

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2013

Lincoln D. Chafee, Governor

General Government

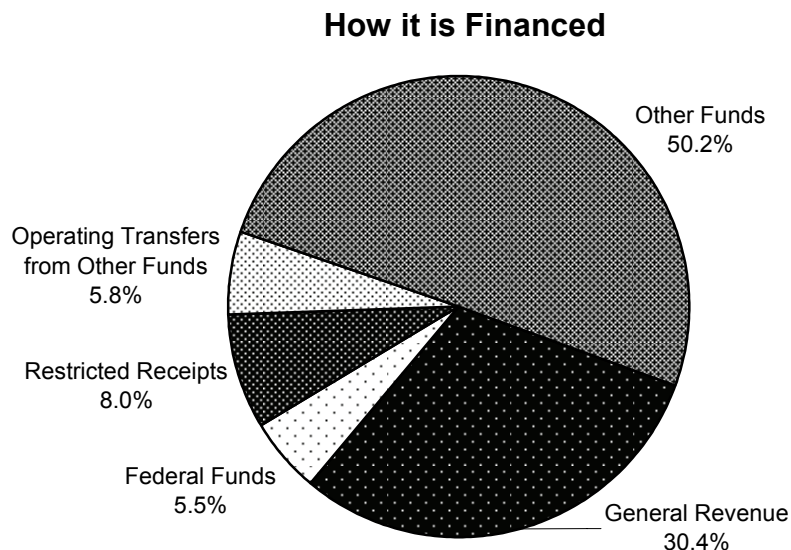
General Government

Summary

General Government includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. It includes: most *elected officials*, including the Governor, Lieutenant Governor, General Treasurer, and the Legislature; *administrative agencies*, including the Department of Administration, the Department of Revenue, the Department of Labor and Training, the Board of Elections and the Commission for Human Rights; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,283.3 FTE positions in the revised FY 2012 budget and 2,157.0 FTE positions in FY 2013 within general government agencies.

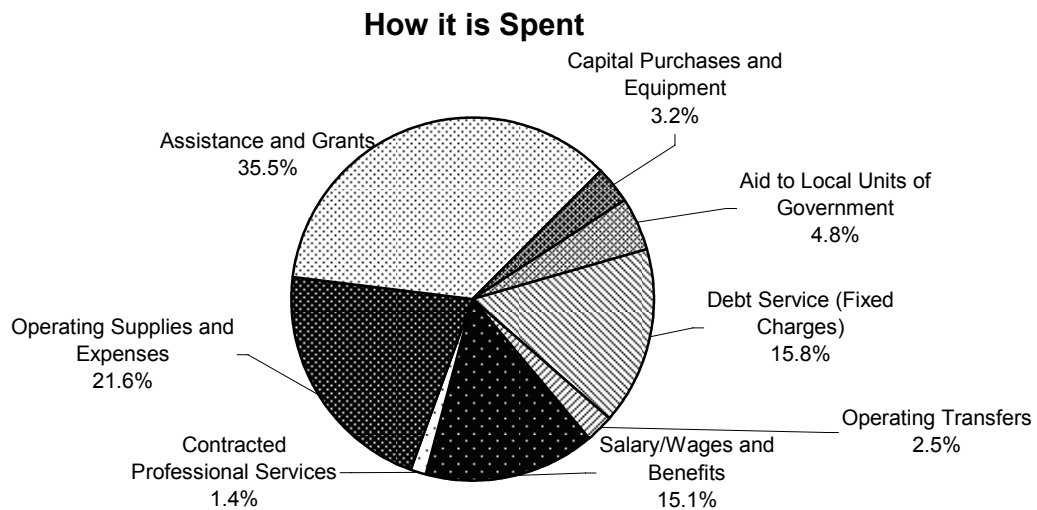
The FY 2012 revised budget for General Government agencies totals \$1.756 billion, including \$420.8 million in general revenue, \$320.6 million in federal funds, \$115.4 million in restricted receipts, and \$899.6 million in other funds. The revised budget from all fund sources for General Government agencies is \$338.5 million, or 23.9 percent, more than the FY 2012 enacted budget of \$1.418 billion. Of the \$1.756 billion recommended for FY 2012, \$832.8 million is for grants and benefits, \$299.4 million is for operating, \$245.8 million is for personnel, \$69.7 million is for local aid, \$217.2 million is for debt service, \$41.4 million is for capital, and \$50.0 million is for operating transfers.

For FY 2013, the Governor recommends expenditures of \$1.404 billion for General Government programs. The programs are financed with \$427.4 million of general revenues, \$77.6 million of federal funds, \$112.8 million of restricted receipts, and \$786.7 million of other funds. The FY 2013 recommendation for General Government agencies is \$13.4 million, or 0.9 percent, less than the FY 2012 enacted level.



Of the \$1.404 billion recommended for FY 2013, \$498.8 million is for grants and benefits, \$303.5 million is for operating, \$232.2 million is for personnel, \$67.3 million is for local aid, \$222.5 million is for debt service, \$44.9 million is for capital, and \$35.1 million is for operating transfers. The General Government function represents 17.7 percent of the total budget for Rhode Island.

General Government



General revenue financing for General Government agencies in FY 2013 increases by \$16.3 million, or 4.0 percent, from the FY 2012 enacted appropriations. The increase is primarily attributable to the Department of Administration, the Department of Revenue, and the Legislature which increase by \$10.6 million, \$2.4 million and \$2.2 million, respectively. Other general revenue increases include \$703,561 more for the Secretary of State's office, \$175,670 more for the Department of Business Regulation and \$118,211 more for the Board of Elections.

In FY 2013, federal funds recommended in General Government agencies decrease by \$102.7 million, or 57.0 percent, from the FY 2012 enacted level. The change is largely attributable to the Department of Labor and Training, where the Governor recommends a decrease of \$42.5 million due to the expiration of enhanced and extended federal stimulus unemployment compensation and \$6.7 million less for non-stimulus Unemployment Insurance administrative funds. The Governor also recommends \$43.2 million less for the Department of Administration, mostly attributable to transfer of the Low Income Home Energy Assistance Program to the Department of Human Services, and the end of some stimulus grant authorization. In the Executive Office, the Governor recommends addition of \$957,243 for a total of \$1.1 million, as the federally-funded Health Benefit Exchange is instituted in the office.

