

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2014

Lincoln D. Chafee, Governor

General Government

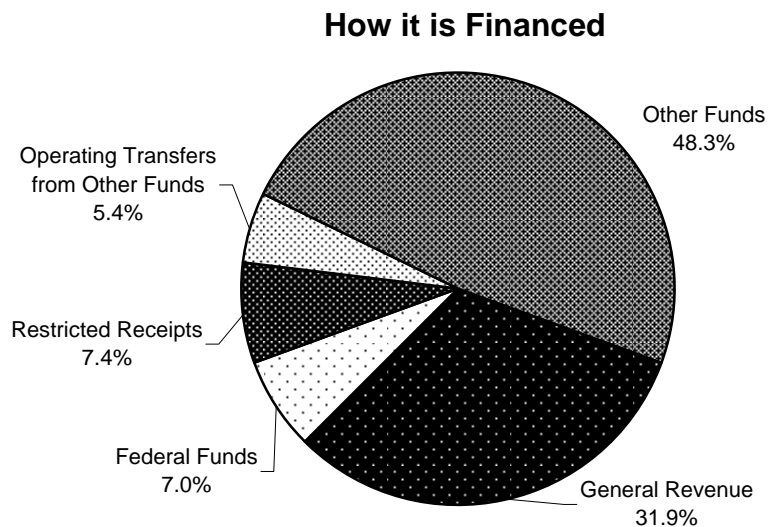
General Government

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 2,306.7 FTE positions in the revised FY 2013 budget and 2,283.7 FTE positions in FY 2014 within general government agencies.

The FY 2013 revised budget for General Government agencies totals \$1.537 billion, including \$447.0 million in general revenue, \$168.9 million in federal funds, \$131.4 million in restricted receipts, and \$789.7 million in other funds. The revised budget from all fund sources for General Government agencies is \$13.4 million, or 0.9 percent more than the FY 2013 enacted budget of \$1.523 billion. Of the \$1.537 billion recommended for FY 2013, \$547.7 million is for grants and benefits, \$315.0 million is for operating, \$271.6 million is for personnel, \$72.4 million is for local aid, \$233.1 million is for debt service, \$42.7 million is for capital, and \$54.7 million is for operating transfers.

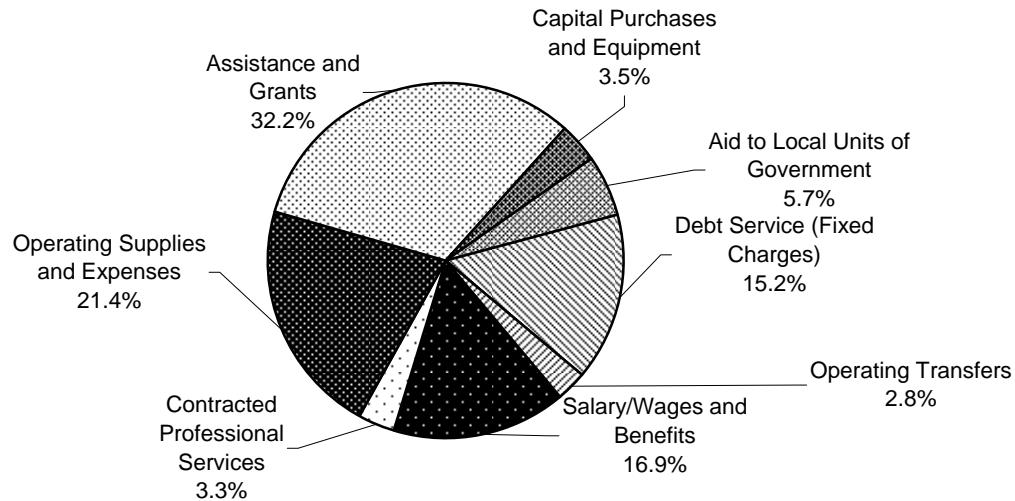
For FY 2014, the Governor recommends expenditures of \$1.431 billion for General Government programs. The programs are financed with \$456.6 million of general revenue, \$99.9 million of federal funds, \$106.0 million of restricted receipts, and \$768.1 million of other funds. The FY 2014 recommendation for General Government agencies is \$93.1 million, or 6.1 percent, less than the FY 2013 enacted level across all fund sources.



Of the \$1.431 billion recommended for FY 2014, \$460.3 million is for grants and benefits, \$306.6 million is for operating, \$275.3 million is for personnel, \$81.2 million is for local aid, \$216.8 million is for debt service, \$50.7 million is for capital, and \$39.7 million is for operating transfers. In the Governor's FY 2014 Budget, the General Government function represents 17.5 percent of the total budget for Rhode Island.

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How it is Spent



General revenue financing for General Government agencies in FY 2014 increases by \$14.8 million, or 3.4 percent, from the FY 2013 enacted appropriations. The increase is largely attributable to the Department of Revenue, which increases by \$14.6 million in FY 2014, reflecting two initiatives of the Governor - an additional \$5.0 million for distressed community aid and, \$10.0 million in Municipal Incentive Aid to encourage fiscal responsibility of locally administered pension plans. General revenue also increases by \$2.0 million from FY 2013 enacted amounts in the Department of Labor and Training, attributable to additional financing provided for the Governor's Statewide Work Immersion Initiative. These increases are offset by: reduction of \$1.1 million in the Department of Administration, reflecting constraint of personnel and operating expenditures across several divisions; \$315,205 less in the Secretary of State's Office due to FY 2014 not being an election year, and; \$230,111 less in the Legislature, reflecting a return to typical levels of expenditure after significant technological upgrades are completed in FY 2013.

In FY 2014, federal funds recommended in General Government agencies decrease by \$66.7 million, or 40.0 percent, from the FY 2013 enacted level. The change is largely attributable to the Department of Labor and Training, where the Governor recommends a decrease of \$72.0 million due to the expiration of enhanced and extended federal stimulus unemployment compensation. The Governor also recommends an increase of \$28.0 million in the Department of Administration, offset by decrease of \$22.2 million in the Governor's Office, to reflect the reassignment of the Health Benefits Exchange to Administration.

Recommended FY 2014 restricted receipts increase by \$6.0 million, or 6.0 percent from the FY 2013 enacted level, which includes increases of \$6.8 million for the Department of Labor and Training and \$900,906 more for Administration, offset by \$2.3 million less for the General Treasury. The increase in Labor and Training is attributable to additional financing available for the Governor's Workforce Board for its employment sector partnership efforts. In Administration, restricted receipts will be used in the Renewable Energy Fund, a transfer from the Economic Development Corporation to Administration, to better coordinate energy financing and technical assistance to businesses, municipalities and the citizens of Rhode Island. The decrease in Treasury reflects expected activity in claim payouts from the Unclaimed Property Program from \$13.5 million to \$8.5 million, offset by an increase in the transfer to

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the general fund surplus, expected to be \$1.7 million more in FY 2014, or \$9.6 million in total.

