

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2015

Lincoln D. Chafee, Governor

Dedication

*This year's budget documents are dedicated to the
Memory of William V. Golas, Jr.
Sr. Budget Analyst 1987 - 2013*

The image on the cover of this year's budget document is a Winter Scene of the State House from Artist John Pitocco of Providence and is reproduced by permission of the artist in collaboration with the Rhode Island State Council on the Arts.



State of Rhode Island and Providence Plantations
State House, Room 224
Providence, Rhode Island 02903
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Lincoln D. Chafee
Governor

January 15, 2014

To the Honorable General Assembly:

The FY 2015 budget was developed to make sure Rhode Island is a great place to raise a family, to find good jobs and to grow a business. By nearly every measure, Rhode Island is steadily moving forward. Our economy is picking up steam and households are on better footing than they were three years ago. This is good news, but we must keep this momentum going.

I want to first thank Rhode Island voters for the privilege of serving as Governor, and I pledge that I will continue to work hard for you throughout the remainder of my term. For the past three years, my administration has emphasized fiscal discipline across departments and agencies so that you, the taxpayer, may have confidence that your dollars are being spent efficiently and wisely. We have embarked on improving diversity, enhancing customer service, setting high expectations through performance metrics and reforming the State's regulatory environment to make it easier to do business in our State.

I am pleased to present the FY 2015 Budget on January 15, 2014 – on time for the second year in a row. As in previous years, my administration has emphasized controlling costs, and this budget successfully addresses a projected \$150 million deficit. For the third year in a row, we finished the year with a healthy surplus, primarily driven by spending less than the enacted budget. We are projecting to finish FY 2014 with another strong surplus of \$68.9 million. I am particularly proud that every year I have served as Governor, the State has ended with a healthy surplus.

I am confident that if we continue to invest in education, including workforce development, and our infrastructure, we will ensure that Rhode Island has the strong foundation necessary for students to become skilled employees, for start-ups to grow into flourishing businesses and for the State to be competitive in the region. A strong economy requires a commitment to quality public education, and as all of my budgets have done, I have continued to fully fund the school aid formula. In fact, since FY 2011, Rhode Island has invested an additional \$108.2 million in our elementary and secondary education system, and my FY 2015 Budget adds another \$37.9 million in school support. I have also led the charge to keep higher education affordable for hard working families. For a second year in a row, my budget freezes tuition at all three public higher education institutions. We also have to stop neglecting our higher education facilities, and that is why I have made significant capital investments at our higher education institutions.

To The Honorable, the General Assembly
January 15, 2014
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Throughout my career as a public servant, I have been an unwavering supporter of protecting environmental assets and working to promote our beautiful state. My efforts continue by including a \$75.0 million bond referendum to fund brownfield remediation, land and open space acquisition, as well as provide additional resources to the cities and towns to improve water and wastewater systems.

I have also led the way to moving the State off of the habit of borrowing to meet federal matching requirements for the highway program. My budgets have continued to shift debt service away from the gas tax to free up funds for transportation projects. My FY 2015 Budget dedicates much of these funds to a new statewide bridge renovation program to bring these bridges back to safe and good condition. Beginning in FY 2015, my plan is to invest nearly \$80.0 million over the next five years to begin addressing the needs of our 834 bridges across the state.


The General Assembly recently enacted legislation that exempted art from the sales tax statewide. This is an exciting step in growing Rhode Island's Creative and Cultural Economy. To build on this effort, I am calling on Rhode Islanders to make a \$35.0 million commitment through a bond referendum to renovate and improve our valuable arts and historic facilities. To ensure we are cultivating our artists, I have also included an additional \$1.0 million in general revenue for the arts.

I believe there is a real opportunity to fundamentally change the State's tax climate. The U.S. Congress is close to taking action on the Marketplace Fairness Act. While Rhode Island law dictates the State sales tax would be reduced from 7.0 to 6.5 percent, there are more effective ways to increase competitiveness. I recommend reducing the corporate tax to 6.0 percent and eliminating the sales tax on non-manufacturers' electricity and gas.

My Budget includes \$12.5 million to repay the State's moral obligation bonds as they relate to the Job Creation Guaranty Program administered by the Rhode Island Commerce Corporation. I raised concerns about this program well before 38 Studios failed to meet its obligations. While the cost to taxpayers is distasteful and all is being done to reduce the size of the burden on Rhode Islanders through litigation, repayment of these bonds is not just a moral obligation but in Rhode Island's financial interest. I implore the General Assembly to protect the interests of Rhode Islanders and make good on this debt. Refusing to pay this debt does not punish 38 Studios – it punishes taxpayers.

I look forward to working with the General Assembly, municipal leaders and others as we deliberate my FY 2015 Budget. I am confident this Budget helps us become more competitive. It invests in getting people back to work, ensures our schools are properly funded, and makes sure our investments last for generations to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Lincoln D. Chafee". The signature is fluid and cursive, with a prominent initial "L" and a long, sweeping underline.

Lincoln D. Chafee
Governor of the State of Rhode Island and Providence Plantations

FY 2015 Budget Documents

Governor Chafee's *FY 2015 Executive Summary* is the first of eight documents that contain the summaries of revenue and expenditures on a statewide, functional, and departmental basis and also presents statewide expenditure data by *category* or object of expenditure. This same data is presented in the *Budget* in more detail by program.

The *Executive Summary* contains special reports on Education Aid and State Aid to provide a historical perspective on these state expenditures and also contains a "Budget Primer" which is intended to assist the reader of the budget documents in understanding the budget process in Rhode Island. Specific recommendations for FY 2015 for the departments are presented in this document, as well as the five-year financial projection as provided by law. Further detail is provided in the *Technical Appendix*.

The Budget consists of four volumes that provide an overview of state expenditures, as well as an in-depth presentation of the State Budget by program. The financial data presented for state agencies in *The Budget* for the past two fiscal years (FY 2012 and FY 2013) is generally derived from the appropriation accounting and receipt accounting files of the State Controller, as of the time of year-end closing. In the case of the accounts under the jurisdiction of The Office of Postsecondary Education, these columns reflect independently audited records.

The financial data for state agencies for the current fiscal year is from the enacted budget, modified in some cases to reflect recommended supplemental appropriations or withdrawals, revised expenditure estimates by category of expenditure or program, and revised estimates of federal grant awards or restricted receipts. In this document, the general revenue balance forward is included at the account level. The proposed changes to the enacted FY 2014 budget are included in the financial data by program for FY 2014. Totals and subtotals often appear to be inaccurate by small amounts or may disagree by small amounts with other budget and financial documents; this is due to differences in rounding procedures. The annual Appropriations Act is the absolute reference for state appropriation amounts.

The Budget also contains both narrative descriptions of Rhode Island's quasi-public agencies, authorities and entities, which are component units of state government for financial reporting purposes, and presents financial data provided by these entities. The Budget Office requests that quasi-public agencies and authorities submit information in the format used by the agency; no attempt is made to conform the financial presentation of the agencies data. In most cases, the FY 2014 and FY 2015 information has not been officially approved by the entities' governing bodies.

The *FY 2015 Budget* reports performance measurements for most programs, as required by legislative mandate to develop performance measurements for use in the budget process. Measurements are provided after each programs financing and personnel supplement pages. The *Budget* now contains information that was previously presented in the *Personnel Supplement*. The two documents have been merged. The *Budget* document provides information relating to personnel costs by program. It also reflects capital project summary narratives of all capital projects approved by the Governor as recommended by the Capital Development, Planning and Oversight Commission.

The *Capital Budget* contains information on the Governor's recommended capital improvement plan and contains individual project expenditures as well as contains the debt service component relating to capital improvements and any "pay-as-you-go" capital, which is financed from current revenues.

The *Budget as Enacted* will be prepared after final enactment by the 2014 General Assembly.

Executive Summary

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Introduction

As Governor, I have consistently championed key policies that I believe are central to making sure Rhode Island is a great place to raise a family, find good jobs and grow a business. First and foremost, to ensure Rhode Island is competitive in the region and the nation, it is essential to invest in the state's education and workforce programs. Since taking office, my budgets have reflected this commitment by fully funding the new school aid formula every year. In fact, over the past three years, we have invested over \$108.2 million in general revenue in the school aid formula and its categorical aid programs. My FY 2015 Recommended Budget adds another \$37.9 million in direct school support.

Because we know that higher education is the key to advancement and good paying jobs, I have worked to keep tuition affordable. That is why, for a second year in a row, my FY 2015 Recommended Budget provides the resources needed to freeze tuition at all three public higher education institutions. We have neglected our higher education facilities, and that is why I have also shepherded significant capital investments at both the University of Rhode Island and Rhode Island College. My FY 2015 Recommended Budget continues on the path of making the State's higher education institutions state of the art, yet affordable, opportunities for Rhode Islanders, by proposing a \$125 million capital investment for the URI College of Engineering. According to a 2013 study by The Perryman Group, URI's Engineering School has a positive economic impact on the state, contributing \$142.1 million annually and supporting 1,748 permanent jobs, making this a prudent investment for Rhode Island's future.

Investments made in our workforce are extensions of our formal education system. My FY 2015 Recommended Budget includes investments in getting Rhode Islanders back to work. Based on recommendations included in my budget last year, the state invested general revenues for the first time into targeted workforce training and workforce assistance programs. Prior to that, we had relied almost entirely on federal assistance, and this has clearly not been enough. A state investment in our workforce was long over due, and my FY 2015 Recommended Budget not only continues this state commitment, it enhances it with an additional \$500,000 in general revenue.

In FY 2014, I led efforts to reopen the historic tax credit program, putting nearly \$35.0 million in abandoned tax credits back into much needed service to help create jobs for our citizens who work in the trades and put these valuable assets back into the economy. When this program began, the demand for tax credits far outpaced what was available, and therefore, my FY 2015 Recommended Budget also includes providing access to an additional \$50.0 million in historic tax credits. According to a 2007 report commissioned by GrowSmartRI, the state historic tax credit program was estimated to leverage \$5.35 million in economic output for each \$1.0 million in state investment.

The backbone of our economy is the transportation infrastructure that businesses and citizens rely on every day to get to work and move goods throughout the state and the region. As Governor, I led the way to moving Rhode Island off of the habit of borrowing to meet federal matching requirements for the highway program. In addition, my budgets have continued to shift debt service away from the gas tax to general revenues to free up resources for transportation projects. My FY 2015 Recommended Budget builds on recent investments in Rhode Island's infrastructure, and includes a new initiative to dedicate resources to a statewide bridge renovation and retention program. Beginning in FY 2015, my plan is to invest nearly \$80.0 million over the next five years to begin repairing or replacing the 834 bridges across the state. Overall, the condition of the state's bridges is poor, and there is a critical need to invest in these bridges to bring them up to good repair and ensure these assets will last for generations of Rhode Islanders.

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In addition, the Rhode Island Public Transit Authority, the Department of Transportation and the Division of Statewide Planning are working cooperatively on a comprehensive operational analysis of the state's mass transit hub system to determine if the current system is the most effective and efficient structure that best serves the citizens of the state. The goal is to enhance access to multiple intermodal sites throughout the state and to expand access to key transportation hubs, health care providers and other locations. My Recommended Budget calls for a \$40.0 million general obligation bond authorization be placed on the November 2014 ballot, to be used to undertake major enhancements and renovations to mass transit hub infrastructure throughout the state. To facilitate this work, I have included \$250,000 from the Rhode Island Capital Plan Fund in FY 2015 for preliminary conceptual design of a new mass transit hub system in the State of Rhode Island.

As Governor, we have made significant investments in our natural resources as well. We have acquired and have funded remedial environmental clean-up at the former Rocky Point Amusement Park. My Recommended Budget includes \$10.0 million for improvements to the Fort Adams State Park to create an event center to host sailing events. The Department of Environmental Management (DEM) has been working with the Rhode Island Commerce Corporation (formerly the Economic Development Corporation) to design improvements to Fort Adams that will allow it to host large sailing events, such as the America's Cup, the Extreme Sailing Championship, and the Volvo Regatta. My FY 2015 Recommended Budget also includes \$775,000 in general revenue in support of the Volvo Regatta.

We have also made and continue to make significant investments in maintaining and improving port facilities and piers that support the state's commercial marine fishing industry and provide access points for the Department's enforcement and marine wildlife divisions. I am including a \$75.0 million bond question for the voters for various improvements to our programs administered at DEM, such as brownfield remediation, land and open space acquisition, as well as providing additional resources to municipalities through the Clean Water Finance Agency and Water Resources Board to improve our water and wastewater systems.

Getting the economy going requires more than repairing our bricks and mortar. It requires targeted investments in segments of the Rhode Island's economy. The General Assembly recently enacted legislation that exempted selected art from the statewide sales tax. This is an exciting step growing Rhode Island's creative and cultural economy. To build on this and make a significant investment in our arts, culture and historic assets, I am calling upon Rhode Islanders to make a \$35.0 million commitment through a bond referendum to move this critical segment of our economy forward. Tourism, especially arts and historic based tourism, is the backbone of much of what Rhode Islanders do and how they make a living. This \$35.0 million investment to renovate and improve our valuable arts and historic facilities will pay deep dividends to the economic future of the state. In addition, to ensure we are cultivating our artists and enhancing our momentum in this critical economic engine, I have included an additional \$1.0 million in general revenue for the arts.

I have been at the forefront of proposing initiatives to improve the state's tax competitiveness over the years. Also, the General Assembly initiated and enacted much needed personal income tax reform in 2010. There is still clearly a need to improve our relative tax position in the country, and I believe there is a real opportunity in the near future to set the stage for true reform and fundamentally change the tax climate for the State. The U.S.

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Congress is close to taking action on the Marketplace Fairness Act, which would permit states to collect sales and use taxes on remote retailers with no physical presence in their respective states.

Should this legislation pass, current Rhode Island law dictates that the sales tax be reduced from 7.0 to 6.5 percent. I believe that there are more effective ways to improve the state's competitiveness with these revenues. My FY 2015 Budget would reduce the corporate tax to 6.0 percent and eliminate the sales tax on non-manufacturers' electricity and gas. The corporate tax rate reduction will result in having all business income in the state taxed at 6.0 percent. Furthermore, reducing the costs of utilities to non-manufacturers will ensure solid footing when businesses look to grow or expand here.

Instilling Fiscal Discipline – Back to Basics

Rhode Island is steadily moving forward, with many economic indicators showing that we are not only moving in the right direction, but our economy is picking up steam and households are emerging from the difficulties of the Great Recession. This is good news, but we need to keep this momentum going and increase its intensity. As I have emphasized throughout my career, being competitive and ensuring that investments take root starts with fiscal discipline. Taxpayers deserve value for their investment and should have high expectations of their state and local governments. Knowing that we continue to face difficult challenges, it is critical that the Ocean State be prepared and focus on getting the fundamentals right to be a great place to live and work.

In formulating the FY 2015 Budget, we needed to close a projected \$150.0 million operating deficit while investing in key areas to improve the state's overall financial outlook. My administration has emphasized fiscal discipline and controlling costs in the current year, which has translated into ongoing savings to assist in closing the projected deficits in FY 2015 and beyond.

Rhode Island's financial health is paramount to ensuring we provide quality services that taxpayers can afford. Demonstrating that Rhode Island is financially well managed and adheres to the necessary discipline is fundamental to attracting and retaining families and businesses. The FY 2015 Recommended Budget is submitted to the General Assembly on January 15, 2014. Again, this represents the second budget in a row submitted to the General Assembly on time. In fact, as was done last year, it is actually a day early. I appreciate all of the hard work the state departments and agencies and my Budget Office put into this effort to adhere to this aggressive timeline. Again, as was done last year for the first time in over twenty years, submitting a quality budget on time will provide ample time for the General Assembly to review my proposed budget. As always, I look forward to working with the state's legislative leadership throughout this important process to move Rhode Island forward.

For the third year in a row, Rhode Island has finished the fiscal year with a surplus. Rhode Island completed FY 2013 with a \$104.1 million surplus, primarily driven by spending less than enacted by the General Assembly. We are projecting to finish FY 2014 with another healthy surplus, projected at \$68.9 million by year's end. By FY 2014 close, the state will have completed four years of strong financial footing and year-end surpluses.

In addition, this fiscal discipline has also translated into avoiding having to issue short-term debt for cash flow purposes, which are called Tax Anticipation Notes, or TANS. FY 2015 will represent the third year in a row where the state has not had to issue this debt, saving taxpayer money by avoiding interest payments.

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Department heads continue to work hard to manage their respective programs and stay within their appropriations. Directors have continued to ensure there are tight spending controls throughout state government. Nearly all state departments and agencies are expected to complete the current fiscal year with spending at or below enacted levels. Those few that are projecting a need for a modest supplemental appropriation are still working with the Office of Management and Budget (OMB) to implement appropriate corrective action plans to work towards resolving these issues.

When I embarked on resolving the projected deficit for FY 2015, I directed departments and agencies to develop and submit options to ensure there were alternatives to consider. While this was a difficult task for the departments and agencies, it provided a range of options that helped shape the direction of the budget. Previous expenditure reductions have left fewer options available to balance the FY 2015 budget without impacting Rhode Islanders. However, I wanted to build on the gains made in closing the budget gap achieved over the past three years. With some very difficult choices, my FY 2015 Recommended Budget improves the state's out-year forecast and provides resources to our education and transportation systems. This has been done without asking more of our already burdened taxpayers.

Strong fiscal discipline translates into less pressure on taxpayers as well. My revenue plan is very simple – taxpayers have already shouldered enough of the cost of government, and the recovery we are in today should not be derailed by any tax increases. Building on my budget from last year, which did not include any tax or fee increases of any kind, the FY 2015 Recommended Budget continues to hold the line on taxes. My FY 2015 Recommended Budget does not include any increases in the state's broad based taxes. In my FY 2015 Recommended Budget, the limited revenues used to balance the budget were primarily derived from closing loopholes in the tax system or through enhanced enforcement efforts.

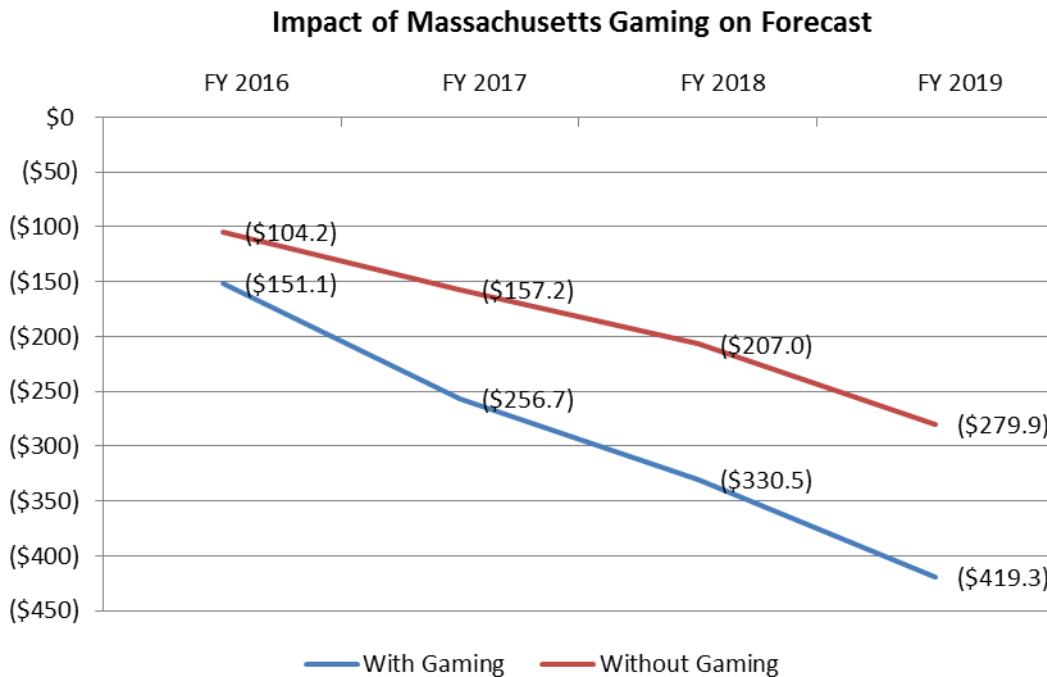
While our economy begins to emerge from the Great Recession and economic indicators are pointed in the right direction, we continue to be challenged with projected operating deficits in the near future. To make key investments and still ensure State government is affordable to taxpayers, I faced some very difficult decisions to deliver a balanced budget for the General Assembly's consideration. For example, similar to the FY 2014 Budget as Enacted, the FY 2015 Budget does not include planned rate increases for hospitals and nursing homes, and limits the increases permitted to managed care providers. The Budget includes several initiatives to identify savings for high utilizers of various Medicaid programs. The FY 2015 Budget does not include funding for the upper payment limit to hospitals, and implements a cost sharing requirement for participants in the Katie Becket Program. In addition, the FY 2015 Budget proposes to close one Pod at the training school given a decreasing population, and to make additional improvements to the System of Care. While I certainly would have liked to avoid such actions, these were less onerous than some of the other choices that I had before me as my team worked to close the \$150 million projected deficit for FY 2015.

The improvements to the five-year forecast represent a culmination of many difficult choices made over the past several years, and certainly include the difficult expenditure reductions outlined in the FY 2015 Recommended Budget. The five-year forecast also includes the recent reforms to the state's various pension programs. While very difficult choices were made, the reforms result in providing a sustainable pension program at a price taxpayers' can afford. There is no question that the savings derived from the reforms ensure that the state's general revenue budget can maintain desired levels of services, programs, and staffing necessary to deliver quality services to Rhode Islanders.

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These efforts are reflected in the updated five-year forecast, which shows improvement over the forecast from one year ago. Although expenditures are projected to exceed revenues in each of the out-years projected through FY 2019, the gap has narrowed in each year by an average of \$121.0 million compared to the FY 2015 – FY 2018 forecast. The operating deficits by fiscal year are projected at \$151.1 million in FY 2016, \$256.7 million in FY 2017, \$330.5 million in FY 2018, and \$419.3 million in FY 2019. In percentage terms, the deficits are projected to range from 4.2 percent of spending in FY 2016 to 10.4 percent of spending in FY 2019. The expenditure-side of the budget is estimated to increase at an average annual rate 4.1 percent from the FY 2015 base to FY 2019. Inflation, however, as measured by the United States consumer price index for all urban consumers (CPI-U), is expected to grow at an average annual rate of 2.3 percent over this same period.

The anticipated opening of gaming facilities in Massachusetts will have a significant impact on Rhode Island revenues and is reflected in the five-year projection. Lottery transfers to the state general fund are projected to diminish by a total of \$422.1 million over the five-year forecast period, due to the increased competition to Rhode Island’s gaming facilities in Lincoln and Newport. Without this impact on Rhode Island’s revenues, the five-year forecast would show deficits of \$104.2 million in FY 2016, \$157.2 million in FY 2017, \$207.0 million in FY 2018 and \$279.9 million in FY 2019. In FY 2016, the deficit would be 2.9 percent of expenditures, as opposed to the 4.2 percent under the current forecast, or a total of \$48.4 million less. In FY 2019, the deficit would be 6.9 percent of expenditures, as opposed to the 10.4 percent under the current forecast, or a total of \$139.4 million less.



There is one aspect of the FY 2015 Recommended Budget that deserves attention – repaying the state’s moral obligation bonds as they relate to the Job Creation Guaranty Program administered by the Rhode Island Commerce Corporation (formerly the Economic Development Corporation). This is by far the most discussed and most controversial aspect of the financial decisions the state will have to make over the next decade. I raised

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concerns about the RICC's Job Creation Guaranty Program and in particular this specific arrangement with 38 Studios well before 38 Studios failed to meet its obligations under this program. Nevertheless, we must protect the state's credit rating, and its positive reputation in the market, as well as maintain access to the capital markets.

I have included as part of my budget \$12.3 million in general revenue funding to provide the necessary resources to meet this obligation. I strongly recommend that the state meet its obligations and fully fund the debt service for this moral obligation debt. While the cost to taxpayers is distasteful and all is being done to mitigate this initiative undertaken by the prior administration, we must ensure the state's credit rating and access to markets is maintained at a cost taxpayers can afford.

Rating agencies do make a distinction between an inability to pay obligations and an unwillingness to repay obligations. If the state is unwilling to repay its debts, the rating agencies will likely react harshly and over a long period of time, which increases the risks to the state, and will not be confined to only the state's General Obligation Bonds and appropriation debt – municipalities and other state entities will also likely feel the impact. Rhode Island's reputation, its credit, and its ability to access the capital markets are truly at stake.

Rhode Island has made great strides in improving its overall financial condition, is recognized for its improvements to capital financial management, and has made significant changes to its long-term pension obligations. All the hard work to make the state more attractive to capital investment and to attract talent will be swiftly squandered if Rhode Island does not meet its fundamental obligations.

Again, we all are upset and frustrated by the failure of 38 Studios and having this costly burden placed on us. I will work diligently to recoup whatever we can to offset this debt. However, as financial stewards for the taxpayers of Rhode Island, I implore the General Assembly to protect the interests of Rhode Islanders and make good on this debt. Should we fail to meet this obligation, the other investments we have made, whether they be pension reform, school finance reform, personal income tax reform, or transportation finance reform, will be futile. Rating agencies, the capital market, businesses, and others will turn away from Rhode Island and never look back.

Changing the Culture of Government

My priorities have included changing the culture of state government, improving the way services are delivered, and enhancing the value provided to taxpayers. I also want to make sure state employees treat taxpayers humanely and use tax dollars prudently. My administration has embarked on improving customer service at the Division of Motor Vehicles, the Division of Taxation, and the Department of Environmental Management, and I expect this to proliferate throughout state government over time. There have been investments made in setting high expectations through a more aggressive use of performance measurement, process improvements such as using manufacturing practices such as LEAN, and beginning an assault on the state's regulatory environment to make it easier for businesses to invest and grow in the state. My FY 2015 Recommended Budget continues to invest in the Office of Digital Excellence, which is already paying dividends in more effective management of our technology and improvements by providing taxpayers with better and more transparent information about their government.

Diversity, Equal Opportunity and Minority Business Enterprises – On May 9, 2013, I issued an executive order (Executive Order 13-05 – Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island) tasking the Department of Administration to develop recommendations regarding diversity, equal

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opportunity, and affirmative action hiring and using Minority Business Enterprises (MBEs). The Department of Administration issued a report on September 1, 2013, and I have included a number of its recommendations in my FY 2015 Recommended Budget. Since then, my team has worked to develop new approaches to improve diversity in the state government workforce and to encourage greater participation by MBEs in state contracting.

My FY 2015 Recommended Budget includes creating an Executive Division within the Department of Administration which encompasses the existing structure of Diversity, Equity and Opportunity under a newly created Chief Diversity and Equity Officer. The FY 2015 Budget merges the Office of Outreach and Diversity and the State Equal Opportunity Office from Human Resources and the Minority and Disadvantaged Business Enterprise programs from Purchasing into the Office of Diversity, Equity and Opportunity. This new program is projected to add 3.0 FTE positions and cost \$1.2 million, but is only a net increase of \$294,076 with the consolidation of existing programs in Human Resources and Purchasing.

Regulatory Review - My Administration has already published two reviews of the state's regulations and their potential impact on small businesses, and I surveyed more than 700 Rhode Island businesses for their feedback on the regulatory environment. I intend to reform the rules identified by regulatory entities that unnecessarily impede growth. I have directed the Office of Management and Budget to focus on the efforts underway by the Office of Regulatory Reform, and I expect this comprehensive evaluation to be completed by July, 2014.

Navigating state government can be very difficult and complex. As such, my administration has been assisting small businesses with the state's regulatory environment. During the past year, the Small Business Ombudsman has worked with over 30 companies to provide clarity and predictability with the processes and has helped facilitate positive outcomes. The Ombudsman will continue to provide direction and assistance to small businesses stuck in the regulatory system through OMB's Office of Regulatory Reform.

My Administration has also been working to implement the ePermitting initiative to establish a uniform web-based system for the Rhode Island Building Commissioner and State Fire Marshal as Phase I. Subsequent phases will be used by the state, its municipalities, and taxpayers for statewide electronic plan review, permit management and inspection system management. A formal request for proposal will be issued in January, 2014 to implement Phase I.

Performance Management – My administration has implemented a Performance Management initiative for Rhode Island government departments and agencies to improve the effectiveness and efficiency of state programs and to maximize the value of taxpayer dollars. By developing performance measures and analyzing program data, departments and agencies are able to make better decisions about allocating personnel and financial resources to have the greatest impact.

In FY 2013, departments created new performance measures for their programs, and they now report data on a regular basis to the Office of Management and Budget (OMB). An interagency Performance Management team meets with departmental leadership quarterly to review performance data, determine whether departments are meeting their goals and develop innovative solutions to solve problems. OMB makes performance data available to the public on the Transparency Portal (<http://www.transparency.ri.gov/>) and has published numerous reports on individual agency performance.

The Performance Management initiative has also promoted interagency collaboration to improve the efficiency and effectiveness of state programs. Rhode Island was selected as a partner state in the Pew-MacArthur Results

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First Initiative, which helps states assess the costs and benefits of policy options and use that data to make decisions based on results. OMB is heading an interagency effort to review the state's existing adult and juvenile justice programs and determine which ones are most cost-effective in reducing recidivism. OMB has also led efforts to improve interagency cooperation among transportation agencies, leading to greater use of shared services and improved customer service training.

My FY 2015 Recommended Budget includes many new performance measures, as well as historical data and targets when available. The OMB will work with departments and agencies to further develop performance measures that reflect the impact of their programs and assist them in using them to improve programs and services. The OMB will also report performance data on a regular basis to improve the transparency and accountability of Rhode Island government.

Department of Environmental Management - The Department of Environmental Management (DEM) has embarked on an aggressive campaign to improve its customer service and to reduce the time and effort for businesses to successfully navigate the department. DEM undertook a Lean Government initiative to review the permitting processes that are closely linked to economic development activities in the Rhode Island. The Lean initiative involves comprehensively mapping regulatory processes to understand the current state, identify waste and inefficiencies in those processes, and formulate plans to eliminate it - all in an effort to improve the quality, timeliness, and customer service of DEM programs.

DEM has taken several steps to improve the way it interacts with the public. First, with assistance from Amica Mutual Insurance Company, DEM provided customer service training for its entire staff. Second, to date, DEM has conducted Lean reviews of four major processes: site remediation, wetlands preliminary determination, air preconstruction minor source permit, and the underground storage tank fund. My FY 2015 Recommended Budget includes legislation that actually formalizes the technical assistance programs developed as part of this effort in order to institutionalize this new customer service-oriented culture in state government.

As opportunities were identified at DEM, action plans to close these gaps were put into place using suggestions from frontline staff. A good example is the new EXPRESS policy being used by the site remediation program. This policy was developed by the staff in the program, and in certain circumstances allows less complicated sites to be expedited through the review process so that staff can focus their efforts on sites that require more attention. Another example is the new Permit Application Center (PAC). The PAC will provide immediate confirmation of receipt for customers, conduct an administrative review of every application before it is forwarded to the appropriate program for technical review, and provide quick feedback to customers if an application is incomplete.

The Rhode Island Office of Management and Budget (OMB) has embraced the Lean initiative and is exploring how it can be applied in other agencies to achieve similar time-saving results. In fact, as the state gets ready to embark on implementing a new online application system for the Human Resources (HR) division in the Department of Administration, the OMB and HR will work cooperatively to conduct a Lean review so that efficiencies are built directly into the new system. The Division of Purchasing within the Department of Administration is also excited to pursue this strategy to enhance its processes and procedures, and find greater efficiencies in its operations.

Digital Government - The Office of Digital Excellence (ODE) was a key investment I advocated to bring focus and attention to the information infrastructure state government provides taxpayers. Over the last year, the Office

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has focused on aligning the infrastructure for website and applications development in 2013, as well as instituting a strong technology project management practice. The successful launch of HealthSource RI and the UHIP application on October 1, 2013, along with the strong gains made on the new enterprise Tax system were two of the larger projects this past year. ODE also played a key role in expanding the RI Transparency Portal, the redesign of RI.gov, and the comprehensive revision of the agency website templates. The Division of Municipal Finance, Department of Transportation, and Department of Health will be launching websites using the new design and code in the first quarter of 2014. ODE is also serving on the RIDE Wireless Classrooms Initiative Advisory Panel to ensure that best practices are adhered to in the rollout of the \$20.0 million in bond funds to enable Wi-Fi connectivity across the state's K-12 schools.

Current ODE projects include participating in the Lean Process review for the Human Resources' recruitment and on-boarding practices, which in turn will drive the new Rhode Island HR portal to digitize this entire process. ODE is handling the technology strategy and project management for this initiative, slating the new RI Human Resources application to be live by May 2014. The Office of Digital Excellence is also conducting an independent assessment of the DMV RIMS application on three levels over the next six weeks: the presentation layer and user interface; the middle-tier code including business logic; and the database back-end. Phase I of the new RI Tax system is planned for a July release, with two additional phases set to roll out over the next two years.

The Office of Digital Excellence is also actively engaged in the following 2014 projects: review of solutions for a time & attendance system for DOA and BHDDH; a budgeting and grants management system for OMB; emergency notification platform for RIEMA and other state agencies; a number of DEM mobile applications; GIS location-based apps; the consolidation of a number of meteorological services across agencies; and the digitization of death and marriage records, which can be integrated across multiple systems to ensure timely records and prevent fraud. Many of these projects need the necessary resources to ensure their success. Accordingly, my FY 2015 Recommended Budget includes a proposed \$30.0 million Certificates of Participation initiative to finance and invest in these and other IT projects that will enhance the taxpayer experience with state government.