Recommended FY 2013 restricted receipts increase by \$31.7 million, or 39.1 percent from the FY 2012 enacted level, which includes increases of \$19.6 million for the Department of Labor and Training, \$7.5 million more for the Department of Administration, and \$4.4 million more the General Treasury. The increase in Labor and Training is attributable to an operating transfer to the Employment Security Trust in the amount of \$18.6 million. In the Department of Administration, the restricted receipt increase corresponds to addition of \$5.6 million for the Investment Technology Fund, which will finance informational technology projects statewide. In the General Treasury, the increase represents transfer to the general fund surplus from the Unclaimed Property Program, approximately \$3.7 million greater than the enacted amount.

Other funds recommended in FY 2013 increase by \$41.3 million, or 5.5 percent, from the FY 2012 enacted level. This change is largely due to an increase of \$17.3 million for the Department of Labor and

General Government

Training due to payment of interest to the federal government for its borrowing from the federal Unemployment Insurance program. In the Department of Revenue, an increase of \$14.3 million relates to projected increase in Lottery collections, which has a corresponding increase on Lottery expenditures. The other funds increase of \$9.6 million in the Department of Administration relates mostly to increases in Rhode Island Capital Plan Fund financing for various projects under its purview, offset by reduction of debt service for Department of Transportation debt.

General Government

Department of Administration

The Governor's FY 2012 revised budget recommendation for the Department of Administration is \$447.9 million. This consists of \$248.9 million from general revenue, \$96.6 million from federal funds, \$19.6 million from restricted receipts, and \$82.8 million from other funds. This recommended level reflects an increase of \$33.9 million when compared to the FY 2012 enacted budget, and it consists of \$2.4 million more general revenues; \$27.5 million more federal funds; \$4.4 million more other funds; and \$429,832 less restricted receipts.

Compared to the FY 2012 enacted budget, the increase of \$2.4 million in general revenue expenditures include the following: a) an increase of \$776,347 to maintain information technology services to state agencies due to the corresponding decrease of federal revenue; b) an increase of \$3.0 million to restore statewide medical holiday savings of \$3.0 million that was authorized in the FY 2012 enacted budget, but resided in the Department of Administration and has now been re-distributed to all other state departments and agencies, including the legislative and judicial branches of state government; c) a net increase of \$720,516 for janitorial and other facilities maintenance supplies to finance current service costs for the Division of Facilities offset by reductions in utilities; d) a decrease of \$5.6 million for net debt service cost savings due to a refunding of outstanding general obligation bonds (\$4.5 million), Historic Structures Tax Credit (\$1.4 million), and tax anticipation notes (\$0.8 million); e) an increase of \$2.0 million for a shift from other funds to general revenue for debt service cost for the Department of Transportation; f) an increase of \$1.2 million for debt service costs related to higher than anticipated issuance of certificates of participation (\$0.5 million) and a capital reserve deficiency for performance-based debt related to Fidelity job rent credits and g) an increase of \$1.1 million for a one-time funding of the America's Cup event (\$770,000), which would assist in boosting tourism receipts and a (\$300,000) increase for a statewide study and review of the state's personnel system.

The increase in federal funds expenditures in the Governor's FY 2012 revised budget, when compared to the FY 2012 original enacted level, is due primarily to the following: a) an increase of \$8.7 million for the creation of a revolving loan fund that would lend to small businesses for capital investments and job creation through the federal "State Small Business Credit Initiative"; b) a shift of \$2.0 million in debt service payments under the federal "Build America Bonds" program from gas tax funded transportation debt; and c) an increase of \$17.4 million for available federal authorization pursuant to the American Recovery and Reinvestment Act of 2009 for the development and implementation of a state energy plan (\$9.9 million), disbursement of weatherization grants under the federal weatherization program (\$2.5 million), and disbursements under the Energy and Conservation Block Grant (\$5.0 million).

The increase of \$4.4 million over the original FY 2012 enacted level for other funds expenditures, as recommended by the Governor, is attributable to an increase of \$8.9 million for various projects financed from the Rhode Island Capital Plan (RICAP) Fund. This increase in RICAP funding is offset by a reduction of \$4.4 million in debt service outlay for the Department of Transportation by a transfer of \$2.0 million to general revenues, and a transfer of \$2.0 million to federal funds under the "Build America Bonds" program.

The decrease in restricted receipts expenditures, as recommended by the Governor, when compared to the original FY 2012 enacted level, is due to: 1) a decrease of \$0.2 million in the Contractors Registration and Licensing Board, 2) a decrease of \$160,000 in the Office of Energy Resources, Exxon Interest (\$0.1 million) and Stripper Well Interest (\$60,000); and 3) an increase of \$0.1 million in appropriation offset in the Division of Information Technology clearing account for an anticipated increase in expenditures.

The Governor recommends a revised FTE positions ceiling of 694.2 or a reduction of 0.4 FTE position from

General Government

the level authorized in the FY 2012 enacted budget. This reduction reflects reduced working hours for an FTE position in the department.

For FY 2013, the Governor recommends an all funds budget of \$398.5 million, including; \$257.0 million from general revenue; \$25.9 million from federal funds; \$27.5 million from restricted receipts; and \$88.0 million from other funds. This expenditure level reflects a decrease of \$15.5 million when compared to the same level enacted for FY 2012. This decrease in funding consists of an increase in general revenue of \$10.6 million; a decrease in federal funds of \$43.2 million; an increase in restricted receipts of \$7.5 million; and an increase of \$9.6 million in other funds.

The increase in requested general revenue expenditure authority in FY 2013 over the FY 2012 enacted budget consists primarily of an increase of a \$3.0 million in personnel costs, a \$1.0 million increase in operating, and a \$7.8 million increase in debt service. All other categories of expenditure decrease by approximately \$3.2 million, including an across-the-board reduction of 25 percent for community service objective grants.

The increase in personnel costs is inclusive of the restoration of the medical holiday savings in FY 2012 Enacted. This increase in personnel costs is offset by savings from the elimination or reduction in several programs, including the Bureau of Audits, Human Resources and Statewide Planning, offset by increases for a new program recommended by the Governor, the Office of Management and Budget. The goal of this new office is to establish a comprehensive public finance and management system for Rhode Island that manages a data-driven budget process, monitors state departments' and agencies' performance, maximizes the application for and use of federal grants and ensures accountability and transparency regarding the use of public funds. Also included within personnel financing is the establishment of a defined contribution plan requiring a state share of one percent.

Within debt service, there are several items that contribute to the \$7.8 million increase, including 1) an increase of \$1.5 million for the Interstate 195 (I-195) land purchase by the Economic Development Corporation from the Department of Transportation; 2) an increase of \$600,000 for a proposed COPS issuance related to information technology investments and 3) an increase of \$4.1 million for the next phase of the Energy Conservation COPS issuance.