Other funds recommended in FY 2014 decrease by \$47.2 million, or 5.8 percent, from the FY 2013 enacted level. This change includes a decrease of \$67.9 million for the Department of Labor and Training due to expected levels of financing from the federal government for the Unemployment Insurance program. In the Department of Revenue, an increase of \$12.7 million relates to projected increase in Lottery collections, which has a corresponding increase on Lottery expenditures in addition to financing for table-gaming, approved by the voters in November, 2012. The other funds increase of \$7.9 million in the Department of Administration relates 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, which is proposed to be funded with general revenue in FY 2014.

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Department of Administration

For the Department of Administration's FY 2013 revised budget, the Governor recommends all fund expenditures of \$423.5 million. This consists of \$269.2 million of general revenue, \$66.0 million of federal funds, \$15.3 million of restricted receipts, and \$73.0 million of other funds. This represents an all funds increase of \$33.5 million from the enacted budget of \$389.9 million. Of this amount, general revenue expenditures decrease by \$3.3 million, primarily due to debt service savings of \$3.9 million; federal funds expenditures increase by \$40.5 million; restricted receipt expenditures decrease by \$943,309; and other fund expenditures decrease by \$2.7 million.

Changes in general revenue expenditures in the FY 2013 revised budget include: reductions of \$512,705 for personnel, \$514,252 for operating expenditures, \$500,000 for assistance and grants, and \$3.9 million for debt service payments; increases of \$1.4 million for contracted professional services, \$342,520 for capital purchases and equipment; and \$421,650 for operating transfers. Some of the major general revenue-funded changes in the revised budget include: (a) a decrease of \$827,488 for utility savings associated with lower than expected natural gas and sewer charges; (b) an increase of \$500,000 for an Employee Classification Study under the Office of Management and Budget; (c) an increase of \$698,000 for purchased legal services, including \$500,000 as a contingency for potential legal costs stemming from a lawsuit against the Department of Children, Youth and Families and \$198,000 for legal services related to upcoming labor contract negotiations; (d) an increase of \$427,732 for computer hardware and software, including additional Oracle licenses and upgrades of unsupported versions of operating systems; (e) an increase of \$572,225 for information technology FTE positions, including 5.0 new FTE positions in the Office of Digital Excellence and 3.0 new positions in the Division of Information Technology; and (f) a decrease of \$1.2 million for turnover savings department-wide.

Within debt service, general revenue expenditures decrease by \$3.9 million from \$159.8 million to \$155.9 million. This includes savings from a general obligation bond refunding of \$578,671; savings on the issuance of new general obligation bonds, compared to projected interest costs, of \$487,914; savings of \$3.2 million due to the delay in the issuance of new certificates of participation for previously authorized energy savings projects; savings of \$473,889 because the issuance of tax anticipation notes will not be required in FY 2013 and savings of \$1.0 million in projected interest costs on the new debt issuance related to the acquisition of land made available from the relocation of I-195. These savings are offset by an increase of \$250,000 on debt service related to the achievement of more job rent credits by Fidelity Investments and \$1.6 million from the transfer of RIPTA debt service from Authority funding to general revenue in FY 2013 due to projected shortfalls in the RIPTA operating budget.

Of the \$40.5 million increase in federal funds expenditures, \$28.8 million is for the Health Benefits Exchange, while \$9.5 million is for new State Energy Plan Grant and an Energy and Conservation Block Grant in the Energy Resources program. As part of the FY 2013 revised budget, the Governor recommends transferring the Health Benefits Exchange from the Governor's Office to the Department of Administration. This includes the transfer of staff and related federal funds. The expenditures for the Health Benefits Exchange are related to purchases of contracted professional services, particularly information technology, required to get the Health Benefits Exchange up and running by January 1, 2014. The \$28.8 million amount includes \$1.5 million for personnel, \$26.8 million for contracted professional services, and \$121,380 for capital purchases and equipment. The Health Benefits Exchange will initially be staffed with 15.0 FTE positions.

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The \$943,309 decrease in restricted receipt expenditures is largely due to a \$2.3 million reduction in debt service funding intended for the payment of interest on tax anticipation notes with interest earnings on the borrowed funds until they are used, which is partially offset by a \$1.3 million increase in expenditures projected under the Information Technology Investment Fund.

Of the \$2.7 million decrease in other fund expenditures, \$2.0 million is associated with a decrease in Rhode Island Capital Plan Fund expenditures for various projects managed by the Capital Projects and Property Management Division. Some of the significant changes in Rhode Island Capital Plan Fund financing funding in FY 2013 include decreases of \$2.2 million for the Statehouse Renovation project, \$1.5 million for the Chapin Laboratory, \$1.0 million for Zambarano building repairs, \$800,000 for Pastore Center parking, and \$750,000 for the Board of Elections new building; and increases of \$1.8 million for the Pastore Center Power Plant, \$750,000 for the Zambarano Wood Chip Boiler, \$500,000 for the Rhode Island Convention Center, and \$601,211 for the Veterans' Auditorium project.

Some of the funding changes for capital projects in the FY 2013 revised budget reflect the Governor's state-wide initiative to expedite the start of "shovel ready" projects, which will help create jobs and stimulate the economy. For a project to be considered "shovel ready", it must be a high priority project, be in the current five-year capital plan, and be able to be completed or substantially completed in FY 2013. The Department of Administration's capital projects deemed "shovel ready" include the Pastore Center Power Plant, the Veterans' Auditorium, and the Big River Management Area.

The FY 2013 revised budget for the Department of Administration shifts the State Building Code Commission, the Fire Code Board of Appeals and Review, and the Contractors' Registration Board from the Capital Projects and Property Management program to a new program entitled "Construction Permitting, Approvals and Licensing," or CPAL. Also, the FY 2013 revised budget shifts the responsibility for the development of an electronic local permitting system from the CPAL program to the Office of Management and Budget's Regulatory Reform unit.

The FY 2013 enacted budget established a new Office of Digital Excellence. This Office will be responsible for managing the implementing all new and mission critical technology infrastructure projects and upgrades for state agencies. DoIT will continue to manage and support all day-to-day operations of the state's technology infrastructure, telecommunications, and associated applications.