Health Exchange - The FY 2015 Recommended Budget includes federal funding for the Health Benefits Exchange, which will serve as a resource for Rhode Islanders and Rhode Island businesses to learn about and easily compare the quality and affordability of their health insurance options, enroll in coverage and, if eligible, access subsidies for coverage. The Exchange is a way for small employers and their employees and individuals to have an advocate and negotiator, and a quality monitor to represent them in their interactions with health insurers and health care providers

I look forward to working with the General Assembly, municipal leaders, and others this legislative session as we deliberate my FY 2015 Recommended Budget. I am confident the Budget will help Rhode Island take great strides to make the Ocean State a better place to raise a family, find good jobs, and grow the business community. This budget helps us become more competitive. It invests in getting people back to work, and ensures our schools are properly funded. In addition, it includes significant steps forward in our infrastructure, especially in our higher education institutions and our bridges.

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The FY 2015 Recommended Budget is designed to address a projected operating deficit of nearly \$150.0 million while investing in key areas to improve the State's overall financial outlook. The FY 2015 Budget reflects ongoing improvements in the State's overall financial condition over the past several years. FY 2013 closed with a surplus of \$104.1 million, representing the fourth year in a row the State has closed with a strong surplus. An additional indicator of cost control is that the FY 2013 surplus was primarily achieved through controlling spending – spending was \$17.8 million less than the enacted appropriation. Similarly, the FY 2014 Revised Budget achieves additional net savings of \$8.0 million from enacted spending levels. The FY 2015 Recommended Budget also relies less on prior year balances than budgets have in the past. The FY 2015 Recommended Budget assumes a \$68.9 million opening surplus from FY 2014, which is \$46.3 million less than it was in FY 2013. The following outlines the FY 2014 Revised and the FY 2015 Recommended Budgets as proposed by Governor Chafee on January 15, 2014.

FY 2015 Recommended Budget: Governor Chafee recommends an all funds budget totaling \$8,543.3 million for FY 2015, an increase of \$164.3 million, or 2.0 percent, from the FY 2014 Revised Budget of \$8,379.4 million. Of the \$164.5 million increase, \$104.3 million was growth in general revenues. Of the \$8,543.3 million budget, \$3,456.1 million, or 40.5 percent, is from general revenue, \$2,878.4 million, or 33.7 percent, is from federal funds, \$1,950.6 million, or 22.8 percent, is from other sources, and \$258.9 million, or 3.0 percent, is from restricted or dedicated fee funds. The Governor's FY 2015 Recommended Budget includes 15,097.0 authorized FTE positions, which is 3.3 FTE positions lower than what is included in the Governor's FY 2014 Revised Budget Plan and 21.3 FTE positions less than what was included in the FY 2014 Enacted Budget.

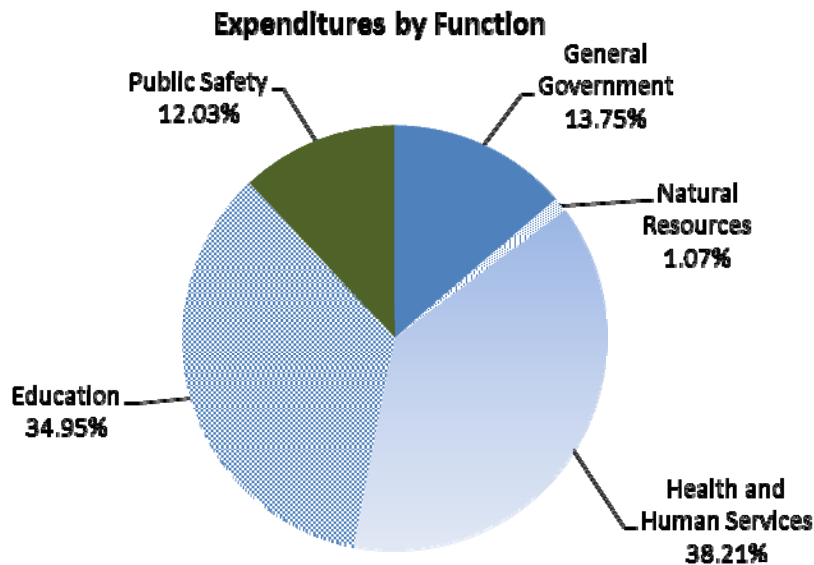
Recommended FY 2015 general revenue funding of \$3,456.1 million represents an increase of \$96.3 million, or 2.9 percent, over the FY 2014 enacted budget of \$3,359.8 million, and is 3.1 percent higher than the FY 2014 Revised Budget proposed by the Governor (\$3,351.7 million). Federal funds increase from \$2,717.7 million in the FY 2014 enacted budget to \$2,878.4 million in the recommended FY 2015 Budget. The FY 2015 Recommended Budget included reviews of department and agency federal spending patterns and has more closely aligned requested spending levels with actual experience. Other funds increase from \$1,880.6 million in the FY 2014 enacted budget to \$1,950.6 million in the FY 2015 Budget.

FY 2014 Revised Budget: Governor Chafee recommends a revised all funds budget totaling \$8,379.4 million for FY 2014, an increase of \$166.4 million, or 2.0 percent, from the FY 2014 Enacted Budget of \$8,213.1 million. Of this total, \$3,351.7 million, or 40.0 percent, is from general revenue, \$2,882.8 million, or 33.7 percent, is from federal funds, \$1,925.5 million, or 22.8 percent, is from other sources, and \$279.4 million, or 3.0 percent, is from restricted or dedicated fee funds. The Governor's FY 2014 Revised Budget includes 15,100.3 authorized FTE positions, which is 18.0 FTE positions lower than what is included in the FY 2014 Enacted Budget.

Recommended FY 2014 general revenue funding of \$3,351.7 million represents a net decrease of \$8.0 million, or 0.2 percent, from the FY 2014 enacted budget of \$3,359.8 million, and is 4.2 percent higher than the FY 2013 actual expenditure. Federal funds increase from \$2,717.7 million in the FY 2014 enacted budget to \$2,822.8 million in the revised FY 2014 budget, primarily due to additional funding for the Health Benefits Exchange and for federal highway projects. Other funds increase from \$1,880.6 million in the FY 2014 Enacted Budget to \$1,925.5 million compared to the enacted plan.

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Expenditure Plan by Function: Governor Chafee focused attention on the current year spending levels and the FY 2015 spending levels to address the projected operating deficits. The challenge of balancing the State Budget is more difficult based upon a review of where overall general revenue actually goes. Expenditures from general revenue are projected to total \$3,456.1 million for FY 2015, increasing by \$104.3 million over FY 2014 revised spending levels.



Expenditures totaling \$1,320.5 million for Health and Human Services agencies represent nearly 38.2 percent of the total general revenue budget to support various health care and prescription drug coverage programs for low-income children, their parents, seniors and the poor, and community residential and treatment programs for the disabled.

Education is the second largest component of State spending, totaling \$1,207.8 million, or 35.0 percent of general revenue spending. This includes the State support for local education aid, support for the state university and colleges, and scholarships. The General Assembly enacted significant changes to the governance of Rhode Island's elementary and secondary education and its higher education systems through creating a singular board of education. Governor Chafee's FY 2015 Recommended Budget includes legislation to implement this reform, funding for a central office to support the Board's work, and funding to support the school aid formula and freeze higher education tuition for a second year in a row.

Governor Chafee's FY 2015 Recommended Budget continues his top priority to invest in education in Rhode Island. The Governor fully funds the fourth year of the school funding formula and all its categorical programs, requiring an additional \$37.9 million in state funding. The Governor also continues his efforts to hold down tuition at the three public higher education institutions to ensure the State maintains opportunities at our University and colleges. The Governor's recommendation ensures no tuition increase for a second year in a row, which requires an additional \$10.0 million investment from the State.

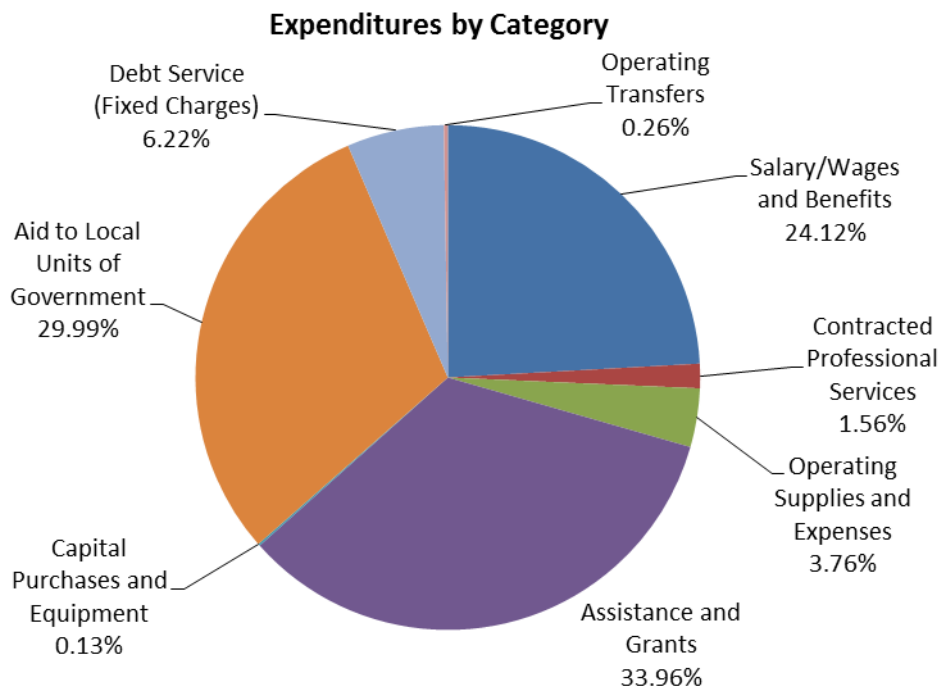
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General revenue expenditures for General Government and Public Safety comprise \$475.2 million (13.8 percent) and \$415.6 million (12.0 percent), respectively. General Government includes, along with state operations, state aid to municipalities and direct property tax relief. Public Safety includes the state prisons, Military Staff, RI Emergency Management Agency, State Police, Attorney General and Judicial departments.

Finally, general revenue expenditures for Natural Resources comprise \$37.1 million, or 1.1 percent of total general revenue funding. The Natural Resources function is comprised of the Department of Environmental Management and the Coastal Resources Management Council.

Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending. The Governor's FY 2015 Recommended Budget builds on his initiative to eliminate borrowing to provide the State's match for federal transportation dollars. In November 2012, for the first time in recent history, Rhode Island taxpayers did not have to approve a bond referendum to support the State's match for transportation.

Expenditures by Category: General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. The largest component is grants and assistance expenditures of \$1,173.8 million, comprising 34.0 percent of total general revenue spending. Local aid expenditures of \$1,036.6 million represent 30.0 percent of total spending, which includes fully funding the fourth year of the school aid formula; personnel expenditures of \$887.7 million comprise 25.8 percent of the budget; operating expenditures total \$129.9 million, or 3.8 percent of the budget; and capital expenditures, including debt service, total \$219.4 million, or 6.4 percent of the total general revenue budget.



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Local aid comprises over \$1.036 billion of general revenue spending. The largest component of local aid is education aid. General revenue funding for local education aid increases by a net of \$42.4 million in FY 2015, as compared to the FY 2014 enacted funding level. The Governor's budget provides \$34.8 million for year four of the new funding formula and \$3.1 million more for categorical aid. Education aid provided to local communities, charter schools, and state schools in FY 2015 total \$829.5 million or \$36.3 million more than provided in the FY 2014 Enacted Budget.

Beginning July 1, 2011, the new education aid formula began to distribute education aid to all local educational agencies (LEA), including districts, charter schools and state schools (with the exception of the School for the Deaf, which will be separately funded). The formula allows for the funding to follow the student and was developed with the following guiding principles: build a strong foundation for all children; improve equity among districts and schools; be transparent; and be financially responsible. The new education aid formula determines the amount of funding each LEA shall receive per year. The Governor's Budget includes the best data available at the time of the budget submission; however these calculations will be updated using March 2014 student data, including final charter school lottery data, which is expected by April 1, 2014.

The enacted formula legislation also allowed for additional funding from the state to districts for certain categorical programs, including high-cost special education, career and technical education, early childhood programs, and certain transportation costs. Governor Chafee's FY 2015 Budget recommends funding each of these programs as requested by the Department of Education at an additional cost of \$3.1 million over enacted FY 2014 levels.

The State's FY 2015 share of teacher retirement costs increases by \$8.1 million from the FY 2014 enacted levels to \$89.8 million. In addition to anticipated payroll growth, the required rate of contribution for the State share increases from 8.42 percent in FY 2014 to 9.19 percent in FY 2015.

Health and Human Services: After education aid, the next largest growth area in the FY 2015 Budget is in health and human service programs. The Departments under the Executive Office of Health and Human Services have implemented a number of initiatives authorized in the FY 2014 Enacted Budget with the goal of addressing the significant and unsustainable growth in this functional area. These efforts will continue in FY 2015 by implementing proposals recommended by the Governor.

In the Medical Assistance program, the Governor recommends a \$42.7 million reduction to the Caseload Estimating Conference's (CEC) adopted funding level. This is achieved through various policy actions designed to contain the Medicaid program's expenditure growth in FY 2015. First, the Governor recommends reductions to all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2014, for savings totaling \$10.8 million in general revenue. Rates will be negotiated so as to reduce average annual growth in these rates by 2.95 percentage points, relative to the increases assumed at the November 2013 CEC. The Governor further recommends freezing (to FY 2013 levels, for one additional year) payment rates for inpatient and outpatient hospital services within both the fee-for-service and the managed care segments of the Medical Assistance program, yielding \$3.9 million in general revenue savings. Also recommended is the suspension of the rate increase to nursing care facilities scheduled for October 1, 2014, generating savings of \$3.7 million in general revenue.

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Personnel: Total state personnel costs comprise 21.9 percent of total recommended spending in FY 2015. General revenue spending for personnel costs total \$887.7 million, nearly half of the total personnel costs. Actual filled positions totaled 13,947.5 FTE positions as of December 28, 2013, a 290.6 position increase from the 13,656.9 filled position level as of December 29, 2012, and 1,218.7 FTE positions below the 15,166.2 FTE positions level in July 2007. The filled FTE position level of 13,947.5 is 1,170.8 FTE positions less than the FY 2014 enacted cap of 15,118.3 FTE positions.

In the FY 2014 revised budget, the Governor recommends a FTE position level of 15,100.3, a decrease of 18.0 FTE positions from the FY 2014 enacted budget. In the FY 2015 budget, the Governor recommends a net decrease of 3.3 FTE positions from the FY 2014 revised budget, or 15,097.0 FTE positions. While maintaining an acceptable level of critical services, reducing FTE position authorization in response to completed programs, and addressing new program concerns, the Governor recommends offsetting FTE position reconciliations and vacancy reductions to maintain the overall position authorization at or near the FY 2014 enacted level.

Total personnel costs decrease \$18.5 million, or 1.0 percent, in FY 2015, as compared to the FY 2014 Revised Budget. The budget assumes no cost of living adjustment for state employees in FY 2015, given that most employee contracts expired on June 30, 2013 and are currently in renegotiation. Until the contracts are resolved, the Governor's Budget assumes no significant salary cost increases or savings.

Governor Chafee's FY 2013 Budget submission included an initiative to begin analyzing the State's personnel system to identify where improvements can be made to make it more efficient, cost effective and more agile for today's needs. The General Assembly included \$250,000 in funding to do this work, and an initial report is nearing completion. The current Merit System was designed and implemented in 1956 with few amendments since that time. Given the tremendous investment the State makes to support its workforce, the Governor believes there are opportunities to modernize the current outdated and cumbersome system and provide more flexibility for the day-to-day hiring and management of personnel, while still maintaining its collective bargaining process. Governor Chafee includes \$500,000 in FY 2014 to continue this work, focusing on reforming the classification system, which serves as the foundation for all personnel actions.

Transportation Finance: The Governor championed efforts to get Rhode Island off of the costly habit of borrowing to meet federal highway matching requirements to finance the State's highway improvement plan. To address this issue, the General Assembly enacted into law (1) an increase of \$30.00 in biannual motor vehicle registration fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015; (2) an increase of \$15.00 in annual motor vehicle registration fees in \$5.00 increments effective July 1st of 2013, 2014 and 2015; and (3) a \$30.00 increase in operator license fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015. The proceeds from these fee increases finance the newly created Rhode Island Highway Maintenance Trust Fund and, combined with a \$20.0 million appropriation from the Rhode Island Capital Plan Fund, should be sufficient to provide the necessary match to federal funds. This results in not having to go back to voters to borrow to meet our match requirements, and over time, will reduce the amounts necessary for debt service, thereby freeing up funding for other purposes.

The Department of Transportation was also facing the same type of ongoing operating deficits that plague the State as a whole given that gas tax revenues fail to keep pace with the growth in transportation expenditures. The Governor proposed and the General Assembly enacted a plan to move debt service expenditures from the

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Department to the General Fund, thereby freeing up gas-tax funded transportation resources for assisting in supporting operations and for project costs. The FY 2015 Recommended Budget continues to move debt service from the Department of Transportation's budget to the Department of Administration's general revenue funded budget. The plan decreases debt service expenses within the Transportation budget by \$10.0 million in FY 2015 and continues shifting debt service to the general fund in the out years until all such costs are being charged to general revenue funds under the Administration budget. Although this will cause more pressure on the general revenue budget and on projected out year deficits, the Governor believes that this is the best way to get the Department of Transportation on sound financial footing and providing needed resources to maintain our infrastructure.

With much of the Department of Transportation's operating deficits resolved, there is an opportunity to ensure these freed up funds are targeted to much needed infrastructure improvement. Therefore, the Governor has proposed that going forward, a portion of these resources will be dedicated to a new statewide bridge repair program to bring the State's 834 bridges in good repair over time so that these assets can last for generations to come. The Governor's FY 2015 Recommended Budget dedicates \$10.0 million in FY 2015, \$15.0 million in FY 2016 and FY 2017, and \$20.0 million in FY 2018 and thereafter for this program.

Second, the Governor has increased funding for heavy equipment for the Department of Transportation. The current fleet is in considerable disrepair, and therefore the Department is in need of heavy trucks for plowing and road maintenance, including equipment for addressing highway basin cleaning and repairs. The Governor's FY 2015 Recommended Budget includes \$12.5 million in Rhode Island Capital Plan Fund financing from FY 2015 through FY 2019, and has allocated \$12.4 million of the freed up resources from the debt service shift towards equipment purchases.

Third, the Governor has recognized the need to assist the Rhode Island Public Transit Authority improve its overall financial condition. While there is more work to be done, the Governor's resource team and new leadership have balanced the FY 2014 budget. The Governor had proposed and the General Assembly enacted transferring the cost of debt service on general obligation bonds issued on behalf of RIPTA from the Authority's budget to state general revenue in FY 2013 and FY 2014. This freed up over \$1.6 million of Authority resources in each fiscal year. The Governor proposes to transfer one additional year of debt service to the state to help RIPTA balance its budget in FY 2015. The Governor has made it clear he expects RIPTA to balance its FY 2015 budget and those in the out years without further assistance from the State.

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The Consensus Revenue Estimating Conference (REC) convenes at least twice each year, typically within the first ten days of May and November. Historically, the purpose of the conference was confined to forecasting current and budget year revenue estimates. During the 1998 legislative session, the Revenue Estimating Conference statutes were modified to also require the adoption of a consensus economic forecast. Prior to the November 2001 conference, the conferees adopted a forecast for Rhode Island total employment, Rhode Island personal income, and the U.S. consumer price index for all urban consumers (CPI-U) covering the state's prior fiscal year, its current fiscal year, and the budget year.

Beginning with the November 2001 conference, in addition to Rhode Island total employment, Rhode Island personal income and the U.S. CPI-U, forecasts for Rhode Island wage and salary income, Rhode Island dividends, interest and rent, the Rhode Island unemployment rate, the interest rate for ten year U.S. Treasury notes, and the interest rate for three month U.S. Treasury bills are also agreed upon at the Revenue Estimating Conference. Finally, the consensus forecast of these economic variables now includes the prior calendar and fiscal years, the current calendar and fiscal years, the budget calendar and fiscal years, and the next five calendar and four fiscal years.

Economic Forecast

This section describes the economic forecast used as an input for the Revenue Estimating Conference's consensus revenue estimates.

During its November 2013 meeting, a forecast of the U.S. and Rhode Island economies was presented by Moody's Analytics. The Rhode Island Department of Labor and Training (DLT) also presented current employment and labor force trends in Rhode Island. The conferees heard the testimony from an economist with Moody's Analytics, and the Assistant Director for DLT's Labor Market Information unit.

The Revenue Estimating Conference adopted the economic forecast, shown at the end of this section, on November 8, 2013 through a consensus process informed by the testimony provided to the conferees. The updated economic forecast made slight changes to the consensus outlook adopted at the May 2013 Revenue Estimating Conference.

As reported at the November 2013 Revenue Estimating Conference through testimony provided by Moody's Analytics, the state's economy is being affected largely by the elevated level of political uncertainty surrounding Congressional actions with respect to the federal budget and the federal debt ceiling. Moody's Analytics testified that the "fiscal headwinds" that have been buffeting the national economy began to abate in the fourth quarter of 2013 and will continue to do so through the fourth quarter of 2014. In the November 2013 quarterly forecast report on the U.S., Rhode Island and New England economies that Moody's Analytics provides to the state, it was noted that "Rhode Island's economy is growing at a slow pace that falls short of the rate of recoveries in New England and the nation." The State's economic recovery is being slowed by not only fiscal and monetary policy uncertainty at the federal level but the paucity of quality new jobs and the "housing hangover" at the state level.

Based on testimony at the November 2013 Revenue Estimating Conference, Moody's Analytics reported that nationally businesses have never been more profitable and this profitability coupled with the fact that households have deleveraged significantly since the beginning of the Great Recession provide ample evidence that the foundation for sustainable U.S. economic growth is in place. With regard to Rhode Island, Moody's Analytics noted that credit quality has improved in the state and that construction payrolls appear to be understated based on data from the Bureau of Labor Statistics Quarterly Census of

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Employment and Wages. The combination of these two factors and an improvement in Rhode Island's personal income levels indicates that Rhode Island's economy is in position to realize increased economic growth over the near term.

According to the November 2013 quarterly forecast report of the U.S., Rhode Island and New England economies produced by Moody's Analytics, the Philadelphia Federal Reserve Bank's state coincident index, which measures state economic activity on a comparable basis for all 50 states showed that Rhode Island's economy bottomed out in 2009 at a level of 139.6. In June of 2013 the index was 150.6, a gain of 7.9 percent, providing further evidence that Rhode Island's economy is growing modestly. These findings mirror three other indices that measure economic activity in the state: the Moody's Analytics Adversity Index, the Rhode Island Current Conditions Index and the Bryant University Current Economic Indicator.

Of particular concern for Rhode Island's economy is the competition from neighboring states. As Rhode Island tries to attract new and develop existing industries, in particular biotechnology and information services, other states are doing the same. Because of these factors and the continued slow recovery of Rhode Island's economy, Rhode Island's unemployment rate is expected to remain above 9.0 percent until CY 2014 and won't fall below 6.0 percent until CY 2017. Housing prices in the State are projected to bottom out at the end of CY 2013 and show modest increases over the CY 2014 and CY 2015 periods. Personal income growth is anticipated to trail that of the U.S. for the entire forecast period.

While testimony from Moody's Analytics gave a broad picture of Rhode Island's economic conditions as of November 2013, the Rhode Island Department of Labor and Training (DLT) presented a detailed analysis of Rhode Island's labor market. DLT reported that the Rhode Island unemployment rate was 9.1 percent in August 2013, the latest data available at the time of the Revenue Estimating Conference. This is down from 10.4 percent in August 2012 but was the second straight month-over-month increase in Rhode Island's unemployment rate. For November 2013, Rhode Island's unemployment rate was 9.0 percent, a decrease of one percentage point from November 2012's unemployment rate and a decrease of 0.2 percentage points from October 2013's unemployment rate.

Rhode Island's resident employment peaked at 548,900 in December 2006. Rhode Island resident employment in August 2013 totaled 502,200, or 46,700 off the peak. According to DLT, for November 2013, Rhode Island resident employment totaled 501,300, or 47,600 below the December 2006 peak. DLT's data shows that resident employment has declined between August 2013 and November 2013. According to testimony provided by DLT at the November 2013 Revenue Estimating Conference, Rhode Island establishment employment increased over the period August 2012 to August 2013 resulting in 4,500 jobs gained.

Sector	Jobs Change	Sector	Jobs Change
Leisure & Hospitality	2,500	Natural Resource & Mining	-
Professional & Business Services	1,200	Construction	(100)
Trade, Transportation & Utilities	900	Other Services	(200)
Financial Activities	700	Education and Health Services	(200)
Government	300	Information	(800)
Manufacturing	200	Total Non-Farm	4,500

DLT staff testified further that they expect to see revisions to the June 2013 job numbers reported by the Bureau of Labor Statistics (BLS). Using a methodology developed by the University of Massachusetts, DLT staff project that total non-farm employment for the quarter ending June 2013 will be revised

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upward by 2,800 jobs. It should be noted that Moody's Analytics economic forecast incorporates upward revisions to BLS data for forecast numbers, but uses current BLS total employment numbers for historical figures. As a result, it may be the case that the growth rates contained in the forecast below will be revised downward as historical figures are revised upward. The anticipated changes to the employment number by sector for the quarter ending June 30, 2013 as calculated by DLT are shown in the table below.

Sector	Jobs Change	Sector	Jobs Change
Leisure & Hospitality	3,000	Government	(100)
Education and Health Services	600	Manufacturing	(200)
Construction	600	Information	(200)
Other Services	500	Financial Activities	(800)
Trade, Transportation & Utilities	300	Professional & Business Services	(900)
Natural Resource & Mining	-	Total Non-Farm	2,800

Source: RI Department of Labor and Training, Labor Market Information Unit, Quarterly Census of Employment and Current Employment Statistics (CES) data, Using methodology developed by the University of Massachusetts.

*Difference is a result of rounding

While there is no official measurement and dating of recessions at the state level, employment is usually used to gauge the cyclical status of the state economy. In FY 2013, total non-farm employment increased by 0.5 percent. In FY 2014, non-farm employment is expected to increase by 0.9 percent. Total non-farm employment is projected to increase by 1.9 percent from 470,102 in FY 2014 to 479,254 in FY 2015. Over the FY 2016 through FY 2019 period, Rhode Island's economy is expected to add 10,159 jobs. It should be noted that adopted growth rates indicate a positive trend from FY 2013 through FY 2016 before a slowing down in FY 2017 and FY 2018 at rates of growth of 1.5 percent and 0.5 percent respectively.

The unemployment rate for FY 2014 is projected to decline sharply from 9.7 percent in FY 2013 to 8.8 percent. As recovery takes hold, Rhode Island's unemployment rate is expected to decline rapidly from 8.8 percent in FY 2014 to 5.5 percent by FY 2019. Even at this lower rate, Rhode Island's unemployment rate will be 0.6 percentage points higher than the State's unemployment rate of 4.9 percent achieved when the economy peaked in FY 2007.

Personal income growth is expected to be 3.7 percent in FY 2014 up from the 3.1 percent growth in FY 2013. The November 2013 Revenue Estimating Conference estimates for personal income growth suggest a positive upward trend from FY 2013 through FY 2016. It should be noted that for FY 2014 through FY 2019 the adopted estimates for personal income growth are below the adopted estimates from the May 2013 Revenue Estimating Conference for the same period. The FY 2013 projected growth rate for personal income is up 1.0 percentage point from what was adopted at the May 2013 Revenue Estimating Conference of 2.1 percent. For FY 2014 the adopted November 2013 Revenue Estimating Conference estimate is 0.4 percentage points below the 4.1 percent growth rate that was adopted in May 2013. Based on the November 2013 Revenue Estimating Conference, the personal income growth rate is expected to increase to 6.3 percent in FY 2015 and remain at or above 3.7 percent throughout the remainder of the forecast period. This projection indicates that personal income growth will be weaker than what was anticipated for the FY 2015 through FY 2018 period at the May 2013 Revenue Estimating Conference.

Similarly, the November 2013 REC estimates for FY 2014 dividend, interest and rents income growth indicate a slight decrease from FY 2013 growth of 5.8 percent with accelerated growth occurring in FY 2015 and moderated growth occurring in the FY 2016 through FY 2019 period. November 2013 Revenue Estimating Conference adopted wage and salary income growth was higher in FY 2013 relative to the

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projected growth adopted in May 2013 by 1.3 percentage points. For the FY 2014 to FY 2019 period, the November 2013 Revenue Estimating Conference growth rates were revised downward in every year except FY 2015 when compared to the forecast adopted in May 2013. Wage and salary income growth is expected to see continued improvement in FY 2014 with projected growth of 4.2 percent, an increase of 1.1 percentage points from FY 2013. The rate of growth accelerates in FY 2015 to 6.7 percent and increases again in FY 2016 to 7.0 percent before decelerating in FY 2017 and FY 2018 to 5.8 percent and 4.3 percent respectively. The downward trend in wages and salaries income growth continues into FY 2019 with a projected growth rate of 3.5 percent.

The U.S. rate of inflation as measured by the Consumer Price Index for all urban consumers (CPI-U) is anticipated to decrease to 1.5 percent in FY 2014 from 1.7 percent in FY 2013. The projected decrease is mainly due to the supply of oil and other commodities increasing and becoming more stable over this period. The rate of growth in CPI-U is forecasted to increase in FY 2015 to 2.0 percent before rising to 2.3 percent in FY 2016 and 2.5 percent in FY 2017. In FY 2018 through FY 2019, inflation is expected to decelerate and settle at 2.3 percent.

From FY 2013 through FY 2015, the interest rate on three month Treasury bills is expected to remain stable at approximately 0.1 percent. In FY 2016, the interest rate on three month Treasury bills is expected to rise to 1.0 percent and increase again by 1.8 percentage points to approximately 2.8 percent in FY 2017. For FY 2018, the interest rate on three month Treasury bills climbs to 3.4 percent before stabilizing at 3.6 percent in FY 2019. The interest rate on ten year Treasury notes is expected to increase from 1.8 percent in FY 2013 to 2.9 percent in FY 2014 and continue to rise to 3.7 percent and 4.7 percent in FY 2015 and FY 2016. The interest rate on ten year Treasury notes is anticipated to increase again to 5.0 percent in FY 2017 and then decrease to 4.7 percent in FY 2018 and remain flat for FY 2019.

The Consensus economic forecast for the fiscal years 2014 through 2019 agreed upon by the conferees at the November 2013 Revenue Estimating Conference is shown in the following table.

The November 2013 Consensus Economic Forecast						
Rates of Growth (%)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Non-Farm Employment	0.9	1.9	2.3	1.5	0.5	0.0
Personal Income	3.7	6.3	6.4	5.4	4.0	3.7
Wage and Salary Income	4.2	6.7	7.0	5.8	4.3	3.5
Dividends, Interest and Rent	5.7	9.0	8.5	7.0	3.8	3.2
Nominal Rates (%)						
U.S. CPI-U	1.5	2.0	2.3	2.5	2.4	2.3
Unemployment Rate	8.8	7.7	6.6	5.7	5.4	5.5
Ten Year Treasury Notes	2.9	3.7	4.7	5.0	4.7	4.7
Three Month Treasury Bills	0.1	0.1	1.0	2.8	3.4	3.6

The Economy

Percentage Point Changes from November 2013 To May 2013 Consensus Economic Forecasts					
Rates of Growth (%)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Non-Farm Employment	-0.1	-0.1	-0.3	-0.3	-0.2
Personal Income	-0.4	-0.2	-0.4	-0.5	-0.3
Wage and Salary Income	-0.8	0.2	-0.4	-0.9	-0.6
Dividends, Interest and Rent	3.0	-1.8	-2.4	-0.8	-0.1
Nominal Rates (%)					
U.S. CPI-U	-0.4	-0.3	-0.2	0.0	0.0
Unemployment Rate	0.0	0.2	0.2	0.1	0.2
Ten Year Treasury Notes	0.3	0.1	0.0	0.1	0.1
Three Month Treasury Bills	-0.2	-0.4	-1.3	-0.9	-0.3

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.425 billion in FY 2014 and \$3.495 billion in FY 2015. Annual estimated growth during FY 2014 and FY 2015 is 3.0 percent and 2.0 percent, respectively. Estimated deposits of \$105.9 million and \$106.9 million will be made to the Budget Reserve and Cash Stabilization Fund during these fiscal years. The contributions to the Budget Reserve and Cash Stabilization Fund are financed by limiting annual appropriations to 97.0 percent of estimated revenues in FY 2014 and FY 2015. The revenue estimates contained in the Governor's FY 2014 supplemental and FY 2015 recommended budgets are predicated upon the revenue estimates adopted at the November 2013 Consensus Revenue Estimating Conference (REC) and the Governor's recommended changes to the adopted general revenues.

The Consensus Revenue Estimating Conference is required by statute to convene at least twice annually to forecast general revenues for the current year and the budget year, based upon current law and collection trends, and the consensus economic forecast. The Conference members are the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor. Typically, the two required meetings of the Consensus Revenue Estimating Conference occur in November and May of each fiscal year.

FY 2014 Revised Revenues

The principals of the November 2013 Revenue Estimating Conference adopted revenue estimates that were \$45.6 million greater than the enacted FY 2014 revenue estimates, an increase of 1.4 percent. As shown in the *Changes to FY 2014 Enacted Revenue Estimates* table in Appendix A of this document, the Governor's revised FY 2014 Budget recommends a decrease of \$1.3 million in revenues.

The recommended change to the FY 2014 adopted estimates is attributable to receipts of \$5.6 million in an overdue FY 2012 Hospital Licensing Fee payment being accrued back to FY 2013. This payment was initially included in the FY 2014 general revenue estimate adopted at the November 2013 REC. Additionally, the change to the FY 2014 adopted estimates incorporates an increase of \$4.2 million from the transfer of \$925,419 in surplus funds from a restricted receipt account in the Department of Administration and the transfer of \$3.3 million in bond premiums from the Rhode Island Capital Plan Fund.

FY 2014 Revised Revenues vs. FY 2013 Final Audited

Recommended revenues for FY 2014 are based upon a \$101.3 million increase in total general revenues over FY 2013 final audited revenues, or growth of 3.0 percent. Much of this increase can be found in personal income taxes, sales and use taxes, the lottery transfer, insurance companies gross premiums taxes, alcohol taxes and other miscellaneous revenues. The increases are partially offset by a projected decrease in public utilities gross earnings and financial institutions taxes.