The overall decrease in federal funds expenditure, as recommended by the Governor, when compared to the FY 2012 enacted level, consists of the following: a) an increase of \$4.3 million for the federal "State Small Business Credit Initiative", which provides loans to small businesses for investments and job creation; b) an increase of \$2.0 million in debt service payments for transportation debt from federal reimbursements under the federal "Build America Bonds" program; c) a decrease of \$2.6 million for federal funding under the Community Development Block Grant program; d) a decrease of \$1.1 million due to the expiration of federal funding for homelessness intervention and Prevention Fund, financed under the American Recovery and Reinvestment Act of 2009; e) a decrease of \$32.7 million for the transfer of the Low Income Home Energy Assistance (LIHEAP and Weatherization Assistance Program (WAP) to the Department of Human Services pursuant to Chapter 151 of the Public Laws of 2011; and f) a decrease of \$11.7 million for the expiration of federal funding for the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) pursuant to the federal authorization of the American Recovery and Reinvestment Act of 2009.

Compared to the FY 2012 enacted expenditure authority from restricted receipts, the increase in

General Government

expenditures, as recommended by the Governor, is due to the following: a) an increase of \$0.4 million, financed by an assessment on federal grants to be managed by the new program proposed by the Governor---the Office of Management and Budget---within the Department of Administration; b) a decrease of \$3.2 million in investment receipts for a lower issuance of tax anticipation notes; c) an increase of \$5.6 million to the Investment Technology Fund, which would finance capital investments related to information technology statewide; and d) an increase of \$3.3 million for Demand Side Management grants in the Office of Energy Resources.

For other funds expenditures in FY 2013, as recommended by the Governor, the increase of \$9.6 million, when compared to the FY 2012 enacted budget, is due to the following: a) an increase of \$12.8 million for various capital projects financed from the Rhode Island Capital Plan Fund, b) personnel services direct costs - \$0.6 million; and c) a net decrease of \$3.9 million for the Department of Transportation's debt service, based on proposed restructuring of transportation debt.

The Governor recommends a total of 665.6 FTE positions for the Department of Administration in the FY 2013 budget, which is a decrease of 29.0 FTE positions, when compared to the FY 2012 enacted ceiling of 694.6 FTE positions. The changes from the FY 2012 enacted level consist of: a) a reduction of 0.4 FTE position in the State Budget Office; b) a reduction of 5.6 FTE positions in Information Technology due to general revenue funding offset requested but not recommended by the Governor and thus, a program reduction in the same number; c) a reduction of 9.0 FTE positions due to the transfer of the Low Income Home Energy Assistance Program (LIHEAP) and Weatherization Assistance Program (WAP) to the Department of Human Services, pursuant to Chapter 151 of the Public Laws of 2011; d) a reduction of 12.0 FTE positions for the elimination of the Bureau of Audits and the assumption and/or integration of its functions into the newly-created Office of Management and Budget; e) a reduction of 12.0 FTE positions related to the eliminations of the Employee Services Unit (2.0 FTEs) and reductions in the Classification and Examination Unit (10.0 FTEs) within the Division of Human Resources; f) an addition of 11.0 FTE positions for the proposed new program of Office of Management and Budget; and g) a reduction of 1.0 FTE position for a retirement/attrition in the Division of Planning.

Department of Business Regulation

The Governor recommends a revised FY 2012 Budget of \$17.6 million, including \$8.8 million in general revenue, \$6.8 million in federal funds, and \$1.9 million in restricted receipts. All funds decrease \$453,457 from the enacted FY 2012 Budget. Most of this decrease is in general revenues, which fall \$603,496 from the enacted level, including reductions in personnel costs of \$483,405, contract services of \$20,000, statewide adjustments due to medical holiday savings of \$29,727, and operating savings of \$70,364.

For FY 2013, the Governor recommends \$14.1 million, including \$9.6 million in general revenue, \$2.5 million in federal funds, and \$1.97 million in restricted receipts. All funds decrease by \$3.9 million, of which general revenues increase \$175,670, from the FY 2012 enacted level. Personnel costs increase by \$285,620, for salary and benefit adjustments, contract services decrease \$20,000, and operating expenses decrease \$77,616. Statewide adjustments affect retirement expenses from a net pension reform savings of \$12,344 as compared to the enacted level. Restricted receipts increase \$198,426 from the FY 2012 enacted level. Federal funds decrease \$4.29 million as a result of the expiration of three federal grants.

The Governor recommends a total of 96.0 FTE positions in FY 2012 and 94.0 positions in FY 2013, a decrease of 2.0 FTE positions for reductions in the Board of Accountancy and Boards for Design

General Government

Professionals.

Department of Labor and Training

The Governor recommends revised FY 2012 expenditures of \$850.9 million for the Department of Labor and Training, including \$7.6 million in general revenue, \$213.0 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$159.2 million, \$22.7 million in Unemployment Insurance Administration funds and \$19.0 million in Workforce Investment Act funds, \$43.4 million in restricted receipts, \$1.2 million in Rhode Island Capital Plan Fund (RICAP) financing and \$585.7 million in other funds. The revised Budget reflects a total increase of \$279.3 million, including increases of \$430,081 in personnel, \$1.7 million in contract services, \$748,681 in operating, \$233.4 million in assistance and grants, \$1.6 million for capital purchases, \$25.7 million in debt service, and \$15.8 million in operating transfers.