For FY 2014, the Governor recommends an all funds budget of \$425.8 million including \$271.5 million of general revenue, \$53.6 million of federal funds, \$17.2 million of restricted receipts, and \$83.5 million of other funds. This represents an all funds increase of \$35.9 million compared to the FY 2013 enacted budget. Compared to the FY 2013 enacted budget, general revenue expenditures decrease by \$1.1 million, while federal funds expenditures increase by \$28.0 million, other funds expenditures increase by \$7.9 million, and restricted receipt expenditures increase by \$990,906.

Changes in general revenue expenditures in FY 2014 compared to the FY 2013 enacted budget include the following changes: increases of \$1.7 million for personnel, \$1.1 million for operating transfers, \$885,684 for contracted professional services, \$70,456 for capital expenditures and equipment, and \$28,952 for aid to local units of government; and decreases of \$4.4 million for assistance and grants, \$249,659 for debt service, and \$224,133 for operating costs. Some of the major general revenue-funded changes in the FY 2014 budget include: (a) an increase of \$1.1

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million for statewide current services adjustments related to the cost of providing employee benefits such as healthcare, (b) an increase of \$500,000 for an Employee Classification Study under the Office of Management and Budget, which is also funded in the FY 2013 revised budget; (c) an increase of \$1.2 million for the annualized cost of new information technology FTE positions, which include 5.0 new FTE positions in the Office of Digital Excellence and 3.0 new positions in the Division of Information Technology; (d) an increase of \$501,000 for the I-195 Redevelopment Commission to fund required activities in FY 2014; (e) an increase of \$600,000 in the Economic Development Corporation budget for the Governor's Tourism initiative; and (f) a reduction of \$500,000 for the Slater Centers of Excellence.

Of the \$28.0 million increase in federal funds expenditures compared to the FY 2013 enacted budget, virtually all of the increase is associated with the transfer of the Health Benefits Exchange program to the Department of Administration, which has \$28.3 million budgeted in federal funds. Expenditures for federal fund expenditures for grants in for the Energy Resources program are \$266,852 higher than the FY 2013 enacted budget.

In FY 2014, other funds expenditures increase by \$7.9 million. This increase is primarily due to a \$10.2 million increase in expenditures for Rhode Island Capital Plan Fund financed capital improvement projects, including increases of \$5.8 million for the Veterans' Memorial Auditorium, \$2.1 million for Zambarano building repairs; \$1.2 million for Ladd Center building demolition; \$1.0 million for the Rhode Island Convention Center; and \$925,000 for the Dunkin' Donut Center renewal and replacement fund.

In FY 2014, debt service general revenue expenditures decrease by \$249,659 compared to the enacted FY 2013 budget of \$159.8 million. This net decrease is comprised of a number of changes. For general obligation debt, savings from the annual pay down of debt coupled with savings from an April 2012 refunding total \$10.7 million. This is offset by increased funding of \$769,650 for the new bond issuance in October 2012; \$1.0 million for projected debt service on the bond issuance planned for FY 2014; a shift of an additional \$2.0 million, for a total of \$10.0 million, in transportation debt-related debt service from gas tax funding under the Department of Transportation to general revenue; and, as in FY 2013, the transfer of \$1.7 million for RIPTA debt-related debt service from Authority funding to general revenue to help alleviate the Authority's operating deficit. For certificates of participation debt, there is a net increase of \$622,648 for year over year savings on outstanding debt of \$875,102, offset by an increase of \$1.5 million for projected new issuance for FY 2014.

As with FY 2013, there will be no projected need to issue tax anticipation notes in FY 2014 for savings of \$473,889. Other debt service changes include 1) increased costs on outstanding historic structures tax credit debt of \$2.1 million; 2) an increase of \$600,000 related to the anticipated achievement of more job rent credits by Fidelity Investments; 3) savings of \$318,000 related to the I-195 land acquisition; and 4) new funding of \$2.5 million for the EDC Job Creation Guaranty program to restore funding to the 38 Studios Capital Reserve Fund, as required under the State's moral obligation. As a result of the bankruptcy of the 38 Studios, the State will fund the annual debt service on the balance of the outstanding debt.

Restricted receipt expenditures increase by \$990,906 compared to the FY 2013 enacted budget. The largest change is the result of the Governor's proposal to transfer the Renewable Energy Fund from the Economic Development Corporation to the Office of Energy Resources. This results in an increase of \$2.5 million in FY 2014.

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The Governor recommends 723.7 FTE positions in the FY 2013 revised budget, which is an increase of 36.5 FTE positions from the enacted FY 2013 level of 687.2 positions. The 36.5 additional FTE positions reflect increases of (a) 5.0 FTE positions in the Office of Digital Excellence; (b) 2.4 FTE positions in the Office of Management and Budget, which includes the transfer of the Office of Regulatory Reform from the Economic Development Corporation to the Office of Management and Budget; (c) 2.0 FTE positions in Purchasing; (d) 3.6 FTE positions in Human Resources, 1.0 FTE position of which is a Director of Human Resources position; (e) 8.6 FTE positions in the Division of Information Technology, including 5.6 FTE positions that were incorrectly recommended to be eliminated by the department in the FY 2013 budget and 3.0 Oracle-related enterprise positions; (f) 1.0 FTE position in Planning; and (e) 15.0 FTE positions for the Health Benefits Exchange.

For FY 2014, the Governor recommends 727.7 FTE positions. The additional 4.0 FTE positions compared to the FY 2013 revised budget include 2.0 FTE positions in the Office of Energy Resources transferred from the Economic Development Corporation with the Renewable Energy Fund, 1.0 FTE position for project management in Capital Projects and Property Management, and 1.0 FTE position in Purchasing.

Department of Business Regulation

The Governor recommends a revised FY 2013 Budget of \$14.6 million, including \$9.2 million in general revenue, \$3.4 million in federal funds, and \$2.0 million in restricted receipts. All funds increase by \$616,484 from the enacted FY 2013 Budget. Most of this increase is in federal funds, while general revenues decrease by \$161,536 from the FY 2013 enacted level, including reductions in personnel costs due to vacancies of \$116,549, statewide medical benefits savings of \$33,387, and operating savings of \$11,600.

For FY 2014, the Governor recommends \$13.2 million, including \$9.4 million in general revenue, \$1.7 million in federal funds, and \$2.0 million in restricted receipts. All funds decrease by \$787,429, of which general revenues increase \$83,830, from the FY 2013 enacted level. Personnel and operating costs decrease by \$362,153 for vacancies and savings, while benefits increase by \$504,675 and statewide medical adjustments, other retiree health and dental benefit proposals save \$58,692. Federal funds decrease by \$971,492 as a result of three federal grants expiring, and restricted receipts increase \$100,233, comprised of \$60,716 for insurance and \$39,517 for real estate and commercial licensing, racing and athletics.