Personal income tax revenues continue to be the single largest source of state general revenues in FY 2014 at 32.7 percent. FY 2014 personal income tax revenues are estimated to grow at an annual rate of 3.2 percent or \$34.9 million over FY 2013 final audited personal income tax revenues. Much of this increase, 56.4 percent to be exact is due to projected increased withholding income tax payments of \$19.7 million and increased estimated tax payments of \$7.6 million. Additionally, final tax payments are expected to increase by \$3.1 million while refunds and adjustments are estimated to be \$4.7 million less than in FY 2013.

General Revenues

FY 2014 revised general business tax revenues are projected to increase by \$1.0 million or 0.3 percent. This slight change is made up of a combined \$12.0 million increase in business corporations taxes and insurance companies gross premiums taxes and an offsetting \$12.0 million total decrease in public utilities gross earnings taxes and financial institutions taxes. The remaining difference is due primarily to an increase in the health care provider assessment of \$1.0 million while bank deposits taxes are left virtually unchanged from FY 2013 final audited revenues. The largest single changes in FY 2014 general business taxes occur in insurance companies gross premiums taxes with a \$7.9 million increase from FY 2013 final audited revenues and financial institutions taxes with an \$8.3 million decrease from FY 2013 final audited revenues.

FY 2014 revised sales and use tax revenues are projected to increase by \$25.1 million or 2.9 percent, over final FY 2013 audited revenues. Sales and use taxes represent 26.4 percent of total general revenues in FY 2014 and are projected to be \$904.0 million.

Excise taxes other than the sales and use tax are expected to increase by \$11.4 million or 5.9 percent in FY 2014 over final audited FY 2013 revenues due to a projected increase in alcohol taxes of \$6.0 million and an increase in cigarette and other tobacco product taxes of \$3.8 million. The anticipated increase in alcohol taxes is the result of the increase in excise taxes on beer, still wine and high proof spirits that went into effect on July 1, 2013. FY 2014 revised motor vehicle operator's licenses and registration fees are projected to increase by \$1.4 million when compared to FY 2013 final audited revenues. Motor carrier fuel use tax revenues are estimated to increase by \$261,745 in FY 2014 when compared to FY 2013 final audited revenues.

Other taxes are projected to increase by \$3.9 million, or 10.6 percent in FY 2014 relative to final FY 2013 audited revenues. Of the total increase in other taxes, estate and transfer taxes are expected to increase by \$3.3 million, or 11.6 percent. FY 2014 realty transfer taxes are anticipated to increase by \$600,778 while FY 2014 racing and athletics tax revenues are projected to increase slightly. Racing and athletics taxes are expected to total \$1.2 million in FY 2014 an increase of 2.5 percent from FY 2013 final audited revenues. Realty transfer taxes are expected to total \$8.0 million in FY 2014, an increase of 8.1 percent from final FY 2013 audited revenues.

In the Governor's FY 2014 revised budget, departmental receipts are projected at \$354.5 million, a decrease of \$2.3 million from final audited FY 2013 revenues, a 0.7 percent decrease. The decrease in departmental receipts is attributable to the receipt of an overdue FY 2012 Hospital Licensing Fee payment of \$5.6 million being accrued back to FY 2013. The decrease in departmental receipt revenues attributable to the accrual of the FY 2012 Hospital Licensing Fee payment to FY 2013, is partially offset by the State's receipt of \$2.8 million from a legal settlement. The revised FY 2014 departmental receipt revenues are \$5.6 million below the FY 2014 revenue estimate adopted at the November 2013 Revenue Estimating Conference.

For FY 2014, total other sources general revenues are projected to increase by \$27.1 million, or 7.0 percent from final FY 2013 audited other sources general revenues. Total other sources general revenues is comprised of other miscellaneous revenues, the lottery transfer and the transfer of proceeds from the unclaimed property program administered by the Office of the General Treasurer.

Other miscellaneous revenues are projected to increase by \$7.5 million, or 180.9 percent from final audited FY 2013 other miscellaneous revenues. The revised FY 2014 other miscellaneous revenues estimate is \$4.2 million above the adopted FY 2014 estimate and is derived from two sources, a transfer from a Department of Administration restricted receipt account of \$925,419 and a transfer of bond proceeds premiums from the Rhode Island Capital Plan Fund of \$3.3 million.

General Revenues

In addition to the above general revenue components, an increase is expected in FY 2014 for the lottery transfer of \$15.0 million, or 3.9 percent from the final audited FY 2013 lottery transfer. The projected increase in the lottery transfer in FY 2014 is due to the results of the November 2013 Revenue Estimating Conference which increased the estimated transfer amount from video lottery terminals (VLTs) by \$3.3 million, from traditional lottery and monitor games by \$711,532 and from table games by \$11.0 million from final FY 2013 audited revenues. The revised FY 2014 estimate for table games increased significantly from FY 2013 final audited revenues as a result of the onset of full-time table gaming at Twin River and an increase in the number of table games in operation at Twin River effective November 29, 2013. On that date, 14 additional table games were put into operation increasing the total number of table games available at Twin River from 66 to 80.

The unclaimed property transfer to the general fund is forecasted to increase by \$4.6 million in FY 2014 or 73.9 percent from final FY 2013 audited revenues.

FY 2015 Proposed Revenues

The Governor's recommended FY 2015 budget estimates general revenues of \$3.495 billion, an increase of 2.0 percent from the revised FY 2014 level. The Governor's recommendation is comprised of \$3.338 billion of revenue estimated at the November 2013 Revenue Estimating Conference and \$156.0 million of recommended changes to the adopted estimates. These changes are shown in the schedule *Changes to FY 2015 Adopted Revenue Estimates* located in Appendix A of this document.

The largest source of FY 2015 general revenues is the personal income tax, with estimated receipts of \$1.158 billion, \$4.4 million more than the November 2013 REC adopted estimate for FY 2015 or growth of 3.4 percent from the revised FY 2014 budgeted amount. This \$4.4 million revenue increase is the result of the Governor's recommendation in FY 2015 for the addition of 10 new revenue officer positions in the Division of Taxation. The FY 2015 revenue impact of this initiative is an increase of \$2.7 million. The additional revenue officers will allow for the Division of Taxation to reduce the inventory of cases of delinquent accounts per revenue officer. In addition, the Governor recommends the creation of a statewide taskforce to combat employee misclassification. This taskforce will consist of representatives from the Department of Labor and Training, the Division of Taxation, the Rhode Island Commerce Corporation, the Office of the Attorney General, and the Rhode Island State Police. For FY 2015, this initiative is expected to increase personal income tax revenues by \$990,000. The last two proposed revenue initiatives affecting recommended FY 2015 personal income tax revenues are the establishment of a registration block on "new" registrations and the establishment of a state employee compliance project. The state employee compliance project will require all state employees, as a condition of employment, to be in compliance with Rhode Island income tax laws. The Division of Taxation indicates that approximately 850 state employees are non-compliant in filing Rhode Island state income tax returns and 187 state employees have outstanding personal income tax liabilities totaling approximately \$440,000. These two revenue proposals are projected to increase personal income tax revenues by \$268,400 and \$400,000, respectively in FY 2015.

General Business taxes are recommended to comprise 11.2 percent of total general revenue collections in the FY 2015 Budget. Business corporations tax revenues are expected to yield \$133.9 million, an increase of \$711,698 from the FY 2015 estimate adopted at the November 2013 REC. This increase is attributable to the aforementioned Governor's recommendation to add 10 new revenue officer positions in the Division of Taxation.

Insurance companies gross premiums taxes are projected to reach \$107.7 million in FY 2015, a decrease of \$961,189 from the FY 2015 estimate adopted at the November 2013 REC. This decrease is the result

General Revenues

of several initiatives designed to control escalating health care costs that are recommended by the Governor. These proposals include a managed care rate decrease yielding an estimated decline in revenues of \$433,860; an initiative to reduce the number of high utilizers of health care services resulting in a reduction in revenues of \$326,221; a hospital rate freeze estimated to reduce revenues by \$121,060; a proposal to determine the suitability of durable medical equipment purchases based on the results of U.S. Office of the Inspector General audits of such purchases, expected to decrease revenues by \$40,024; and the implementation of utilization reviews for imaging services also expected to decrease revenues by \$40,024. The recommended growth rate in FY 2015 insurance companies gross premiums tax revenues over the FY 2014 revised estimate is 7.1 percent.

FY 2015 recommended revenues for the public utilities gross earnings tax, the financial institutions tax, and the bank deposits tax are at the same levels as were adopted at the November 2013 REC. The FY 2015 recommended growth rate for public utilities gross earnings tax revenues relative to the FY 2014 revised estimates is 1.7 percent. For financial institution taxes the recommend growth rate for FY 2015 relative to FY 2014 revised estimates is 4.7 percent. Bank deposit tax revenues are recommended to remain unchanged for FY 2015 when compared to the revised FY 2014 estimate.

The recommended FY 2015 health care provider assessment on nursing homes is forecasted to yield \$43.9 million, a decrease of \$439,368 from the estimate that was adopted at the November 2013 REC. This decrease is attributed to the estimated decline in revenues from the Governor's proposal to suspend the cost of living adjustment nursing homes are scheduled to receive October 1, 2014 and the Governor's initiative to review the financial eligibility of individuals receiving long-term care. The recommended growth rate in FY 2015 health care provider assessment revenues over the FY 2014 revised estimate is 3.0 percent.

Sales and use tax revenues are expected to yield \$937.5 million in the Governor's recommended FY 2015 budget, \$6.9 million more than was adopted at the November 2013 Revenue Estimating Conference for FY 2015. This increase is attributable to the Governor's recommendation for 10 new revenue officer positions within the Division of Taxation. The FY 2015 budget projects increased sales and use tax revenue collections of \$2.7 million from this proposal. Additionally, a revenue increase of \$2.2 million is estimated for the Governor's proposal for the inclusion of a use tax safe harbor provision on the Rhode Island personal income tax return. Rhode Island residents who purchase tangible personal property from vendors not subjecting their customers to the Rhode Island sales tax still owe the use tax on such purchases. The Governor's proposal will provide Rhode Island resident income taxpayers a table that will allow the taxpayer to estimate the use tax owed to the state based on the taxpayers Rhode Island adjusted gross income. Remittance of the use tax estimated from the chart will absolve the taxpayer from penalties on use tax owed should a Division of Taxation audit uncover use tax evasion on the part of the taxpayer. The Governor also recommends expanding the sales and use tax base to hotel room resellers and the operators of bed and breakfast inns and owners of timeshare properties. The FY 2015 budget projects increased sales and use tax revenues of \$775,652 and \$441,304, respectively from this base expansion. Finally, as part of the FY 2015 budget, the Governor recommends the passage of anti-zapper legislation. Passage of this legislation would outlaw zapper technology that effectively understates actual sales for sales tax purposes. Sales and use tax revenues are projected to increase by \$770,000 in FY 2015 as a result of the passage of this legislation. Sales and use tax revenues are anticipated to contribute 27.9 percent to recommended FY 2015 total general revenues.

Motor vehicle operator license and vehicle registration fees are forecasted to equal \$50.8 million in FY 2015, the same amount that was adopted at the November 2013 REC. Motor carrier fuel use tax revenues are projected to be \$700,000 in the recommended FY 2015 budget, the same as the estimate adopted at the November 2013 Revenue Estimating Conference.

General Revenues

Cigarette and other tobacco products tax revenues are expected to total \$133.2 million in the Governor's recommended FY 2015 budget. Recommended cigarette and other tobacco product tax revenues are estimated at \$750,000 more than the estimate adopted at the November 2013 Revenue Estimating Conference. This difference reflects the Governor's proposal to define e-cigarettes, cigarette shaped devices that deliver nicotine to the user through a vaporization process, as other tobacco products. By defining e-cigarettes as other tobacco products, e-cigarettes would be subject to the State's other tobacco products tax of 80 percent on the wholesale price of e-cigarettes. The FY 2015 recommended growth rate for cigarette and other tobacco product tax revenues is -2.3 percent from the revised FY 2014 estimate.

Alcohol tax revenues are expected to total \$17.0 million in the Governor's recommended FY 2015 budget. FY 2015 alcohol tax revenues are projected to be the same as the adopted estimate at the November 2013 Revenue Estimating Conference. The FY 2015 recommended growth rate for alcohol excise tax revenues is -6.6 percent over the FY 2014 revised estimate.

FY 2015 estate and transfer tax, racing and athletics tax, and realty transfer tax revenues are all recommended at the amounts adopted at the November 2013 REC. Estate and transfer tax revenues are estimated at \$31.8 million, racing and athletics tax revenues are expected to total \$1.1 million, and realty transfer tax revenues are estimated to generate \$8.4 million in FY 2015. Other taxes in total are expected to comprise 1.2 percent of total general revenues in FY 2015.

FY 2015 recommended departmental receipts revenues are expected to generate \$1.6 million less than the revised FY 2014 estimate. Inclusive of the Governor's proposed changes to departmental receipts revenues, total departmental receipts revenues are expected to be \$352.9 million in FY 2015, or 10.1 percent of recommended FY 2015 total general revenues. The Governor's FY 2015 recommended budget includes the reinstatement of the hospital licensing fee at the current rate of 5.246 percent applied to the current base of hospital fiscal year 2012 net patient revenues. The hospital licensing fee rate of 5.246 percent is discounted by 37.0 percent "for all hospitals located in Washington County, Rhode Island" subject to the approval of the Centers for Medicare and Medicaid Services. The 37.0 percent discount yields an effective hospital licensing fee rate for Washington County hospitals of 3.305 percent. In addition to the hospital licensing fee reinstatement the FY 2015 recommended departmental revenues figure includes the following proposals:

- An increase of \$141.3 million from reinstating the hospital licensing fee at 5.246 percent of 2012 net patient revenues, "except that the license fee for all hospitals located in Washington County, Rhode Island shall be discounted 37.0 percent";
- An increase of \$2.2 million in interest and penalties on overdue taxes from the addition of 10 new revenue officers in the Division of Taxation to assist in the collection of delinquent taxes;
- An increase of \$810,000 in interest and penalties on overdue taxes through the creation of a statewide taskforce to combat employee misclassification;
- An increase of \$219,600 through the introduction in the Division of Taxation of a registration block for "new" registrations;
- An increase of \$116,348 in the state's share of hotel taxes from the expansion of the 5.0 percent state hotel tax to hotel room resellers;
- An increase of \$66,196 in the state's share of hotel taxes from the expansion of the state's 5.0 percent hotel tax to operators of bed and breakfast inns and owners of timeshare properties; and

General Revenues

- A decrease of \$40,024 as a result of the implementation of a utilization review procedure for imaging services which will reduce the revenues received by the Department of Revenue; from the imaging services surcharge.

The FY 2015 recommended revenues for the other sources component totals \$412.5 million, a decrease of \$4.3 million, or -1.0 percent, compared to the revised revenue estimate for FY 2014. Other miscellaneous revenues are anticipated to generate \$2.5 million in FY 2015 the same level adopted at the November 2013 Revenue Estimating Conference.

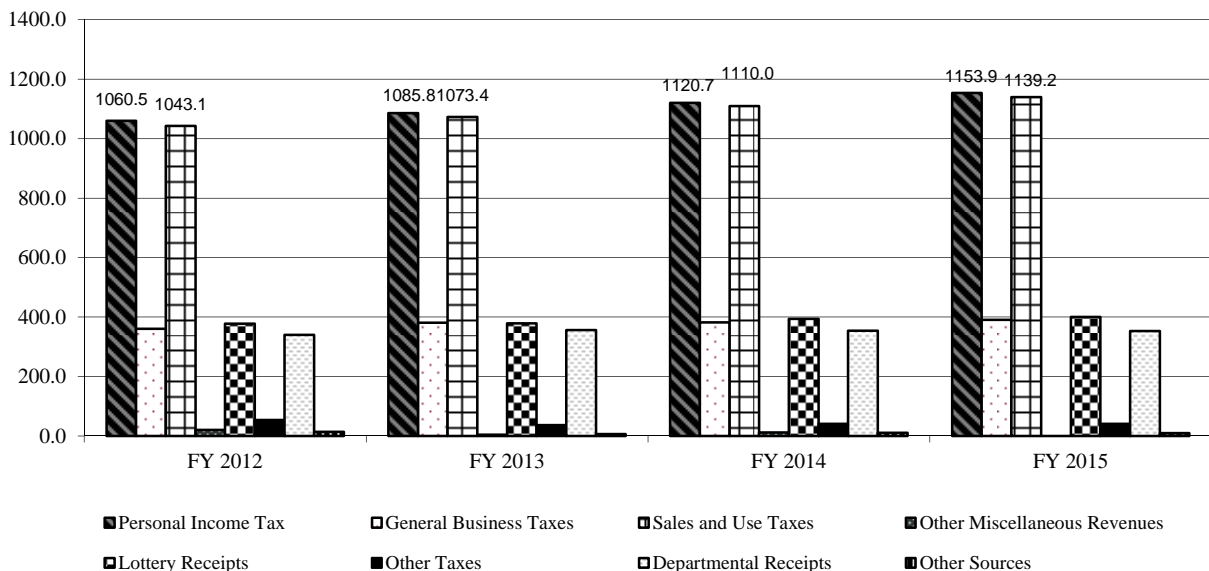
Within the gas tax transfer component, the Governor’s FY 2015 recommended budget shows no change from the FY 2014 revised estimate. Effective July 1, 2009, the state’s general fund no longer receives any of the revenues generated by the state’s \$0.32 per gallon gas tax.

Within the lottery category, the recommended FY 2015 budget is \$5.7 million more than the revised FY 2014 budget, an increase of 1.4 percent. The Governor recommended FY 2015 estimate remains unchanged from the adopted estimate at the November 2013 REC. In FY 2015, the lottery transfer is expected to be \$399.9 million and comprise 11.4 percent of total general revenues.

The final category of general revenue receipts is the unclaimed property transfer. In FY 2015, the unclaimed property transfer is expected to decrease by \$800,000, or -7.3 percent from the revised FY 2014 estimate. The unclaimed property transfer is projected to be \$10.1 million in FY 2015, and comprises 0.3 percent of all general revenues.

The chart below shows the sources of general revenues for the period FY 2012 – FY 2015. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted.

General Revenue Sources (\$ millions)



Restricted Receipts and Other Sources of Revenue

Introduction

The Governor's recommended budget proposes changes to revenue sources other than general revenues for FY 2014. The revenue estimates in the Governor's FY 2014 recommended budget contains a decrease of \$4.2 million in non-general revenue adjustments.

FY 2014 Recommended Non-General Revenues

The Governor's revised FY 2014 includes the transfer of surplus funds of \$925,419 from a Department of Administration restricted receipts account to general revenues and the transfer of \$3.3 million in 2013 general obligation bond premium proceeds from the Rhode Island Capital Plan Fund to general revenues.

All Sources

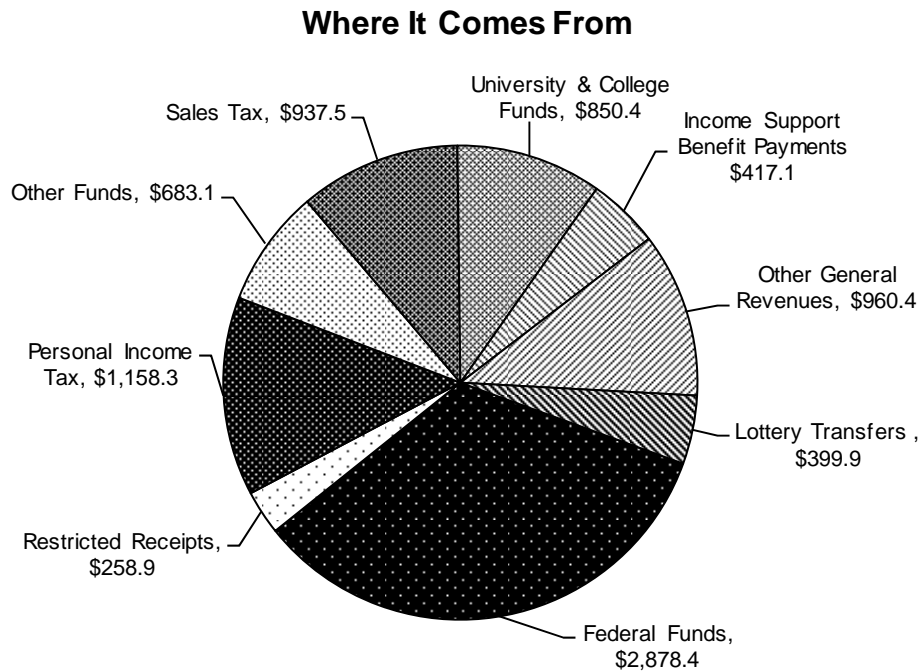
The total budget of \$8,544.0 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 33.7 percent of all funds. Over 73.5 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales Taxes combined represent 24.5 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 10.0 percent, and 4.9 percent of the total, respectively.

Remaining sources include: Other General Revenues, 11.2 percent; the Lottery Transfer, 4.7 percent; Restricted Receipts, 3.0 percent; and Other Funds 8.0 percent.



All Expenditures

The Governor's FY 2015 Budget recommendation is \$8.544 billion in all funds comprised of six functional units of state government: Health and Human Services, Education, General Government, Public Safety, Transportation, and Natural Resources.

Approximately 41.3 percent of all expenditures are for Health and Human Services, comprised of agencies that engage in a broad spectrum of activities including income support, client subsidies, case management and residential support, and medical regulation, prevention, treatment, and rehabilitation services. The FY 2015 recommended budget for all health and human service agencies is \$3.527 billion.

Approximately 27.6 percent of all expenditures are for Education, which includes the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, and the Historical Preservation and Heritage Commission. The FY 2015 recommended budget for education is \$2.357 billion.

Approximately 17.7 percent of all expenditures are for General Government, which includes agencies that provide general administrative services to other state agencies, assist in developing the state's workforce, assist municipalities in achieving fiscal health, and those that perform state licensure and regulatory functions. The FY 2015 recommended budget for all General Government agencies is \$1.509 billion.

Approximately 6.2 percent of all expenditures are for Public Safety, which is the system that provides law enforcement, adjudicates justice, performs correction and rehabilitative services, and handles emergencies impacting Rhode Island's citizens. The FY 2015 recommended budget for the public safety system is \$531.4 million.

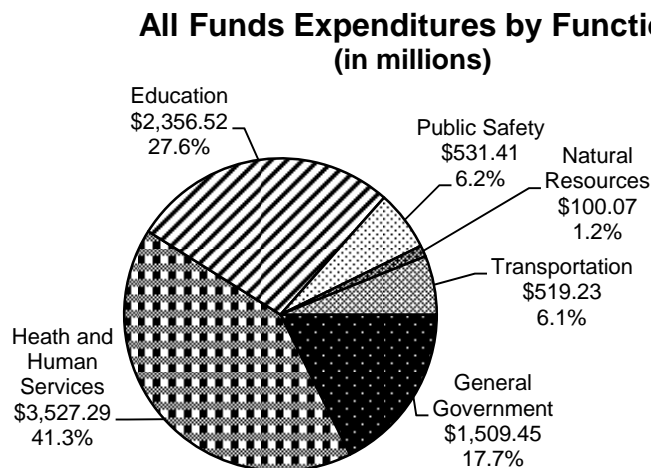
Approximately 6.1 percent of all expenditures are for Transportation, which provides for the state's maintenance and construction of a quality transportation infrastructure. The FY 2015 recommended budget for transportation is \$519.2 million.

Approximately 1.2 percent of all expenditures are for Natural Resources, which includes the Department of Environmental Management and the Coastal Resources Management Council. The FY 2015 recommended budget for natural resources is \$100.1 million.

Expenditure Summary

All funds expenditures for FY 2015 are \$8.544 billion. Of this total, \$3.456 billion, or 40.5 percent, is from general revenue, \$2.878 billion, or 33.7 percent, from federal funds, \$1.951 billion, or 22.8 percent, from other sources, and \$258.9 million, or 3.0 percent, is from restricted or dedicated fee funds.

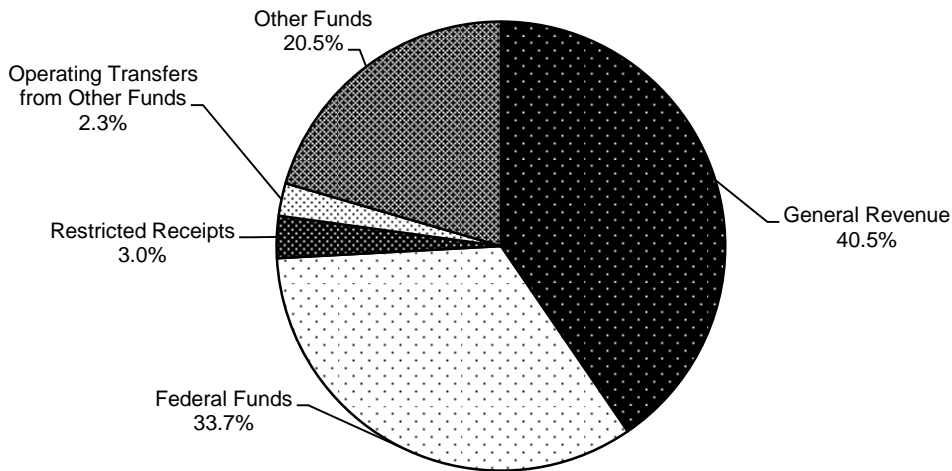
On a functional basis, the largest percentage of expenditures is in the Health and Human Services area, which comprises \$3.527 billion, or 41.3 percent of the total budget. This is followed by spending for Education of \$2.357 billion, which comprises 27.6 percent of all spending, and expenditures for General Government of \$1.509 billion, equaling 17.7 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$1.151 billion, or 13.5 percent of the total budget.



The second way to view expenditures is by major category. On this basis, the largest share of the FY 2015 budget is for assistance, grants and benefits equaling \$3.844 billion or 45.0 percent of the total. This is followed by personnel expenditures, which comprise 21.9 percent, or \$1.871 billion, and local aid expenditures, which make up 14.1 percent, or \$1.203 billion of the total budget. Expenditures for capital purchases and debt service total \$675.6 million or 7.9 percent, with the balance of spending used to finance operating expenditures and operating transfers of \$950.1 million, or 11.1 percent of the total.

Expenditure Summary

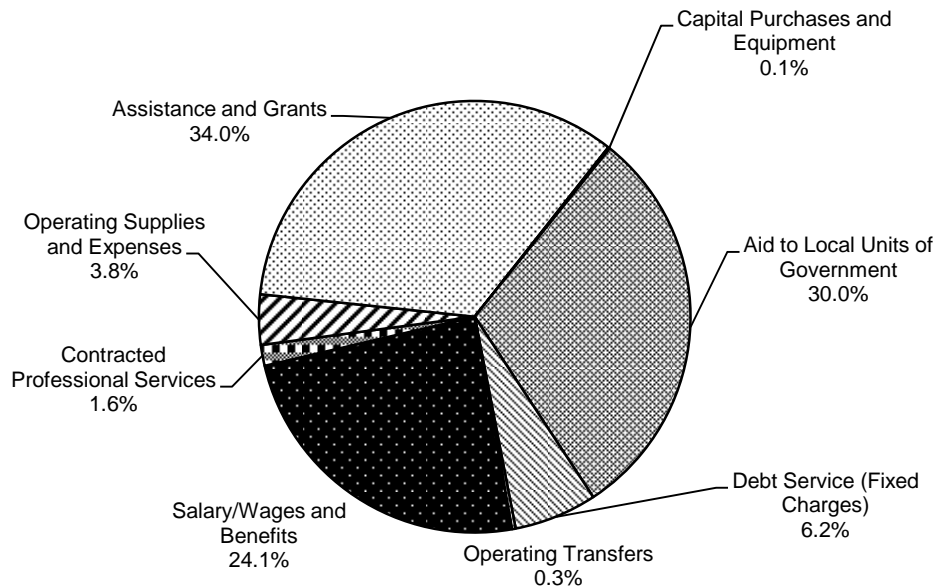
All Funds Expenditures by Source



Expenditures from general revenue total \$3.456 billion for FY 2015. By function, spending by Health and Human Service agencies represents the largest share with expenditures, totaling \$1.320 billion, or 38.2 percent of the general revenue budget. This is followed by spending for Education, which totals \$1.207 billion, or 34.9 percent. General revenue expenditures for General Government and Public Safety comprise \$475.2 million (13.7 percent) and \$415.6 million (12.0 percent), respectively. Expenditures for Natural Resources comprise \$37.1 million, or 1.1 percent of total general revenue spending. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel.

General Revenue Expenditures Statewide



Expenditure Summary

The largest components of general revenue expenditures are assistance, grants, and benefit expenditures of \$1.174 billion, comprising 34.0 percent of total general revenue spending. Local Aid expenditures of \$1.037 billion represent 30.0 percent of total spending; personnel expenditures (including contracted services) of \$887.7 million comprise 25.7 percent of the budget; capital expenditures and debt service total \$219.4 million, or 6.3 percent of the total general revenue budget; and, operating expenditures and operating transfers total \$138.7 million, or 4.1 percent of the budget.

Enacted and proposed expenditures for general revenue funds, by category of expenditure are shown in the following table:

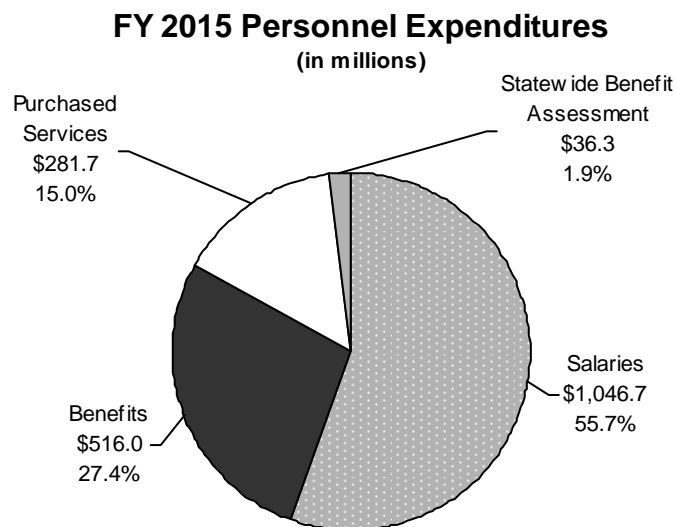
General Revenue Funds	FY 2014	FY 2014	Change	FY 2015	Change
Category of Expenditure	Enacted	Revised	from Enacted	Recommended	from Enacted
Personnel (Including Consultants)	\$866.1	\$865.7	-\$0.4	\$887.7	\$21.6
Operating Supplies and Expenses	\$128.4	\$127.8	-\$0.6	\$129.9	\$1.4
Assistance and Grants	\$1,174.0	\$1,169.4	-\$4.6	\$1,173.8	-\$0.2
Capital Purchases and Equipment	\$6.1	\$7.4	\$1.2	\$4.4	-\$1.7
Aid to Local Units of Government	\$994.6	\$991.8	-\$2.8	\$1,036.6	\$42.0
Debt Service	\$183.7	\$180.0	-\$3.7	\$214.9	\$31.2
Operating Transfers	\$6.8	\$9.6	\$2.8	\$8.8	\$2.0
Total	\$3,359.8	\$3,351.7	-\$8.0	\$3,456.1	\$96.3
<i>(in millions)</i>					

Enacted and proposed expenditures by source of funds are shown in the following table:

Source of Funds	FY 2014	FY 2014	Change	FY 2015	Change
Enacted	Revised	from Enacted	Recommended	from Enacted	
General Revenue	\$3,359.8	\$3,351.7	-\$8.0	\$3,456.1	\$96.3
Federal Funds	\$2,717.7	\$2,822.8	\$105.1	\$2,878.4	\$160.7
Restricted Receipts	\$255.0	\$279.4	\$24.4	\$258.9	\$3.9
Operating Transfers	\$146.8	\$158.1	\$11.3	\$279.4	\$132.6
Other Funds	\$1,733.8	\$1,767.5	\$33.6	\$1,671.2	-\$62.6
Total	\$8,213.1	\$8,379.4	\$166.4	\$8,544.0	\$330.9
<i>(in millions)</i>					

Personnel Summary

The Governor's FY 2015 recommended Budget finances personnel at \$1.899 billion. This includes \$1.560 billion for salary and benefits (85.0 percent) and \$281.7 million for purchased services (15.0 percent). This total includes expenditures financed from general revenue, federal grants, restricted receipts, other funds, and internal service funds. General revenue finances 47.2 percent of FY 2015 personnel expenditures. Federal funds finance 24.2 percent, Other Funds (primarily college tuition funds) and Internal Service Funds finance 23.2 percent, and restricted receipts finance the remaining 5.4 percent. The personnel supplements provided in the budget volumes contain all expenditures for personnel, including those of the internal service funds, as noted above. Since internal service fund positions are financed through charges to state agencies categorized as operating expenses, totals shown will differ in some cases from personnel costs shown in complementary documents of the FY 2015 Budget. After adjusting to reflect internal service fund personnel expenditures in the personnel category rather than as an operating expense, personnel expenditures constitute approximately 21.9 percent of the state budget, the second largest category of spending (after assistance, grants and benefits).



Personnel expenditures recommended for FY 2015 decrease by \$18.2 million from the FY 2014 revised Budget, but increase by \$45.9 million (2.5 percent) from the FY 2014 enacted Budget. From the enacted Budget, direct salaries increase by 2.1 percent, overtime increases by 4.2 percent, fringe benefits increase by 3.1 percent overall, with retiree health decreasing by 2.9 percent and retirement increasing by 3.4 percent. Medical benefits (including the medical waiver bonus) increase by 5.5 percent.

