$206.2
FY 2011	General Obligation Bonds	$100.0
FY 2012	General Obligation	$100.0
FY 2013	General Obligation	$100.0

Amortization of existing debt combined with new debt issuance, results in increased general revenue appropriations for debt service of $40.9 million from FY 2010 to FY 2014. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five-year report as operating costs. Between FY 2009 and FY 2014, there is an increase of $33.2 million for debt for the Historic Tax Credit stabilization program, and a $32.9 million increase for general obligation debt. Performance based obligations increase from $6.4 million to $7.0 million. Debt service on certificates of participation decreases by $16.6 million from $40.5 million in FY 2010 to $23.9 million in FY 2014. Convention Center debt service decreases by $3.0 million. The obligations for the RI Refunding Bond Authority (former Public Building Authority) decline from $6.1 million in FY 2010 to zero in FY 2011.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. It is assumed that the Department of Transportation's general obligation bond debt service in FY 2010 through FY 2014 will total $41.35 million. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to approximately $8.9 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2010 through FY 2014 will total $0.8 million.

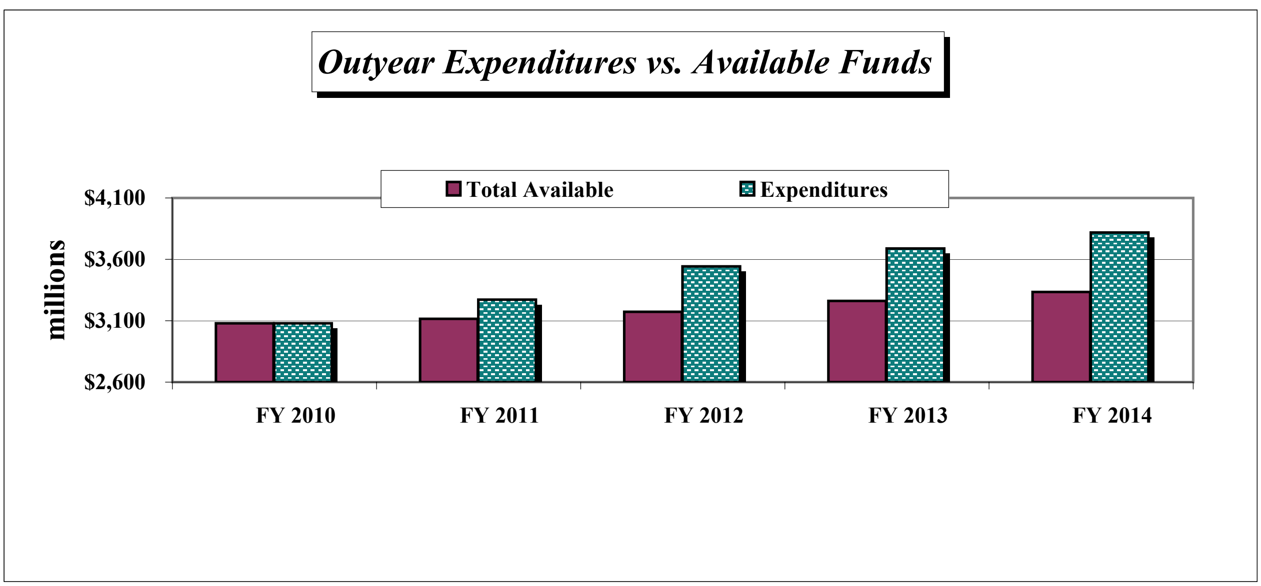
The obligations arising from performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. In FY 2009, it assumes the Fidelity Phase I is $2.5 million and $48,917 in Phase II and Providence Place Mall obligations are $3.6 million. For FY 2010 it is assumed that the State pays $2.5 million on Fidelity Phase I and $355,500 on the Fidelity Phase II transaction. In FY 2011 and thereafter, the forecast assumes payment of $2.5 million on Fidelity I and $0.9 million on Fidelity II. The forecast assumes no requirement for the Bank of America obligation transaction, which if earned would total approximately $0.3 million. The forecast assumes no requirement for the Bank of America obligation transaction, which if earned would total approximately $0.3 million.

Other

The projection also assumes that capital disbursements from general revenues would be $5.6 million in FY 2010, and thereafter. This includes all expenditures which would be subject to fixed assets recording.