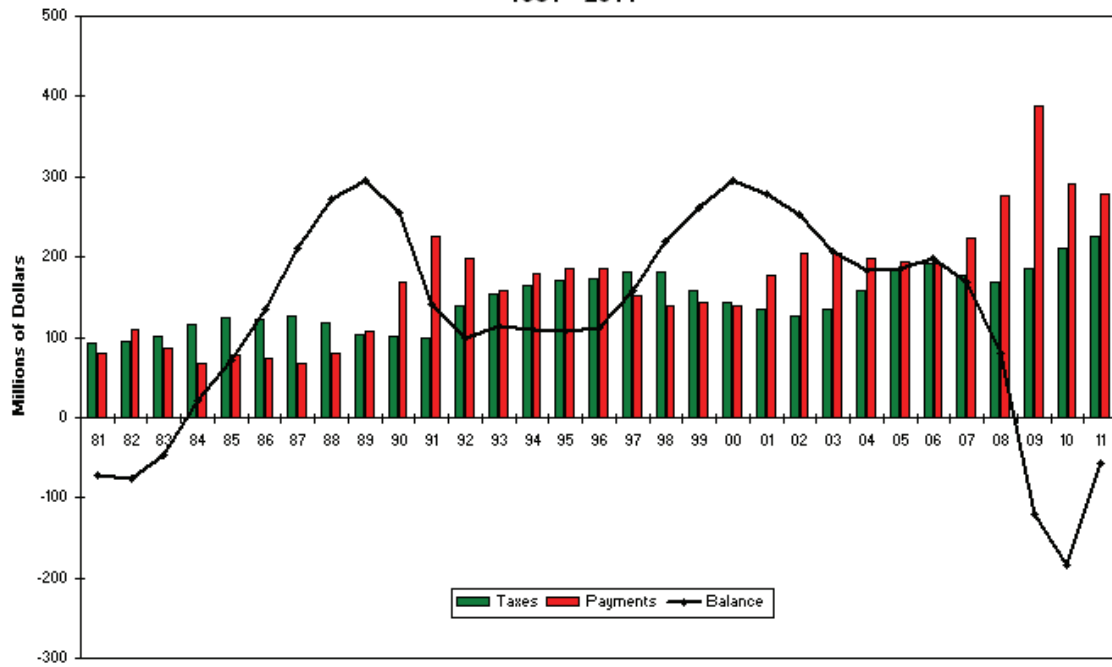
General revenue in the revised FY 2012 budget increases by \$57,054, attributable to a \$78,097 increase in Police and Firemen’s Relief Fund benefits and a \$19,264 increase in legal services, which are partially offset by savings of \$40,367 in personnel. The \$110.1 million increase in federal funding in the revised budget is primarily due to the federal government’s extension of Stimulus – Extended Unemployment Compensation, which resulted in an additional \$108.8 million in funding for Unemployment Compensation benefits. Rhode Island Capital Plan funds in Central Management increase by \$214,000 to expedite Center General Building asset protection projects. The revised FY 2012 Budget includes \$25.7 million for payment to the federal government for the Unemployment Insurance loan. The revised Capital Budget includes \$970,891 for the purchase of computer equipment and \$857,309 for building renovations, improvements and repairs and \$788,584 for the replacement of the Center General Building roof.

The Governor recommends 470.1 FTE positions in FY 2012, a 0.1 FTE decrease from the enacted Budget of 470.2 due to the correction of a rounding error.

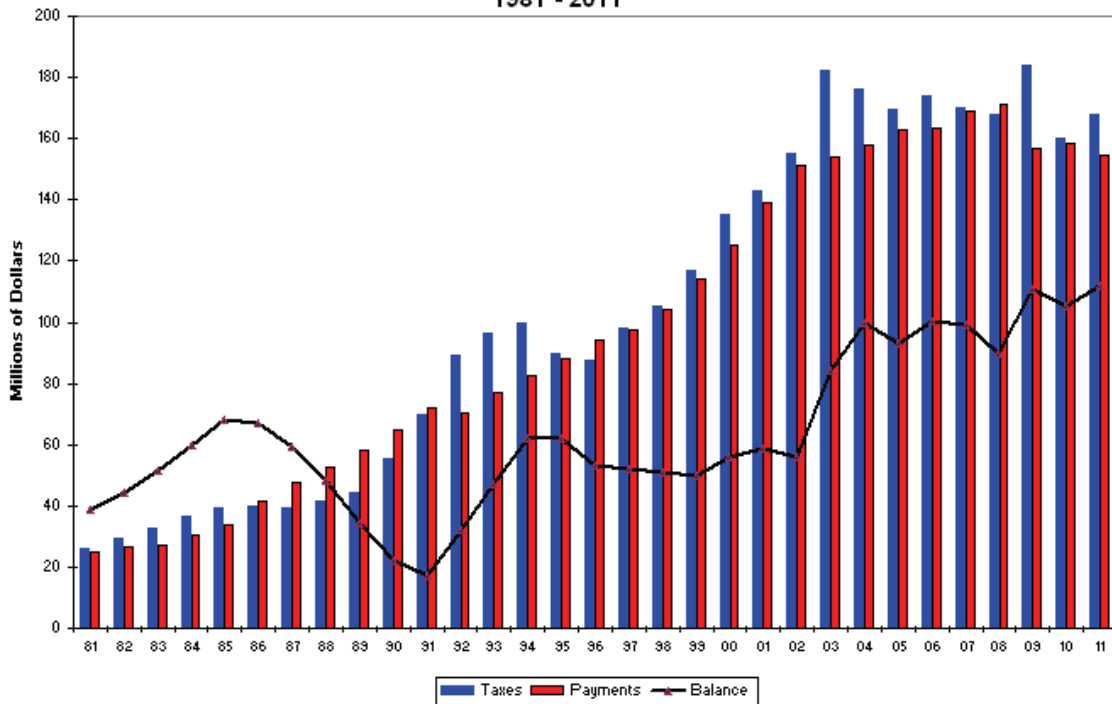
The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. It should be noted that Rhode Island’s Employment Security Fund is in a declining condition due to the state’s high unemployment rate. As of the end of calendar year 2011, the Employment Security Trust Fund and the TDI Trust Fund had unaudited balances of negative \$58.0 million and \$112.0 million, respectively. These balances represent Unemployment Insurance decreases of \$125.0 million (68.3 percent) and a TDI increase of \$7.0 million (6.2 percent) in 2011, respectively.

General Government

**Unemployment Insurance Fund Activity
1981 - 2011**



**Temporary Disability Insurance Fund Activity
1981 - 2011**



General Government

For FY 2013, the Governor recommends \$552.4 million for the Department of Labor and Training, including \$7.6 million in general revenue, \$43.5 million in federal funds, \$36.7 million in restricted receipts, \$310,500 in RICAP financing and \$464.3 million in other funds. The Governor's recommendation reflects a decrease of \$19.2 million from the FY 2012 enacted Budget, and includes \$64,929 more general revenue, \$56.2 million less federal funds, including reductions in Stimulus – Extended Unemployment Compensation funding of \$42.5 million and Unemployment Insurance Administration funding of \$6.7 million, a \$6.7 million increase restricted receipts, \$668,000 less capital expense funds and a \$18.0 million increase in other funds.