Rhode Island state government experienced significant attrition from retirements in FY 2009. Between May 1, 2008 and October 1, 2008, 1,396 state employees, who were members of the Employees' Retirement System of Rhode Island, retired. Overall, authorized state employee full time equivalent positions declined from the FY 2008 final enacted level of 15,688.7 to 14,935.0 in the FY 2012 budget, a reduction of 753.7 positions. The FY 2013 enacted budget reversed this trend, with the addition of 141.4 FTE positions (for an FTE position level of 15,076.4) primarily in Health and Human Service agencies to meet program needs in Health, Children Youth and Families, Behavioral Healthcare, and the Office of Health and Human Services. In the FY 2014 enacted budget, the FTE level of 15,118.3 reflected further increases in Human Service and Public Safety agencies. In the FY 2014 revised Budget, however, the Governor recommends a FTE position authorization of 15,100.3, a decrease of 18.0 FTE positions from

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the FY 2014 enacted Budget. In the FY 2015 Budget, the Governor recommends a further decrease of 3.3 FTE positions from the FY 2014 revised Budget, to a total of 15,097.0 FTE positions.

Current Retiree Health Benefit Structure

In order to address the unfunded liability associated with retiree health benefits and reduce the ongoing cost to the taxpayer, eligibility requirements and co-share percentages for retiree health were modified in the 2008 session of the General Assembly. The new plan provided that employees retiring after October 1, 2008 would be eligible for retiree health coverage through the State if they are age 59 or over with a minimum of 20 years of service. For employees retiring before October 1, 2008, an employee with over 10 years of service as of July 1, 2005 was eligible for retirement with at least 28 years of service at any age, or at least 10 years of service and at least age 60, and was therefore eligible for retiree health. For those employees with less than 10 years of service prior to July 1, 2005, the employee had to be age 59 with at least 29 years of service, age 65 with ten years of service, or age 55 with 20 years of service in order to be eligible for retirement and therefore also eligible for retiree health. The enacted reform modified the co-share percentage to require a 20 percent co-share on the full cost of the early retiree or post-65 plan in which the retiree is enrolled. For those retiring prior to October 1, 2008, the early retirees pay a co-share based on years of service on the active employee rate. For these employees retiring prior to October 1, 2008, who are over age 60 with at least 28 years of service, the state pays 100 percent of the cost of the plan.

Funding of Retiree Health Unfunded Liability

The Governor's recommended budget includes previously added provisions requiring that the State finance retiree health benefits on an actuarial basis and amortize the unfunded liability over a thirty year period. This financing mechanism will provide transparency with respect to the true cost of the benefit offered to state employees after employment. In compliance with GASB Statements 43 and 45, "Other Post Employment Benefits (OPEB)," in July 2007, the State obtained an actuarial estimate of the unfunded liability relating to retiree medical benefits. Pursuant to GASB Statement 45, "Other Post Employment Benefits" the State obtained an updated actuarial valuation of the unfunded liability relating to retiree medical benefits for the period ending June 30, 2009. The unfunded liability as of June 30, 2009 was determined to be approximately \$774.7 million, including \$673.6 million for State employees, \$67.1 million for State Police, \$11.8 million for Legislators, and \$8.7 million for Judges, and \$13.5 million for the State's share for teachers. This was calculated using an investment rate of return of 5.0 percent and assumes that future financing will be on an actuarial basis. The annual required contribution as a percentage of payroll in FY 2014 is budgeted at 7.07 percent, 39.0 percent, 0.0 percent and 0.12 percent (no rate for teachers), respectively. Prior to FY 2011, the State had not set aside any funds on an actuarial basis to address the unfunded retiree medical benefit liabilities. During the 2008 session of the General Assembly, in order to begin funding this unfunded liability, legislation was enacted that would require the State to finance on an actuarial basis and authorized creation of a trust fund for retiree medical benefit liabilities. During the 2009 Session of the General Assembly, this actuarial financing requirement was delayed until FY 2011.

Beginning with the first pay period of FY 2011, the state began providing the resources necessary to the OPEB trust fund to finance retiree health benefit costs on an actuarial basis, which will be used to pay current benefits and hold assets for investment.

Actuarial valuations for the Retiree Health Fund are performed every two years and the rates determined by the valuation are used for the two fiscal years following their adoption. A valuation was completed in May 2012 for the fiscal year ending June 30, 2011 and the rates from this valuation would be used for fiscal years 2014 and 2015. Retiree health is calculated on salaries of different categories of employees, including state

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employees, State Police, and judges. Due to full funding of their respective fund, no assessment is required for Legislators. The enacted FY 2014 rates reflect enactment of a proposal recommended in the Governor's FY 2014 Budget to implement a Medicare Exchange for post-65 retirees, where retirees choose between multiple Medicare supplemental plans from different insurers. Under this program, the State set up Health Reimbursement Accounts (HRAs) for retirees in the state-sponsored health plans and deposit money each month into the account. The amount would be determined by the current level of subsidy the State provides, i.e. a 100 percent subsidized retiree would receive 100 percent of the maximum HRA amount, and an 80 percent subsidized retiree would receive 80 percent of the maximum HRA amount. Approximately 5,300 post-65 retirees currently receive subsidies and an additional 2,700 non-subsidized members are on the plan (spouses and public school teachers). As a result of this proposal, an updated actuarial analysis was performed by the fund's actuary, which resulted in a revised retiree health rate in FY 2014 of 7.07 percent for state employees (from the previous level of 7.38 percent), dropping further to 6.75 percent for FY 2015.

Statewide Cost of Living Adjustment

Most current labor contracts expired as of June 30, 2012. Without a negotiated cost of living adjustment, no accommodation has been made in the FY 2015 Budget for any such increase.

Employee Medical Benefits

The FY 2014 enacted Budget for health benefit costs was predicated upon a planning value of \$17,561 based on a weighted average of the three cost components consisting of medical, dental, and vision rates for both individual and family plans. The currently active rates for FY 2014, which are the rates used in the revised FY 2013 budget, are revised to a new total of \$17,246. This amount is \$315, or approximately 1.8%, less than the rates used in the enacted budget.

Based on current and projected balances in the state's Health Insurance Fund, the Governor recommends a medical holiday in FY 2014. The state is self-insured for medical benefits and develops annual working rates based upon prior claims experience, adjusted for medical inflation. This fund is used to pay insurers for medical benefits for state employees. Revenue is generated by assessing state agencies on a bi-weekly basis, by co-shares from employees and from pharmaceutical rebates. In the event that there is a surplus, the balance may be used to reduce the working rates by not charging the state agencies for medical coverage for a particular pay period, known as a medical holiday. Employees paying a co-share based on a percentage of the premium cost are also not charged for the respective pay period. Employees paying a co-share based on a percentage of their pay are still charged.

For FY 2015, the budget instructions contained an estimated planning value equal to \$18,601, an increase of 5.9 percent from the original FY 2014 enacted amount of \$17,561. This is the increase upon which the statewide target adjustment was based. Due to slower trend growth than assumed in the planning values and as a result of a new contract for administration of the state employee's medical plans, which is projected to result in lower costs to the state over the next three years, the Governor recommends lowering the projected increase in medical rates for FY 2015.

Full-Time Equivalent Positions (FTE)

The FY 2014 enacted budget contained 15,118.3 full-time equivalent (FTE) positions, including 776.2 FTE positions that are federal/sponsored research positions in Higher Education. While maintaining an acceptable level of critical services and addressing new program concerns, the Governor also recommends a reduction of 18.0 FTE positions to 15,100.3 FTE positions in the revised FY 2014 Budget. In FY 2015, the Governor recommends a total FTE position level of 15,097.0, including 642.9 Higher Education federal/sponsored

Personnel Summary

research positions, a decrease of 3.3 FTE positions from the revised FY 2014 level and 21.3 FTE positions from the FY 2014 enacted level.

In **General Government**, the Governor recommends 2,305.7 FTE positions, a net increase of 29.0 FTE positions in FY 2015 from the FY 2014 enacted budget. The largest increase is in the Department of Labor & Training, where an increase of 18.0 positions results from additional hires in the Workforce Development Services program for the Back to Work RI initiative (3.0), in the Temporary Caregiver Insurance program (7.0), as well as 7.0 interviewers in the Unemployment Insurance program and 1.0 FTE position in the Injured Workers Services program. The Governor recommends a 3.0 FTE position increase in the Department of Administration in the Office of Diversity, Equity & Opportunity. The Governor also recommends the addition of 7.0 revenue officer FTE positions in the Department of Revenue. There is also an additional FTE position in the Public Utilities Commission in the consumer unit to deal with utility shutoffs. The Governor also recommends an offsetting FTE reconciliation to maintain the overall position authorization at or near the FY 2014 enacted level.

In **Health and Human Services**, the Governor recommends 3,744.0 FTE positions; a net decrease of 3.8 FTE positions in FY 2015 from the FY 2014 enacted FTE authorization. This is comprised of reductions of 3.0 FTE positions in Health and 1.0 FTE position in Behavioral Healthcare. The Governor also recommends an offsetting FTE reconciliation to accommodate the following increases: 1) 1.0 FTE position in the Office of Health and Human Services, 2) 2.0 FTE positions in Children, Youth and Families for a community and planning services federal grant, and 3) 35.0 FTE positions in Human Services in Health Care Eligibility relating to the Unified Health Infrastructure Project, Individual and Family Support, and the Veterans' Home.

In **Education**, the Governor recommends a total authorization (non-sponsored and sponsored) of 4,644.1 FTE positions, a net increase of 2.9 FTE positions in FY 2015 from the FY 2014 enacted budget. This includes a program reduction of 16.5 FTE positions in Elementary and Secondary Education in the Administration for Comprehensive Education Strategy (ACES) program, reflecting the end of the Race to the Top initiative. The Governor also recommends the addition of 2.0 FTE positions in the Higher Education Assistance Authority to staff theWaytogoRI.org program. Public Higher Education positions have been restructured resulting in a net decrease of 1.0 FTE position. A total of 132.3 non-sponsored FTE positions are added at the University of Rhode Island and the Community College of Rhode Island, offset by reductions of 133.3 in third party sponsored research positions.

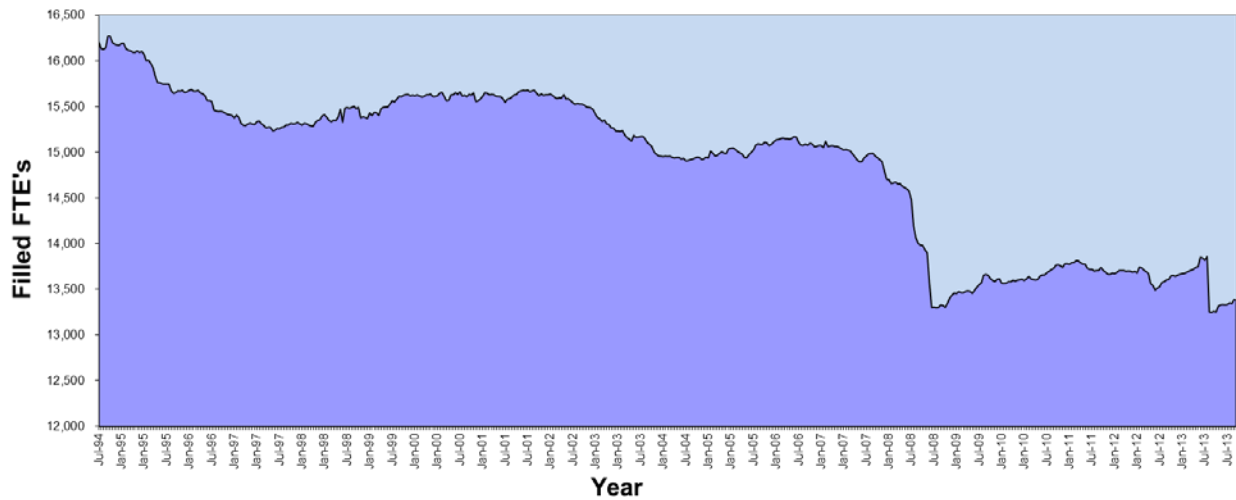
In **Public Safety**, there is a net decrease of 11.0 FTE positions to 3,222.6 in FY 2015 from the FY 2014 enacted budget in Public Safety. The Governor recommends reductions of 3.0 Capitol Police and 6.0 State Police officer FTE positions, as well as reductions of a general counsel and a Municipal Police Training Academy director position. In addition, the Governor recommends offsetting FTE reconciliation to accommodate the addition of 2.0 FTE positions in Corrections to implement the Certificate of Good Conduct program. The Governor also proposes the establishment the Rhode Island Emergency Management Agency as a stand-alone agency, split off from the Military Staff.

In **Natural Resources**, there is no net change in the FTE level of 428.0 from FY 2014 to FY 2015. The Governor recommends an offsetting FTE reconciliation to match the addition in Environmental Management of a senior reconciliation clerk, a federal-funded administrative officer, and a wildlife development officer in the Big River Management Area.

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In **Transportation**, the Governor recommends 752.6, a reduction of 20.0 FTE positions in both FY 2014 and FY 2015, based on recent levels of filled positions.

As directed by the Governor, the overall filled FTE position level must be constrained through careful management by cabinet directors and other agency heads of existing and upcoming vacancies. Actual filled positions totaled 13,947.5 as of December 28, 2013, a 290.6 position increase from the 13,656.9 level in December 29, 2012, but still 1,135.3 below the 15,082.8 in July 2007. The filled level is 1,170.8 FTE positions less than the enacted cap of 15,118.3 FTE positions. Because of resource constraints, as reflected in the Governor's recommended turnover across most agencies (a total of 5.9 percent statewide), as well as the program reductions and reconciliations (54.7 in FY 2014 revised and 75.2 in FY 2015), there are FTE positions in the roster that will not be filled in FY 2014 or FY 2015.

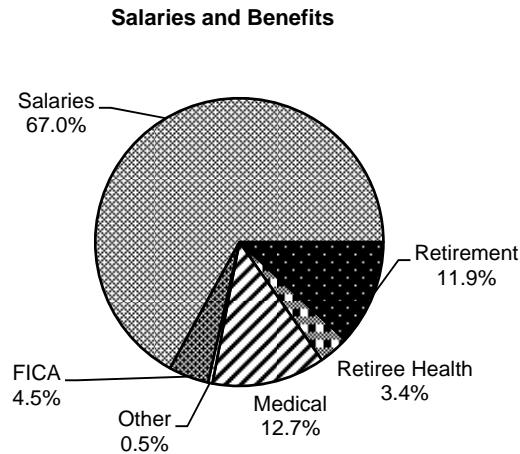


Salaries and Benefits

The largest category of personnel expenditures is for salaries and benefits. Salaries and benefits (including temporary and seasonal) represent \$1.563 billion or 83.1 percent of total personnel costs. Salaries, including payroll accrual, overtime, holiday, and other salary-related items, equal \$1.047 billion and fringe benefits equal \$516.0 million. Fringe benefit payments include \$185.9 million for retirement costs, \$198.1 million for medical benefits (including \$196.2 million for benefit plans and \$1.8 million for medical benefits-salary disbursements), \$53.9 million for retiree health benefits, \$70.2 million for FICA, and \$7.9 million for other benefits, including group life insurance and other contract stipends. In addition, the statewide benefit assessment is included to finance severance, unemployment, employee assistance, workers' compensation payments and administrative costs, and DLT employer assessments, and totals \$36.3 million, 1.9 percent of total personnel costs.

Direct Salaries increase by 4.4 percent in the FY 2014 Revised Budget over FY 2013 (audited expenditures), and increase by 1.8 percent in the FY 2015 recommended Budget over the FY 2014 revised Budget. The FY 2015 Budget includes no longevity increases for non-union personnel and for union personnel whose contracts end June 30, 2012, as these were abolished in the FY 2012 enacted Budget.

Personnel Summary



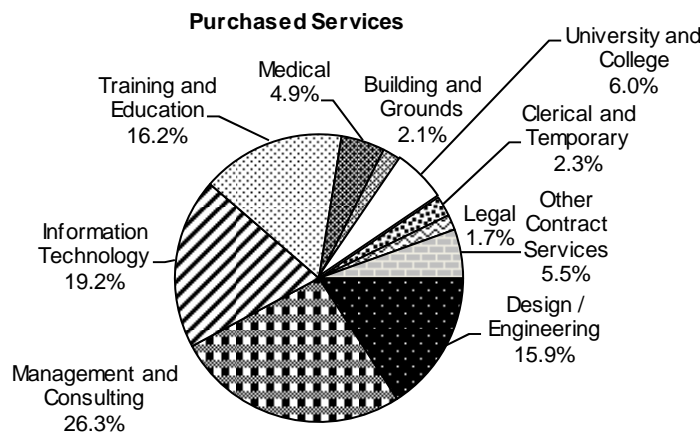
Fringe benefit adjustments increase by 8.0 percent in the FY 2014 revised Budget over FY 2013 actual expenditure and increase by a further 4.3 percent in FY 2015 over the FY 2014 enacted Budget. **Retirement** increases by 13.0 percent in FY 2014 revised from FY 2013 actual and by 2.7 percent in FY 2014 from the FY 2014 revised Budget, or 15.7 percent over the two years. This includes a one percent defined contribution addition of \$6.6 million. Within state agency budgets, state employer retirement contributions are budgeted at 24.05 percent of payroll for FY 2014 enacted and revised Budgets, but at 24.33 percent in FY 2015. **FICA** increases by 0.5 percent in FY 2014 from the enacted Budget but increases by only 1.1 percent from the revised Budget. **Retiree Health** increases by 3.4 percent in FY 2014 revised from FY 2013 actual expenditure, but decreases by 3.6 percent in FY 2015. The rate remains at 7.07 percent in FY 2014 enacted and revised, but decreases to 6.75 percent in FY 2015 for state employees.

The largest fringe benefit increase is in **medical benefits**. The FY 2014 revised Budget of \$180.5 million includes an overall increase of 7.0 percent over FY 2013 actual expenditure levels. For FY 2015, the recommendation of \$198.1 million in medical benefits is an increase of 9.7 percent from the recommended revised budget amount for FY 2014. The two year total is 16.7 percent. The increases include estimated reductions in FY 2014 due to a medical benefit holiday and changes in FY 2015 in estimated costs and program modifications associated with recent contract negotiations.

Workers' compensation costs budgeted directly in the agencies in FY 2014 and FY 2015 are \$234,832 and \$225,603 respectively and are financed primarily in the Department of Corrections. These amounts reflect the continuation of wages in excess of those amounts received as a result of the Workers' Compensation statute (primarily as a result of assault cases). Since FY 2001, all workers' compensation costs, as well as unemployment insurance and unused leave severance payments, have been paid from a separate Assessed Fringe Benefits Administrative Fund. The fund is financed by a statewide benefit assessment of a fixed percentage of direct salaries that is charged to every department and agency in this document. The FY 2014 revised Budget and the FY 2015 recommended Budget are 4.25 percent for regular state employees, an increase of 0.5 percentage points from the enacted level. However, certain agencies and/or certain employee classifications are not assessed the full rate because they do not receive worker's compensation benefits. Also, certain higher education employees do not receive severance payments. The assessed fringe benefit rate is applied to all direct salaries, except overtime. Expenditures from the fund have grown from \$31.1 million in FY 2008 to \$43.1 million FY 2009, but decreased in FY 2010 to \$28.8 million. The surge in severance payments was due to the large number of employees that

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retired prior to changes in retiree health benefit provisions, which became effective October 1, 2008. The FY 2014 revised Budget is \$35.0 million, an increase of 12.9 percent from FY 2014 actual expenditure. The recommendation for FY 2015 is \$36.3 million, an increase of 3.5 percent from the revised recommendation. The Assessed Fringe Benefit Fund is used to fund the following: services provided by the Donley Center; services of the Workers' Compensation Court; the Division of Workers' Compensation administrative costs related to workers' compensation activities; workers' compensation benefit payments to employees; payments to workers' compensation providers; unemployment compensation payments; severance payments to employees for unused leave upon termination from state service; and Cornerstone Program administrative costs for the Flexible Health savings account.



Purchased Services

Purchased Services costs in the FY 2015 Budget total \$281.7 million, and represent 15.0 percent of total personnel costs. Expenditures in this category are for services provided by outside contractors in cases where special expertise is needed or where it would be less effective to hire full-time employees. Major categories of expenditure are management and consulting services (comprising 26.3 percent of the total), design and engineering services (comprising 15.9 percent), training and education services (comprising 16.2 percent), and information technology services (19.2 percent).

Recommended expenditures in the FY 2014 revised Budget of \$338.9 million are \$60.6 million more than FY 2014 enacted expenditures, a 17.9 percent increase in spending for services, including increases in other contract services (\$12.9 million), management and consultant services (\$6.1 million) and information technology services (\$44.2 million). A major portion of this increase is in the Health Benefits Exchange (HealthSource RI) for the development of the web-based exchange that will be available to Rhode Islanders and Rhode Island businesses. Recommended expenditures in FY 2015 are \$57.2 million less than FY 2014 revised. The greatest decreases are in information technology services (\$23.9 million), management and consultant services (\$10.3 million), other contract services (\$10.6 million), and training and education services (\$49.2 million). A major reason for the decline is the anticipated finalization of Health Benefits Exchange project work in FY 2014.

For each department or agency of state government, the Budget volumes contain an agency summary of personnel costs. For each program, the Budget volumes display all positions and their respective costs. Footnotes will assist readers in understanding variances between the years. Additionally, there are a number of

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terms used that are not part of every day usage. A Glossary with extended explanations is included in the back of the Technical Appendix. For more information on the codes used to identify the pay scales, refer to the Glossary. Pay scales are provided on the State's Human Resources web site under the Compensation and Classification section.

General Government

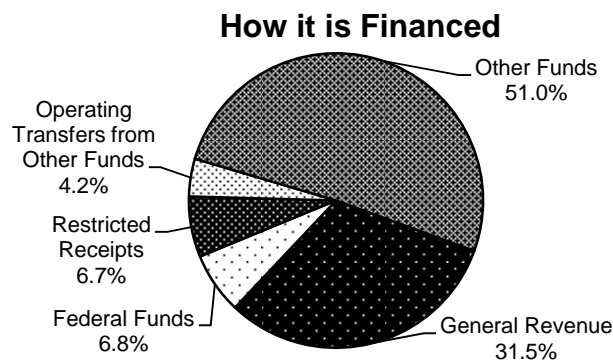
General Government

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, the Secretary of State 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 2,294.7 FTE positions in the revised FY 2014 Budget and 2,305.7 FTE positions in FY 2015 within general government agencies.

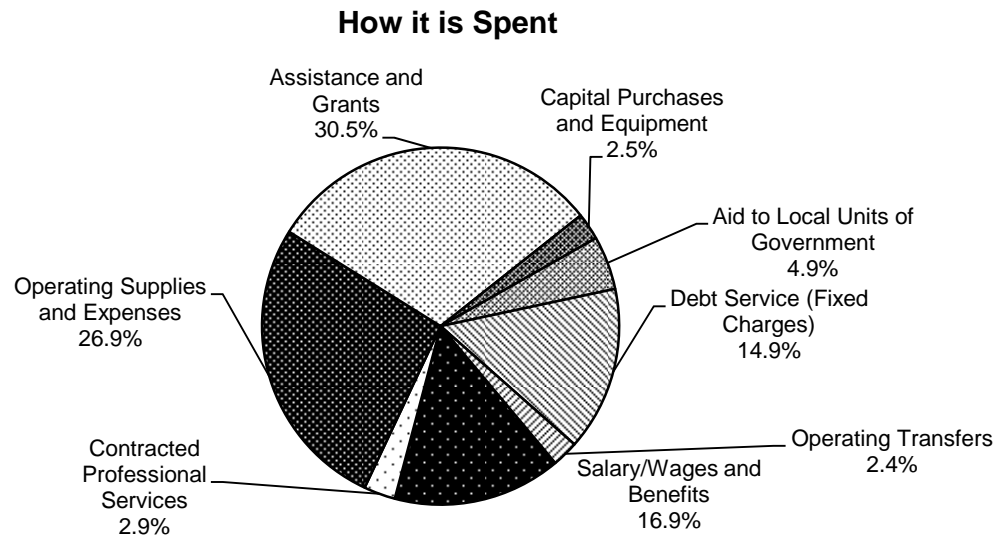
The FY 2014 revised Budget for General Government agencies totals \$1.603 billion, including \$438.9 million in general revenue, \$200.6 million in federal funds, \$123.0 million in restricted receipts, and \$840.8 million in other funds. The revised FY 2014 Budget from all fund sources for General Government agencies is \$115.8 million, or 7.8 percent more than the FY 2014 enacted budget of \$1.487 billion. The largest share of this increase, \$63.6 million, is in other funds and is primarily due to Lottery Commission payments that were not properly accounted for in the enacted budget. Federal funds increase by \$35.2 million, primarily in the Health Benefits Exchange. Of the \$1.603 billion recommended for FY 2014, \$519.9 million is for grants and benefits, \$403.2 million is for operating, \$309.9 million is for personnel, \$73.2 million is for local aid, \$194.7 million is for debt service, \$51.7 million is for capital, and \$50.7 million is for operating transfers.

For FY 2015, the Governor recommends expenditures of \$1.509 billion for General Government programs. The programs are financed with \$475.2 million of general revenue, \$101.9 million of federal funds, \$100.4 million of restricted receipts, and \$832.0 million of other funds. The FY 2015 recommendation for General Government agencies is \$22.0 million, or 1.5 percent, more than the FY 2014 enacted level across all fund sources, but \$93.8 million, or 5.8 percent less than the Governor's FY 2014 revised budget. Federal funds decrease by \$98.6 million due to less funding availability for the Health Benefits Exchange and the in the Unemployment Insurance program due to cessation of federally financed stimulus extended unemployment benefits.



General Government

Of the \$1.509 billion recommended for FY 2015, \$460.0 million is for grants and benefits, \$405.5 million is for operating, \$273.4 million is for personnel, \$73.3 million is for local aid, \$224.5 million is for debt service, \$37.0 million is for capital, and \$35.7 million is for operating transfers. In the Governor's FY 2015 Budget, the General Government function represents 17.5 percent of the total budget for Rhode Island.



General revenue financing for General Government agencies in FY 2015 increases by \$34.8 million, or 7.9 percent, from the FY 2014 enacted appropriations. The increase is largely attributable to the Department of Administration, which increases by \$30.8 million above the FY 2014 enacted budget, mostly in the debt service category to reflect new general obligation bond offerings, and also to implement the initiative of the Governor to relieve gas-tax financed debt service for transportation projects by shifting to general revenue-financed debt service. General revenue increases by \$1.3 million in the Department of Revenue, attributable to provision of financing for 10.0 FTE positions in the Customer Service division of the Division of Motor Vehicles towards diminishing wait times for visitors to the Registry during staff training while the modernization system (RIMS) is implemented. The Governor provides an additional \$500,000 to a total of \$1.4 million in the Department of Labor and Training's Workforce Development Services program, for initiatives that will better prepare unemployed workers for the workforce. The Governor provides an additional \$2.4 million in the Board of Elections for public financing of the November 2014 elections and funding for new voting booths that will alleviate wait times at polling stations.

In FY 2015, federal funds recommended in General Government agencies decrease by \$63.5 million, or 38.4 percent, from the FY 2014 enacted level. The change is attributable to: the Department of Labor and Training, where the Governor recommends a decrease of \$54.8 million due to expiring extended federal stimulus unemployment compensation; Department of Administration's 'HealthSource RI' (the Health Benefit Exchange) where the Governor decreases consultant expense by \$4.9 million no longer required now that the program is underway; the Lieutenant Governor's Office, where \$969,380 is removed due to end of a modeling grant from the Center for Medicare and Medicaid Innovation; and; \$260,084 in the General Treasury to align expected disbursements to Victim's of Crime with available federal resources.

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Recommended FY 2015 restricted receipts decrease by \$4.2 million, or 4.0 percent from the FY 2014 enacted level, which includes decreases of \$2.9 million for the Department of Labor and Training and \$1.7 million less for Administration, offset by \$278,263 more for the Public Utilities Commission and \$137,452 more for the General Treasury. The decrease in Labor and Training restricted receipts reflects available resources in the Job Development Fund reflecting current service levels expected for the account. The decrease in restricted receipts in Administration reflects project financing levels in the IT Investment Fund, based on expected collections from sale of state land. In the Public Utilities Commission, the increase in restricted receipts, from \$8.3 million to \$8.5, million reflects expected availability of billed revenue from the utilities it regulates, to be used to maintain current operational levels. In Treasury, the increase in restricted receipts corresponds to available court fees to pay victim of crime payouts to offset a recent trend of reduced federal dollars for that purpose.

Other funds recommended in FY 2015 increase by \$54.8 million or 7.1 percent, to a total of \$832.0 million, from the FY 2014 enacted level of \$777.2 million. This change includes a decrease of \$25.3 million for the Department of Labor and Training due to expected levels of financing from the federal government for the Unemployment Insurance program due to the end of federal stimulus funds for extended benefits. In the Department of Revenue, an increase of \$97.1 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 and instituted at Twin River in July, 2013. The other funds decrease of \$16.5 million in the Department of Administration relates to adjustments to Rhode Island Capital Plan Fund financing for various projects under its purview, offset by reductions in debt service for Department of Transportation debt, which is proposed to be funded with general revenue beginning in FY 2014.

General Government

Department of Administration

The Governor's revised FY 2014 Budget for the Department of Administration is \$448.0 million, including \$262.1 million in general revenue, \$90.5 million in federal funds, \$15.8 million in restricted receipts, \$72.0 million in operating transfers from other funds, and \$7.6 million in other funds. This represents an all funds increase of \$19.3 million from the enacted FY 2014 Budget of \$428.7 million, which is primarily attributable to increased federal funds to support the Rhode Island Health Benefits Exchange (HealthSource RI).

Of the all funds increase of \$19.3 million, general revenue expenditures decreased by \$2.7 million. This can be attributed to utility cost savings of \$1.5 million and debt service savings of \$3.2 million. The revised FY 2014 Budget includes FY 2013 re-appropriations totaling \$897,602 for contract obligations within the Division of Human Resources and the Division of Planning. It also includes a carry-forward balance of \$674,679 for costs associated with the I-195 Redevelopment District Commission. The utility and debt service savings are offset by several initiatives in the department. First, \$500,000 is budgeted in Central Management for a classification system and compensation study to improve the State's current deficient systems. Second, \$180,000 is budgeted in the Office of Digital Excellence for "Code for America" contracted services to develop a knowledge portal for the K-12 education space, which will be matched with private funds. Third, \$160,000 is budgeted in Division of Purchasing for procurement process improvements. This includes \$75,000 for IT related work for the new "public copy" law for all public works procurements, \$60,000 for legal services to improve efficiencies with legal review of procurements, and \$25,000 for a Lean Process Improvement initiative. Finally, \$300,000 is budgeted in Division of Legal Services for legal counsel representation for union negotiations with State Police and state employees.

Within debt service, general revenue expenditures decrease by \$3.2 million from \$157.4 million to \$154.2 million. This includes savings on the issuance of new general obligation bonds, compared to projected interest costs, of \$310,988; savings of \$2.0 million due to the delay in the issuance of new debt for the historic structures tax credit program; savings of \$105,417 from a refunding of Convention Center Authority debt; \$120,000 due to lower than anticipated job rent credits earned by Fidelity Investments, and savings of \$652,000 based on projected interest costs on the debt issuance related to the acquisition of land made available from the relocation of I-195.

The revised FY 2014 Budget reflects an increase of \$28.3 million in federal funds, which is attributable to additional federal funding to support the Rhode Island Health Benefits Exchange (HealthSource RI). The majority of the \$24.1 million increase in federal funds for the Exchange will be used for contracted professional services to assist with start-up costs necessary to make sure the Exchange successfully launches in FY 2014. The revised FY 2014 Budget also includes an additional ten (10.0) FTE positions to support operations. This includes 1.0 Administrative Assistant, 1.0 Assistant Director of Special Projects, 1.0 Chief Data Operations, 1.0 Chief Information Security, 1.0 Community Services Coordinator, 1.0 Fiscal Management Officer, 1.0 Director Policy and Programs, 1.0 Information Technology Project Manager, 1.0 Insurance Rate Analyst, and 1.0 Supervisor Financial Management and Reporting.

The Governor's recommended FY 2015 Budget is \$432.5 million in all funds, which includes \$295.6 million in general revenue, \$53.5 million in federal funds, \$14.2 million in restricted receipts, \$60.7 million in operating transfers from other funds, and \$8.6 million in other funds. This represents a net all funds increase of \$3.8 million compared to the enacted FY 2014 Budget. Compared to the enacted FY

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2014 Budget, general revenue expenditures increase by \$30.8 million, federal funds decrease by \$8.7 million, restricted receipts decrease by \$1.7 million, operating transfers from other funds decrease by \$18.0 million, and other funds increase by \$1.5 million.

Of the net all funds increase of \$3.8 million, general revenue expenditures increase by \$30.8 million. This can be attributed to a general revenue debt service increase of \$30.2 million, which is discussed in further detail below. There are several notable general revenue initiatives included in the Department's FY 2015 Budget. First, beginning in FY 2015, the Office of Diversity, Equity, and Opportunity is established as an executive division as part of the Department's recommendations charged by Governor Chafee's Executive Order 13-5 "Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island." This new division will meld the existing sub-programs in Human Resources and Purchasing while adding three (3.0) FTE positions, which includes a senior level director.

Second, an additional \$850,000 is included to the Rhode Island Economic Development Corporation, which was recently re-branded "Commerce RI." The additional funds include \$75,000 for a Creative and Cultural Economy Coordinator who will be responsible for coordinating and monitoring the State's overall economic development efforts in the creative and cultural economy. The additional funds also include \$775,000 to support the May 2015 Volvo Ocean Race in Newport, which is an international sailing competition and will build on a positive economic experience with the America's Cup World Series in 2012 hosted in Newport.

Third, general revenues totaling \$45,000 in the Division of Purchasing will be used to support IT related work relating to the new "public copy" law for all public work procurements and to use Lean Process Improvement to improve efficiencies with statewide procurements. Finally, general revenues are budgeted in Accounts and Control to support a new online payroll system for state employees that use direct deposit totaling \$60,000.