General Revenue Outyear Estimates FY 2010 - FY 2014

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Opening Surplus	**$9.7**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Plus:					
Taxes and Departmentals	2,770.6	2,826.0	2,878.5	2,965.6	3,031.5
Other Sources	375.9	372.8	383.4	395.0	406.4
Budget Stabilization Fund	(75.7)	(83.2)	(91.3)	(100.8)	(103.1)
Total Available	**3,080.5**	**3,115.6**	**3,170.6**	**3,259.8**	**3,334.8**
Minus Expenditures	**3,079.1**	**3,271.3**	**3,540.5**	**3,689.7**	**3,817.1**
Equals Ending Balance	**$1.4**	**($155.6)**	**($370.0)**	**($429.9)**	**($482.4)**
Operating Surplus or Deficit	***($8.3)***	***($155.6)***	***($370.0)***	***($429.9)***	***($482.4)***
Budget & Cash Stabilization Balance	$119.9	$134.3	$150.0	$168.0	$171.9
RI Capital Fund Balance	11.3	5.5	8.8	14.9	84.3
Rhode Island Capital Fund					
Capital Projects Disbursements	*94.2*	*74.6*	*72.4*	*76.8*	*29.7*



General Revenue Outyear Estimates

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Income Tax	$ 1,012,700,000	$ 1,042,600,000	$ 1,056,000,000	$ 1,105,000,000	$ 1,138,800,000
General Business Taxes:					
Business Corporations & Franchise	96,300,000	95,200,000	70,800,000	52,600,000	28,500,000
Public Utilities	106,800,000	107,100,000	107,300,000	107,400,000	133,200,000
Financial Institutions	1,000,000	1,100,000	1,100,000	1,200,000	1,300,000
Insurance Companies	92,070,000	95,700,000	99,100,000	102,700,000	106,100,000
Bank Deposits	1,740,000	1,800,000	1,800,000	1,900,000	1,900,000
Health Care Provider	37,430,000	39,000,000	40,700,000	42,400,000	44,200,000
General Business Taxes	**$ 335,340,000**	**$ 339,900,000**	**$ 320,800,000**	**$ 308,200,000**	**$ 315,200,000**
Sales and Use Taxes:					
Sales and Use	838,740,000	861,200,000	918,600,000	969,400,000	997,000,000
Motor Vehicle	55,820,000	56,300,000	56,800,000	57,300,000	57,700,000
Motor Fuel	850,000	800,000	800,000	800,000	700,000
Cigarettes	144,150,000	141,100,000	138,200,000	134,400,000	129,300,000
Alcohol	11,300,000	11,600,000	11,800,000	11,900,000	12,100,000
Controlled Substances	-	-	-	-	-
Sales and Use Taxes	**$ 1,050,860,000**	**$ 1,071,000,000**	**$ 1,126,200,000**	**$ 1,173,800,000**	**$ 1,196,800,000**
Other Taxes:					
Inheritance and Gift	26,500,000	26,100,000	27,400,000	28,700,000	29,600,000
Racing and Athletics	2,300,000	2,100,000	1,900,000	1,800,000	1,600,000
Realty Transfer Tax	7,800,000	7,800,000	7,900,000	8,300,000	8,400,000
Other Taxes	**$ 36,600,000**	**$ 36,000,000**	**$ 37,200,000**	**$ 38,800,000**	**$ 39,600,000**
Total Taxes	**$ 2,435,500,000**	**$ 2,489,500,000**	**$ 2,540,200,000**	**$ 2,625,800,000**	**$ 2,690,400,000**
Total Departmental Receipts	**$ 335,100,000**	**$ 336,500,000**	**$ 338,300,000**	**$ 339,800,000**	**$ 341,100,000**
Taxes and Departmentals	**$ 2,770,600,000**	**$ 2,826,000,000**	**$ 2,878,500,000**	**$ 2,965,600,000**	**$ 3,031,500,000**
Other Sources					
Gas Tax Transfers	-	-	-	-	-
Other Miscellaneous	20,900,000	8,000,000	8,300,000	8,000,000	8,000,000
Lottery Commission Receipts	349,400,000	359,100,000	369,400,000	380,200,000	391,500,000
Unclaimed Property	5,600,000	5,700,000	5,700,000	6,800,000	6,900,000
Other Sources	**$ 375,900,000**	**$ 372,800,000**	**$ 383,400,000**	**$ 395,000,000**	**$ 406,400,000**
Total General Revenues	**$ 3,146,500,000**	**$ 3,198,800,000**	**$ 3,261,900,000**	**$ 3,360,600,000**	**$ 3,437,900,000**