The Governor recommends a total of 95.0 FTE positions in FY 2013 and 94.0 positions in FY 2014, a decrease of 1.0 FTE position formerly funded through a federal grant.

Department of Labor and Training

The Governor recommends revised FY 2013 expenditures of \$641.6 million for the Department of Labor and Training, including \$8.8 million in general revenue, \$94.7 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$45.2 million, \$17.0 million in Unemployment Insurance Administration funds and \$13.6 million in Workforce Investment Act funds, \$60.8 million in restricted receipts, \$1.5 million in Rhode Island Capital Plan Fund (RICAP) financing and \$475.7 million in other funds. The revised Budget reflects a total decrease of \$20.0 million, primarily attributable to a \$61.1 million reduction in assistance and grants for Unemployment Insurance, federal Stimulus – Extended Unemployment Compensation and Temporary Disability Insurance benefits. The reduction is offset by increases of \$983,845 in

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personnel, \$2.4 million in contract services, \$771,251 in operating, \$821,179 for capital purchases, \$19.0 million in debt service, and \$17.0 million in operating transfers.

General revenue in the revised FY 2013 budget increases by \$969,731, attributable to increases in assistance and grants of \$996,806 and personnel of \$16,184, which are offset by reductions in operating of \$30,652, contract services of \$7,235 and capital purchases of \$5,372. The increase in assistance and grants is attributable to Governor Chafee's Statewide Work Immersion Initiative, which provides a state match to Rhode Island businesses that hire youth and adult Rhode Islanders for a ten-week work immersion program, with additional subsidies provided for businesses that hire unemployed workers and/or provide full-time employment upon completion of the program. The FY 2013 Revised Budget includes \$1.0 million for this initiative. Assistance and grants for Police and Firemen's Relief decrease by \$2,421.

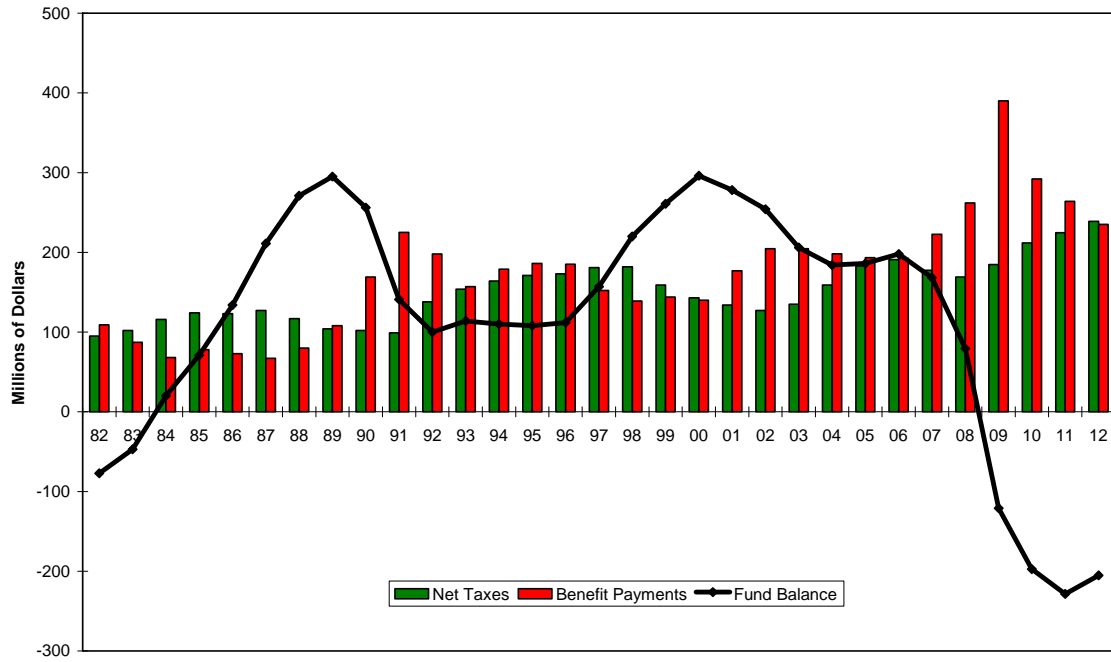
The \$17.0 million decrease in federal funding in the revised budget is primarily due to a \$27.1 million reduction in available Stimulus – Extended Unemployment Compensation funds. Rhode Island Capital Plan funds in Central Management increase by \$397,097, including \$190,467 in unspent funds carried forward from FY 2012 to complete Center General Building roof repairs and various Center General Building asset protection projects. Capital computer equipment purchases increase by \$204,006. The revised FY 2013 Budget includes \$37.6 million for payment to the federal government for the Unemployment Insurance loan, comprised of \$30.0 million for the principal and \$7.6 million for interest.

The Governor recommends 423.0 FTE positions in FY 2013, a 39.5 FTE position decrease from the enacted level of 462.5 FTE positions, due to layoffs of 61.5 FTE positions resulting from the expiration of federal Unemployment Insurance Administration funds, and the subsequent temporary rehiring of 22.0 FTE positions due to Unemployment Insurance Administration funds being restored through June of 2013.