In FY 2015, debt service general revenue expenditures increase by \$30.2 million compared to the enacted FY 2014 Budget of \$157.4 million. This increase is comprised of a number of changes. For general obligation debt, savings from the annual pay down of debt totals \$961,270. This is offset by increased funding of \$2.7 million for the new bond issuance in October 2013; \$1.8 million for projected debt service on the bond issuance planned for FY 2015; and a shift of an additional \$10.0 million, for a total of \$19.3 million, in transportation debt-related debt service from gas tax funding under the Department of Transportation to general revenue. For certificates of participation debt, there is a net increase of \$138,069, comprised of year over year savings on outstanding debt of \$3.5 million primarily due to a refinancing completed in April 2013, offset by an increase of \$3.6 million for projected new issuance for FY 2015. Other debt service changes include: 1) increased costs on outstanding historic structures tax credit debt of \$23,015; 2) increased costs of \$10.3 million for proposed new issuance of debt for the historic structures tax credit program; 3) savings of \$120,000 related to job rent credits earned by Fidelity Investments; 4) savings of \$652,000 related to the I-195 land acquisition; and 5) additional funding of \$9.8 million, for a total of \$12.3 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.

Of the federal funds decrease of \$8.7 million, a decrease of \$4.9 million in federal funds is attributable to the Rhode Island Health Benefits Exchange, which is branded "HealthSource RI". This is a result of a decrease in contracted professional services that were necessary in FY 2014 for associated start-up costs. The FY 2015 Budget as proposed does not include general revenue funding as it is assumed that federal resources will be available through FY 2015.

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In October 2013, the Division of Planning was awarded an additional \$16.0 million to assist the Rhode Island recovery from Hurricane Sandy in October 2012 and to protect Rhode Island from future storms. The State had previously been awarded \$3.24 million, which makes overall total funding for the award \$19.2 million and will report to HUD (U.S. Department of Housing and Urban Development) under a single Hurricane Sandy Action Plan. The funding will also support an additional 1.0 FTE position to monitor and coordinate the sub-awarding and use of grants. The FY 2015 Budget includes \$2.0 million of the additional \$16.0 million in federal funds available, with the balance to be expended in future years.

The Governor recommends a 720.7 FTE position authorization in the revised FY 2014 Budget, which is no change from the enacted FY 2014 Budget. The revised FY 2014 Budget includes an additional 10.0 FTE positions for the Rhode Island Health Benefits Exchange (HealthSource RI) to support operations and 3.0 FTE positions for the Internal Service Fund Central Mail program to support the anticipated increased volume with the UHIP (United Health Infrastructure Project) implementation.

For FY 2015, the Governor recommends a 723.7 FTE position authorization. This includes an additional 3.0 FTE positions for the new executive division of the Office of Diversity, Equity, and Opportunity. The Division of Planning also includes 1.0 Principal Planner for the monitoring and coordinating of federal Hurricane Sandy recovery funds. The position will be funded by the Hurricane Sandy federal award and will be eliminated once all funding is exhausted.

Department of Business Regulation

The Governor recommends a revised FY 2014 Budget of \$14.7 million, including \$8.8 million in general revenue, \$4.0 million in federal funds, and \$1.9 million in restricted receipts for the Department of Business Regulation. All funds increase by \$1.7 million from the FY 2014 Enacted Budget. The increase is largely attributed to a \$2.1 million federal fund increase in the restoration of the Exchange Establishment One and the inclusion of the new Rate Review Cycle III federal grants. The Exchange Establishment One grant was originally planned to be transferred to the Health Benefits Exchange (HBE) under the Department of Administration; however, since federal regulations stipulate that all funds must be frozen for a period after the transfer, HBE requested that the grant remain in the Department of Business Regulation to avoid payment delays. The Governor also provides partial-year financing for the four new positions in the Office of the Health Insurance Commissioner for the new Rate Review Cycle III grant in the FY 2014 Revised Budget.

For FY 2015, the Governor recommends \$13.0 million, including \$9.0 million in general revenue, \$2.0 million in federal funds, and \$1.9 million in restricted receipts. All funds decrease by \$13,450, of which general revenue decreases \$232,401, from the FY 2014 enacted level. General revenue-financed personnel expenditures decrease \$133,293, compared to the FY 2014 enacted level, attributed to additional turnover savings and rate changes in certain benefits; operating costs decrease by \$99,108 mostly due to shifting eligible costs to restricted receipts accounts. In federal funds, an increase of \$274,241 from the FY 2014 Enacted Budget is attributed to various net changes including an increase in financing for the new Rate Review Cycle III federal grant, offset by the expiration of the Exchange Establishment One grant.

The Governor recommends an authorization of 94.0 FTE positions per year for FY 2014 and FY 2015, unchanged from the FY 2014 Enacted Budget.

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Department of Labor and Training

The Governor recommends a revised FY 2014 Budget of \$587.6 million for the Department of Labor and Training, including \$9.0 million in general revenue; \$99.1 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$40.0 million, \$14.5 million in Unemployment Insurance Administration funds and \$15.0 million in Workforce Investment Act funds; \$55.2 million in restricted receipts; \$1.4 million in Rhode Island Capital Plan Fund (RICAP) financing; and \$423.2 million in other funds. The revised Budget reflects a total decrease of \$4.5 million, primarily attributable to a \$19.9 million reduction in assistance and grants for Unemployment Insurance and a \$17.5 decrease in Unemployment Insurance debt service. These reductions are offset by increases of \$3.2 million in personnel, \$6.6 million in contract services for Income Support, \$10.2 million in Workforce Development Services assistance and grants, \$3.3 million for capital purchases, and \$9.1 million in operating transfers.

General revenue in the revised FY 2014 Budget decreases by \$16,042. The immaterial change includes a \$153,461 increase in personnel and a \$174,463 decrease in assistance and grants, which is primarily attributable to shifting Workforce Development Initiative funds from grants to personnel for the administration of the new program. Operating costs increase by \$16,004, primarily attributable to a \$14,992 increase in the Workforce Regulation and Safety program. Capital purchases decrease by \$9,447, attributable to reductions in the Workforce Regulation and Safety program, and contract services decrease by \$1,597.

The revised FY 2014 Budget reflects a \$3.3 million increase in federal funding. Federal funds for the Income Support program increase by \$7.1 million for information technology contract services and \$1.5 million for capital computer equipment purchases for the development and implementation of a new Unemployment Insurance tax and benefit program computer processing system as part of the federal Information Technology Consortium project for Unemployment Insurance. Federally financed Extended Unemployment Compensation assistance and grants decrease by \$14.9 million as a result of revised Labor Market Information projections and the cessation of these benefits on December 31, 2013. Personnel costs financed by federal funds increase by \$2.0 million, primarily attributable to a \$1.8 million increase for Unemployment Insurance Administration.

Workforce Development Services federal funds for assistance and grants within the Job Training Partnership Act and other training programs increase by \$6,568,688, including a \$4.1 million increase in Workforce Investment Act funds, a \$1.4 million increase in Trade Readjustment Act funds, a \$580,917 increase in the Workforce Innovation Fund and a \$254,813 increase in Data Quality Initiative funds. Federally financed personnel costs in the Workforce Development Services program decrease by \$130,702 due to turnover and contract services decrease by \$140,024 to align them with historical expenditures. Capital purchases increase by \$301,838 to replace computers at netWORKri offices throughout the state. Operating transfers to Higher Education facilities increase \$236,811, consisting of \$122,547 in additional Workforce Investment Act funds and \$114,264 in Trade Readjustment Act funds.

FY 2014 Human Resource Investment Council restricted receipt financed grants in the Workforce Development Services program increase by \$3.7 million from the FY 2014 enacted budget. The increase is due to funds carried forward from FY 2013 that were awarded but not spent by the end of the fiscal year. Rhode Island Capital Plan Fund resources in Central Management increase by \$664,481, including \$751,415 in unspent funds carried forward from FY 2013 to complete Center General Building roof repairs, partially offset by an \$86,931 decrease for various Center General Building asset protection projects. The revised FY 2014 Budget reduces the budget for payment to the federal government for the Unemployment Insurance

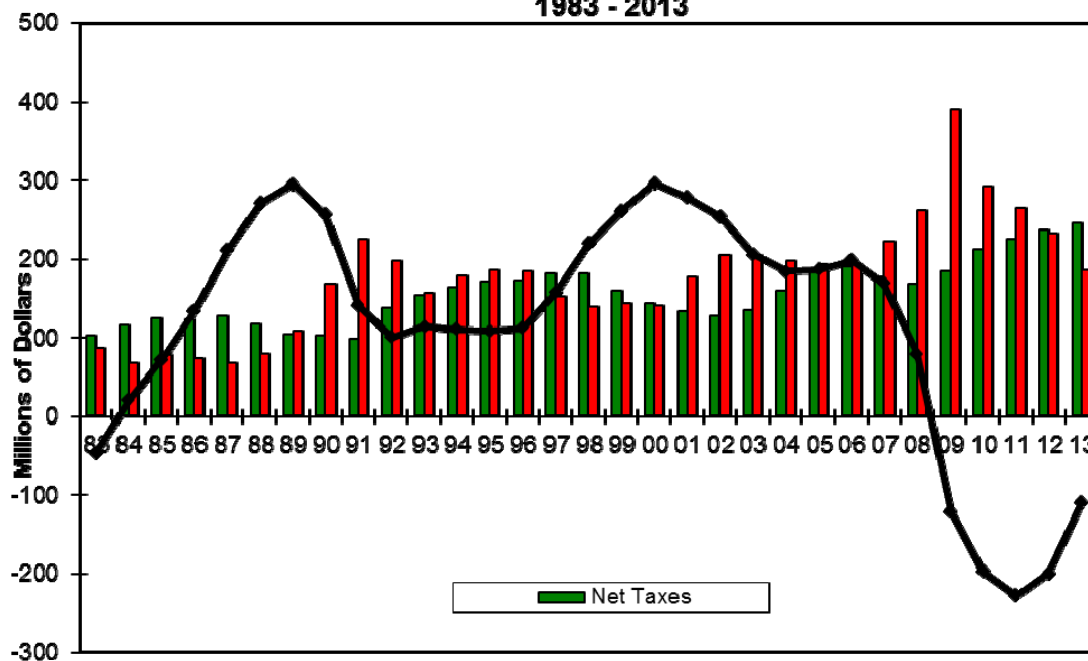
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loan by \$15.0 million, equal to the principal portion of the payment, because this portion of the payment is processed as a revenue transfer rather than an expenditure.

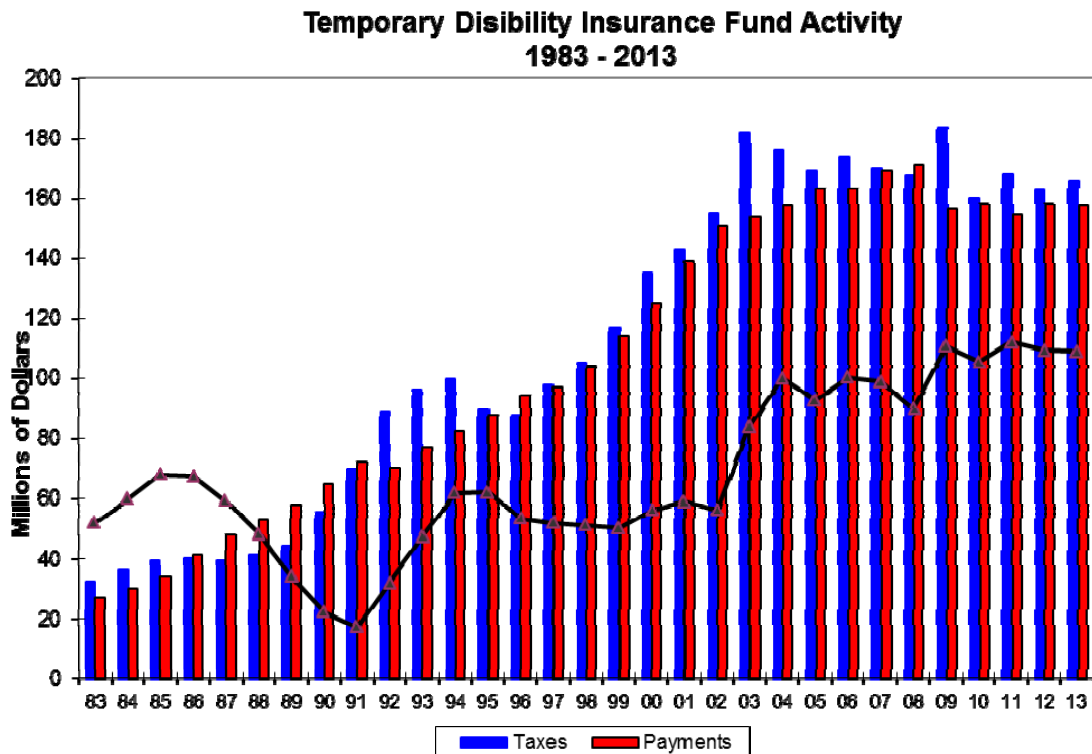
The Governor recommends a FTE position authorization of 410.0 FTE positions for FY 2014 for the Department of Labor and Training, reflecting an 18.0 FTE position increase from the FY 2014 enacted level. The increase is attributable to required staffing of new programs, including 3.0 FTE positions to administer the Back to Work RI initiative and 7.0 FTE positions to administer the Temporary Caregiver Insurance program, as well as 7.0 FTE positions for the Unemployment Insurance call center and 1.0 FTE position for a Medical Records Technician in the Injured Workers Services program. The \$3.2 million increase in personnel expenses throughout the agency results from the requested 18.0 FTE position increase. The requested increase is partially offset by \$338,733 in turnover.

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, 2013 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 slowly recovering, but remains negative due to the state's high unemployment rate. As of the end of calendar year 2013, the Employment Security Trust Fund is projected to have a negative balance of \$109.0 million. This balance represents an Unemployment Insurance increase of \$90.1 million (54.8 percent). The 2013 TDI Trust Fund balance of \$109.0 million represents a \$0.3 million (0.3 percent) decrease from 2012.

**Unemployment Insurance Fund Activity
1983 - 2013**



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For FY 2015, the Governor recommends \$510.8 million for the Department of Labor and Training, including \$9.2 million in general revenue, \$42.2 million in federal funds, \$40.3 million in restricted receipts, \$2.0 million in Rhode Island Capital Plan Fund financing and \$417.2 million in other funds. The Governor’s recommendation reflects a decrease of \$81.7 million from the FY 2014 enacted Budget, and includes \$117,542 more general revenue, \$53.5 million less federal funds, including a \$54.8 million reductions in Stimulus – Extended Unemployment due to the cessation of funds in FY 2014, a \$2.9 million decrease in restricted receipts, \$1.3 million more from the Rhode Island Capital Plan Fund and \$26.7 million less in other funds.

General revenue increases are primarily attributable to a \$411,269 increase in Workforce Development Services due to the addition of \$245,093 in personnel costs to administer the Workforce Development Initiative and a \$166,176 increase in Workforce Development Initiative grants. Incorporated in this increase is \$500,000 in additional funds for the Governor’s Workforce Development Initiative originally enacted in FY 2014 with \$1.25 million. This increase is partially offset by a \$281,492 decrease in Workforce Regulation and Safety personnel costs resulting from turnover. Personnel for the administration of Police and Firemen’s Relief increases by \$18,329, consistent with historical expenditures, while benefit payments remain level with the FY 2014 enacted budget.

The FY 2015 Budget reflects a \$63.0 million decrease in assistance and grants, due to the cessation of federally financed Stimulus – Extended Unemployment benefits and a \$31.0 million decrease in Unemployment Insurance benefit payments from other funds. These decreases are partially offset by a \$20.0 million increase for the addition of Temporary Caregiver Insurance benefits from other funds. Workforce Development Services federal funds for assistance and grants increase by \$1.2 million, attributable to a \$1.2 million increase in Job Training Partnership Act and other training programs. Personnel increases by \$1.9 million, resulting from increased program administration needs. The

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personnel increase is mitigated by \$1.4 million in turnover. Income Support information technology contract services increase by \$1.5 million and capital computer purchases increase by \$1.5 million for the development and implementation of a new Unemployment Insurance tax and benefit program computer processing system as part of the federal Information Technology Consortium project for Unemployment Insurance.

The FY 2015 Budget includes \$5.0 million for payment to the federal government for the Unemployment Insurance loan for federal funds borrowed to finance the state's Unemployment Insurance obligations, reflecting a \$17.5 million decrease due to the principal portion being processed as a revenue transfer rather than as an expenditure. In capital expenses, a \$1.3 million increase from the Rhode Island Capital Plan Fund results from the addition of \$505,996 to complete the Center General roof replacement, as well as a \$798,000 increase for asset protection.

The Governor recommends a FTE position authorization of 410.0 FTE positions for FY 2015 for the Department of Labor and Training, reflecting an 18.0 FTE position increase from the FY 2014 enacted level.

Department of Revenue

The Governor's revised FY 2014 Budget for the Department of Revenue is \$445.5 million, including \$101.2 million in general revenue, \$4.0 million in federal funds, \$4.0 million in restricted receipts, \$606,750 in operating transfers from other funds, and \$335.8 million in other funds. This represents an all funds increase of \$92.1 million from the enacted FY 2014 Budget of \$353.4 million.

The all funds increase is primarily due to Lottery Division commission payments to Twin River Casino for Table Games that were not included in the enacted budget, which will total an estimated \$67.2 million in FY 2014 based on projected revenues as determined at the November 2013 Revenue Estimating Conference. These commission payments were accounted for when estimating the net transfer to the General Fund, so there is no impact to previous revenue estimates. The increase is also due to a revised estimate of lottery commission and prize expenditures for non-casino operations, which total \$246.9 million and an increase of \$19.6 million from the enacted budget.

The revised FY 2014 Budget reflects an increase of \$962,099 in federal funds, which is the result of the Division of Motor Vehicles using federal grant resources to fund specific federally mandated initiatives as part of the DMV RIMS capital project (Rhode Island Modernization System). The project will upgrade the information technology systems at DMV locations. Restricted receipts will be used to finance the project. The restricted receipts are generated through the customer surcharge on DMV transactions, which are used to pay off the debt service on the project and will be used to finish financing the project.

Of the all funds increase of \$92.1 million from the enacted budget, general revenue expenditures decreased by \$855,205. The revised FY 2014 Budget includes FY 2013 re-appropriations totaling \$153,396, which includes an \$86,396 obligation to the City of Providence for the Property Tax Statistical Revaluation Reimbursement Program under State Aid and a \$66,000 Division of Motor Vehicles FY 2013 obligation for payment to NADA for data services. The general revenue decrease from the enacted to the revised FY 2014 Budget is primarily due to increased turnover and projected personnel savings in the Director of Revenue's Office, Division of Municipal Finance, and Division of Taxation. It also includes reductions of professional contracted services in the Division of Municipal Finance, which resulted from less than anticipated outside legal counsel work relating to distressed communities and less

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than anticipated actuary services for the OPEB Study Commission. The increased turnover, projected personnel savings, and consultant reductions from these divisions were used to increase personnel funding at the Division of Motor Vehicles. The increase supports an additional FTE position, a Chief of Information and Public Relations, and overtime costs related to the implementation of the DMV RIMS capital project.

The Governor's recommended FY 2015 Budget is \$450.6 million in all funds, which includes \$102.5 million in general revenue, \$2.9 million in federal funds, \$1.8 million in restricted receipts, and \$343.3 million in other funds. This represents an all funds increase of \$97.1 million from the enacted FY 2014 Budget. Compared to the FY 2014 enacted budget, general revenue expenditures increase \$1.3 million, federal funds expenditures decrease \$100,065, restricted receipts decrease \$6,900, operating transfers from other funds decrease \$150,000, and other funds increase \$97.1 million. The other funds increase of \$97.1 million is attributable to Lottery Division commission payments to Twin River for Table Games, which was similar to the revised FY 2014 Budget. These commission payments were accounted for when estimating the net transfer to the General Fund, so there is no impact to previous revenue estimates.

The increase in general revenue expenditures of \$1.3 million from the enacted FY 2014 Budget is primarily a result of an increase in personnel costs for both the Division of Motor Vehicles and the Division of Taxation. The Division of Motor Vehicles will be coordinating staff training with Hewlett-Packard (HP) to implement the DMV RIMS capital project. The additional personnel costs will finance the hiring of 10.0 already authorized Customer Service Representative II FTE positions to ensure current gains in DMV customer wait times do not diminish while current staff commences with DMV RIMS training. As the Customer Service Representative positions have a high turnover rate, the current staffing levels will be maintained through attrition after training is complete. The Division will create operational savings by moving all printing and mailing of renewal notice forms to the State's Central Mailroom in Warwick. This initiative is expected to take place in FY 2014 with full annualized savings of approximately \$70,000 to begin in FY 2015.

The Division of Taxation includes additional personnel costs to finance 7.0 new Revenue Officer I FTE positions, which will generate approximately \$900,000 each in additional revenues. This estimate is based on the revenue collections of the previous 13 Revenue Officer positions hired. The Department will also finance the increase of personnel costs through turnover in the Director of Revenue's Office and the Division of Municipal Finance, which is consistent with the revised FY 2014 Budget. This also includes reductions for professional contracted services costs in the Division of Municipal Finance that are projected to be less than anticipated for distressed communities and the OPEB Study Commission.

The Governor recommends 492.0 FTE positions in FY 2014, which is no change from the enacted FY 2014 Budget. For FY 2015, the Governor recommends 499.0 FTE positions, which includes 7.0 Revenue Officer I positions in the Compliance and Collections Program in the Division of Taxation.

Legislature

The Governor's revised FY 2014 Budget for the Legislature totals \$40.2 million, including \$38.7 million in general revenue and \$1.6 million in restricted receipts. The general revenue recommendation is an increase of \$2.5 million above the FY 2014 enacted amount, reflecting about half of the \$4.7 million reappropriation from FY 2013 as requested in the Legislature's budget submission. Restricted receipts for audits of federal programs decrease by \$36,615 from the FY 2014 enacted amount to a total of \$1.6 million based on expected collections and expenditures from the 0.05 percent fee on all federal cash receipts.

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In FY 2014, salary and benefit financing totals \$31.7 million, or \$284,810 less than the FY 2014 enacted level. The decline in personnel financing occurs mostly in the Legislative Council and Joint Committee on Legislative Services programs attributable to constrained hiring in these programs and removal of \$209,428 for medical benefit and retiree health insurance statewide savings in the current year. Consultant expense increases by \$721,500, from \$577,850 in the Enacted Budget to \$1.3 million in the FY 2014 Revised Budget, operating expense increases by \$988,215, from the enacted level of \$2.7 million to \$3.7 million, and capital expense increases by \$648,800, from \$269,500 to \$918,300 in the Governor's FY 2014 Revised Budget, attributable to on-going technical and information system improvements throughout the Legislature. The improvements include bill tracking software systems, website upgrades, information transparency enhancements, improvements to firewalls and other protective features, 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 total amount for these upgrades in the current year is \$2.4 million, which uses the bulk of the reappropriation from FY 2013 to FY 2014. Special legal counsel also increases by \$40,000 to a total of \$95,000 to complete payments in the current year associated with a legal challenge to legislative district boundaries, which were reconfigured by the 2010 redistricting project.

For FY 2015, the Governor recommends \$38.0 million, including \$36.4 million in general revenue and \$1.6 million in restricted receipts. The recommendation is an increase of \$242,738 from the FY 2014 enacted amount for general revenue, offset by a reduction of \$17,536 in restricted receipts in comparison to the enacted amount. The general revenue increase is largely in the personnel category, reflecting salary and associated benefit growth of \$398,631, offset by statewide savings in medical and retiree health insurance totaling \$209,058. Consultant expenses decreases by \$135,000 in FY 2015 in comparison to the FY 2014 enacted amount, attributable to completing programming and IT system support requirements, and the end of special legal counsel requirements. Operating expense returns to historical levels as most information and data systems improvements will be complete. Capital expense is provided in the amount of \$247,500, a reduction of \$16,000 from the FY 2014 enacted amount, again reflecting completion of several technological improvements throughout the Legislature, while still providing financing for computer and office equipment purchases. Legislative grants are recommended in the amount of \$2.6 million in FY 2014, reflecting a balance forward of \$356,964 in unspent grants from FY 2013. Grant financing in FY 2015 in the amount of \$2.3 million is the same as the original FY 2014 enacted amount.

The Governor recommends 298.5 FTE positions in FY 2014 and FY 2015, the same as the enacted Budget authorization for FTE positions in the Legislature.

Office of the Lieutenant Governor

The Governor's revised FY 2014 Budget for the Office of the Lieutenant Governor is \$2.7 million, consisting of \$946,501 in general revenue, \$1.6 million in federal funds and \$135,000 in restricted receipts. The FY 2014 Revised Budget consists of \$1.4 million for contract services, \$1.1 million for personnel, \$100,000 for assistance and grants, \$10,970 for operating expenses, and \$8,404 for capital purchases. Personnel costs decrease by \$21,590 as a result of revised medical insurance and retiree health benefit calculations, and reflect a shift of approximately \$35,000 from general revenue to Exchange Establishment One Grant federal funds due to a revised allocation methodology. Federal Center for Medicare and Medicaid Innovation (CMMI) Model Grant Award federal funds increase \$462,913 to reflect the use of unspent FY 2013 funds. This grant was awarded to explore healthcare payment and

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delivery reform and consists primarily of management consultant expenses and computer equipment purchases.

The Governor's FY 2014 recommendation adds \$135,000 in restricted receipts for funds received in December of 2011 as part of Rhode Island's award from the Robert Wood Johnson Foundation's State Health Reform Assistance Network, which had not yet been appropriated. These funds include \$100,000 to be transferred to the Department of Human Services for Medicaid benefits and \$35,000 that will be used by the Lieutenant Governor's office to provide communication services to the state regarding health reform issues, provide staff training, purchase technology equipment for staff and cover travel expenses related to healthcare reform conferences.

For FY 2015, the Governor recommends a budget of \$1.1 million, \$1.0 million less than the FY 2014 enacted budget, consisting of \$1.0 million in general revenue and \$74,350 in Exchange Establishment One Grant federal funds. The FY 2015 budget reflects a \$969,380 decrease in CMMI State Innovation Model Grant Award federal funds due to the cessation of this grant in FY 2014. Additionally, Exchange Establishment One Grant federal funds expire on December 31, 2014, resulting in a \$64,758 decrease. Personnel costs decrease \$60,042 due to the defunding of the Health Policy Director upon the cessation of Exchange Establishment One Grant funds. Election of a new Lieutenant Governor in FY 2015 necessitates transition costs, totaling \$25,000, financed by general revenue.

The Governor recommends 8.0 FTE positions in revised FY 2014 and 8.0 FTE positions in FY 2015, the same as the enacted FY 2014 level.

Secretary of State

The Governor's revised FY 2014 Budget for the Secretary of State is \$7.0 million, including \$6.5 million in general revenue, \$50,163 in federal funds, and \$481,597 in restricted receipts. General revenue decreases by \$20,264. Effective Absentee Systems for Elections (EASE 2.0) federal funds totaling \$50,163 are added to ensure successful, sustainable and effective methods to improve voting systems for voters protected by the federal Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA); to increase the percentage of ballots returned by UOCAVA voters; and to collect and analyze the effectiveness of absentee voting procedures and systems for UOCAVA voters. Historical Records Trust restricted receipts increase by \$56,482 due to increased revenue projections. Additionally, Visitor Center Fund restricted receipts increase by \$8,431, and will be used to maintain inventory and finance operations of the State House Visitors Center.

The personnel budget increases \$21,132 from the FY 2014 enacted level. The increase is primarily attributable to hiring a Deputy Public Information Officer in lieu of an Administrative Assistant in the Office of Public Information. The resulting increase is partially offset by turnover savings achieved by leaving the Director of Elections and Civics vacant for the entirety of FY 2014 and due to a vacancy in an Administrative Assistant position in the Elections and Civics program. Contract services within the Office of Public Information increase by \$12,000 to commence the implementation of a new Lobby Tracker Module.

Available Historical Records Trust restricted receipt collections have been projected to increase by \$56,482 from the enacted projection. The increase in available funds is primarily evident in the State Archives operating budget and resulted in a \$60,564 decrease in the general revenue share of property rental for the 337 Westminister Street facility in Providence. The budget also includes \$866,291 in Record

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Center Internal Service Funds, a \$3,166 decrease from the FY 2014 enacted budget.

For FY 2015, the Governor recommends \$7.9 million for the Secretary of State, including \$7.3 million in general revenue and \$529,752 in restricted receipts. The recommendation reflects a \$914,191 increase from the FY 2014 enacted budget, including an \$839,370 increase in general revenue and a \$74,821 restricted receipt increase. The general revenue increase is primarily attributable to the November 2014 General Election; election related expenses total \$635,650, including increases of \$535,550 for printing, \$70,100 for postage and postal services and \$30,000 for legal expenses.

In the Administration program, the election of a new Secretary of State in FY 2015 necessitates budgeting for transition costs, totaling \$25,000, financed by general revenue. The recommendation reflects \$49,352 in anticipated turnover related to the transition period, in addition to \$37,577 for a half year vacancy in the Director of Elections and Civics position. The Office of Public Information's information technology budget increases by \$124,000, including \$24,000 to complete the implementation of the Lobby Tracker Module and \$100,000 for a new Rules and Regulations database. Office of Public Information printing expense increases by \$14,045 for its bi-annual printing of the RI Owner's Manual.

Consistent with the FY 2014 revised budget recommendation, projected increases in Historical Records Trust restricted receipt collections will result in a \$64,821 increase from the FY 2014 enacted projection; the increase in available funds will be used to offset \$62,439 in the general revenue portion of the State Archive's property rental payment. Visitors Center Fund restricted receipts increase by \$10,000 due to increased projected collections. The budget also includes \$882,436 in Record Center Internal Service Funds, a \$12,979 increase from the FY 2014 enacted budget.

The Governor recommends 57.0 FTE positions in revised FY 2014 and FY 2015, consistent with the enacted FY 2014 authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2014 Budget of \$39.3 million for the Office of the General Treasurer, including \$2.6 million in general revenue, \$851,029 million in federal funds, \$35.6 million in restricted receipts, and \$210,277 in other funds. The Revised Budget for all funds is an increase of \$3.9 million from the enacted level, mostly attributable to restricted receipts, which increase in the Unclaimed Property program based on an increase in collection recoveries in the current year, with a corresponding increase in claim payouts.

The Governor provides personnel financing for the 83.0 FTE positions assigned to the agency in the combined amount of \$8.5 million in the FY 2014 revised recommendation. The financing is \$264,740 less than the enacted level for personnel, largely reflecting reduced offsets to the Retirement Program from other units within Treasury, and to department-wide constrained hiring.

The Governor's revised FY 2014 Budget for consultant expenses in the Defined Benefit sub-program in the Retirement Division increases by \$2.7 million for first year financing for a new pension administration system to replace the out-dated Anchor System. This increase is offset by a corresponding decrease of \$3.0 million in capital expenditures in the current year. The new system will be phased-in over several years, in part to ensure adequate operational support during and after implementation, and to conform to annual administrative financing constraints set in law for the Employees' Retirement System of Rhode Island. The new system will provide significant improvement in payroll processing, member

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benefit determinations, and services to active and retired members.

The Unclaimed Property Program's payouts increase by \$1.7 million to \$10.1 million in comparison to the enacted value of \$8.5 million, reflecting year-to-date property claims. The annual transfer of revenues to the State's general fund increases in the Governor's revised recommendation by \$1.2 million to an estimated \$10.9 million, consistent with the November 2013 Revenue Estimating Conference results and year-to-date program revenues, net of the required liability hold-back for unclaimed property.

The Governor recommends \$1.5 million in settlements for the Victims of Crime Compensation program, corresponding to recent years' history. The financing for claim payouts for eligible recipients is provided with federal Department of Justice grants (\$560,000) and fines imposed by the Courts (\$925,000).

For FY 2015, the Governor recommends total expenditures of \$35.2 million for the Office of the General Treasurer, comprised of \$2.5 million in general revenue, \$870,338 in federal funds, \$31.5 million in restricted receipts and \$220,608 in other funds. In relation to the FY 2014 enacted budget, general revenues are \$122,587 less, federal funds are \$260,084 less, restricted receipts are \$137,452 more and other funds are \$8,315 less.

Across all funds and department-wide, personnel financing totals \$8.6 million, or \$204,908 less than the FY 2014 enacted level. The decrease is attributable to additional turnover in the amount of \$359,630 offset by statewide adjustments for employee benefits. The Governor also provides \$25,000 in transition financing for the new General Treasurer to be elected in November, 2014.

The Governor recommends second year financing in the consultant category for the pension administration database in the Retirement Program in the amount of \$2.4 million in FY 2015. The Governor also recommends financing in the amount of \$105,600 for a Capitol Police officer at Treasury headquarters to provide security for the array of personal information held by the Business Processing Unit, the Unclaimed Property Program and the Employees' Retirement System of Rhode Island, in addition to providing a secure environment for Treasury employees and the daily visitors to the building.

In the Unclaimed Property Program, claim payouts are again expected to increase above the FY 2014 enacted level, to a total of \$9.5 million in FY 2015. The calculation for the net transfer of revenues to the general fund surplus, as agreed upon in the November 2013 Revenue Estimating Revenue Conference, is estimated to be \$10.1 million in FY 2015.

In the Crime Victim's Compensation Program, the Governor recommends an increase of \$35,315 in general revenue 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 Governor again provides \$1.5 million for eligible expenses associated with medical bills, loss of earnings and relocation costs up to \$25,000.

The Governor recommends 83.0 FTE positions in both FY 2014 and FY 2015, same as the enacted level.