The FY 2013 Budget reflects personnel savings of \$9.5 million, contract services savings of \$921,416, an operating increase of \$2.3 million, assistance and grants savings of \$31.1 million, capital expense savings of \$1.0 million, an \$18.6 million increase in debt service for the federal Unemployment Insurance loan, and an increase of \$2.4 million for operating transfers. FY 2013 personnel expense reflects a program reduction of 105.7 FTE's, resulting in \$6.0 million in personnel savings. This program reduction is necessary due to decreased federal funding availability, including a \$7.2 decrease in Unemployment Administration federal funds and a \$2.7 million reduction in Workforce Investment Act federal funds. The program reduction includes 37.0 FTE's in Workforce Development Services and 68.7 FTE's in Income Support. Additional personnel savings of \$280,516 are attributable to pension reform. In the consulting expense category, \$1.5 million will be utilized for medical services and \$656,296 will be utilized for information technology. The FY 2013 Budget includes \$18.6 million for payment to the federal government for the Unemployment Insurance loan for federal funds borrowed to finance the state's Unemployment Insurance obligations. In capital expense, \$310,500 in RICAP funds have been allocated for asset protection. Capital expense also includes \$153,481 for the purchase of computer equipment, reflecting a \$301,105 decrease from the FY 2012 enacted appropriation. The Governor recommends freezing Police and Firemen's Relief Fund benefits at the level of the supplemental FY 2012 budget, thus the FY 2013 recommendation for Police and Firemen's Relief benefits totals \$4.2 million, an increase of \$78,097 above the FY 2012 enacted level, consistent with the FY 2012 revised budget recommendation.

The Governor recommends a FY 2013 FTE authorization of 364.4 FTE positions for the Department of Labor and Training, reflecting a 105.8 FTE reduction from the FY 2012 enacted level. This decrease is attributable to the aforementioned 105.7 FTE program reduction, as well as a 0.1 FTE reduction to correct a rounding error.

Department of Revenue

In the 2006 Session, the General Assembly created the new Department of Revenue, comprised primarily of programs transferred from the Department of Administration. These programs include the Office of Municipal Finance (formerly Property Valuation), the Division of Taxation, the Registry of Motor Vehicles, and the Lottery. Other programs created within this department include the Director of Revenue and the Office of Revenue Analysis. As of FY 2012, State Aid accounts were transferred from Department of Administration with the exception of Library Aid accounts.

The Governor recommends \$330.5 million in expenditures for the Department of Revenue in the FY 2012 revised budget, including \$96.5 million in general revenue, \$2.2 million in federal funds, \$2.2 million of restricted receipts, and \$229.6 million in other funds. This represents an all funds increase of \$13.8 million from the enacted FY 2012 budget. General revenue expenditures increase \$3.9 million, primarily due to the expenditures related to Central Fall Receivership totaling \$3.0 million and municipal pension

General Government

related costs totaling \$234,000, which were not included in the enacted budget. Personnel increases \$1.3 million to \$41.6 million, including an increase of 14.5 FTE positions at the Division of Motor Vehicles, and an increase in legal services costs for Central Falls Receivership. Personnel in FY 2012 included a medical savings holiday for all state employees. Federal funds decrease by \$472,312. Restricted receipts increase by \$339,071, as a result of expenses of the RIMS computer project at the Division of Motor Vehicles paid with the technology charge at the DMV due to an unanticipated carry forward balance from FY 2011. Other funds increase by \$10.0 million, primarily due to an estimated increase in Lottery collections, which translates into increased commission payments. The increase in other funds was also due to RICAP projects totaling \$755,684, a combination of the completion of the Forand Building project as the new main branch of the DMV, which opened in August 2010, and a small carry forward in the Tax Data Warehouse project due to the expected timing of expenditures.

Governor Chafee's proposed FY 2012 budget includes an appropriation to the City of Central Falls of \$2.6 million. During the 2011 Legislative session, the Governor requested appropriations from the General Assembly to stabilize the finances of the City. The funds were not appropriated, and a "Plan of Debt Adjustment" was developed by the Office of the Receiver that includes a reduction in pension benefits for Central Falls retirees of up to 55.0 percent of the amount of annual pension benefits that such retirees had been receiving. Negotiations continued with the retirees to develop a mutually agreeable solution that would prevent protracted litigation in federal bankruptcy court. The negotiations were successful, and a Settlement and Release Agreement has been approved by a contractually adequate number of retirees and the federal bankruptcy court. The lump sum one time appropriation would provide transitional or "supplemental payments" to retirees during a five year transitional period from FY 2012 through FY 2016. The Agreement also commits the Director of Revenue to advocate to transition the Central Falls Pension Plan into the State administered Municipal Retirement System in order to provide enhanced retirement security in the future for Central Falls Pension Plan members. The \$2.6 million appropriation would remove many legal challenges from the bankruptcy and thereby save substantial legal costs for both the State and the retirees.

The Governor recommends \$333.3 million in expenditures from all funds for the Department of Revenue in FY 2013, including \$95.0 million in general revenue, \$2.6 million in federal funds, \$1.9 million of restricted receipts, and \$233.9 million in other funds. This represents an all funds increase of \$16.7 million from the enacted FY 2012 budget. The primary cause of the increase in all funds is Lottery collections, which translates into increased commission payments estimated at \$14.2 million.

General revenue expenditures increase \$2.4 million, with personnel expenditures increasing by \$1.5 million to \$32.7 million, including statewide adjustments. The statewide adjustments include reductions of \$43,165 for pension reform, offset by an increase of \$190,020 for the 1.0 percent defined contribution portion, offset by a decrease of \$330 for Election Day Holiday savings. Federal funds decrease by \$72,150. Restricted receipts increase \$60,186. Other funds increase by \$14.2 million. This change is primarily due to an estimated increase in Lottery collections, which have a corresponding impact on Lottery expenditures.

The Governor recommends 449.0 FTE positions in FY 2012, an increase of 14.5 FTE positions from the enacted FY 2012 level; and 458.0 FTE positions in FY 2013, an increase of 23.5 FTE positions from the enacted FY 2012 level. The increase for FY 2012 reflects 1.0 FTE for an Investigative Auditor position in the Office of Municipal Finance, 1.0 FTE position which was vacant that was eliminated in the Division of Taxation, and a net increase of 14.5 FTE positions added to the Division of Motor Vehicles to improve customer service and reduce wait times at the Registry. For FY 2013, in addition to the changes

General Government

discussed for FY 2012, 5.0 Investigative Auditor positions have been added to the Office of Municipal Finance, and 4.0 Tax Investigator positions have been added to the Division of Taxation to strengthen tobacco tax enforcement efforts. Revenue anticipated from the added 4.0 FTEs is expected to be \$2.9 million.