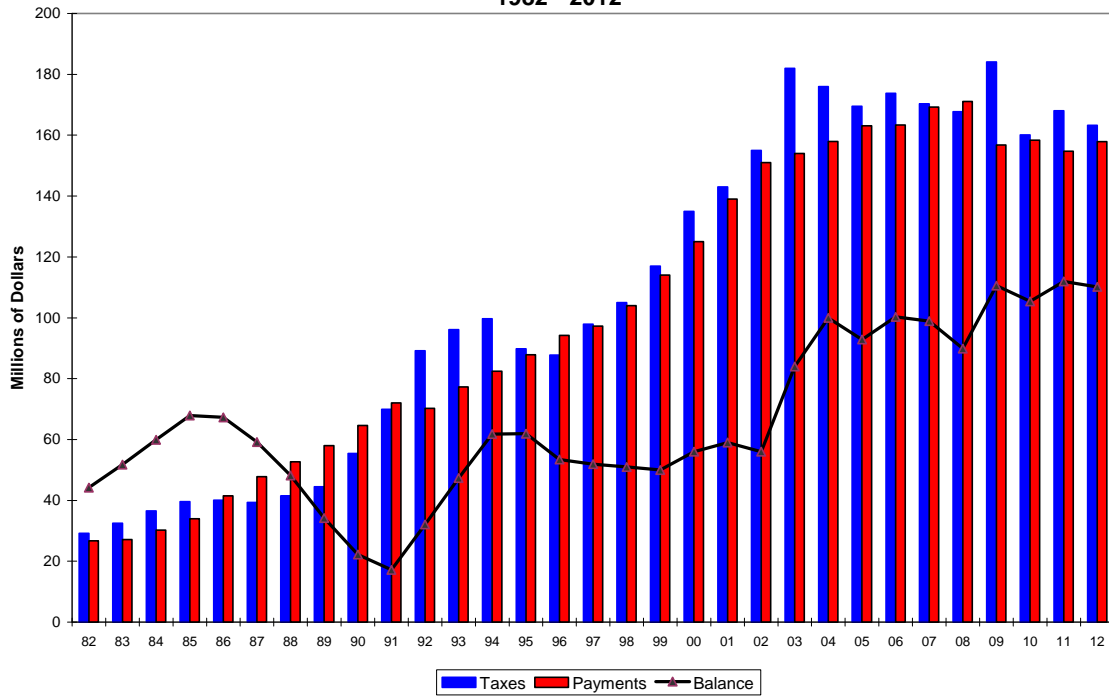
The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. In both graphs, 2012 data is based on actual data through November and estimated data for December. It should be noted that Rhode Island's Employment Security Fund is in a declining condition due to the state's high unemployment rate. As of the end of calendar year 2012, the Employment Security Trust Fund and the TDI Trust Fund are projected to have negative balances of \$205.0 million and \$110.0 million, respectively. These negative balances represent an Unemployment Insurance increase of \$10.2 million (10.2 percent) and a TDI decrease of \$2.0 million (1.6 percent) from 2011 to 2012.

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Unemployment Insurance Fund Activity
1982 - 2012



Temporary Disability Insurance Fund Activity
1982 - 2012



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For FY 2014, the Governor recommends \$530.6 million for the Department of Labor and Training, including \$9.8 million in general revenue, \$39.8 million in federal funds, \$43.1 million in restricted receipts, \$702,000 in Rhode Island Capital Plan Fund financing and \$437.1 million in other funds. The Governor's recommendation reflects a decrease of \$131.0 million from the FY 2013 enacted Budget, and includes \$2.0 million more general revenue, \$72.0 million less federal funds, including reductions in Stimulus – Extended Unemployment Compensation funding of \$72.3 million and Unemployment Insurance Administration funding of \$1.1 million, a \$6.8 million increase in restricted receipts, \$362,150 less Rhode Island Capital Plan Funds and \$67.5 million less in other funds.

General revenue increases are primarily attributable to increases in assistance and grants of \$2.0 million related to Governor Chafee's Statewide Work Immersion Initiative that will subsidize up to 1,050 internships in the State, offset by a \$73,948 decrease in Police and Firemen's Relief benefit payments. General revenue financed personnel increases by \$74,459 and capital purchases by \$5,916, while operating expenses and contract services decrease by \$20,843 and \$4,972, respectively.

The FY 2014 Budget reflects total personnel savings of \$813,781, an increase of \$692,838 in contract services, an operating increase of \$760,125, an assistance and grants reduction of \$134.9 million, capital expense savings of \$1.3 million, a \$3.9 million increase in debt service for the federal Unemployment Insurance loan, and an increase of \$604,302 for operating transfers. FY 2014 personnel expense reflects a program reduction of 70.5 FTE positions from the FY 2013 enacted level. This personnel savings result from a program reduction, which is necessary due to decreased federal funding availability; federal funds for personnel decrease by \$599,878 compared to the FY 2013 enacted budget, and by \$2.3 million when compared to the Governor's FY 2013 recommendation, which includes funds for the temporary 22.0 FTE position restoration. In the contract services category, \$1.6 million will be used for medical services, \$1.1 million for legal expenses and \$599,120 for information technology.

The FY 2014 Budget includes \$22.5 million for payment to the federal government for the Unemployment Insurance loan for federal funds borrowed to finance the state's Unemployment Insurance obligations, consisting of \$15.0 million for the principal and \$7.5 million for interest. In capital expenses, \$702,000 in Rhode Island Capital Plan Funds has been allocated for asset protection. Capital expense also includes \$95,888 to purchase computer equipment, reflecting a \$57,953 decrease from the FY 2013 enacted appropriation.

The Governor recommends a FY 2014 FTE position authorization of 392.0 FTE positions for the Department of Labor and Training, reflecting a 70.5 FTE position decrease from the FY 2013 enacted level. This decrease is attributable to a 30.0 FTE position reduction in the Income Support division in conjunction with the 39.5 FTE position decrease from the FY 2013 revised FTE authorization due to the initial expiration of federal Unemployment Insurance Administration funds.

Department of Revenue

The Governor's revised FY 2013 budget for the Department of Revenue is \$334.1 million, including \$99.9 million in general revenue, \$2.9 million in federal funds, \$1.8 million of restricted receipts, and \$239.4 million in other funds. This represents an all funds increase of \$10.6 million from the enacted FY 2013 budget of \$333.5 million. Of this amount, general revenue expenditures increase by \$4.6 million, primarily due to Governor Chafee's initiative to

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increase Distressed Community Aid by \$5.0 million in FY 2013 increasing the total to \$15.4 million; other funds expenditures increase by \$5.5 million due to a \$5.4 million increase in the Lottery Division to support efforts to implement table gaming; restricted receipt expenditures increase by \$565,114; and federal funds increase by \$446,621.

On an all funds basis, changes in the FY 2013 revised budget include the following changes: increases of \$5.1 million for aid to local units of government, \$3.9 million for operating expenditures, \$1.2 million for capital expenditures and equipment, and \$581,247 for personnel cost; and decreases of \$687,399 for purchased contract services and \$3,727 for assistance and grants. The increase in aid to local units of government is associated with the increased Distressed Community Aid. Most of the increase in operating expenditures is for a \$3.5 million increase in Lottery Division payments. The increase in funding for personnel is for the Lottery Division to hire an additional 31.0 FTE positions beginning in February/March 2013 to implement table gaming. The Lottery Division is planning to begin table gaming at the Twin River Casino by July 1, 2013.

The Governor recommends \$361.4 million in expenditures from all funds for the Department of Revenue in FY 2014, including \$110.0 million in general revenue, \$3.0 million in federal funds, \$1.8 million of restricted receipts, and \$246.6 million in other funds. This represents an all funds increase of \$27.9 million from the enacted FY 2013 budget. Compared to the FY 2013 enacted budget, general revenue expenditures increase by \$14.6 million, other funds expenditures increase by \$12.6 million, and federal funds expenditures increase by \$597,942. Restricted receipt expenditures decrease by \$23,369.