Board of Elections

The Governor's revised FY 2014 Budget for the Board of Elections is \$1.8 million. The budget consists entirely of general revenue and reflects a \$21,044 increase from the FY 2014 enacted budget. A reduction of \$9,657 in personnel is attributable to rate changes for medical insurance, assessed fringe benefits and

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retiree health insurance. Contract services increase by \$19,700, primarily attributable to a \$20,000 increase in legal expenses due to higher than anticipated year to date legal expenditures. Operating expenses increase by \$11,001 due to a \$10,000 increase in printing costs to print forms for campaign finance, voter registration, and other election-related forms in preparation for the November 2014 General Election and a \$1,000 increase in staff training related to election administration.

For FY 2015, the Governor recommends \$4.1 million financed entirely by general revenue, a \$2.4 million increase from the FY 2014 enacted Budget. The FY 2015 recommendation reflects a \$2.0 million increase for public financing of elections related to the November 2014 election. Other expenses related to the November 2014 Election include increases of \$125,000 for voting equipment delivery, \$40,000 for legal expenses, \$20,000 for printing, and \$17,500 for postage and postal services. The capital furniture and equipment increases by \$61,250 for the purchase of approximately 245 voting booths to alleviate wait times at high volume voting locations. Rental of outside property increases by \$60,000 for warehouse space rental in anticipation of the Board having to relocate the voting equipment currently located at the Cranston Street Armory.

The FY 2015 recommendation includes \$46,690 for information technology improvements based on an evaluation by the Division of Information Technology (DoIT) which identified a number of risks based on aging infrastructure. In addition to the initial outlay, these upgrades will result in an annual \$12,000 information technology contract service expense for the increased bandwidth required for the aforementioned upgrades. The recommended information technology investment is partially offset by a \$150,000 decrease in from the Board's FY 2014 enacted IT programming budget; these funds will no longer be required due to the completed implementation of an electronic filing system for independent advocates, required pursuant to House Bill H-7859 of 2012.

The Governor recommends 11.0 FTE positions in revised FY 2014 and FY 2015, consistent with the enacted FY 2014 authorization.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2014 Budget for the Rhode Island Ethics Commission of \$1.6 million, composed entirely of general revenue. This amount is \$1,264 less than the FY 2014 enacted level. The revised budget includes reductions of \$3,529 for salaries and benefits, \$7,026 for statewide savings in medical and retiree health costs, which are partially offset by increases of \$3,529 for operating costs and \$5,762 for computer equipment. Funding for the computer equipment purchased in FY 2013, but received in FY 2014, was approved for reappropriation into FY 2014 by the Governor.

For FY 2015, the Governor recommends expenditures of \$1.6 million in general revenue. This amount is \$4,001 higher than the FY 2014 enacted budget and fully funds current services of the Commission. The \$4,001 general revenue change includes increases of \$794 for salaries and benefits and \$3,207 for operating expenses.

The Governor recommends the FY 2014 enacted level of 12.0 FTE positions in revised FY 2014 and FY 2015.

General Government

Office of the Governor

The Governor recommends a revised FY 2014 Budget for the Office of the Governor of \$4.6 million, all in general revenue. The recommendation is an increase of \$170,561 from the FY 2014 Enacted Budget. This increase includes a re-appropriation of \$196,428 to the Governor's Contingency Fund for anticipated expenditures related to the pension lawsuit mediation. Without this re-appropriation the Governor's revised budget would be \$25,867 less than the enacted budget. The FY 2014 recommendation provides \$4.1 million for personnel, \$283,234 for operating, \$250,000 for assistance and grants, as well as \$17,500 for capital expenditures.

The Governor recommends a FY 2015 Budget for the Office of the Governor of \$4.7 million, all in general revenue. The recommendation is an increase of \$209,049 from the FY 2014 Enacted Budget. The Governor's FY 2015 recommendation provides \$4.1 million for personnel, \$267,750 for operating, \$250,000 in assistance and grants, as well as \$19,900 for capital expenditures. The operating expenditure increase includes \$125,000 to fund transition costs for the new Governor to be elected in November 2014.

The Governor recommends 45.0 FTE positions in FY 2014 and FY 2015, which is the same as the enacted level for the Office.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2014 Budget of \$1.5 million for the Commission for Human Rights, including \$1.1 million from general revenue and \$317,367 from federal funds. The recommended level is \$4,010 more than the FY 2014 enacted level and consists of \$4,719 less in general revenue and \$8,729 more in federal funds. The increase in federal funds expenditures is due primarily to employee selection of medical benefits after the FY 2014 Budget was enacted. The decrease in general revenue expenditures is attributable to statewide medical and retiree health savings of \$6,339.

For FY 2015, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million from general revenue and \$287,096 from federal funds. Compared to the FY 2014 enacted level, the FY 2015 recommended expenditures are \$20,756 greater, reflecting \$42,298 more in general revenue and \$21,542 less in federal funds. The increase in general revenue is due primarily to a higher allocation of employee costs in an attempt to reduce the strain on the agency's federal fund sources from the US Equal Employment Opportunity Commission (EEOC) and the Department of Housing and Urban Development (HUD). The decrease in federal funds expenditures correlates to bringing operating expenses more in line with anticipated reimbursements from the two federal agencies for discrimination cases handled by the Commission. It should be noted that the Commission's federal EEOC grant was affected by federal sequestration, as it was determined that the Commission would only be reimbursed at approximately 84.0 percent of levels recommended by Federal District Offices for charge resolutions. The Commission's HUD grant was not directly impacted by sequestration.

The Governor recommends 14.5 FTE positions in the FY 2014 revised and FY 2015 Budgets, the same level authorized in the enacted FY 2014 Budget.

Public Utilities Commission

The Governor recommends a revised FY 2014 Budget of \$8.5 million for the Public Utilities Commission. This revised level of funding consists of \$205,056 from federal funds and \$8.3 million

General Government

from restricted receipts. Compared to the FY 2014 enacted budget, it is a \$98,634 increase, including \$38,238 more in federal funds and \$60,396 more in restricted receipts.

For FY 2015, the Governor recommends total expenditures of \$8.6 million, consisting of \$87,733 from federal funds and \$8.5 million from restricted receipts. The budget is \$199,178 greater than the FY 2014 enacted appropriations and reflects a reduction of \$79,085 in federal funds and an increase of \$278,263 in restricted receipts. The Governor recommends an additional programming services officer in FY 2014 to provide management oversight of the Consumer Section to address backlogs 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.

The Governor recommends 49.0 FTE positions in the FY 2014 revised budget, the same as in the enacted authorization. For FY 2015, the Governor recommends one additional FTE position discussed above for a total ceiling of 50.0 FTE positions.

Health and Human Services

Health and Human Services

Summary

The Health and Human Services function of state government engages in a broad spectrum of activities including, but not limited to, medical assistance, economic support, rehabilitation services, client subsidies, case management, residential supports, behavioral healthcare, services for at-risk children, advocacy, and medical provider regulation.

In FY 2015, despite a continually constrained budgetary environment, the Health and Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve their maximum potential and self-sufficiency. The social and economic needs of clients continue to be provided by the Executive Office and Health and Human Services, which oversees the Departments of Children, Youth, and Families; Health; Human Services; Behavioral Healthcare, and Developmental Disabilities, and Hospitals. The Governor remains a strong advocate of building a sustainable safety net in Rhode Island, with adequate programs of medical and cash assistance for the most vulnerable populations of the State, such as low-income children, parents, pregnant women, frail elders, veterans, the medically needy, and those with physical and developmental disabilities.

Opportunities for innovation in the area of state-subsidized medical care through the Medicaid program remain a high priority of both the Governor and the Secretary of Health and Human Services. The Governor is fully supportive of the provisions of the federal Patient Protection and Affordable Care Act (PPACA) that expand the scope of the Medicaid program beginning in January 2014, and the Executive Office of Health and Human Services is poised to accommodate the influx of new beneficiaries. Now fully underway, the multi-phase Unified Health Infrastructure Project (UHIP) will result in a modern, fully integrated eligibility system covering multiple programs of public assistance and the state-based Health Benefits Exchange, *HealthSource RI*. The Integrated Care Initiative, which modernizes long term care service delivery for a significant portion of the Medicaid-eligible population, represents yet another reform aimed at providing the most effective care possible at reasonable cost.

The Governor is further committed to preventing child abuse and neglect by intervening for and on behalf of abused and neglected youth, and rehabilitating delinquent youth through education and training at DCYF. The dual role of advocacy and education continues to be provided by agencies including the Offices of the Child Advocate and Mental Health Advocate, the Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing.

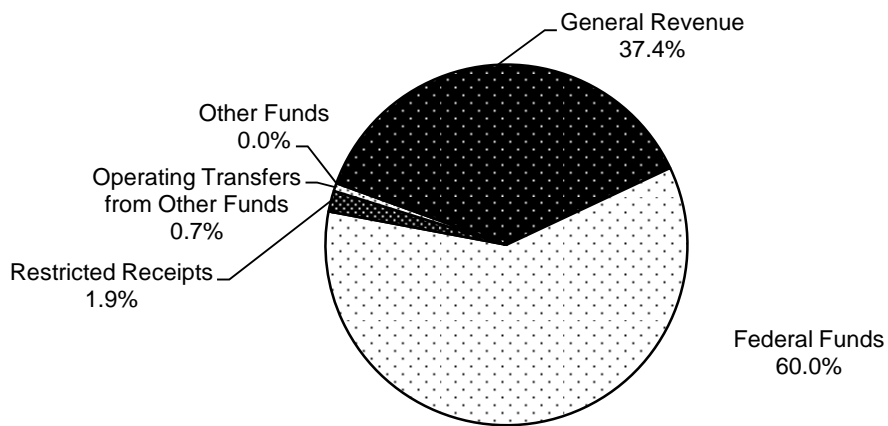
For FY 2014, the Governor recommends a revised all funds budget of \$3.323 billion for the Health and Human Services function. Of this total, there is \$1.318 billion in general revenue, \$1.926 billion in federal funds, \$61.7 million in restricted receipts, and \$17.8 million in other funds. This reflects a decrease of \$198,051 in general revenue, an increase of \$20.3 million in federal funds, a decrease of \$2.8 million in restricted receipts, and an increase of \$103,866 in other funds relative to the FY 2014 enacted budget. The Governor recommends 3,743.8 full-time equivalent positions in the FY 2014 revised budget, which is a decrease of 4.0 FTE positions from the FY 2014 enacted budget. Total staffing authorizations recommended for FY 2015 are 3,744.0 FTE positions, a decrease of 3.8 FTE positions from the enacted FY 2014 budget.

The Governor's proposed funding level of \$3.527 billion for FY 2015 maintains services for the State's most vulnerable populations. This proposal consists of \$1.320 billion in general revenue, \$2.116 billion in federal funds, \$66.0 million in restricted receipts, and \$25.1 million in other funds. This reflects an increase of \$2.5 million in general revenue, an increase of \$210.0 million in federal funds, an increase of

Health and Human Services

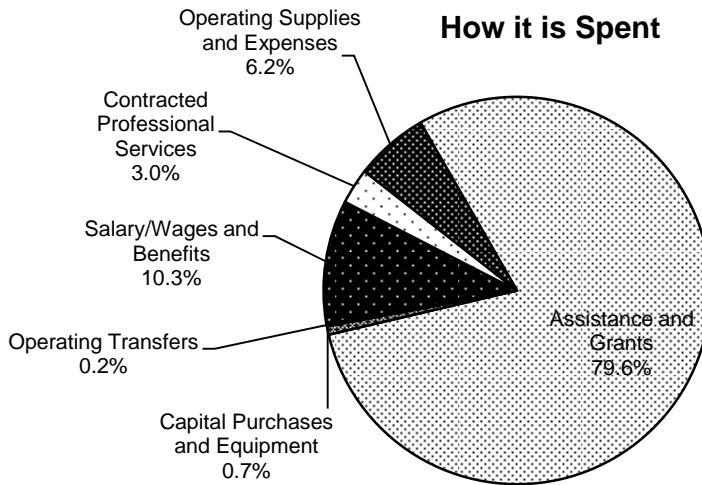
\$1.5 million in restricted receipts, and an increase of \$7.5 million in other funds relative to the FY 2014 enacted budget. The FY 2015 recommendation constitutes 41.3 percent of the total proposed expenditures for the state. Social services block grants and federal financial participation for medical assistance programs constitute the primary sources of federal funding. The chart below displays funding by source for the Governor's FY 2015 recommendation for the Health and Human Service agencies and departments.

How it is Financed



Health and Human Services

The Governor's FY 2015 recommendation includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, including purchased services, accounts for \$470.3 million, or 13.3 percent, of all expenditures programmed for Health and Human Services. Grants and benefits expenditures of \$2.936 billion account for the largest outflow of identified resources, reflecting 79.6 percent of the total Health and Human Services function. The chart below shows the outflows of all resources by category of expenditure for the Health and Human Services function.



Health and Human Services

Executive Office of Health and Human Services

The Governor recommends total expenditures of \$1.874 billion for the revised FY 2014 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenue totaling \$842.0 million, federal funds of \$1.022 billion, and restricted receipts of \$10.0 million. Relative to FY 2014 enacted levels, recommended general revenue financing decreases by \$1.2 million, or 0.1 percent, while federal financing increases by \$7.7 million, or 0.8 percent. Restricted receipts decrease by \$15,215, or 0.2 percent.

The decrease in general revenue in the current year is driven exclusively by revised appropriations for the Medical Assistance program, as adopted by the November 2013 Caseload Estimating Conference and further modified by the Governor (see below). The Governor's FY 2014 revised budget for the Central Management program contains appropriations of general revenue totaling \$27.7 million, equivalent to the enacted financing level but inclusive of significant expenditure plan adjustments. These include a decrease in personnel expenses of \$674,662 (reflective of managed turnover savings through restrained hiring), an increase of \$1.2 million for the Unified Health Infrastructure Project (discussed below), and downward revisions for various contracted professional services and administrative grants totaling \$355,848 and \$295,567, respectively. The Governor also recommends financing of \$250,000, consisting of \$125,000 in general revenue, for the procurement of a new EOHHS cost allocation plan in order to maximize future receipts of indirect cost recoveries under the Medicaid program. Final FY 2014 recommendations include statewide savings of \$37,822 attributable to the new state employee health insurance contract.

The Governor recommends total expenditures of \$2.093 billion for the FY 2015 budget of the Executive Office of Health and Human Services. This is comprised of general revenue totaling \$847.6 million, federal funds of \$1.231 billion, and restricted receipts of \$13.8 million. Relative to FY 2014 enacted levels, recommended general revenue financing increases by \$4.4 million (0.5 percent), federal financing increases by \$216.7 million (21.4 percent), and restricted receipts increase by \$3.8 million (38.1 percent). Following the full reassignment of the State's Title XIX Medical Assistance (Medicaid) program from the Department of Human Services to the Executive Office of Health and Human Services in the FY 2013 enacted budget, the Executive Office now consists of two distinct budgetary programs: Central Management and Medical Assistance.

Central Management

The Central Management program includes all financing for the operational activities of the Executive Office. These consist of the following core components: Office of the Secretary, Finance and Budget, Innovation and Policy, Program Integrity, Partner Engagement, Legal Services, and Medical Assistance Administration. The Governor recommends \$29.0 million in general revenue for Central Management in FY 2015, an increase of \$1.3 million, or 4.7 percent, relative to the enacted base. Federal funding for this program also increases, from \$88.6 million to \$92.5 million.

In FY 2013, the Executive Office, in partnership with other EOHHS agencies and the Rhode Island Health Benefits Exchange (*HealthSource RI*), launched the Unified Health Infrastructure Project (UHIP) to build a fully integrated and interoperable system of eligibility determination spanning multiple programs of public assistance and the Exchange. Spurred by the enactment of the Patient Protection and Affordable Care Act (PPACA), and supported largely through enhanced federal matching rates of 90 or 75 percent for Medicaid-allocable activities, UHIP is the successor to the now-antiquated "InRhodes" system. A complex and multi-phase project, UHIP requires considerable investments in state personnel, contracted IT and project management services, and technical equipment acquisition and maintenance. The Governor recommends

Health and Human Services

total financing of \$30.0 million and \$31.7 million for the EOHHS components of UHIP in FY 2014 and FY 2015, respectively. Corresponding general revenue funds of \$4.8 million in FY 2014 and \$5.7 million in FY 2015 are likewise recommended, with an allocation of 6.0 FTE positions from the Office's recommended FTE complement in each year specifically dedicated to UHIP activities. With an estimated total cost surpassing \$209.0 million, UHIP represents the largest scale information technology project ever undertaken by the State of Rhode Island.

Relative to the FY 2014 enacted level, general revenue appropriations for UHIP increase by \$2.2 million in FY 2015 (a \$1.0 million increase from the revised FY 2014 level), reflecting the most up-to-date project deliverable timeline(s) and interagency cost allocation methodologies. Although UHIP-specific expenditures are the primary driver of the increasing general revenue budget of Central Management in FY 2015, they are partially offset by reductions recommended in other areas of the program. Salient among these is a redirection of \$500,000 in state-funded personnel costs to federal indirect cost recovery funds (restricted receipts) in anticipation of increased collections following the approval of a new EOHHS cost allocation plan. Net downward revisions to various contracted professional services and administrative grants totaling \$159,156 and \$242,620, respectively, are also recommended. Final FY 2015 recommendations include statewide savings of \$43,314 attributable to the new state employee health insurance contract.

The Governor recommends staffing authorizations of 184.0 FTE positions in both FY 2014 and FY 2015, commensurate with the FY 2014 enacted level.

Medical Assistance

The November 2013 Caseload Estimating Conference (CEC) adopted total financing of \$1.730 billion for the Medical Assistance program in FY 2014, consisting of \$815.3 million in general revenue. Although this only constitutes a \$194,599 decrease relative to enacted general revenue of \$815.5 million, there are significant realignments of program financing due to both caseload flux and the advent of the Integrated Care Initiative.

Introduced in November 2013, the Integrated Care Initiative is a new model of long term care service delivery for specific classes of Medicaid beneficiaries with complex needs, most notably those who are dually eligible for Medicaid and Medicare. To implement Integrated Care, the Executive Office has established two new subprograms within Medical Assistance: Rhody Health Options and Connect Care Choice Community Partners. Rhody Health Options is a capitated, managed care system through which long term care (nursing facility and home and community-based services) and other Medicaid-financed services for adults with disabilities will be administered. Connect Care Choice Community Partners is a "primary care case management" model wherein the continuum of primary, acute, and long term care services are integrated through the use of specialized coordinating entities. In keeping with adopted caseload expenditures, the Governor recommends total funding of \$126.3 million for Rhody Health Options and \$557,400 for (case management fees associated with) Connect Care Choice Community Partners in FY 2014. Respectively, these recommendations correspond to general revenue appropriations of \$61.4 million and \$276,470.

For the FY 2014 revised budget, the Governor recommends a single modification to the CEC estimate: a fifty percent reduction in financing for the "Affordable Care Act (ACA) Transition Fund". Comprised solely of general revenue, the Transition Fund was established by the 2013 General Assembly to minimize service disruptions as populations shift from traditional Medical Assistance to either the Health Benefits Exchange or the expanded Medicaid program in early 2014. With current projections of FY 2014 Transition

Health and Human Services

Fund expenditures lagging below the enacted financing level of \$2.0 million, coupled with the (previously uncertain) availability of federal financial participation (at FMAP) for these expenses, the Governor recommends revised Fund appropriations of \$1.0 million in general revenue in FY 2014. The Governor therefore recommends FY 2014 all-funds Medical Assistance expenditures of \$1.728 billion, with \$814.3 million derived from general revenue.

The November 2013 Caseload Estimating Conference (CEC) adopted total financing of \$2.025 billion for the Medical Assistance program in FY 2015, consisting of \$861.3 million in general revenue. This represents a 5.6 percent increase relative to both FY 2014 enacted general revenue and the FY 2014 CEC adopted level. Comparing expenditures as adopted by the November 2013 CEC, the increase to the Medical Assistance program's state funding requirement in FY 2015 was \$46.0 million. Though approximately \$1.2 million of this increase is driven by a year-over-year decrease in the Federal Medical Assistance Percentage (FMAP) from 50.11 percent to 50.0 percent, it is primarily tied to continuing trends in caseloads, utilization rates, and unit prices that have continually given rise to the upward trajectory in the total cost of the Medical Assistance program.

Exclusive of federal pass-through reimbursements to LEAs for Medicaid-eligible children in special education programs (which are not estimated at the CEC), the Governor recommends \$1.947 billion for Medical Assistance in FY 2015, consisting of \$818.6 million in general revenue. This represents a \$42.7 million reduction to the CEC adopted general revenue level, and is achieved through a myriad of retrenchment actions and programmatic reform measures designed to stem the Medicaid program's expenditure growth in FY 2015.

The first set of these initiatives involve adjustments to planned provider and/or Medicaid managed care payment rates. Specifically, the Governor recommends reductions to Medicaid managed care capitation (i.e. monthly cost per member) rates in RItE Care and Rhody Health Partners, effective July 1, 2014, for savings totaling \$10.8 million in general revenue. Rates will be negotiated so as to reduce average annual growth in these rates by 2.95 percentage points relative to the increases assumed at the November 2013 CEC. The Governor further recommends freezing (to FY 2013 levels, for one additional year) payment rates for inpatient and outpatient hospital services within both the fee-for-service and as the managed care segments of the Medical Assistance program, yielding \$3.9 million in general revenue savings. Also recommended is the suspension of the rate increase to nursing care facilities scheduled for October 1, 2014, generating savings of \$3.7 million in general revenue.

The Governor also proposes targeted interventions within certain populations of Medical Assistance recipients that are classified as "high utilizers". These populations are subdivided into three distinct groups: (1) Children with Special Health Care Needs (CSHCN) enrolled in RItE Care, (2) Children enrolled in RItE Care "core" services, but with annual expenses over \$5,000, and (3) Adults with Disabilities enrolled in Rhody Health Partners. Through various strategies such as pediatric-centered medical homes, reduced use of psychotropic medications, heightened access to behavioral healthcare (including addiction services) resulting in less frequent hospitalizations, and home-based primary care, the Executive Office will strive to minimize annual expenditures for the intensive (generally inpatient institutional) services utilized by these beneficiaries. Relative to adopted levels, the Governor's budget recognizes attendant savings totaling \$8.2 million in general revenue, of which \$5.5 million is programmed within the RItE Care program and \$2.6 million is assigned to Rhody Health Partners.

In FY 2015, the Governor recommends eliminating all non-Disproportionate Share (DSH) supplemental payments to community hospitals provided under the (outpatient) Upper Payment Limit (UPL), pursuant to

Health and Human Services

RIGL 40-8.3-10. These quarterly payments, which have been appropriated annually since FY 2009, are designed to compensate hospitals for the difference between prevailing outpatient Medicaid reimbursement rates and those of the federal Medicare program for similar services. Such payments are not federally mandated and are not explicitly tied to a hospital's actual cost of services. The November 2013 CEC adopted all-funds expenditures of \$11.1 million for the FY 2015 UPL payment(s), consisting of \$5.5 million in general revenue. The Governor's FY 2015 recommendation for Medical Assistance does not contain this funding, and the Governor further proposes that the permanent statutory authority for the disbursement of the outpatient UPL payment be repealed.

The Governor recommends that enhanced federal financial support of the Medical Assistance program be leveraged wherever possible, without compromising the quality, scope, or accessibility of services. To this end, the Governor proposes that the Executive Office implement a Community First Choice (CFC) program, which provides home and community-based attendant services and supports to Medicaid-eligible individuals who meet the "institutional" level of care criteria. Established under the Patient Protection and Affordable Care Act (PPACA), the CFC program allows participating states to receive a 6 percentage point increase to their base FMAP for applicable CFC services. As the Executive Office is currently financing CFC-type services at the regular FMAP, this enhancement results in a (zero-sum) substitution of an estimated \$3.0 million in federal funds for general revenue in FY 2015. Likewise, the Governor recommends that \$536,700 in general revenue funds be reassigned to federal sources for the designation of Connect Care Choice Community Partners as a "Health Home" under current federal guidelines. Also created under PPACA, Health Homes are a set of care management, health promotion, and preventive services provided to individuals with chronic conditions, for which an enhanced federal matching rate of 90 percent is available for eight quarters.

Several other reforms relating to program integrity and innovation within the Medical Assistance program are recommended by the Governor in FY 2015. These include the institution of Medicaid-financed subsidies for (Exchange-based) commercial coverage for pregnant and postpartum women with family incomes between 133 percent and 250 percent of the Federal Poverty Level (FPL), improved management of pharmaceutical claims adjudication and rebate collections, a thorough reassessment of the Durable Medical Equipment (DME) fee schedule to guarantee the most competitive pricing, refinements to the current system of prior authorizations for imaging services, a review of eligibility determination procedures for long term care and Medicare Part B premium assistance, and the proactive removal of any non-Rhode Island resident from the Medical Assistance caseload. Taken together, these efforts are anticipated to generate savings totaling \$11.3 million, or \$5.6 million in general revenue.

The "Katie Beckett" eligibility option under the Medical Assistance program provides access to home-based therapeutic and medical services to approximately 1,060 children with highly complex, long term disabilities who would otherwise require institutional care. Eligibility determination for these clients is predicated on the child's individual income and resources, rather than those of the entire family unit. The vast majority of this population possess private commercial insurance, and utilize Medicaid for uncovered services and to subsidize co-payments. Furthermore, unlike families enrolled in Rite Share, families with children in this coverage group do not currently contribute toward the cost of the program. For FY 2015, the Governor proposes instituting cost sharing obligations (in the form of a \$250 monthly premium) for families with incomes over 250 percent of FPL receiving assistance under the 'Katie Beckett' option. Anticipated premium collections of \$2.9 million will serve to defray program expenditures, including \$1.4 million of general revenue and \$1.5 million in federal funds.

Health and Human Services

The Governor's FY 2015 recommendations for the Medical Assistance program incorporate full financing for the aforementioned Integrated Care programs of Rhody Health Options (\$330.0 million) and Connect Care Choice Community Partners (\$2.4 million). Unmatched federal appropriations of \$307.1 million reflect financing for the expansion of Medicaid coverage to non-pregnant adults without dependent children up to 138 percent of FPL, per RIGL 40-8.11 and PPACA. Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapses in January 2017, after which the federal matching rate declines incrementally until reaching 90 percent for 2020 and thereafter. The resulting out-year general revenue exposure is captured in the Governor's Five Year Financial Projection, contained in Appendix F of this document.

Department of Children, Youth and Families

The Governor recommends revised FY 2014 appropriations of \$216.1 million for the Department of Children, Youth and Families, including \$152.3 million from general revenue, \$59.3 million from federal funds, \$2.4 million from restricted receipts, and \$2.0 million from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing decreases by \$636,665, or 0.4 percent, while federal financing increases by \$2.2 million, or 1.0 percent.

The decrease in general revenue financing in the revised FY 2014 Budget is driven by reduction to personnel within Central Management, Children's Behavioral Health, and Juvenile Corrections, coupled with statewide medical contract and retiree health insurance savings, partially offset by increased personnel expenditures within Child Welfare. The increased financing for personnel within Child Welfare finances additional social workers and reflects restoring unachieved turnover savings assumed in the enacted FY 2014 Budget. The decrease in personnel financing within Juvenile Corrections is attributable to a continued decline in the number of youth incarcerated at the Rhode Island Training School for Youth. The increase in federal financing is largely attributable to additional federal grants received by the Department.

The Governor recommends FY 2015 appropriations of \$209.2 million for the Department of Children, Youth and Families, including \$148.4 million from general revenue, \$56.1 million from federal funds, \$2.4 million from restricted receipts, and \$2.2 million from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing decreases by \$4.6 million, or 3.0 percent, while federal financing decreases by \$565,057, or 1.0 percent.

The decrease in general revenue financing in the recommended FY 2015 Budget is largely attributable to savings initiatives recommended by the Governor, which include savings of \$1.2 million from closing a pod at the training school; \$300,000 from reducing the Lifespan contract for physician services at the training school; \$1.1 million from transferring eligible youth age 19-21 to the Department of Behavioral Healthcare, Developmental Disabilities & Hospitals where medically appropriate; \$259,241 from moving ten girls with serious emotional disturbances to an in-state facility; \$850,000 from consolidating and streamlining services of Phase I of the System of Care; \$978,930 from transferring medically fragile children to the Executive Office of Health and Human Services medical assistance program; and \$158,661 from taking a 5.0 percent reduction to non-System of Care contracts; coupled with statewide medical contract savings. The decrease in federal financing is attributable to the aforementioned savings initiatives and a decrease in the Federal Medical Assistance Percentage (FMAP) from 50.11 percent in FY 2014 to 50.00 percent in FY 2015, partially offset by additional federal grants received by the Department of Children, Youth, and Families.

Since FY 2007, when expenditures at the Department and Children, Youth, and Families reached \$311.8 million (\$189.4 million in general revenue), funding for the Department has decreased \$95.7 million, or 32.1

Health and Human Services

percent (\$37.1 million, or 21.6 percent from general revenue) compared to the Governor's recommended FY 2015 Budget. This significant reduction was achieved through a variety of reforms implemented by the Department of Children, Youth, and Families in order to deliver more cost efficient services. This includes better practice improvements and the full implementation of Phases I and II of the System of Care (discussed below), augmented by the transfer of certain Medicaid Managed Care costs to the Department of Human Services in FY 2008. Savings initiatives included in the Governor's recommended FY 2015 Budget also contribute to this reduction.

System of Care

The System of Care, housed within the Child Welfare program, was established with the goal of ensuring that children are safely supported in their home, school, and community while minimizing out of home placements.

Phase I of the System of Care began in FY 2009 and created Family Care Community Partnerships (FCCP), designed to serve as prevention/early intervention supports for children, youth, and families in the community in order to reduce the likelihood that the child, youth, and family will become directly involved with the Department. These also provide support services to youth transitioning from the Rhode Island Training School for Youth.

Phase II of the System of Care, which comprises 48.7 percent of the Department's FY 2014 Budget, was instituted in July 2012. Phase II was designed to service Rhode Island's families with children who are formally involved with DCYF and who are in need of, or at risk for, out of home placement with a goal of facilitating permanency plans, decreasing the need for hospitalizations and residential placements, and increasing access to home and community-based services and supports. Phase II consists of two Networks of Care, currently managed by the Rhode Island Care Management Network and the Ocean State Network for Children and Families.

In FY 2014, the Governor recommends \$74.2 million for the Phase II System of Care contracts, which includes \$9.4 million for youth ages 18-21 within the System of Care. This is comprised of \$54.5 million from general revenue, \$18.3 million from federal funds, and \$1.5 million from restricted receipts.

In FY 2015, the Governor recommends \$70.0 million for the Phase II System of Care contracts, which includes \$7.8 million for youth ages 18-21 within the System of Care. This is comprised of \$52.2 million from general revenue, \$16.3 million from federal funds, and \$1.5 million from restricted receipts. The reduction is attributable to the removal of \$1.5 million in Social Services Block Grant funding that was included in the enacted FY 2014 Budget, coupled with the savings initiatives included in the Governor's recommended FY 2015 Budget.

The Governor recommends 670.5 FTE positions in the revised FY 2014 Budget and the recommended FY 2015 Budget, which is unchanged from the enacted FY 2014 level.

Department of Health

The Governor recommends revised expenditures of \$118.0 million for the Department of Health's FY 2014 revised budget, including \$24.0 million from general revenue, \$61.4 million from federal funds, \$32.5 million from restricted receipts, and \$129,062 from operating transfers. The FY 2014 revised budget represents a decrease of \$3.0 million from all sources of funds, of which \$313,386 is attributable to general

Health and Human Services

revenue, \$609,108 million is federal funds, and \$2.1 million is restricted receipts. An increase of \$93,752 is recommended for operating transfers.

The net decrease in general revenue expenditures of \$313,386 from the FY 2014 enacted amount of \$24.3 million is primarily due to statewide savings relating to health insurance and savings initiatives including eliminating the Department's Influenza Hospital Surveillance Project. Although this collaborative research project with the United States Centers for Disease Control and Prevention will be discontinued, the Department will still maintain routine surveillance for influenza within the State. By category of expenditure within general revenue, personnel costs decreased by \$352,814; contracted professional services expenditures decreased by \$163,335; operating expenditures increased by \$105,884; assistance and grants increased by \$97,819; and capital purchases and equipment decreased by \$940.

The large decrease in restricted receipt funding, relative to the enacted level, results from a reduction of \$496,226 in expenditures of federal indirect cost recoveries and a reduction of \$1.9 million in expenditures from the Infant – Child Immunization account. The Department's immunization accounts are funded from an assessment on insurance companies and provide for the purchase and distribution of vaccines. For FY 2014, the Department projects less than enacted spending on the purchase and distribution of vaccines.

For the revised FY 2014 Budget, the Governor recommends an authorized FTE position level of 491.1 positions, a decrease of 3.0 FTE positions from the enacted amount of 494.1 FTE positions. The revised budget continues to accommodate the addition of up to 20.0 new federally funded positions contingent on the Department receiving the associated funding, although the Department does not require an increase to its FTE position authorization to achieve this.

For FY 2015, the Governor recommends total expenditures of \$122.6 million for the Department of Health. This is comprised of \$23.5 million from general revenue, \$65.1 million from federal funds, and \$34.0 million from restricted receipts. The FY 2015 recommended funding level from all sources of funds is \$1.6 million higher than the FY 2014 Enacted Budget. Compared to the enacted budget, general revenue financing decreases by \$794,871, federal financing increases by \$3.1 million, restricted receipt financing decreases by \$639,649, and other funds financing decreases by \$135,310.

The net decrease in general revenue of \$794,871 from the FY 2014 enacted amount of \$24.3 million is primarily due to statewide medical savings relating to health insurance, and savings initiatives including eliminating the aforementioned Influenza Hospital Surveillance Project and offsetting certain general revenue expenditures budgeted to indirect cost recovery funds. The indirect cost recovery account maintained by the Department receives revenues related to the amount of federal funds that the Department expends. This account is intended to offset the costs relating to administering its federally funded programs. By offsetting certain expenses to this account for FY 2015, the Department is able to achieve significant general revenue savings. Anticipated cash balances within the associated restricted receipt account are projected to be sufficient to absorb these additional expenditures in FY 2015.