Legislature

The Governor's revised FY 2012 Budget for the Legislature is \$41.7 million, including \$40.0 million in general revenue and \$1.6 million in restricted receipts. The recommendation includes an increase of \$3.5 million in general revenue appropriations and a decrease of \$5,612 in restricted receipts from the FY 2012 enacted levels. The general revenue increase is largely attributable to reappropriation of \$3.8 million of unspent funds from FY 2011. The Legislature's budget request and the Governor's Revised Budget recommendation includes approximately \$1.0 million for the redistricting project in FY 2012, with the balance of approximately \$500,000 recommended in FY 2013 for possible legal challenges to the reconfigured political divisions. The full amount of \$1.5 million was included in the FY 2011 enacted budget, but not utilized until a consultant was hired and informational hearings and workshops were held in early FY 2012. Personnel financing totals \$34.5 million, or \$1.2 million greater than the FY 2012 enacted level. The personnel change is comprised of \$131,726 less for legislators' salaries based on the calendar year 2010 Consumer Price Index of 1.6 percent, compared to the enacted level, which had assumed a 3.0 percent increase, in addition to greater voluntary co-pay towards health benefit costs by some legislators. In comparison to the enacted level, personnel financing in the Legislative Counsel Office increases by \$553,460 and by \$1.1 million in the Joint Committee on Legislative Services, offset by reduction of \$125,664 for personnel expense in the Auditor General's Office. Included in these personnel adjustments is removal of \$173,078 for the medical benefit holiday in FY 2012. Operating expense increases by \$749,106 to a total of \$3.1 million over the enacted level of \$2.4 million, mostly attributable to redistricting expenses, specifically in the Capital TV account for its costs associated with taping and airing all public hearings and workshops, and for computer supplies and rental and lease of equipment throughout legislative offices involved in the project.

For FY 2013, the Governor recommends \$40.4 million, including \$38.8 million in general revenue and \$1.6 million in restricted receipts. The recommendation is an increase of \$2.2 million from the FY 2012 enacted amount and a decrease of \$22,025 in restricted receipts. The general revenue increase reflects a target adjustment of \$386,543 for medical benefits inflation, addition of one day's payroll accrual, and adjustments to the statewide benefit assessment calculation. Initially, \$2.2 million was added for retirement benefits increase, but pension reform legislation enacted in the fall of 2011 allowed for removal of \$2.7 million across the department for a net reduction of \$493,833 for retirement benefits. This reduction is offset by addition of \$176,154 for the newly enacted defined contribution plan. Salaries and associated benefits increase by \$2.6 million above the FY 2012 enacted level, including \$67,406 more for legislators salaries based on an expected 3.0 percent 2011 Consumer Price Index increase, on which the legislator salaries are based. Consultant expense and operating supplies decrease by \$411,434, likely attributable to the expected end of the redistricting project. Legislative grants are requested and recommended at the enacted level of \$2.3 million in FY 2013.

The Governor recommends 298.5 FTE positions in FY 2012 and FY 2013, which is the same as the enacted Budget authorization for FTE's in the Legislature.

General Government

Office of the Lieutenant Governor

The Governor's revised FY 2012 budget for the Office of the Lieutenant Governor is \$1.1 million, consisting of \$951,109 in general revenue and \$124,616 in Exchange Establishment One Grant federal funds. The Exchange Establishment One Grant federal funds are appropriated for personnel expenses related to health policy implementation. The recommendation is \$14,447 less than the enacted Budget and includes a \$25,604 decrease in personnel financing to correspond to current requirements, a \$250 increase in contracted professional services, a \$6,657 increase in operating expense and a \$4,250 increase in capital expense. In the consultant category, the increase of \$250 will provide additional sign language translation services for the Executive Director of the Commission for the Deaf and Hard of Hearing as a member of the Rhode Island Emergency Management Advisory (RIEMA) committee. In the operating category, \$3,500 is provided for the purchase of local database software related to the development of www.buylocalri.org and the purchase of Health Reform Project software, and \$2,600 of the increase is attributable to recurring expenses of increased copier machine lease costs and increased dues and fees for the National Lieutenant Governors Association (NLGA).

For FY 2013, the Governor recommends a budget of \$1.1 million, consisting of \$962,955 in general revenue and \$141,063 in Exchange Establishment One Grant federal funds for personnel costs related to health policy implementation. The recommendation is \$13,846 greater than the FY 2012 enacted Budget and includes a \$1,080 decrease in personnel requirements as a result of pension reform, and increases of \$250 for contracted professional services, \$13,926 for operating expense and \$750 for capital expense. Increases in contracted professional services and operating expense are consistent with recurring expenses from the Governor's FY 2012 supplemental recommendation. Operating expenses also include an incremental \$11,326 in federal funds attributable to the reallocation of pension reform savings from the personnel category.

The Governor recommends 8.0 FTE positions in revised FY 2012 and 8.0 FTE positions in FY 2013, the same as the enacted FY 2012 level.

Secretary of State

The Governor's revised FY 2012 Budget for the Secretary of State is \$8.1 million, including \$6.7 million in general revenue, \$55,438 in federal funds, \$503,336 in Historical Records Trust restricted receipts and \$852,367 in Record Center Internal Service Funds. General revenue increases by \$318,590 from the enacted budget, federal funds increase by \$55,438, restricted receipts increase by \$6,818 and Record Center Funds decrease by \$13,903. The increase in general revenue is primarily due to the carry forward of \$190,000 in unspent funds in FY 2011 for the installation of the Quick Start Master Application, \$150,000 for Voter ID implementation and \$20,000 for implementation of modified Absentee Voter regulations. In federal funds, the recommendation includes an additional \$47,819 in capital expense financed by Help America Vote Act (HAVA) grants, contributing to the purchase of new servers for the Central Voter Registration System (CVRS) and \$7,500 in HAVA Mock Election federal funds for additional financing for lecturers and training consultants who will hold mock elections at selected high schools. Historical Records Trust restricted receipts increase as a result of telecommunication costs increasing by \$3,900 and the State Archive's portion of rental of the facility at 337 Westminister St. increasing by \$1,685. Record Center Funds decrease as a result of favorable lease negotiations for the 337 Westminister St. facility, resulting in a \$14,318 decrease from the enacted budget. This facility provides a centralized location for state records and archives financed by centralized billings of all the departments that utilize the service.

General Government

For FY 2013, the Governor recommends \$8.5 million, including \$7.1 million in general revenue, \$535,983 in Historical Records Trust restricted receipts, and \$897,072 in Record Center Internal Service Funds. This recommendation reflects an increase of \$773,798 from the FY 2012 enacted budget, including increases of \$703,561 in general revenue, \$39,435 in Historical Records Trust restricted receipts, and \$30,802 in Record Center Funds. Increases in general revenue from the FY 2012 enacted budget are due to printing, postage and legal expenses increasing by \$716,600 in the Elections and Civics program for expenses related to the November 2012 General Election. The FY 2013 budget also reflects increases in telecommunication costs and reduced rent for the State Archives and Records Center facility at 337 Westminster St., consistent with the Governor's FY 2012 supplemental recommendation. Increases in Historical Records Trust restricted receipts result from a \$29,760 increase in the statewide savings offset in the State Archives operating budget. Increased Record Center funds also result from a \$34,009 statewide savings offset in the Record Center operating budget, as well as a \$7,103 increase in miscellaneous operating expenses.