The increase in general revenue expenditures is largely due to Governor Chafee's \$15.0 million initiative to increase state aid, which includes a continuation of the \$5.0 million increase for Distressed Community Aid which is included in the FY 2013 revised budget, and an additional \$10.0 million in state aid for a new Municipal Incentive Aid program. The purpose of the Municipal Incentive Aid program is to provide financial incentives for municipalities to work towards improving the condition of their respective retirement plans in order to provide sustainable pension security for municipal employees. The increased expenditures of \$12.7 million from other funds include \$4.3 million for costs related to table gaming and \$8.2 million for Lottery Division payments.

The \$14.6 million increase in general revenue expenditures in FY 2014 includes increases of \$13.9 million in state aid, \$1.1 million in personnel, and \$317,928 in operating expenditures. Offsetting some of these increases are reductions of \$551,345 for contracted professional services, \$92,540 for capital expenditures and equipment, and \$3,727 for assistance and grants. The increase in personnel costs is largely associated with a \$722,197 increase in statewide employee benefit costs, including medical benefits. The increase in operating expenditures is for computer maintenance costs, which increase by \$600,000, in the Registry of Motor Vehicles.

Under current law, the Registry of Motor Vehicles is required to begin issuing new license plates by September 1, 2013. The Governor recommends delaying this reissuance of license plates until FY 2016. This will allow the Department to install the new Registry of Motor Vehicle computer software system before undertaking the license plate reissuance, and will avoid \$5.5 million in new costs in FY 2014.

The Governor recommends 489.0 FTE positions in FY 2013, an increase of 31.0 FTE positions from the enacted level of 458.0 FTE positions. The 31.0 additional FTE positions are for the

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Lottery Division to supervise and oversee table gaming operations at Twin River Casino. For FY 2014, the Governor recommends 492.0 FTE positions. The additional 3.0 FTE positions compared to the FY 2013 revised budget include 2.0 FTE positions in the Taxation Division and 1.0 FTE position in the Office of the Director. The additional FTE positions in the Taxation Division are part of a reorganization in the Division to create a new Special Investigations Unit to review alleged violations to tax laws, investigate those alleged violations, and to recommend criminal prosecutions as warranted. The additional FTE position in the Office of the Director is to hire a full-time Chief Financial Officer in the Department of Revenue. Presently, the Department of Administration Chief Financial Officer is performing this function for both departments.

Legislature

The revised FY 2013 Budget for the Legislature totals \$41.9 million, including \$40.4 million in general revenue and \$1.5 million in restricted receipts, as requested by the legislative branch, with adjustments for statewide savings. The general revenue recommendation is an increase of \$3.2 million over the FY 2013 enacted amount, and incorporates a portion of the \$6.4 million reappropriation from FY 2012. Restricted receipts for audits of federal programs decrease by \$101,591 from the FY 2013 enacted amount to a total of \$1.5 million based on expected collections and expenditures from the 0.05 percent fee on all federal cash receipts.

Salary and benefit financing totals \$31.6 million, or \$1.5 million less than the FY 2013 enacted level. The decline in personnel financing occurs mostly in the Legislative Council and Joint Committee on Legislative Services programs attributable to absence of longevity increases, constrained hiring in these programs, and removal of \$161,240 for a medical benefit holiday proposed for the current year. Consultant expense increases by \$578,500, from \$538,850 in the enacted to \$1.1 million in the FY 2013 Revised Budget to accommodate legal challenges to the reconfigured boundaries as a result of the redistricting project, if required. Operating expense increases by \$1.0 million, from the enacted level of \$2.6 million to \$3.6 million, and capital expense increases by \$3.0 million, from \$355,500 to \$3.4 million in the Governor's FY 2013 Revised Budget, attributable to on-going technical and information system improvements including bill tracking software systems, website upgrades, and conversion of broadcast environments from analog to digital platforms, in addition to typical operating and capital expense requirements of the several offices that comprise the Legislature.

The FY 2014 Budget totals \$38.6 million for the Legislature, including \$37.0 million in general revenue and \$1.6 million in restricted receipts, as requested by the legislative branch, with adjustments for statewide savings. This is a decrease of \$230,111 from the FY 2013 enacted amount for general revenue and \$22,559 in restricted receipts. The general revenue decrease reflects statewide savings in the health and dental premiums, and the retiree health benefit calculation. Technological improvements not completed in FY 2013 may continue into FY 2014 and an additional \$166,130 above enacted amounts is included for operating expense. The capital portion of these improvements is expected to be complete in FY 2013, and the recommendation for capital expenditure in FY 2014 decreases by \$86,000 from the enacted level of \$355,500 to \$269,500. Legislative grants are recommended at the enacted level of \$2.3 million in both FY 2013 and FY 2014.

The recommended budget includes 298.5 FTE positions in FY 2013 and FY 2014, the same as the enacted Budget authorization for FTE positions in the Legislature.

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Office of the Lieutenant Governor

The revised FY 2013 budget for the Office of the Lieutenant Governor is \$1.1 million, consisting of \$958,311 in general revenue and \$131,439 in Exchange Establishment One Grant federal funds. The FY 2013 revised budget consists of \$1.0 million for personnel, \$25,538 for operating expenses, \$1,250 for capital purchases, and \$750 for contract services. The Exchange Establishment One Grant federal funds are appropriated for personnel expenses related to health policy implementation, and reflect a \$1,702 increase above the enacted budget due to revisions in the proportions of positions allocated to the fund. General revenue decreases by \$4,644 and is primarily attributable to a \$4,256 reduction in personnel expenses. The proposed medical benefit holiday included in the FY 2013 revised recommendation is responsible for \$3,194 of this decrease.

For FY 2014, the recommended budget of \$1.1 million is \$33,306 greater than the FY 2013 enacted budget, consisting of \$986,890 in general revenue and \$139,108 in Exchange Establishment One Grant federal funds for personnel costs related to health policy implementation. The FY 2014 budget consists of \$1.1 million for personnel, \$25,805 for operating expenses, \$1,250 for capital purchases, and \$750 for contract services. Exchange Establishment One Grant federal funds increase by \$9,371, attributable to the revised position allocation to the fund and increased rates for retirement and retiree health contributions. General revenue increases by \$23,935, resulting from a \$26,382 personnel increase. The increased personnel results from a \$9,211 increase in salaries due to step increases, as well as increased contributions to retirement and retiree health insurance.

The budget authorizes 8.0 FTE positions in revised FY 2013 and 8.0 FTE positions in FY 2014, the same as the enacted FY 2013 level.