For FY 2015, the Governor recommends an FTE position level for the Department of Health of 491.3 positions, which is 2.8 FTE positions less than the enacted budget of 494.1 FTE positions in FY 2014. As with the Governor's recommendation for FY 2014, the FY 2015 Budget continues to accommodate up to 20.0 FTE positions for new federal grants as the Department receives them. The Department does not require an increase to its FTE authorization to accommodate these positions.

Health and Human Services

Department of Human Services

The Governor recommends revised FY 2014 appropriations of \$671.7 million for the Department of Human Services, including \$96.6 million from general revenue, \$562.7 million from federal funds, \$7.1 million from restricted receipts, \$4.9 million from other funds, and \$183,083 from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing increases by \$3.1 million, or 3.3 percent, while federal financing increases by \$8.4 million, or 1.5 percent.

The increase in general revenue financing in the revised FY 2014 Budget is driven by increases to expenditures within Individual and Family Support, Elderly Affairs, and the Department's cash assistance programs (as determined by the November 2013 Caseload Estimating Conference), partially offset by reductions to expenditures within Central Management, the Office of Child Support Services, Health Care Eligibility, and Veterans' Affairs, as well as statewide medical contract savings.

Within Individual and Family Support, the increase is attributable to the Department's allocable costs associated with Rhode Island's Unified Health Infrastructure Project (UHIP), which is discussed above as part of the Executive Office of Health and Human Service recommendation. Specifically, the Governor recommends \$6.1 million for the Department of Human Services' portion of the UHIP project, including \$3.9 million from general revenue and \$2.3 million from federal funds. Relative to the FY 2014 enacted level, general revenue financing for this project increases by \$3.7 million, while federal financing increases by \$643,195. While the majority of federal financing for this project within the Executive Office of Health and Human Services is supported by enhanced federal matching rates for Medicaid-allocable activities of 75 or 90 percent, the federal financing used by the Department of Human Services for this project is Supplemental Nutrition Assistance Program financing, which has a 50 percent federal matching rate. The Department's portion is comprised of the integrated eligibility determination system for the Supplemental Nutrition Assistance Program, the Supplemental Security Income Program, the Temporary Assistance for Needy Families Program, the Child Care Assistance Program, and the General Public Assistance Program.

Within the Division of Elderly Affairs, the Governor recommends an additional \$383,361 from general revenue, related to restoring unachieved indirect cost recovery savings assumed in the enacted FY 2014 Budget due to the Division's lack of an approved indirect cost recovery rate.

The Governor's recommendation for the Department's programs for cash assistance, as estimated by the November 2013 Caseload Estimating Conference, increases by \$315,796, consisting of an increase of \$206,996 for the Supplemental Security Income (SSI) program and an increase within the General Public Assistance (GPA) program of \$108,800.

These increases are partially offset by decreases of \$54,037 within Central Management, \$6,365 within the Office of Child Support Services, \$75,646 within Health Care Eligibility, and \$1.2 million within Veterans' Affairs, due to an increase in planned turnover at the Veterans' Home. Also recommended within revised appropriations is continuing the Work Support Strategies initiative for public assistance system enhancements.

The Governor recommends FY 2015 appropriations of \$655.5 million for the Department of Human Services, including \$97.3 million from general revenue, \$547.7 million from federal funds, \$6.0 million from restricted receipts, \$4.3 million from other funds, and \$165,000 from the Rhode Island Capital Plan Fund. Relative to FY 2014 enacted levels, recommended general revenue financing increases by \$3.8

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million, or 4.1 percent, while federal financing decreases by \$6.7 million, or 1.2 percent.

The Governor recommends general revenue totaling \$4.9 million for the Central Management program in FY 2015, a decrease of \$652,605 from the enacted FY 2014 Budget. Driving this decrease is the recommended elimination of the Costs Not Otherwise Matchable (CNOM) program for Federally Qualified Health Centers which results in a savings of \$334,549. This is augmented by decreases to personnel financing, partially offset by a minor increase to operating expenses.

The Governor recommends general revenue totaling \$2.4 million for the Office of Child Support Services in FY 2015; \$7,323 below the FY 2014 enacted level. This reflects expenditure plan adjustments consisting of a reduction to personnel totaling \$42,460, partially offset by an increase to contract professional services totaling \$30,434 and operating expenses of \$4,654.

The Governor recommends general revenue of \$25.2 million for the Individual and Family Support (IFS) program in FY 2015, \$4.3 million above the FY 2014 enacted level. This increase primarily reflects additional fiscal resources in support of Rhode Island's Unified Health Infrastructure Project (UHIP), as discussed above. In FY 2015, the Governor recommends \$7.5 million for the Department of Human Services' allocable portion this project, including \$4.4 million from general revenue, or \$523,959 above the FY 2014 recommendation, and \$3.1 million from federal funds, or \$840,094 above the FY 2014 recommendation. This increase is partially offset by eliminating the SNAP Outreach contract, which reduces the general revenue recommendation within Individual and Family Support by \$100,000 in FY 2015. Salient revisions to non-general revenue funding within IFS include a decrease to the Low Income Home Energy Assistance and Weatherization Assistance Programs totaling \$7.4 million as well as a decrease of \$1.3 million to the Race to the Top Early Learning Challenge Grant.

The Governor recommends general revenue of \$20.3 million for the Veterans' Affairs program in FY 2015, \$719,427 below the FY 2014 enacted level. This decrease reflects a net reduction to personnel and operating expenditures, and includes an additional \$465,000 for overtime expenditures, including \$248,000 from general revenue, and \$217,000 from federal funds, which were underfunded in the enacted FY 2014 Budget. These increases are offset by reductions to other personnel expenditures within this program. Allocations of dedicated restricted receipt funds for various capital projects at the Home total \$1.7 million and \$635,000 in FY 2014 and FY 2015, respectively. Also included in the Governor's recommendation is the construction of a new, fully modernized Rhode Island Veterans' Home complex, financed by voter-approved bond funding not to exceed \$94.0 million. The Governor recommends issuance and expenditure of general obligation bond proceeds totaling \$5.3 million in FY 2014 and \$15.0 million in FY 2015.

The Governor recommends general revenue of \$8.2 million for the Health Care Eligibility program in FY 2015, \$85,210 above the enacted FY 2014 Budget. This reflects expenditure plan adjustments consisting of a reduction to contracted professional services totaling \$272,282, offset by increases to operating supplies totaling \$152,156 and personnel totaling \$209,000 in support of Rhode Island's Unified Health Infrastructure Project (UHIP), as discussed above.

The Governor recommends general revenue of \$6.4 million for the Division of Elderly Affairs in FY 2015, \$672,530 above the FY 2014 enacted level. This increase reflects an additional \$397,491 from general revenue related to restoring unachieved indirect cost recovery savings assumed in the enacted FY 2014 Budget due to the Division's lack of an approved indirect cost recovery rate, coupled with an increase of \$281,789 for Medicaid financed case management, adult day care and home care "Co-Pay"

Health and Human Services

programs known as “Costs Not Otherwise Matchable” (CNOM), among other minor expenditure plan adjustments. The DEA “Co-Pay” program is designed to provide home and community based services to low-income, non-Medicaid eligible individuals over 65. Program costs are supplemented by patient contributions in the form of co-payments, which are assessed at varying levels (or “tiers”) based on recipient income.

The Governor’s FY 2015 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows. For Rhode Island Works (RIW) (formerly the Family Independence Program) and the Child Care Assistance Programs, total financing of \$87.9 million is recommended, consisting of \$9.7 million in general revenue, reflecting caseloads as adopted by the November 2013 Consensus Caseload Estimating Conference. For SSI, the Governor recommends total financing of \$18.6 million, consisting entirely of general revenue and reflecting caseloads as adopted by the November 2013 Consensus Caseload Estimating Conference. For General Public Assistance, the Governor recommends \$1.7 million in general revenue, consistent with adopted estimates. Recommended general revenue for GPA also includes a \$210,000 allotment for the Hardship Contingency Fund, as authorized in Article 1 of the Governor’s FY 2015 Appropriations Act.

The Governor recommends 959.1 FTE positions in the revised FY 2014 Budget and the recommended FY 2015 Budget, which is unchanged from the enacted FY 2014 level.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Governor’s revised FY 2014 Budget for the Department of Behavioral Healthcare, Developments Disabilities, and Hospitals totals \$439.9 million, including \$200.9 million in general revenue, \$219.9 million in federal funds, \$9.6 million in restricted receipts, and \$9.5 million in other funds. On an all funds basis, the \$439.9 million Revised Budget is \$2.1 million more than the FY 2014 enacted Budget of \$437.8 million, consisting of the following net changes: a decrease of \$1.2 million in general revenue, an increase of \$2.1 million in federal funds, an increase of \$2.2 million in restricted receipts, and a decrease of \$1.1 million in other funds.

The FY 2014 revised Budget encompasses a general revenue decrease of \$1.2 million, which includes reductions of \$86,514 for contract services, \$503,577 for operating expenses, \$267,030 for capital purchases and equipment, and \$725,355 for grants and benefits. The reduction in grants and benefits includes a savings of \$164,532 associated with a Health Homes rate reduction of 5.0 percent in the fourth quarter of FY 2014. The Governor’s recommendation for the FY 2014 Budget also includes an increase of \$426,171 for salaries and benefits. Major changes for personnel include an increase of \$1.3 million for overtime expenses at Rhode Island Community Living and Supports (RICLAS) and the Eleanor Slater Hospital and a net reduction of \$841,380 for attrition and longevity savings, statewide benefit changes, an adjustment to the federal medical assistance percentage from general revenue to federal funds, and a shift of personnel expenses at Eleanor Slater Hospital to restricted receipts for non-medicare services.

The Governor’s recommendation of \$219.9 million in federal funds consists of an increase of \$2.1 million from the enacted FY 2014 Budget of \$217.8 million. The largest portion of this increase is an adjustment of \$2.6 million for personnel expenses, which includes a shift of \$1.4 million from general revenue to federal funds for the adjustment to the medical assistance percentage rate. Other federal changes include increases of \$189,187 for contract services and \$404,156 for operating expenditures and capital purchases and a reduction of \$1.1 million for grants and benefits. The recommendation includes a restricted receipt increase of \$2.2 million from the enacted FY 2014 Budget of \$7.4 million. The recommendation includes

Health and Human Services

an additional \$1.8 million in restricted receipts for personnel expenditures related to non-medicaid services and indirect costs, \$32,200 for contract services, \$271,500 for operating expenses, and \$3,000 for grants and benefits.

Other funds are reduced by \$1.1 million, which includes an increase of \$518,694 from the Rhode Island Capital Plan Fund for Community Facilities Fire Code, MR/DD Residential Development, MH Community Facilities Repair, Eleanor Slater HVAC, and MR Community Facilities, offset by a reduction of \$190,866 for the Medical Center Rehabilitation, DD Private Waiver Community Fire Code, Regional Center Repair, and Substance Abuse Asset Protection. There is also a reduction of \$1.4 million from the enacted level of \$3.0 million for the hospital consolidation project. The hospital consolidation plan emphasizes efficiency gains by consolidating the Eleanor Slater Hospital footprint on the Pastore Campus. This will result in a more efficient use of resources, which will reduce staffing costs, reduce the hospital's maintenance and utility budget, and improve security for staff. The Governor's revised recommendation shifts some of the funding from FY 2014 to FY 2015 through FY 2017.

The Department continues to be successful in its execution of Project Sustainability, which redesigned the developmentally disabled service system beginning in 2012. The redesign changed the assessment tool to a nationally recognized validated assessment tool, the Supports Intensity Scale (SIS), for the entire population of consumers served by the system. The redesign also included the development and implementation of a new rate and payment methodology applied to all service providers to increase transparency and consistency across the system. The result of these changes has produced a system that is more easily understood and the resources within the system have been realigned while maintaining the services and supports that consumers require, with application of consistent standards and payments across the system.

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals has worked with providers, families and advocates, and other state agencies to define and implement this assessment tool, services, and rates. As this new assessment tool was implemented, assessment data has been compared to utilization data and resource allocations have been refined and rates have been adjusted.

In FY 2014 and FY 2015, the Department remains dedicated to the execution of the Employment First Program. This program advances employment as the first option for rehabilitation services and incorporates it as a part of an individual's recovery and a vital connection that enhances one's dignity, self-worth, and connection to the community.

The Governor's FY 2015 recommendation totals \$444.0 million, including \$201.8 million from general revenue, \$215.2 million from federal funds, \$9.6 million from restricted receipts, and \$17.4 million from other funds. The general revenue portion of the budget reflects a decrease of \$300,014 from the FY 2014 enacted Budget.

There is an increase in general revenues of \$5.0 million related to base adjustments in the federal match and trend growth associated with Medicaid and statewide adjustments for medical benefits inflation, retirement rate change, election day holiday, and benefits assessment rates, which is slightly offset by a decrease in retiree health rates. The FY 2015 Budget recommendation also includes decreases of \$2.1 million for annualizing the savings in the enacted FY 2014 Budget for the Affordable Care Act and \$250,000 for the cessation of the emergency room diversion program.

The FY 2015 Governor's recommendation includes general revenue savings of \$300,014, from enacted

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FY 2014 Budget of \$202.1 million. General revenue changes includes an increase of \$547,772 in personnel expenditures, which is the net result of statewide benefit changes, an adjustment to the federal medical assistance percentage from general revenue to federal funds, and a shift of personnel expenses at Eleanor Slater Hospital to restricted receipts for non-medicaid services. The Governor's recommendation includes increases of \$900,365 for overtime expenses and \$251,772 for operating expenses and capital purchases and equipment and a reduction of \$51,226 for consultants.

Grants and benefits are reduced by \$2.1 million, which is mostly related to expanded managed care services through the Affordable Care Act. The Governor's recommendation includes a general revenue savings of \$1.3 million for annualizing the Health Homes rate reduction of 5.0 percent, discontinuing specific contracts in the Behavioral Healthcare program, and ending select services that are now being provided through the Health Homes. The recommendation also includes an addition of \$601,440 to provide services to youth, ages 19-21, that may be transferred from the Department from the Department of Children, Youth, and Families based on the appropriate level of care.

In comparison to the enacted FY 2014 Budget, the Governor's FY 2015 includes a federal funds reduction of \$2.1 million from the enacted level of \$217.8 million. This change reflects a significant reduction of \$6.4 million for grants and benefits, of which \$5.2 million is related to the expiration of the Health Homes Initiative and the remaining is related to expanded managed care services. There is an increase of \$3.3 million in salaries and benefits that reflects an adjustment to the federal medical assistance percentage from general revenue to federal funds and statewide benefit changes. In FY 2015, restricted receipts increase by \$2.2 million from the enacted FY 2014 Budget for personnel expenditures related to non-medicaid services and indirect costs. The Governor's recommendation includes an increase of \$6.8 million in other funds, which includes an additional \$7.0 million for the hospital consolidation project, a decrease of \$1.0 million for Eleanor Slater HVAC, and an increase of \$881,855 for hospital equipment, community facilities repairs, fire code projects, and the medical center rehabilitation.

For both FY 2014 and FY 2015, the Governor recommends an authorized level of 1,422.4 FTE positions, which is 1.0 FTE position less than the enacted FY 2014 Budget.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$1.5 million for FY 2014 for the Governor's Commission on Disabilities. This consists of \$356,352 in general revenue, \$156,330 in federal funds, \$15,930 in restricted receipts, and \$957,000 in Rhode Island Capital Plan Fund resources. Of the all funds increase of \$30,276 above the FY 2014 enacted level, general revenues decrease by \$1,359, attributable to statewide changes relating to health insurance savings; federal funds increase by \$26,341; restricted receipts increase by \$5,565; and Rhode Island Capital Plan Fund resources decrease by \$271.

The Governor recommends total expenditures of \$1.5 million in FY 2015, including \$358,275 in general revenue, \$141,350 in federal funds, \$9,177 in restricted receipts, and \$1.0 million in Rhode Island Capital Plan Fund resources. Compared to the FY 2014 enacted budget, general revenue increase by \$564; federal funds increase by \$11,361; restricted receipts decrease by \$1,188; and Rhode Island Capital Plan Fund resources increase by \$42,729.

The recommended FTE position authorization for revised FY 2014 and FY 2015 is 4.0 FTE positions, consistent with the FY 2014 enacted level.

Health and Human Services

Commission on the Deaf and Hard of Hearing

The Governor's revised FY 2014 Budget for the Commission on the Deaf and Hard of Hearing totals \$469,267, consisting of \$389,267 in general revenue and \$80,000 in restricted receipts. Compared to the FY 2014 Enacted Budget, the Governor recommends a decrease of \$2,342 in general revenue due to statewide changes relating to medical insurance savings.

The Governor recommended legislation as part of the FY 2014 Appropriations Act to establish the Emergency and Public Communication Access Program, which is funded through a relay fund surcharge outlined in Section 39-1-42 of the Rhode Island General Laws. This legislation was subsequently passed and a new source of funding was established for the Commission in the FY 2014 Budget, totaling \$80,000 annually.

For FY 2015, the Governor recommends \$474,279, consisting of \$394,279 in general revenue and \$80,000 in restricted receipts. Compared to the FY 2014 Enacted Budget, the Governor recommends an increase of \$2,670 in general revenue.

The Commission on the Deaf and Hard of Hearing is appropriated general revenue annually to provide statewide sign language interpreter and Computer Access Real-time Translation (CART) referral services, which is recommended to total \$51,183 in FY 2014 and \$50,146 in FY 2015. Compared to the FY 2014 Enacted Budget, a decrease of \$451 in FY 2014 and \$1,488 in FY 2015 is recommended.

Staffing authorizations for the Commission remain unchanged at 3.0 FTE positions for the FY 2014 revised and FY 2015 budgets.

Office of the Child Advocate

The Governor recommends revised expenditures of \$625,477 for the FY 2014 Budget of the Office of the Child Advocate. This is comprised of general revenue totaling \$575,477 and federal fund expenditures of \$50,000. Relative to the FY 2014 Enacted Budget, recommended general revenue financing decreases by \$33,174 to reflect turnover savings associated with an extended vacancy within the Office and federal fund financing increases by \$10,003.

For FY 2015, the Governor recommends total expenditures of \$661,817. This is comprised of general revenue totaling \$611,817 and federal fund expenditures of \$50,000. Relative to the FY 2014 Enacted Budget, general revenue financing increases by \$3,166 to accommodate a full complement of staff and federal financing increases by \$10,003.

The Governor recommends an authorized FTE position level of 6.0 in FY 2014 and FY 2015, consistent with the FY 2014 Enacted Budget.

Office of the Mental Health Advocate

The Governor recommends revised FY 2014 general revenue expenditures of \$483,716 for the Office of the Mental Health Advocate, a decrease of \$2,428 from the enacted level of \$486,144. With the exception of statewide changes relating to health insurance, the Office remains level funded for FY 2014.

The Governor recommends total FY 2015 general revenue expenditures of \$495,010, an increase of

Health and Human Services

\$8,866 from the enacted FY 2014 budget to reflect full funding for the agency's current services. General revenue appropriations include funding for all 3.7 FTE positions within the Office.

The Governor recommends the FY 2014 enacted staffing authorization of 3.7 FTE positions for both revised FY 2014 and FY 2015.

Education

Education

Summary

The Education function of state government includes services provided by the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, and the Historical Preservation and Heritage Commission. The Governor recommends 3,997.3 FTE positions in FY 2014 and 4,001.2 FTE positions in FY 2015.

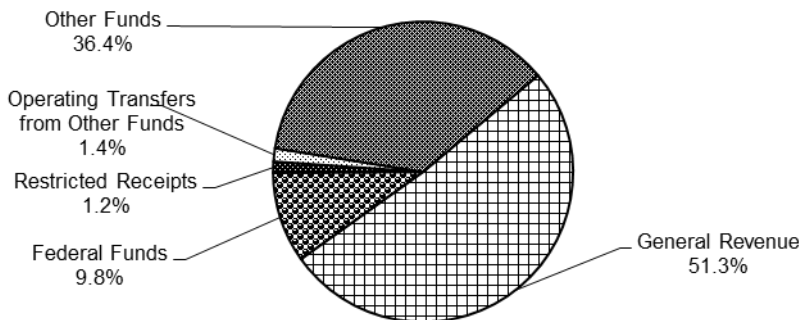
Prior to 2013, two boards governed education activities in Rhode Island: the Board of Regents for Elementary and Secondary Education and the Board of Governors for Higher Education. The Board of Regents, with the advice of the Commissioner of Education, established policy with respect to the operations of the Department of Elementary and Secondary Education, state education aid programs, the Central Falls School District, and the three state schools: the School for the Deaf, the Davies Career and Technical School, and the Metropolitan Career and Technical School. The Board of Governors for Higher Education, with the advice of the Commissioner of Higher Education, established policy with respect to operations at the three state institutions of higher education.

Effective January 1, 2013, a new Board of Education was established pursuant to Chapter 97 of Title 16. The chairperson of the new Board of Education is appointed from the 11 member Board by the Governor, with the advice and consent of the Senate, and is responsible for overall education policy and oversight of all education systems in Rhode Island. In December 2013, the Board of Education proposed creating a new structure to better govern education activities in Rhode Island that would create two councils within the Board of Education, a Council on Elementary and Secondary Education and a Council on Postsecondary Education; a Coordinating Committee; and an Office of the Postsecondary Commissioner. According to the new structure, each member of the Board will serve on one of the two proposed councils. The single Board will be maintained and will set the goals for the entire education system and an agenda for system-wide priorities. Each council will focus on regulatory and governance issues that pertain to their respective area, as these issues vary greatly between the two systems. The Coordinating Committee will be responsible for setting the agenda for the Board and for monitoring the Board's system-wide initiatives, while the Office of the Postsecondary Commissioner will work with the higher education institutions to facilitate policy initiatives for the Board and the corresponding council.

The Governors revised FY 2014 budget for Education agencies totals \$2.324 billion, or \$5.8 million more than the enacted budget of \$2.318 billion. Compared to the enacted budget, general revenue decreases by \$4.4 million, or 0.4 percent; federal funds increase by \$2.3 million, or 0.9 percent; restricted receipts decrease by \$1.7 million, or 5.9 percent; and other funds increase by \$9.6 million, or 1.1 percent. American Recovery and Reinvestment Act of 2009 and Race to the Top funding comprises \$28.5 million, or 11.4 percent of the federal funds.

Education

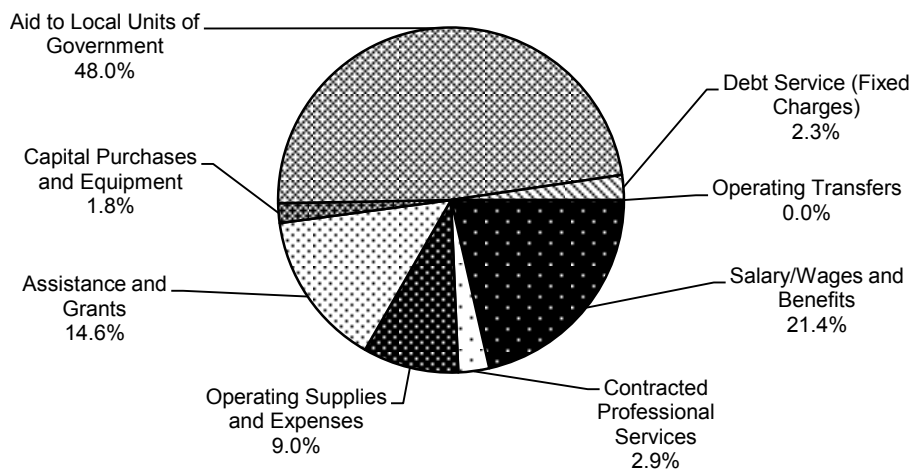
How it is Financed



In the Education function of state government, other funds consist of resources from: the Rhode Island Capital Plan Fund, Institutional Revenues, Sponsored Research Programs, Scholarships and Fellowships, and Auxiliary Enterprises in Public Higher Education.

The Governor recommends total expenditures of \$2.357 billion for Education in FY 2015, including \$1.208 billion from general revenue, \$229.9 million from federal funds, \$28.3 million from restricted receipts, and \$890.5 million from other funds. American Recovery and Reinvestment Act of 2009 and Race to the Top funding comprises \$14.2 million, or 6.2 percent of the federal funds.

How it is Spent



The Governor's general revenue recommendation of \$1.208 billion for Education for FY 2015 is an increase of \$55.2 million, or 4.8 percent from FY 2014 enacted levels.

Aid to Local Units of Government accounts for 48.0 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 33.3 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 18.7 percent of expenditures occur in grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$1.228 billion in his FY 2014 revised Budget from all funds for the Department of Elementary and Secondary Education; this is an increase of \$1.6 million from the enacted level of \$1.226 billion. Of this total, \$961.1 million is general revenue expenditures, \$228.8 million is federal funds, \$26.0 million is restricted receipt funds, \$11.3 million is from the Rhode Island Capital Plan Fund, and \$300,000 is comprised of other fund expenditures. In relation to the FY 2014 Enacted Budget, general revenue expenditures decrease by \$3.6 million, federal expenditures increase by \$3.1 million, restricted receipt expenditures decrease by \$1.7 million, and financing for the Rhode Island Capital Plan Fund increases by \$3.7 million.

In the FY 2014 revised Budget, general revenue financing for the Administration of the Comprehensive Education Strategy (ACES) program is reduced by \$237,487 from the enacted level. This reduction is mostly attributed to increased turnover savings. The Governor provides \$19.6 million in general revenue and \$253.2 million in all funds for the ACES program.

All of the State-supported schools, except for the School for the Deaf, are subject to the funding formula. General revenue support for the Davies Career and Technical School, the Metropolitan Career and Technical School, and the Central Falls School District each remained at the enacted level of \$12.8 million, \$11.1 million, and \$38.4 million, respectively. General revenue support decreases by \$165,622 from the enacted level of \$6.1 million for the Rhode Island School for the Deaf. This change is largely attributed to a reduction of \$149,365 in personnel financing, in addition to various other adjustments in the operating and contracted services categories.

The Governor's revised FY 2014 Budget includes a net reduction to general revenue based on mid-year adjustments to the following programs: the School Construction Aid program decreases by \$2.3 million to \$67.7 million due to certain projects that were not complete by the end of FY 2013 and therefore are not eligible for reimbursement in FY 2014; the Teachers' Retirement program decreases by \$799,316 resulting from a lower-than-projected teacher wage base; and Funding Formula Aid increases by \$90,130 due to student enrollment data updates. Additional education aid programs, including the five categorical funds (Career and Technical Education, Transportation, Early Childhood Demonstration, High Cost Special Education, and the Regionalization Bonus), Full-Day Kindergarten, E-Rate, Group Home Aid, Vision Services, Non-Public Textbooks, and School Breakfast will all remain at the enacted level in FY 2014.

As a winner in the Race to the Top competition, Rhode Island was awarded – and the Governor continues to include in the FY 2014 and FY 2015 recommendations – part of \$75.0 million in federal funds that will be used over a four-year period ending September 30, 2014. The Department continues to use Race to the Top funding to realize a single powerful vision: an educational system that prepares all Rhode Island students for success in college, careers, and life. Over the term of the grant, Rhode Island will realize this vision through five important support systems: Standards and Curriculum, Instructional Improvement Systems, Educator Effectiveness, Human Capital Development, and School Transformation & Innovation. The Governor's FY 2014 Revised Budget allocates \$20.0 million, while the FY 2015 Budget allocates \$8.7 million to conclude this grant.

In December of 2011, Rhode Island was awarded an additional \$50.0 million through the latest round of the Race to the Top program. Under the title Race to the Top – Early Learning Challenge Grant, funding is used to improve education for pre-school students. This program involves multiple human service state agencies with funding allocated over a four-year span ending December 31, 2015. Within the Department of Elementary and Secondary Education's budget, the Governor allocates \$7.2 million and \$5.4 million for FY 2014 and FY 2015, respectively.

Education

For FY 2015, the Governor recommends \$1.249 billion in expenditures from all funds for the Department of Elementary and Secondary Education. Of this total, \$1.007 billion is from general revenue, \$208.5 million is from federal funds, \$27.3 million is restricted receipts, \$5.9 million is from the Rhode Island Capital Plan Fund, and \$359,000 is from other funds. This financing level represents an increase in general revenue expenditures of \$42.5 million from the enacted FY 2014 level, a decrease of \$17.3 million in federal expenditures, a decrease of \$404,544 in restricted receipt expenditures, a decrease of \$1.7 million from the Rhode Island Capital Plan Fund, and an increase of \$59,000 in other fund expenditures.

Financing for the Department's ACES program increases by \$141,871 in general revenue financing from the enacted FY 2014 level. This increase is largely due to net changes in personnel shifts from federal to state programs since many federal grants have been reduced significantly and an addition of \$250,000 in maintenance costs for Race to the Top projects once the grant period ends on September 30, 2014, offset by various reductions in contracted services.

All State-funded schools are subject to the Education Aid Funding Formula with the exception of Rhode Island School for the Deaf. General revenue funding for the Davies Career & Technical School decreases by \$564,255 from the FY 2014 enacted level; the School for the Deaf decreases by \$140,370; the Metropolitan Career and Technical School decreases by \$548,442; and the Central Falls School District increases by \$446,261. Included in the increase to Central Falls is an additional \$1.8 million for the Central Falls Stabilization Fund as mandated in the Education Equity and Property Tax Relief Act (RIGL 16-7.2).

The Governor recommends fully-financing year four of the Education Aid Funding Formula, while also reducing the overall total amount of funding remaining to be transitioned for underfunded districts in FY 2015. The Governor has also included \$12.3 million to finance four of the five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010, to be distributed to LEAs according to their own individual set of rules. The Regionalization Bonus is excluded because no regional districts formed in FY 2013. In addition, the Governor recommends a general revenue decrease in Group Home Aid of \$1.0 million to reflect fewer beds subject to reimbursement, mostly attributed to the withdrawal of the Department of Children, Youth, and Families' determination of four of the Groden Center group homes as reimbursement-eligible under RIGL 16-7-22(1)(ii). Moreover, the Governor recommends no general revenue financing for the Textbook Expansion and School Breakfast programs. State financing for both programs were only included as additional assistance in the past and the discontinuation will not have any effect on program operations. The general revenue financing of the E-Rate program (\$400,000) and the Full-Day Kindergarten Pilot Program (\$250,000) are level-funded compared to the FY 2014 Enacted Budget.

The Governor recommends \$89.8 million for financing the Teachers' Retirement Program, an increase of \$8.1 million from the FY 2014 Enacted Budget. The State of Rhode Island finances 40.0 percent of the employer's share of the necessary contribution to the Teacher Retirement System, while the municipalities contribute the balance. The employer's share is determined annually, based on actuarial reports by the Employees Retirement System of Rhode Island and is applied to the covered payroll. The projected estimate reflects a 2.0 percent growth in the projected FY 2014 teacher payroll base, along with an increase in the State's share from 8.42 percent in FY 2014 to 9.19 percent of payroll in FY 2015. Additionally, the State will be responsible for 0.4 percent of the Defined Contribution Plan.

In FY 2015, as compared to the FY 2014 enacted level, School Construction Aid decreases by \$2.0 million to \$67.9 million to account for projects that are expected to be complete in FY 2014. Aid is paid to LEAs in the fiscal year following project completion.

Education

Department-wide, which includes the Administration of the Comprehensive Education Strategy, Davies Career and Technical School, and the School for the Deaf, the Governor recommends staffing authorizations totaling 357.4 FTE positions in the FY 2014 revised Budget. For FY 2015, this authorization level is decreased by 16.5 FTE positions to 340.9 FTE positions following the expiration of the Race to the Top grant. Initially, 22.0 FTE positions were approved to accommodate the Race to the Top grant, but 5.5 FTE positions, or 25.0 percent of the 22.0 FTE positions, are maintained since the grant is still active for the first quarter of the State fiscal year.

Public Higher Education

The Governor recommends a revised FY 2014 budget of \$1.063 billion for Public Higher Education, including \$179.1 million in general revenue, \$5.0 million in federal funds, \$841.6 million in other funds, \$702,583 in restricted receipts, and \$36.3 million from the Rhode Island Capital Plan Fund. General revenues decrease a total of \$878,952 from the enacted level, including decreases of \$478,666 for debt service and \$400,286 for a statewide medical benefit savings. The Governor recommends an authorized FTE level of 4,247.0 in the revised FY 2014 budget, which is 1.0 FTE less than the enacted level of 4,248.0 FTE positions.

For FY 2015, the Governor recommends \$1.073 billion for Public Higher Education, including \$191.7 million in general revenue, \$5.1 million in federal funds, \$849.7 million in other funds, \$644,000 in restricted receipts, and \$25.5 million from the Rhode Island Capital Plan Fund. The total general revenue increase of \$11.7 million, or 6.5 percent, from the FY 2014 enacted level includes \$10.0 million to continue the Governor's "no tuition increase" policy initiative for a second year. The goal of the initiative is to limit the burden imposed on students and families of rising tuition and other higher education costs. The remaining general revenue increase of \$1.7 million not associated with the Governor's policy initiative includes \$999,907 for general obligation debt service and \$725,361 for other net personnel and operating adjustments, including a \$493,602 reduction for statewide medical benefit savings.

For FY 2015, the Governor recommends replacing the Office of Higher Education with the *Office of Postsecondary Commissioner*. The Governor will submit legislation in the FY 2015 Appropriations Act to implement the reorganization. To operate and staff the Office, the Governor recommends general revenue expenditures of \$1.1 million and a staff of 12.8 FTE positions. The Office of Postsecondary Commissioner will support the governance and coordination responsibilities of the Council on Postsecondary Education and to work with the higher education institutions to facilitate policy initiatives of the Board of Education and the Council on Postsecondary Education. As of the date of publication of the FY 2015 budget documents, the organizational structure of the Office had not been finalized. For the Office as a whole, the Governor recommends expenditures of \$10.1 million, including \$5.1 million in general revenue and \$5.1 million in federal funds. In addition to funding the personnel and operating costs of the Office of Postsecondary Commissioner, the \$5.1 million in general revenue includes \$2.4 million for Shepard's building operating and parking costs; \$915,224 for PeopleSoft computer software licenses; \$356,538 of Children's Crusade Endowment grants; \$318,044 for legislative grants; and \$60,000 for the Enrollment Incentives grant program.