The Governor recommends 57.0 FTE positions in FY 2012 and FY 2013, which reflects no change from the enacted authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2012 Budget of \$41.4 million for the Office of the General Treasurer, including \$2.5 million in general revenue, \$1.2 million in federal funds, \$37.6 million in restricted receipts, and \$252,630 in other funds. The revised Budget for all funds is an increase of \$8.2 million from the enacted level, mostly attributable to restricted receipts, which increase by \$7.8 million for the unclaimed property program and by \$537,084 for administrative expense in the retirement program. The Unclaimed Property transfer to the general fund surplus is increased by \$1.6 million to a total of \$7.8 million, refunds increase by \$3.6 million, the change in liability increases by \$1.9 million, and property recovery audit expenses increase by \$567,396, reflecting revenue and expenditure trends for the program.

In Retirement, administration expense for the defined benefit sub-program increases by \$580,720 for actuarial studies and predicted legal expense associated with October 2011 pension restructuring. Outside of the Employees' Retirement System of Rhode Island trust (the 'Trust'), are predicted costs associated with assimilation of the non-Trust supported, member participation in the defined contribution plan. Although administered by an outside vendor, the defined contribution plan requires Retirement program effort and is established as a separate sub-program in the program. The specifics of the fee structure will be determined upon award of the contract for the vendor, expected in early Spring, 2012. Defined contribution sub-program costs include member outreach, advertising, and salary effort, along with web-site upgrades. Expected expenses, financed with restricted receipts, are \$446,626 in FY 2012 and \$570,598 in FY 2013. Once the program is established and operational, expected costs to the State are estimated at \$250,000 annually, to be financed through the fee structure, or by another means as determined upon implementation of the program. The Governor also recommends an additional \$200,000 for legal expense in the defined benefit sub-program, to accommodate expected litigation in response to recent pension reforms.

Also in FY 2012, the Governor recommends an additional \$138,000 for legal expense associated with the Securities and Exchange Commission's investigation of proper disclosure of the State's pension liabilities in its bond offering statements. The entire cost of the investigation is \$276,000, to be shared with the

General Government

Governor's Office. The Governor also recommends an additional \$155,313 in lease expense due to a three-month delay in moving from 40 Fountain Street in Providence, to the state-owned facility at 50 Service Avenue in Warwick, where it is located as of December, 2011.

For FY 2013, the Governor recommends total expenditures of \$37.6 million, which includes \$2.2 million from general revenue, \$1.2 million from federal funds, \$33.9 million from restricted receipts, and \$271,812 from other funds. Across all funds and department-wide, personnel financing totals \$8.5 million, or \$252,766 more than the FY 2012 enacted level. The increase is attributable to \$97,102 more for salaries due to step increases, \$52,014 for the defined contribution plan, and \$168,172 more for health premium expense – offset by reduction of \$76,642 for defined benefit retirement expense. Consultant expense increases by \$463,964 above the FY 2012 enacted amount to a total of \$764,884 for auditors in the Unclaimed Property program, and by \$408,660 in the defined benefit sub-program,, mostly for actuarial studies, legal expense and IT system support. In the defined contribution sub-program, consultants increase by \$50,000 over the FY 2012 enacted level of \$0, for communication and outreach expenses, if required.

Operating expense increases by \$4.3 million department-wide, mostly attributable to addition of \$3.7 million to the transfer to the general fund surplus in the Unclaimed Property Program for a total of \$9.9 million, based on results from the November 2011 Revenue Estimating Conference. Refunds to unclaimed property owners also increase by \$1.9 million, based on estimates agreed upon at the November 2011 conference.

Capital financing in the amount of \$4.0 million is included in the defined benefit sub-program, as system improvements begin to its member database. Bid review, vendor selection, and contract negotiations underway in FY 2012 will provide a clearer picture for financing requirements of the system upgrade in FY 2013 and subsequent years.

The Governor recommends an authorized FTE level of 82.0 positions in both FY 2012 and FY 2013, which is the same as the FY 2012 enacted level.

Board of Elections

The Governor's revised FY 2012 Budget for the Board of Elections is \$1.8 million, including \$1.8 million in general revenue and \$50,000 in Help America Vote Act (HAVA) federal funds. The recommendation is \$57,644 less than the enacted budget. In the personnel category, there is a decrease of \$30,952 to correspond to current requirements. Consulting expenses decrease from the enacted budget by \$79,886. This reduction is attributable to a \$78,031 reduction in management and consultant services to reflect the actual cost of the Electronic Services and Systems contract. This contract payment includes new optical readers and AutoMark voter assistance terminals with service and maintenance agreements. In FY 2012, \$50,000 of the contract is financed by HAVA federal funds, and the remaining \$221,969 is financed by general revenue. Notable savings in the operating category include a \$40,000 increase in express delivery expense due to the delivery of voting machines to the 39 municipalities for the Presidential Preference Primary, as well as the addition of a \$10,000 budget for printing, which will be utilized for printing voter registration forms and poll worker manuals.

General Government

For FY 2013, the Governor recommends \$1.9 million financed entirely by general revenue, a \$68,211 increase from the FY 2012 enacted Budget. The FY 2013 recommendation includes the following expenses related to the 2012 General Election: \$120,000 in express delivery expense for the delivery of voting equipment to polling locations, which was not included as part of the new ES&S contract; an additional \$30,000 in legal services; \$20,000 for additional phone lines for election totals recordings; \$83,000 for printing election-related forms; \$12,000 for postage and postal services related to the mailing of campaign finance notices and enforcements; and \$120,000 for seasonal personnel. A \$70,927 increase from the FY 2012 enacted Budget is required for personnel financing. The FY 2013 budget also includes a \$50,000 increase in general revenue for the Electronic Services and Systems contract, due to federal HAVA funds no longer being available.

The Governor recommends 11.0 FTE positions in FY 2012 and FY 2013. This is a 1.0 FTE decrease from the enacted level of 12.0 FTE due to the decision not to fill the Chief Auditor position.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2012 budget for the Rhode Island Ethics Commission of \$1.5 million, composed entirely of general revenue. This amount is \$37,062 less than the FY 2012 enacted level. The revised budget includes a reduction of \$46,073 in salaries and benefits due to vacancies in the current fiscal year, which is partially offset by an increase of \$9,011 for operating costs. The additional \$9,011 is for on-going operating expenses of the Commission.