General Revenue Outyear Estimates

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Income Tax	0.2%	3.0%	1.3%	4.6%	3.1%
General Business Taxes:					
Business Corporations	-10.8%	-1.2%	-25.6%	-25.8%	-45.8%
Public Utilities	2.2%	0.2%	0.2%	0.1%	24.0%
Financial Institutions	-50.0%	6.7%	5.8%	5.7%	7.2%
Insurance Companies	2.6%	3.9%	3.6%	3.6%	3.4%
Bank Deposits	2.4%	2.5%	2.2%	2.0%	1.8%
Health Care Provider	-19.9%	4.3%	4.3%	4.3%	4.2%
General Business Taxes	**-4.9%**	**1.3%**	**-5.5%**	**-4.0%**	**2.3%**
Sales and Use Taxes:					
Sales and Use	0.8%	2.7%	6.7%	5.5%	2.9%
Motor Vehicle	11.4%	0.8%	0.9%	0.9%	0.8%
Motor Fuel	-8.6%	-2.9%	-3.3%	-4.0%	-4.2%
Cigarettes	13.7%	-2.1%	-2.0%	-2.8%	-3.8%
Alcohol	1.8%	2.5%	2.2%	0.2%	1.8%
Controlled Substances					
Sales and Use Taxes	**3.0%**	**1.9%**	**5.2%**	**4.2%**	**2.0%**
Other Taxes:					
Inheritance and Gift	-5.3%	-1.4%	4.8%	4.6%	3.2%
Racing and Athletics	-8.0%	-7.6%	-8.9%	-8.2%	-8.2%
Realty Transfer Tax	0.0%	0.3%	0.9%	5.0%	1.5%
Other Taxes	**-4.4%**	**-1.4%**	**3.1%**	**4.0%**	**2.3%**
Total Taxes	**0.5%**	**2.2%**	**2.0%**	**3.3%**	**2.5%**
Total Departmental Receipts	**1.0%**	**0.4%**	**0.5%**	**0.4%**	**0.4%**
Taxes and Departmentals	**0.6%**	**2.0%**	**1.9%**	**3.0%**	**2.2%**
Other Sources					
Gas Tax Transfers	-100.0%	n/a	n/a	n/a	n/a
Other Miscellaneous	-12.1%	-61.6%	3.2%	-2.8%	0.0%
Lottery Commission Receipts	0.1%	2.8%	2.9%	2.9%	3.0%
Unclaimed Property	-39.8%	1.2%	1.2%	18.6%	0.9%
Other Sources	**-2.8%**	**-0.8%**	**2.9%**	**3.0%**	**2.9%**
Total General Revenues	**0.2%**	**1.7%**	**2.0%**	**3.0%**	**2.3%**