Secretary of State

The revised FY 2013 Budget for the Secretary of State is \$7.4 million, including \$6.9 million in general revenue, \$2,566 in federal funds, and \$481,597 in Historical Records Trust restricted receipts. General revenue decreases by \$19,713 as a result of the proposed medical benefit holiday. Federal funds increase by \$2,566 for expenditure of remaining funds on the Help America Vote Act (HAVA) account. Restricted receipts decrease by \$23,472.

Due to unanticipated delays in the project timeline, general revenue to install the Quick Start Master Application increases by \$30,000 from the enacted budget, which reflected the Secretary of State forgoing a reappropriation due to the anticipated completion of the project prior to FY 2013.

The contract service and operating expense budget for the 2012 General Election, consisting of printing, postage, interpreter and translator services, and legal expenses, decreased by \$70,000 due to lower than anticipated expenditures and revised projections. The Secretary of State began a two-year initiative to replace all printers, copiers and fax machines with multi-function copy machines at a total cost of \$123,576 in FY 2013, resulting in increases of \$23,688 in general revenues and \$289 in restricted receipts.

Available Historical Records Trust restricted receipt collections have been projected to decrease by \$23,472 from the enacted projection; the decrease in available funds is primarily evident in the State Archives operating budget and resulted in an \$11,451 increase in the general revenue share

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of property rental for the 337 Westminister Street facility in Providence. The budget also includes \$856,460 in Record Center Internal Service Funds, a \$40,612 decrease from the FY 2013 enacted budget.

The FY 2014 Budget includes \$7.0 million for the Secretary of State, including \$6.6 million in general revenue and \$449,931 in Historical Records Trust restricted receipts. This reflects a \$370,343 decrease from the FY 2013 enacted budget, including decreases of \$315,205 in general revenue and \$55,138 in Historical Records Trust restricted receipts. Due to FY2014 being a non-election year, there is a \$696,550 reduction in the Elections and Civics program. The general revenue reduction is offset by a \$325,556 general revenue increase above the FY 2013 enacted budget for personnel, primarily due to the anticipated hiring of a new Director of Elections and Civics and three Administrative Assistants, whose positions are currently vacant.

The Secretary of State will complete its multi-function copier machine initiative in FY 2014, at a total cost of \$19,250. The initiative results in a \$12,902 increase above the FY 2013 enacted level, consisting of an additional \$17,700 in general revenue and \$2,161 in restricted receipts.

Decreased projections for revenues in Historical Records Trust restricted receipt accounts result in a \$55,138 decrease from the FY 2013 enacted budget, primarily impacting the State Archives budget. In order to offset the impact of the decrease in Historical Records Trust restricted receipts, various operating reductions were made and the general revenue portion of the rental payment for the facility at 337 Westminister Street in Providence increased by \$52,320. The FY 2014 budget also reflects a \$27,615 decrease Record Center Internal Service Funds, resulting in a total budget of \$869,457.

The budget authorizes 57.0 FTE positions in revised FY 2013 and FY 2014, consistent with the enacted FY 2013 authorization.

Office of the General Treasurer

The revised FY 2013 Budget of \$45.2 million for the Office of the General Treasurer includes \$2.6 million in general revenue, \$1.1 million in federal funds, \$41.3 million in restricted receipts, and \$216,588 in other funds. The revised Budget for all funds is an increase of \$7.6 million from the enacted level, mostly attributable to restricted receipts, which increase by \$11.1 million for claim payouts in the unclaimed property program based on significant collection of recoveries in the current year, offset by reduction of \$2.0 million in the Retirement program, for realignment of expected capital costs associated with implementing a new member database system. The larger payout of claims in the Unclaimed Property program also contributes to a reduction of \$1.6 million from the transfer to the general fund surplus, from \$7.9 million in the FY 2013 enacted to \$6.3 million in the Governor's recommendation to reflect revenue and expenditure trends for the program as reported to the November 2012 Revenue Estimating Conference.

The revised FY 2013 Budget for consultant expenses in the defined benefit sub-program in the Retirement Division increases by \$177,730, to reflect required actuarial expense and system design services for the new membership database. Special legal services are also increased by \$140,000 to a total of \$375,000 in FY 2013, should challenges to the 2011 pension reform require additional legal representation. Outside of the Employees' Retirement System of Rhode Island trust (the 'Trust'), are predicted costs associated with the non-Trust supported defined contribution sub-program. The Governor provides \$269,457 in general revenue in the current year for staff effort associated with member outreach, advertising, and web-site upgrades.

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Also in FY 2013, the budget provides an additional \$75,000 in the Unclaimed Property Program for a record imaging system for more safe and efficient record storage and retrieval of tangible and intangible unclaimed property, which it must do into perpetuity. In the Crime Victim's Compensation Program, an increase of \$36,575 in general revenue is recommended in order to relieve administrative expense financed with the federal grant and court receipts, to further secure those resources for claim payouts to victims of violent crimes.

The FY 2014 Budget totals \$35.1 million, which includes \$2.4 million from general revenue, \$1.1 million from federal funds, \$31.3 million from restricted receipts, and \$228,923 from other funds. Across all funds and department-wide, personnel financing totals \$8.8 million, or \$369,589 more than the FY 2013 enacted level. The increase is attributable to \$173,577 more for step increases and vacancy financing, due to the staff being relatively new to state service since the January, 2011 inauguration of the new Treasurer, in addition to \$57,901 in salary for an additional legal position in the Retirement Program to assist with legal review and compliance in the Defined Benefit program. Department-wide, the increase in the employer contribution rate for the retirement premium adds \$156,143 and \$58,092 is required for the increase to the Retiree Health Insurance premium. These increases are offset by reduction of \$115,057 in health and dental benefits, attributable to statewide reduction of the health premium. The budget also provides \$246,971 in restricted receipt financing to replace general revenue for staff associated with the Defined Contribution program whom will now be financed with revenue from an \$8.00 per participant annual fee, which is part of the contract with the program administrator, TIAA-CREF.

In FY 2014, consultant expense increases by \$431,730 above the FY 2013 enacted amount, including \$180,000 more for a total of \$500,000 for actuarial studies, and \$88,000 more for a total of \$160,000 for accounting services in the Defined Benefit Retirement Program. The new membership database also requires additional financing in FY 2014, an increase of \$150,000 from the FY 2013 enacted amount of \$0, to implement the system which is expected to span several years.

Operating expenses in FY 2014 total \$18.1 million or \$2.0 million less than the FY 2013 enacted amount of \$20.1 million. Of the reduction, \$5.0 million is reduced from claim payouts in the Unclaimed Property program which is expected to revert to historical levels in FY 2014. This reduction is offset by an additional \$1.7 million, for a total of \$9.6 million, expected to be transferred from the program to the general fund surplus. Capital expenses are reduced by \$1.0 million, to \$3.1 million in FY 2014, to accommodate expected annual expense for the new member database for the Defined Benefit retirement program. Grants remain at the enacted level of \$1.9 million, comprised of federal and court receipts used for crime victim compensation.