For FY 2013, the Governor recommends expenditures of \$1.6 million, composed entirely of general revenue. This amount is \$2,127 less than the enacted budget and fully funds current services of the Commission. The general revenue net decrease of \$2,127 includes a \$17,388 decrease for personnel costs, a \$8,250 increase for contract information technology services, and a \$7,011 increase for operating costs.

The Governor recommends the enacted level of 12.0 FTE positions in FY 2012 and FY 2013.

Office of the Governor

The Governor's revised FY 2012 Budget for the Office of the Governor is \$5.2 million, including \$4.4 million in general revenues, \$109,768 in federal funds and \$714,266 in restricted receipts. The recommendation is an all funds decrease of \$34,179 from the FY 2012 enacted, including \$30,130 less in federal financing and \$63,410 less in restricted receipts, offset by addition of \$59,361 in general revenue. The general revenue increase reflects current staffing requirements not captured in the FY 2012 enacted level, in addition to minor adjustments to operating and capital expense to reflect requirements as the office enters its second year of administration. The general revenue recommendation also includes \$250,000 for the Governor's Contingency Fund, same as the FY 2012 enacted level. Restricted receipt financing in FY 2012 reflects staff levels in the Office of Economic Recovery and Reinvestment (OERR), which is continuing its work associated with administering and complying with the provisions of the American Recovery and Reinvestment Act (ARRA). Although some ARRA grants will continue into FY 2013 with residual carry-over into FY 2014, continuing administration and reporting of grant expenditures will be done by the new Office of Management and Budget in the Department of Administration, beginning in FY 2013, thus bringing an end to this program in the Governor's Office at

General Government

the end of FY 2012. Also in FY 2012, the Governor recommends the start of the federally financed Rhode Island Health Benefits Exchange (the 'Exchange'), with the hiring of an Exchange Director in the third quarter of FY 2012, financed with federal funds.

The Governor signed Executive Order 11-09 on September 19, 2011, establishing the 'Rhode Island Health Benefits Exchange' for the purposes of providing near-universal health insurance coverage by allowing easy comparable choices for the public and also offering qualified health plans for individuals not eligible for health coverage through other means. The proposed benefits of the exchange include establishment of consistency of health care provision throughout the state, and avoidance of federal intervention in setting up an Exchange if the state does not do so by January 1, 2013. The Governor has set up the exchange in his office as the centrally accountable office for operational and financial implementation, including policy development. The Exchange Director will report to the Board of the Rhode Island Health Benefits Exchange, and will work with other state departments, not limited to the Department of Health, the Office of the Health Insurance Commissioner, the Office of the Lt. Governor and the Executive Office of Health and Human Services, in administration of the exchange component of the federal Affordable Care Act §1311 (d)(6).

The Governor's FY 2013 Budget for the Office of the Governor is \$5.5 million, including \$4.4 million from general revenue and \$1.1 million from federal funds. Restricted receipts diminish to \$0 from the enacted level of \$777,676 due to the termination of the OERR program as described above. General revenue increases by \$79,769 from the FY 2012 enacted level to accommodate expected salary and benefit requirements. The defined contribution plan comprises \$25,082 of this increase in FY 2013. The Exchange is budgeted to be fully staffed in FY 2013 with 6.0 FTE, and federal financing is recommended in the total amount of \$1.1 million, including \$1.0 million for personnel, \$53,810 for operating expense, and \$17,500 for capital expense. The Governor's Contingency Fund is again recommended at \$250,000 for FY 2013.

The Governor recommends 45.0 FTE positions in FY 2012 and FY 2013, comprised of 39.0 for the Office of the Governor and 6.0 for Health Benefit Exchange program in FY 2013.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2012 Budget of \$1.4 million for the Rhode Island Commission for Human Rights, including \$1.1 million from general revenue and \$277,069 from federal funds. This recommended level is \$29,375 or 2.0 percent less than the FY 2012 enacted level and consists of \$4,912 less general revenues and \$24,463 less federal funds. The decrease in federal funds expenditures is due primarily to lower than anticipated costs of operating that are financed by the federal US Equal Employment Opportunity Commission (EEOC) and Department of Housing and Urban Development (HUD). The decrease in general revenue expenditures is attributable to redistributed statewide medical holiday savings from the Department of Administration.

For FY 2013, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million from general revenue and \$325,992 from federal funds. Compared to the FY 2012 enacted level, the FY 2013 recommended expenditures are \$32,139 more, reflecting \$7,679 more general revenues and \$24,460 more federal funds. The increase in general revenue is due primarily to higher employee benefit costs for health care, including vision and dental services. The increase in federal funds expenditures was intended for an anticipated increase in the state

General Government

share of employee retirement costs of \$23,949, but this did not materialize due to the enactment of pension reform. As a result, these additional funds were reallocated to the operating category to maintain the requested level of federal funds spending.

The Governor recommends 14.5 FTE positions in the FY 2012 revised and FY 2013 budgets, which were the same level authorized in the FY 2012 original appropriations act.

Public Utilities Commission

The Governor recommends a revised FY 2012 Budget of \$8.1 million for the Public Utilities Commission. This revised level of funding consists of \$321,487 from federal funds and \$7.8 million from restricted receipts. Compared to the FY 2012 enacted budget, it is \$12,114 more and consists solely of federal funds, the increase of which is due to anticipated higher operating costs for staff training and out-of-state travel and lodging, financed from available federal authorization under the American Recovery and Reinvestment Act (ARRA) of 2009.

For FY 2013, the Governor recommends total expenditures of \$8.7 million, consisting of \$349,167 from federal funds and \$8.4 million from restricted receipts. This level reflects an increase of \$628,809 or 7.8 percent when compared to the FY 2012 original appropriations and consists of \$39,794 more federal funds and \$589,015 more restricted receipts. The increase in restricted receipts expenditures was intended to fund an anticipated increase in the state share of employee retirement cost of \$449,001 but due to the enactment of pension reform, these additional funds were reallocated to the operating category to maintain the requested level of restricted receipt spending. In addition, the Governor recommends one new FTE position, a Consumer Agent, estimated to cost \$67,025 in FY 2013. The state's share of higher employee health care costs of \$65,918, also contributes to the increase in FY 2013.

The Governor recommends 46.0 FTE positions in the FY 2012 revised budget, which is unchanged from the FY 2012 original enacted level. For FY 2013, the Governor recommends one additional FTE position over the FY 2012 enacted and revised level for a total ceiling of 47.0 FTE positions in the FY 2013 recommendation.