General Revenue Outyear Expenditure Estimates

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
State Operations					
Personnel	$836,500,000	$884,800,000	$937,700,000	$990,100,000	$1,044,300,000
Other State Operations	151,280,000	143,200,000	126,700,000	126,800,000	126,800,000
MHRH Medicaid FMAP shift to GR	0	12,310,000	24,610,000	24,610,000	24,610,000
RIDE Stimulus shift to GR	0	0	1,040,030	1,040,030	1,040,030
Subtotal	**$987,780,000**	**$1,040,310,000**	**$1,090,050,030**	**$1,142,550,030**	**$1,196,750,030**
	2.3%	5.3%	4.8%	4.8%	4.7%
Grants and Benefits					
Department of Human Services					
Hospitals	19,750,000	25,800,000	32,200,000	34,070,000	36,010,000
Managed Care	258,060,000	312,590,000	370,200,000	393,520,000	417,530,000
Nursing Care	100,930,000	124,260,000	148,790,000	156,680,000	165,140,000
Home Care	21,460,000	27,180,000	33,360,000	36,400,000	39,680,000
Other Medicaid	22,450,000	27,630,000	33,260,000	35,920,000	38,830,000
Pharmacy	3,890,000	4,800,000	5,800,000	6,260,000	6,780,000
Cash Assistance - TANF/FIP/Child Care	18,280,000	18,740,000	19,150,000	19,530,000	19,880,000
Cash Assistance - SSI	22,130,000	22,690,000	23,190,000	23,650,000	24,070,000
Clawback	44,700,000	47,780,000	51,220,000	55,270,000	59,860,000
DISH	58,830,000	60,300,000	61,630,000	62,860,000	63,990,000
Department of Health					
AIDS Medicaid	360,000	460,000	580,000	620,000	670,000
Department of Elderly Affairs					
Medicaid (Case Mang't & Core Waiver)	5,210,000	6,100,000	7,060,000	7,620,000	8,240,000
Home Health Care	440,000	480,000	520,000	570,000	620,000
Department of Children Youth & Families					
Children & Family Services	92,380,000	104,260,000	117,190,000	126,560,000	136,810,000
Department of Mental Health Retardation & Hospitals					
Developmental Disabilities-Private	66,080,000	82,560,000	100,420,000	108,460,000	117,240,000
Other Grants and Benefits	135,170,000	138,550,000	141,600,000	144,430,000	147,030,000
Subtotal	**$870,120,000**	**$1,004,180,000**	**$1,146,170,000**	**$1,212,420,000**	**$1,282,380,000**
	-6.2%	15.4%	14.1%	5.8%	5.8%
Local Aid					
Education Aid	819,400,000	830,760,000	888,250,000	902,490,000	913,560,000
General Revenue Sharing	0	0	0	0	0
GRS - VLT	0	0	0	0	0
Motor Vehicle Tax Reimbursements	135,310,000	135,310,000	138,280,000	141,050,000	143,590,000
Motor Vehicle - VLT	0	0	0	0	0
PILOT	27,580,000	28,890,000	30,190,000	31,470,000	32,730,000
Distressed Communities	380,000	640,000	660,000	670,000	680,000
Distressed - VLT	0	0	0	0	0
Shift Distressed-from Stabilization	0	10,000,000	10,000,000	10,000,000	10,000,000
Library Aid	11,760,000	11,750,000	12,850,000	13,470,000	13,590,000
Property Revaluation Prgm	1,840,000	960,000	1,240,000	510,000	980,000
Subtotal	**$996,270,000**	**$1,018,310,000**	**$1,081,470,000**	**$1,099,660,000**	**$1,115,130,000**
	-1.3%	2.2%	6.2%	1.7%	1.4%
Capital					
Debt Service					
General Obligation	73,150,000	78,870,000	96,220,000	108,410,000	106,060,000
Refunding Bond Authority	6,150,000	0	0	0	0
COPS/Other Leases	40,510,000	36,670,000	33,690,000	33,750,000	23,880,000
Convention Center	26,150,000	23,130,000	23,140,000	23,140,000	23,140,000
Performance Based	6,400,000	7,000,000	7,000,000	7,000,000	7,000,000
Historic Tax Credit Program	22,530,000	55,730,000	55,730,000	55,730,000	55,730,000
TANS	1,590,000	1,590,000	1,590,000	1,590,000	1,590,000
Capital Improvements					
Other Projects	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000
Subtotal	**$181,940,000**	**$208,450,000**	**$222,830,000**	**$235,080,000**	**$222,860,000**
	12.5%	14.6%	6.9%	5.5%	-5.2%
Repayment To RI Capital Fund					
Operating transfer to RICAP	42,950,000				
Total	**$3,079,060,000**	**$3,271,250,000**	**$3,540,520,030**	**$3,689,710,030**	**$3,817,120,030**
Difference	**$15,060,000**	**$192,190,000**	**$269,270,030**	**$149,190,000**	**$127,410,000**
	0.49%	**6.24%**	**8.23%**	**4.21%**	**3.45%**