The budget authorizes an authorized FTE level of 82.0 positions in FY 2013 and 83.0 FTE positions in FY 2014.

Board of Elections

The Governor's revised FY 2013 Budget for the Board of Elections is \$1.9 million. The budget consists entirely of general revenue and reflects a \$30,293 decrease from the FY 2013 enacted budget. A reduction of \$17,128 in personnel is attributable to lower than anticipated expenditures for temporary personnel assisting with the 2012 General Election. Non-personnel related expenses related to the 2012 General Election decrease by \$17,800, in categories including printing, print advertising, postage and postal services and office supplies. Software maintenance

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agreements increase by \$6,750 to hosting the Electronic Reporting and Tracking System (ERTS), which was not included in the FY 2013 enacted budget.

For FY 2014, the Governor recommends \$1.7 million financed entirely by general revenue, a \$212,755 decrease from the FY 2013 enacted Budget. The FY 2014 recommendation reflects a \$378,900 decrease attributable to removing expenses for the 2012 General Election, which will not be required in FY 2014. The FY 2014 also includes a \$150,000 increase in the Board's IT programming budget to implement an electronic filing system for independent advocates, required pursuant to House Bill H-7859 of 2012. Consistent with the Governor's revised FY 2013 recommendation, an additional \$6,750 is added in software maintenance agreements for ERTS hosting.

The Governor recommends 11.0 FTE positions in revised FY 2013 and FY 2014, consistent with the enacted FY 2013 authorization.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2013 budget for the Rhode Island Ethics Commission of \$1.6 million, composed entirely of general revenue. This amount is \$7,028 less than the FY 2013 enacted level. The revised budget includes reductions of \$10,000 in contracted professional services, which is partially offset by increases of \$2,234 for operating costs and \$738 for salaries and benefits.

For FY 2014, the Governor recommends expenditures of \$1.6 million in general revenue. This amount is \$19,323 more than the FY 2013 enacted budget and fully funds current services of the Commission. The general revenue increase of \$19,323 includes a \$40,023 increase for personnel costs, a \$11,250 decrease for contracted professional services, a \$8,450 decrease for operating costs, and a \$1,000 decrease for capital purchases and equipment.

The Governor recommends the FY 2013 enacted level of 12.0 FTE positions in revised FY 2013 and FY 2014.

Office of the Governor

The Governor's revised FY 2013 Budget for the Office of the Governor is \$4.2 million, all in general revenue. The recommendation is a decrease of \$22.2 million from the FY 2013 enacted amount, including \$22.2 million less in federal funds and \$17,383 less in general revenue. The federal funds decrease reflects the reassignment of the Health Benefits Exchange program to the Department of Administration. The program had been established in the Governor's Office by virtue of Executive Order 11-09 on September 19, 2011, and is proposed to be centrally located in Administration, in line with its task of providing near-universal health coverage for all Rhode Islanders. The general revenue reduction in FY 2013 relates to removal of financing for a proposed medical holiday. The Governor's FY 2013 recommendation provides \$3.9 million for personnel, \$260,850 for operating, and \$14,000 for capital expenditures. The recommendation also includes \$250,000 in contingency fund financing, same as the FY 2013 enacted level.

The Governor's FY 2014 Budget for the Office of the Governor is \$4.5 million, all in general revenue. The recommendation is a decrease of \$22.1 million from the FY 2013 enacted amount for all funds. The federal reduction of \$22.2 million relates to the reassignment of the Exchange as described for FY 2013. This reduction is offset by an additional \$75,223 in general revenue, in

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relation to the FY 2013 enacted amount. The additional general revenues in FY 2014 allow for full financing for all filled positions in the office, providing \$4.0 million for personnel. The Governor's FY 2014 recommendation also includes \$234,215 for operating and \$24,000 for capital expense, specifically for expected lease costs on the Office's copy machines, and replacement of computers as required. The Governor's Contingency Fund is again recommended at \$250,000 for FY 2014.

The Governor recommends 45.0 FTE positions in FY 2013 and FY 2014, which is the same as the enacted level for the Office.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2013 Budget of \$1.4 million for the Commission for Human Rights, including \$1.1 million from general revenue and \$306,688 from federal funds. This recommended level is \$23,973 less than the FY 2013 enacted level and consists of \$4,639 less in general revenues and \$19,304 less in federal funds. The decrease in federal funds expenditures is due primarily to less operating costs being financed by federal funds from the US Equal Employment Opportunity Commission (EEOC) and the Department of Housing and Urban Development (HUD). The decrease in general revenue expenditures is attributable to statewide medical holiday savings.

For FY 2014, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million from general revenue and \$308,638 from federal funds. Compared to the FY 2013 enacted level, the FY 2014 recommended expenditures are \$4,337 less, reflecting \$13,017 more general revenues and \$17,354 less federal funds. The increase in general revenue is due primarily to higher employee benefit costs for retirement and retiree health. Similar to the FY 2013 revised budget, the decrease in federal funds expenditures is to bring operating expenses more in line with anticipated reimbursements from the two federal agencies for discrimination cases handled on their behalf by the Commission.

The Governor recommends 14.5 FTE positions in the FY 2013 revised and FY 2014 budgets, which were the same level authorized in the FY 2013 enacted budget.

Public Utilities Commission

The Governor recommends a revised FY 2013 Budget of \$8.5 million for the Public Utilities Commission. This revised level of funding consists of \$348,421 from federal funds and \$8.1 million from restricted receipts. Compared to the FY 2013 enacted budget, it is a \$243,232 increase, including \$26,626 more in federal funds and \$216,606 more in restricted receipts.

For FY 2014, the Governor recommends total expenditures of \$8.6 million, consisting of \$166,818 from federal funds and \$8.4 million from restricted receipts. This level reflects an increase of \$322,675 when compared to the FY 2013 enacted appropriations and consists of \$154,977 less in federal funds and \$477,652 more in restricted receipts. The Governor recommends an additional Investigative Auditor position in FY 2013 to address backlogs in the audits and accounting section and an additional Consumer Agent position in FY 2014 to address backlogs in the Consumer Section as a result of the drastic increase in consumer related billing issues, service quality concerns and termination proceedings due to recent changes in Rhode Island statutes.

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The Governor recommends 48.0 FTE positions in the FY 2013 revised budget, an increase of 1.0 FTE position from the enacted authorization, as explained above. For FY 2014, the Governor recommends the one additional FTE position discussed above for a total ceiling of 49.0 FTE positions.