General Revenue Outyear Expenditure Estimates

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
State Operations					
Personnel	2.8%	5.8%	6.0%	5.6%	5.5%
Other State Operations	-0.1%	-5.3%	-11.5%	0.1%	0.0%
MHRH Medicaid FMAP shift to GR	0.0%	0.0%	99.9%	0.0%	0.0%
RIDE Stimulus shift to GR	0.0%	0.0%	0.0%	0.0%	0.0%
Subtotal	2.3%	5.3%	4.8%	4.8%	4.7%
Grants and Benefits					
Department of Human Services					
Hospitals	-56.6%	30.6%	24.8%	5.8%	5.7%
Managed Care	4.2%	21.1%	18.4%	6.3%	6.1%
Nursing Care	-13.6%	23.1%	19.7%	5.3%	5.4%
Home Care	8.4%	26.7%	22.7%	9.1%	9.0%
Other Medicaid	-27.3%	23.1%	20.4%	8.0%	8.1%
Pharmacy	-45.7%	23.4%	20.8%	7.9%	8.3%
Cash Assistance - TANF/FIP/Child Care	0.0%	2.5%	2.2%	2.0%	1.8%
Cash Assistance - SSI	-11.8%	2.5%	2.2%	2.0%	1.8%
Clawback	3.5%	6.9%	7.2%	7.9%	8.3%
DISH	11.4%	2.5%	2.2%	2.0%	1.8%
Department of Health					
AIDS Medicaid	-12.2%	27.8%	26.1%	6.9%	8.1%
Department of Elderly Affairs					
Medicaid (Case Mang't & Core Waiver)	18.9%	17.1%	15.7%	7.9%	8.1%
Home Health Care	0.0%	9.1%	8.3%	9.6%	8.8%
Department of Children Youth & Families					
Children & Family Services	-4.3%	12.9%	12.4%	8.0%	8.1%
Department of Mental Health Retardation & Hospitals					
Developmental Disabilities-Private	-15.4%	24.9%	21.6%	8.0%	8.1%
Other Grants and Benefits	-3.9%	2.5%	2.2%	2.0%	1.8%
Subtotal	-6.2%	15.4%	14.1%	5.8%	5.8%
Local Aid					
Education Aid	3.4%	1.4%	6.9%	1.6%	1.2%
General Revenue Sharing	-100.0%	0.0%	0.0%	0.0%	0.0%
GRS - VLT	0.0%	0.0%	0.0%	0.0%	0.0%
Motor Vehicle Tax Reimbursements	0.0%	0.0%	2.2%	2.0%	1.8%
Motor Vehicle - VLT	0.0%	0.0%	0.0%	0.0%	0.0%
PILOT	0.0%	4.7%	4.5%	4.2%	4.0%
Distressed Communities	-96.0%	68.4%	3.1%	1.5%	1.5%
Distressed - VLT	-100.0%	0.0%	0.0%	0.0%	0.0%
Shift Distressed-from Stabilization	0.0%	0.0%	0.0%	0.0%	0.0%
Library Aid	4.1%	-0.1%	9.4%	4.8%	0.9%
Property Revaluation Prgm	44.9%	-47.8%	29.2%	-58.9%	92.2%
Subtotal	-1.3%	2.2%	6.2%	1.7%	1.4%
Capital					
Debt Service					
General Obligation	12.6%	7.8%	22.0%	12.7%	-2.2%
Refunding Bond Authority	-67.7%	-100.0%	0.0%	0.0%	0.0%
COPS/Other Leases	12.7%	-9.5%	-8.1%	0.2%	-29.2%
Convention Center	0.0%	-11.5%	0.0%	0.0%	0.0%
Performance Based	4.9%	9.4%	0.0%	0.0%	0.0%
Historic Tax Credit Program	0.0%	147.4%	0.0%	0.0%	0.0%
TANS	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Improvements					
Other Projects	-31.1%	0.0%	0.0%	0.0%	0.0%
Subtotal	12.5%	14.6%	6.9%	5.5%	-5.2%
Repayment To RI Capital Fund					
Operating transfer to RICAP	0.0%	-100.0%	0.0%	0.0%	0.0%
Total	**0.5%**	**6.2%**	**8.2%**	**4.2%**	**3.5%**
CPIU		**2.5%**	**2.2%**	**2.0%**	**1.8%**

General Revenue Outyear Planning Values

Estimates and Growth	FY 2011	FY 2012	FY 2013	FY 2014
Personal Income (billions) [1]	$46.4	$48.6	$50.8	$52.4
Change	*4.5%*	*4.8%*	*4.6%*	*3.2%*
Nonfarm Employment (thousands) [1]	473.7	479.8	487.0	492.4
Change	*0.7%*	*1.3%*	*1.5%*	*1.1%*
Personal Income Tax				
Wages and Salaries [1]	2.9%	4.2%	4.1%	2.8%
Business Corporation Tax [3]	11.5%	10.1%	9.4%	8.1%
Provider Tax [2]	4.3%	4.3%	4.3%	4.2%
Sales Tax				
Wages and Salaries [1]	2.9%	4.2%	4.1%	2.8%
Gasoline Tax				
Real Consumption [4]	2.8%	3.4%	1.6%	1.0%
Other Taxes and Departmentals [2]	0.2%	0.8%	0.8%	0.6%
CPI-U (U.S.) [1]	2.5%	2.2%	2.0%	1.8%
Salaries and Fringe Benefits				
Salary COLA - [13], CPI-U [1]	3.0%	3.0%	2.0%	1.8%
Steps and Longevity Increases [2]	1.7%	1.7%	1.7%	1.7%
Medical Benefits Costs [8]	6.4%	6.3%	6.3%	6.1%
Retiree Health Costs [14]		3.86%	3.86%	3.86%
State Employees Retirement Costs [15]	20.77%	23.35%	26.91%	30.72%
Home Health Care				
Expenditure Growth [6]	9.5%	9.3%	9.1%	9.0%
Nursing Home Care				
Expenditure Growth [6]	5.3%	5.3%	5.3%	5.4%
Medicaid Reform Deflator [10	0.0%	0.0%	0.0%	0.0%
Managed Care/State Employee Plan				
Expenditure Growth [8]	6.4%	6.3%	6.3%	6.1%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%
Other DHS Medicaid				
Expenditure Growth [7]	7.9%	8.0%	8.0%	8.1%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%
MHRH- Mental Health				
Expenditure Growth [8]	6.7%	6.4%	6.3%	6.3%
DCYF Services				
Expenditure Growth [7]	7.6%	7.9%	8.0%	8.0%
Medicaid Reform Deflator [10	0.0%	0.0%	0.0%	0.0%
MHRH- MR/DD				
Expenditure Growth [7]	7.9%	8.0%	8.0%	8.1%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2011	FY 2012	FY 2013	FY 2014
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%
Pharmacy				
Expenditure Growth [9]	6.5%	6.9%	7.2%	7.9%

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[1] November 2008 Revenue Estimating Conference Consensus Economic Forecast., FY 2009 - FY 2014.
[2] State of Rhode Island Budget Office Estimate.
[3] Moody's Economy.com Calendar Year Forecast of the U.S. Economy,February 2009, Corporate Profits Before Tax.
[4] Moody's Economy.com Calendar Year Forecast of the U.S. Economy, February 2009, Nondurables: Gasoline and Oil.
[5] Moody's Economy.com Fiscal Year Forecast of the R.I.. Economy, February 2009 Growth in Population Ages 65+.
[6] HCFA (CMS) National Health Care Expenditures Projections March 2007, 1965-2017, Home Health and Nursing Home Care
[7] HCFA (CMS) National Health Care Expenditures Projections March 2007, 1965-2017, Medicaid
[8] HCFA (CMS) National Health Care Expenditures Projections March 2007, 1965-2017, Private Insurance as proxy for Managed Care
[9] HCFA (CMS) National Health Care Expenditures Projections March 2007, 1965-2017, Pharmacy
[10] No extraordinary decrease in expenditures unique to RI is forecasted in this five year forecast.
[11] November 2008 CEC estimates and DHS Fiscal Year FY 2009 Forecast.
[12] HCFA (CMS) National Health Care Expenditures Projections 1965-2017, Personal Health Care.
[13] Based on contractual obligations for 2011 and 2012; FY 2012 and thereafter - CPI.
[14] Reflects funding on an actuarial basis beginning with Fiscal 2011.
[15] Estimate of actuarially required contribution based upon a % of payroll, reflecting the Governor's proposed reform and estimated increases in rates due to investment losses as of January 2009.