For the *University of Rhode Island*, the Governor recommends expenditures of \$736.9 million, including \$91.5 million in general revenue, \$631.4 million in other funds, and \$14.0 million from the Rhode Island Capital Plan Fund. Compared to the enacted budget, the FY 2015 budget includes increases of \$5.8 million in general revenue and \$10.9 million in other funds and a reduction of \$8.9 million from the RICAP Fund. Of the \$5.8 million increase in general revenue, \$5.3 is part of the Governor's \$10.0 million initiative to have no tuition increase for a second year in a row. Most of the decrease in RICAP Fund expenditures is associated with the completion of fire protection and safety projects in FY 2014.

Education

For *Rhode Island College*, the Governor recommends expenditures of \$169.3 million, of which \$47.2 million is general revenue, \$115.5 million is other funds, and \$6.6 million is from the RICAP Fund. In the FY 2015 recommended budget, general revenue increases by \$4.3 million compared to the enacted budget, while other funds increase by \$1.7 million. Of the \$4.3 million increase in general revenue, \$3.7 is part of the Governor's \$10.0 million initiative to have no tuition increase for a second year in a row. The recommended expenditures from the RICAP Fund decrease by \$2.9 million.

For the *Community College of Rhode Island*, the Governor recommends expenditures of \$156.4 million, including \$48.0 million in general revenue, \$102.8 million in other funds, \$4.9 million in federal funds, and \$644,000 in restricted receipts. The recommended general revenue is \$1.6 million higher than the FY 2014 enacted budget, while other funds and the RICAP Fund are \$2.4 million and \$1.4 million higher, respectively. Of the \$4.3 million increase in general revenue, \$1.0 is part of the Governor's \$10.0 million initiative to have no tuition increase for a second year in a row.

The Governor recommends a total authorized FTE level of 4,247.0 positions in FY 2015 for Public Higher Education, which is 1.0 FTE less than the enacted budget. In FY 2015, the Governor recommends 3,604.1 non-sponsored FTE positions and 642.9 sponsored research FTE positions.

The Governor recommends a \$125.0 million general obligation bond referendum be placed on the November 2014 ballot to fund Phase I of a comprehensive program to renovate and build additions to the existing University of Rhode Island College of Engineering complex of buildings clustered around the Engineering Quad. The buildings to be razed include Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall. Also included in Phase I are renovations to Kirk Hall and the construction of a new Engineering building.

Rhode Island Council on the Arts

The Governor's revised FY 2014 Budget for the Rhode Island Council on the Arts is \$2.7 million, including \$1.3 million in general revenue, \$796,680 in federal funds, and \$632,536 in other funds. The recommendation for general revenue is \$18,039 less than the enacted level entirely attributed to turnover savings. In all other funds, there is a reduction of \$649 due to using updated planning values for personnel costs.

For FY 2015, the Governor recommends \$3.8 million, including \$2.3 million in general revenue, \$799,348 in federal funds, and \$632,536 in other funds. The general revenue increase from the FY 2014 enacted level is \$1.0 million. This change is mostly attributed to financing for the Governor's new initiative for developing the creative cultural economy in Rhode Island. Funding will be used for art, signage, and cultural interpretation that enhance transportation corridors, gateways, and districts. The Council will work with the Rhode Island Department of Transportation, the Historical Preservation and Heritage Commission, the Rhode Island Commerce Corporation, municipalities, and regional convention and visitor bureaus on determining sites and design products appropriate for various locations. The Council also receives the Partnership Agreements federal grant from the National Endowment for the Arts for the use of fostering public engagement with art.

The Governor recommends 6.0 FTE positions per year for FY 2014 and FY 2015, which is unchanged from the enacted FY 2014 level.

Education

Rhode Island Atomic Energy Commission

The Governor's revised FY 2014 Budget for the Rhode Island Atomic Energy Commission is \$1.2 million, including \$856,770 in general revenue, \$60,724 in federal funds, and \$307,977 in other funds. The recommendation includes a net decrease of \$4,940 to general revenue appropriations, including reductions of \$4,490 for medical benefit savings, \$27,197 for personnel, and \$4,034 for contract services. Offsetting a portion of these reductions is a \$31,231 increase for operating costs.

For FY 2015, the Governor recommends expenditures of \$1.3 million, including \$913,197 in general revenue and \$357,977 in other funds. The increase of \$51,487 in general revenue from the FY 2014 enacted Budget recognizes increases of \$44,447 in personnel, \$6,847 for operating, and \$4,227 for capital purchases and equipment; and a reduction of \$4,034 for contract services savings of \$4,034. Most of the increase in personnel is due to one-time savings in FY 2014 associated with vacant positions.

The FY 2014 revised and FY 2015 recommended budgets include \$50,000 and \$100,000, respectively, from the Rhode Island Capital Plan Fund for a building study to evaluate the overall condition of the facility and asset protection projects, including replacing HVAC systems, repaving the driveway around the Commission's facility, landscaping the facility, replacing windows, painting the building and cooling towers, and various other items. The nuclear reactor facility was constructed in 1960 and the reactor was activated in 1964.

The Rhode Island Atomic Energy Commission (RIAEC) will continue to operate the state-of-the-art reactor at the Rhode Island Nuclear Science Center (RINSC) for the purposes of research, education and training and environmental monitoring. Moreover, the staff of the RINSC will continue to provide technical assistance to other state agencies, including the Rhode Island Department of Health and the University of Rhode Island. The staff provides 2.6 FTE positions to the University of Rhode Island to run its radiation safety functions. This support service includes salary and benefits and operating expenses of \$257,977 for FY 2015. The Governor's budget will enable the Commission to explore additional commercial uses for the RINSC, including new technology involved in cancer research.

The Governor recommends 8.6 FTE positions in both FY 2014 and FY 2015.

Rhode Island Higher Education Assistance Authority

The Governor recommends a revised FY 2014 Budget of \$25.0 million, including \$4.3 million in general revenue, \$12.3 million in federal grants, and \$8.3 million in other funds. Compared to the enacted budget, general revenue expenditures increase \$51,597 from the enacted level. The \$51,597 is allocated to the RIHEAA Scholarships and Grants program to provide federal maintenance of effort for a \$1.5 million College Access Challenge Grant in the Higher Education Office of the Postsecondary Commissioner.

For FY 2015, the Governor recommends expenditures of \$24.4 million, including \$4.3 million in general revenue, \$13.3 million in federal funds, and \$6.8 million in other funds. General revenue expenditures, which are equal to the FY 2014 enacted level, include \$4.1 million for needs-based scholarships and grants and \$147,000 for the New England Board of Higher Education assessment. Beginning in FY 2015, the Governor recommends offsetting a \$1.5 million reduction in available revenues for Tuition Savings

Education

Program needs-based scholarships and grants, which is classified as other funds, with \$1.5 million of Federal Family Education Loan Program guaranty agency reserves, which is classified as federal funds.

The Governor recommends an authorized FTE level of 23.0 FTE positions in FY 2014 and 25.0 positions in FY 2015. The additional 2.0 FTE positions recommended in FY 2015 are for the WaytogoRI.org portal program, which provides age-appropriate educational tools for elementary, middle, high school and college students.

Rhode Island Historical Preservation and Heritage Commission

The Governor recommends total expenditures of \$4.5 million for the FY 2014 revised Budget for the Rhode Island Historical Preservation and Heritage Commission, consisting of \$1.3 million in general revenue, \$2.2 million in federal funds, \$420,320 in restricted receipts, and \$568,689 in other funds. The recommendation reflects a general revenue decrease of \$16,714 from the enacted level, attributable to shifting personnel costs to the new Hurricane Sandy Disaster Relief federal grant, offset by partial financing provided for database upgrades. The new \$3.2 million Hurricane Sandy Disaster Relief federal grant awarded by the U.S. National Park Service will be used to rehabilitate historical properties damaged in the hurricane. Only properties listed or eligible to be listed in the National Register of Historic Places qualify for assistance provided through this grant. The Commission will be allowed to offset 5.0 percent of total expenditures for administrative costs related to this grant. Of the \$3.2 million, \$1.6 million is budgeted in FY 2014, with the remainder in FY 2015. The Commission also receives the Survey and Planning federal grant from the National Park Service for a variety of preservation-related activities, such as identification and evaluation of significant historic and archaeological properties, the nomination of eligible properties to the National Register of Historic Places, and the formulation of historic preservation plans and certain education-related activities.

The Governor recommends total financing of \$5.1 million for FY 2015, including \$1.3 million in general revenue appropriations, \$2.2 million in federal funds, \$434,910 in restricted receipts, and \$1.2 million in other funds. General revenue decreases by \$76,900 from the FY 2014 enacted level, mostly attributed to shifting \$70,000 in personnel costs to the Hurricane Sandy Disaster Relief federal grant. In all other funds, as compared to the FY 2014 enacted level, the recommended increase of \$1.7 million is attributed to the Hurricane Sandy Disaster Relief federal grant.

The Governor recommends 16.6 FTE positions per year for FY 2014 and FY 2015, which is unchanged from the enacted FY 2014 level.

Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The seven agencies that expend 6.2 percent of the total FY 2015 state Budget from all sources of funds to provide public safety services to the state include: the Department of Corrections; the court system (Attorney General; the Judiciary; and the Office of the Public Defender); the homeland security system (Military Staff/National Guard and the Emergency Management Agency); and the Department of Public Safety (State Police, Capitol Police & Sheriffs, E-911, State Fire Marshal, and the Municipal Police Training Academy).

Both the FY 2014 revised and FY 2015 budget recommend 3,222.6 FTE positions, 11.0 FTE positions less than the enacted level, for this function, reflecting reductions in the Department of Public Safety in the State Police (6.0), Capitol Police (3.0), Municipal Police Training Academy (1.0) and Central Management (1.0).

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 39.5 percent of the total. In the Adult Correctional Institutions, which includes seven secure facilities that operate twenty-four hours per day, the Department must provide continuous supervision of an annual average inmate population of 3,160. In addition, the Community Corrections subprogram supervises 25,500 probation and other community-based offenders per year. The second largest share of the Public Safety budget is for the courts system, at 29.1 percent of the total. This includes 20.1 percent of expenditures for the Judiciary, supporting six courts statewide, 6.8 percent for the Attorney General and 2.2 percent for the Office of Public Defender. The Department of Public Safety's share is 24.1 percent. The homeland security system (National Guard and Emergency Management) comprises 7.4 percent of the Public Safety function expenditures.

In the FY 2014 revised budget, the Governor recommends an all-funds budget of \$538.8 million for public safety programs. Of this amount, \$410.62 million is from general revenue, \$59.4 million is from federal funds, \$41.5 million is from restricted receipts, and \$27.2 million is from other funds. All-fund spending is \$18.1 million more than the enacted budget. There is an \$875,548 all-funds increase in personnel expenditures, a \$9.7 million increase in operating expenditures, a \$5.5 million increase for grants and benefits and a \$1.9 million increase for capital expenditures. Of this increase, the general revenue budget decreases by \$1.4 million from the FY 2014 enacted level, federal grants increase by \$12.1 million, restricted receipts increase by \$10.8 million, and other funds decrease by \$3.5 million.

All funds financed personnel expenditures are virtually flat, increasing by only 0.2 percent from \$380.6 million to \$381.5 million, reflecting constrained hiring and managed turnover. Operating expenditures increase by 20.5 percent due to planned expenditures in the Attorney General funded from the restricted receipts Google Forfeiture settlement, as well as greater than anticipated per diem expenditures for inmates (food, clothing, pharmaceuticals) resulting from the estimated increase in the inmate census to 3,192. Grant increases are concentrated in federal funds, reflecting additional Emergency Management homeland security and related federal grants, as well as an increase of \$5.3 million for estimated reimbursement from the Federal Emergency Management Agency for the FY 2013 blizzard and Hurricane Sandy damage of public facilities. The increase in capital funding reflects \$3.0 million in additional Rhode Island Capital Plan Fund financing for Judiciary projects.

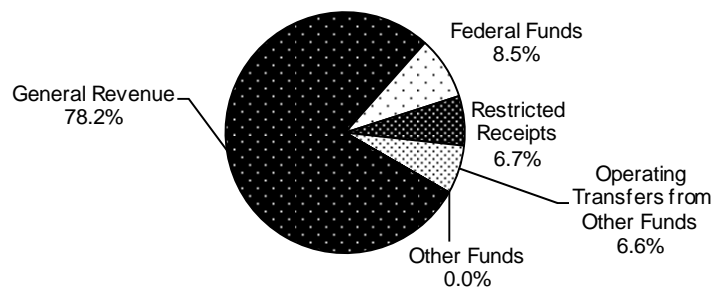
The Governor recommends a FY 2015 budget of \$531.4 million from all funds, an increase of \$10.7

Public Safety

million from the FY 2014 enacted budget. Expenditures of \$415.6 million are recommended for general revenue, \$3.7 million, or 0.9 percent, more than enacted levels, \$3.3 million of which is in the Department of Corrections. Federal funds of \$45.1 million decrease by \$2.2 million. Restricted receipt expenditures of \$35.6 million increase by \$5.0 million, primarily in Google Forfeiture funds in the Office of the Attorney General. Other funds of \$35.0 million increase by \$4.4 million, primarily in the Rhode Island Capital Plan Fund for Corrections (a \$1.7 million increase), and the Military Staff (a \$5.6 million increase).

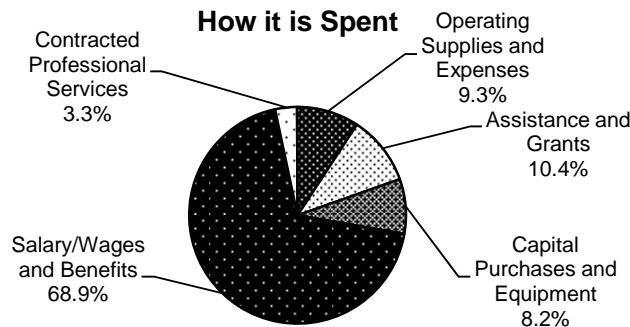
Funding for the Public Safety function is derived mainly from state sources. General Revenue comprises 78.2 percent and 6.6 percent is other funds (primarily from the Rhode Island Capital Plan Fund for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). Federal funds are 8.5 percent of the total, and include Emergency Management homeland security expenditures; FEMA flood and disaster reimbursements; National Guard Bureau funding; adult education, discharge and reentry services, incarceration of undocumented aliens at Corrections; and Child Support Enforcement in the Judiciary. Restricted receipts account for the remaining 6.7 percent, primarily in the Judiciary, Public Safety, and the Attorney General.

How it is Financed



By category of expenditures, personnel (72.1 percent, \$383.8 million) and other operating costs (9.3 percent, \$49.3 million), total \$433.1 million, or 81.4 percent of total expenditures, and are financed primarily from general revenue. Assistance, grants and benefits are \$55.1 million or 10.4 percent, and are financed from general revenue and federal funds. Capital improvement projects, \$43.5 million or 8.2 percent, are financed from the Rhode Island Capital Plan Fund and federal funds.

How it is Spent



Public Safety

Attorney General

The Governor recommends revised FY 2014 appropriations totaling \$43.0 million for the Department of Attorney General, including \$24.0 million from general revenue, \$2.8 million from federal funds, \$16.0 million from restricted receipts, and \$241,805 from the Rhode Island Capital Plan Fund. The FY 2014 revised budget represents an increase of \$12.6 million from the enacted budget, of which \$356,815 is attributable to general revenue; \$1.2 million is federal funds; \$10.9 million is restricted receipts; and \$191,805 is from the Rhode Island Capital Plan Fund.

The net increase in general revenue expenditures of \$356,815 from the FY 2014 Enacted Budget is due to increased costs for janitorial services, parking contracts, and a reappropriation of \$292,610 for the National Association of Attorneys General (NAAG) Tobacco Litigation matter. The Governor also recommends \$150,000 in funding to accommodate expenditures relating to the Children's Rights Litigation against the Department of Children, Youth, and Families, as well as \$25,144 for the Misquamicut Beach litigation matter. The significant increase in restricted receipt expenditures of \$10.9 million is attributable to anticipated expenditures from the Google Forfeiture settlement. The Department intends to expend these funds to upgrade its Precious Metals Database, Criminal History System, and computer systems, as well as purchase and renovate real estate to provide space as needed for its operations. As outlined in the Google Forfeiture settlement, the Department must receive approval from the United States Department of Justice prior to receiving and expending Google Forfeiture settlement funds.

The Governor recommends FY 2015 appropriations totaling \$36.5 million for the Department of Attorney General, including \$23.6 million in general revenue, \$1.4 million in federal funds, \$11.2 million in restricted receipts, and \$300,000 in Rhode Island Capital Plan Fund resources. The FY 2015 Budget represents an increase of \$6.1 million from the FY 2014 Enacted Budget, of which is due to a decrease of \$69,833 in general revenue; a decrease of \$253,223 in federal funds; an increase of \$6.2 million in restricted receipts; and a \$250,000 increase in Rhode Island Capital Plan Fund resources.

The net decrease in general revenue expenditures of \$69,833, as compared to the FY 2014 Enacted Budget, is resultant from the removal of funding for the NAAG Tobacco Litigation matter. As expenditures related to this matter are widely variable and can significantly deviate from year to year, a determination of the necessary funding level will be addressed in the FY 2016 Appropriations Act. The large increase in restricted receipt funding is due to the anticipated expenditure of an additional \$6.0 million over the FY 2014 enacted level for Google Forfeiture settlement funds. The Department anticipates expenditure on IT design services, software maintenance, building acquisitions, and computer equipment.

The Governor recommends 233.1 FTE positions in both FY 2014 and FY 2015, which is unchanged from the enacted FY 2014 staffing authorization.

Department of Corrections

The Governor's revised FY 2014 Budget for the Department of Corrections is \$218.3 million. This includes \$186.0 million in general revenue, \$2.5 million in federal funds, \$66,153 in restricted receipts, \$14.8 million from the Rhode Island Capital Plan Fund, and \$14.9 million in internal service funds. The FY 2014 revised general revenue budget is \$662,844 more than the enacted level of \$185.4 million. The Governor also recommends a reappropriation of \$700,835 from FY 2013 to fund the purchase of

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ammunition, firing range, safety vests, staff uniforms, inmate clothing and other inmate-related equipment. In addition to current service adjustments, the Governor recommends additional savings in medical benefit and retiree health costs as a result of a medical benefits holiday and medical contract savings. The Governor recommends the following adjustments to the enacted budget:

Personnel Costs: the Governor recommends \$162.2 million in all funds expenditure, a decrease of \$668,949 from the enacted level. When adjusted for overtime, the Governor recommends \$143.9 million in salaries and benefits, a reduction of \$2.5 million from the enacted budget and \$477,000 more than FY 2013 actual expenditures of \$143.5 million. In order to achieve this level of expenditure, the Governor recommends delays in the hiring of certain non-correctional officer FTE positions resulting in increased turnover savings.

Correctional Officer Training: the Governor does not recommend funding a correctional officer training class in FY 2014, for a saving of \$730,000 in salary, overtime, contract services and operating expenditures. This delay in the class results from objections expressed by the Department of Justice concerning the fairness of the correctional officer examination process. The Governor does recommend \$500,019 for the weapons requalification of more than 1,000 correctional officers.

Inmate Population-Related Overtime Expenditures: the Governor recommends \$16.3 million in general revenue expenditure in the Custody and Security program, an additional \$4.3 million from the enacted level, to finance overtime costs at the Department's seven inmate facilities. Savings associated with closed housing modules projected in the enacted budget have not been achieved. Two double housing units at the Intake Service Center (ISC) and the two rear rooms at the Maximum Security facility had to be reopened to accommodate an increase in the number of commitments at the ISC and increased security requirements for the current population. The success of the Earned Good Time initiative approved in the 2008 legislative session has decreased population levels by over 500 inmates. However, the closure of the Donald Price Medium Security facility required a shift in population and the opening of housing modules that were assumed to have remained closed. The decrease in the availability of medium custody beds, coupled with increases in the awaiting trial population, has resulted in the continued need to staff common areas of each facility.

Other unbudgeted overtime expenditures result from an increase in sick time utilization, and leave taken by employees in accordance with the arbitration award of 15 paid leave days. The supervision of inmate construction crews on various facility renovations capital projects has also required increased overtime expenditure. Because these specific overtime costs are associated with the construction projects, the Governor recommends the transfer of \$750,000 in overtime expenditure associated with capital projects from general revenue to the Rhode Island Capital Plan Fund.

Inmate Population-Related Operating Expenditures: Based on Departmental projections, the Governor recommends \$12.4 million in funding for per capita operating expenses, including janitorial supplies (\$1.3 million), food (\$4.6 million), pharmaceuticals (\$2.3 million), medical services (\$3.5 million) and other expenditures (linens, inmate clothing, program supplies, medical supplies), an increase of \$495,026 from the enacted level. Reductions are concentrated in pharmaceuticals, offset by increases in janitorial expenditures, food and medical services. The estimated inmate population in the FY 2014 revised budget is 3,192, an increase of 40 from the enacted level of 3,152.

Other Expenditure Reductions: in order to address the Department's projected FY 2014 deficit, the Governor recommends increased turnover in Custody & Security, Institutional Support, and Healthcare Services, as

Public Safety

well as reductions in contract services in the Central Management, Parole Board, and Institutional Support programs.

For the FY 2015 budget, the Governor recommends \$224.0 million in total expenditures for the Department of Corrections. This consists of \$188.7 million in general revenue, \$1.7 million in federal funds, \$54,639 in restricted receipts, \$19.1 million from the Rhode Island Capital Plan Fund, and \$14.4 million in internal service funds. The FY 2015 recommended general revenue budget increases by \$3.3 million from the FY 2014 enacted level and by \$2.7 million from FY 2014 revised budget recommendation. The budget includes statewide benefit adjustments in medical benefits, retiree health, holiday pay, retirement, and the statewide benefit assessment rate. The Governor recommends the following:

Personnel Costs: the Governor recommends \$164.7 million in all funds payroll expenditure, an increase of \$1.8 million from the FY 2014 enacted level. When adjusted for overtime, the \$146.5 million budget is virtually the same as the FY 2014 enacted budget

Certificate of Good Conduct Program: the Governor recommends \$140,217 in the Parole Board program to fund two FTE positions, a field investigator and a senior word processing typist, in order to implement a new program that grants certificates of good conduct to eligible convicted petitioners.

Correctional Officer Training: the Governor recommends \$809,773 in general revenue funds for one class in FY 2015 to train approximately 36 new correctional officers. The Governor also recommends funding for correctional officer weapons requalification, restoring annual requalification in accordance with an arbitrator's decision.

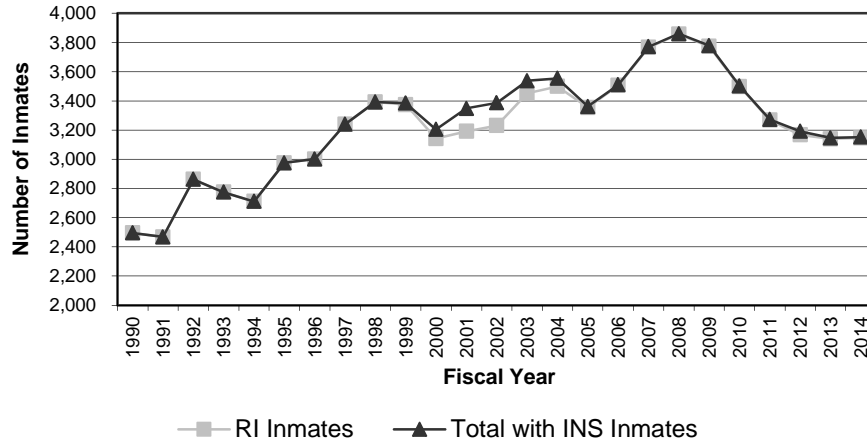
Inmate Population-Related Overtime Expenditures: the Governor recommends \$14.7 million in overtime to finance supervisory costs at several housing units, an increase of \$2.3 million from the enacted budget.

Inmate Population- Related Operating Expenditures: the inmate population estimate is 3,170, an increase of 18 from the enacted level. Per capita expenditures of \$12.1 million increase by \$233,371 from the enacted level.

Federal funds of \$2.4 million in FY 2014 and \$1.7 million in FY 2015 will finance core personnel through the State Criminal Alien Assistance Program (\$810,000), as well as adult inmate education, AIDS counseling, sex offender assessment, supervision and treatment, family counseling, and reentry services (\$899,400 in FY 2014, \$687,994 in FY 2015). In addition, the Department has been awarded a total of \$728,000 in FY 2014 and FY 2015 in federal grants to implement a recidivism reduction program.

Public Safety

Inmate Population



In order to provide necessary repairs and renovations to the Department’s aging facilities, the Governor recommends \$14.8 million in FY 2014 revised and \$19.1 million in FY 2015 from the Rhode Island Capital Plan Fund. Project funding includes a total of \$10.8 million for both years for various asset protection projects, as well as \$750,000 in each year for correctional officer overtime expenditures resulting from supervision of both inmate labor and outside vendors involved in various renovation projects, \$2.1 million in both years in renovation costs to enable the transfer of women inmates from their current facilities to new facilities, \$2.0 million in both FY 2014 and FY 2015 to renovate the Dix Building to house departmental staff, as well as major repair and renovation projects at Maximum Security (\$2.0 million), Medium Security (\$6.1 million both years), the Intake Service Center (\$6.3 million both years), and Minimum Security (\$4.7 million in both years).

The revised FY 2014 and FY 2015 FTE position level for the Department remains the same as the FY 2014 enacted level of 1,419.0. This includes an additional 2.0 FTE positions in the Parole Board program in FY 2015 and an offsetting reconciliation adjustment.

Judiciary

The Governor’s revised FY 2014 Budget for the Judiciary is \$107.5 million, including \$91.4 million in general revenue, \$2.1 million in federal funds, \$11.8 million in restricted receipts, and \$2.2 million in Rhode Island Capital Plan Fund financing. In relation to the FY 2014 enacted budget, the recommendation is a decrease of \$275,953 in general revenue, a decrease of \$560,488 in federal funds, an increase of \$34,668 in restricted receipts, and an increase of \$670,283 in Rhode Island Capital Plan Fund financing. The financing supports the six courts that comprise the Judiciary: the Supreme Court; Superior Court; Family Court; District Court, Workers’ Compensation Court; the Traffic Tribunal, and in addition, the Judicial Tenure and Discipline program. Various smaller courts exist to address specific areas of concern including a Small Claims Remediation Court, Adult Drug Court, Mental Health Court, and Pre-Trial Services. The 2013 Legislature provided financing and 3.0 FTE positions to implement a Veteran’s Court within the District Court, to integrate support and treatment plans with the judicial process.

Public Safety

Salary, wages and benefits total \$80.1 million in FY 2014, comprised of \$70.2 million in general revenue, \$1.5 million in federal funds and \$8.4 million in restricted receipts. The retiree health calculation for judges totals \$12,784 in FY 2014, reflecting full actuarial-based financing for retired judges' health care expenses, less a remnant amount due early in the fiscal year. Statewide savings in medical benefits and the retiree health insurance calculation reduces personnel financing by \$386,278 in FY 2014. The Governor recommends offset of \$500,000 in personnel expense to an indirect cost recovery account that the Judiciary successfully implemented for several sub-programs, including the Child Support Enforcement Unit.

Consultant services, including information technology support, stenographic services, interpreters, and legal services total \$2.2 million in FY 2014. Operating expense is \$10.3 million, including \$9.6 million in general revenue, for the several buildings and court complexes operated by the Judiciary. In FY 2013, the Judiciary implemented offset of occupancy costs to the other state departments that occupy space in its courthouses, which has moderated expenditure growth in several areas including electricity, building maintenance, janitorial services and security services.

The Governor recommends financing in the grants category in the total amount of \$11.0 million in FY 2014 or \$293,611 less than the all funds enacted level. Of this amount, \$6.3 million is for judicial pensions, consisting of \$5.1 million in general revenue and \$799,956 for retired judges in the Workers' Compensation court financed with restricted receipts. Pension payments for judges retired prior to 1989 (also known as 'pay-go') are included as appropriated amounts in the Judiciary's budget. Defense of indigents is financed in the amount of \$3.5 million in FY 2014, legislative grants are provided at the enacted level of \$555,319, and other grants total \$699,807. Other grants are for various sub-programs in the Courts including victim's rights, juvenile justice assistance, mental health counseling and small claim mediation.

Capital financing is provided for the Judiciary in the amount of \$3.9 million in FY 2014, including \$413,000 in general revenue, \$1.3 million in restricted receipts and \$2.2 million from the Rhode Island Capital Plan Fund. The Judiciary intends to use the bulk of its cost recoveries in FY 2014 to develop and implement a new case management system, including electronic filing, in addition to the personnel offset as recommended by the Governor. Rhode Island Capital Plan Fund financing is recommended to accelerate upgrades to courtrooms, HVAC systems and security enhancements for courtrooms and public entry points. Other uses of capital financing include building renovations, computer equipment, software and licensing and capital lease on the Judiciary's copy machines.

For FY 2015, the Governor recommends \$106.5 million, including \$92.4 million in general revenue, \$1.9 million in federal funds, \$10.8 million in restricted receipts, and \$1.4 million in Rhode Island Capital Plan Fund financing for the Judiciary. The recommendation represents a general revenue increase of \$740,309 from the FY 2014 enacted Budget. Salary and benefits total \$80.9 million, consisting of \$71.0 million in general revenue, \$1.4 million in federal funds and \$8.5 million in restricted receipts. Across all funds, personnel increases by \$589,697 attributable to statewide benefit growth, as opposed to financing for new positions. Year-over-year salary growth from FY 2014 to FY 2015 is \$47,232, attributable to a turnover rate of 4.2 percent in the Governor's FY 2015 recommendation and continued constrained hiring by the Judiciary.

In FY 2015, consultants total \$2.1 million or \$272,928 less than the FY 2014 enacted amount reflecting a shift from use of consultants to judiciary employees as court technology projects are implemented. Operating expense is \$10.6 million or \$729,867 more than the FY 2014 enacted level. The Governor

Public Safety

recommends general revenue operating expense in the amount of \$9.8 million, an increase of \$705,206 from the FY 2014 enacted level, to accommodate Judicial occupancy costs associated with its buildings and courtrooms, net of cost allocation to other state departments that reside in court buildings. Other increases in the operating category of expenditure include \$117,440 more for records storage to a total of \$174,950, and \$352,822 more for software maintenance agreements to a total of \$1.0 million in FY 2015.

Grants (including 'pay-go' pensions) total \$9.8 million, including \$3.5 million for defense of indigents, \$355,319 in legislative grants and \$326,657 in other grants. Legislative Grants are reduced by \$200,000 in the Governor's recommendation in FY 2015, reflecting a target adjustment that removed financing for a one-time modeling grant intended to explore community-based alternatives that would reduce incarceration and recidivism. Pensions for judges appropriated in the Judiciary total \$6.6 million in FY 2014 including \$5.8 million in general revenue with the balance of \$799,956 financed by restricted receipts.

Capital expense is \$3.7 million, comprised of \$1.4 million in Rhode Island Capital Plan funds, \$413,000 in general revenue, and \$226,104 in restricted receipts. General revenue-financed capital is for mostly for lease payments on the courts' copy machines and for desktop computer replacements. Financing in the amount of \$1.5 million for the second year of the case management system will be provided by either the Information Technology Fund in the Department of Administration or by issuance of Certificates of Participation, pending legislative approval. Rhode Island Capital Plan Fund dollars are provided for continued renovation of Court facilities to ensure the safety of visitors and staff, and to preserve the historic nature of some of its courthouses.

The Governor recommends 726.3 FTE positions in the revised FY 2014 and FY 2015, the same as the FY 2014 enacted Budget.

Military Staff

The Governor's revised FY 2014 Budget for the Military Staff is \$49.0 million, including \$3.6 million general revenue, \$41.3 million in federal funds, \$3.5 million in Rhode Island Capital Plan Fund financing, and \$771,058 in restricted receipts. In FY 2014, the Military Staff is comprised of the National Guard Program and the Rhode Island Emergency Management Agency Program. The Governor proposes in FY 2015 to separate these two agencies, to reflect executive authority reassignment from the Adjutant General to the Executive Director of the Rhode Island Emergency Management Agency to reflect current practice of state response in times of natural and manmade emergency events.

The FY 2014 revised general revenue budget is \$229,946 less than the enacted budget across both programs as they appear in one agency in FY 2014, largely due to savings in the maintenance contract for the Rhode Island Statewide Communications Network (RISCON) from a renegotiated agreement with the service provider.

For personnel, the Governor recommends \$10.4 million all funds, comprised of \$7.3 million for the National Guard program's 85.0 FTE positions, and \$3.0 million for the Rhode Island Emergency Management Agency's 32.0 FTE positions. For the National Guard, the federal to state financing ratio for personnel is approximately 91:9 in FY 2014. For the Emergency Management Agency in FY 2014, the federal to state financing ratio for personnel is 71:29, with a portion of the state financing provided by indirect cost recoveries on certain federal grants. The Governor's recommendation for both programs

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includes salary and benefit adjustments to reflect current services calculations for retirement, medical benefits, and retiree health insurance.

The Governor recommends a total of \$91,000 in general revenue to compensate military retirees who provide ceremonial services for the Funeral Honors program to conduct honorable and professional funeral ceremonies (including firing squads and buglers) for all eligible veterans in accordance with both state and federal legislation. The general revenue budget will finance firing squads and buglers in cases where federal regulations do not permit federal funds to be used. The Governor also recommends \$100,000 for education stipends to Guard members for tuition expense at the State's public institutions of higher learning.

Also in FY 2014, the Governor recommends Rhode Island Capital Plan Fund financing in the amount of \$1.9 million for various asset protection projects, and continuing projects at the Armory of Mounted Commands, the Command Readiness Center, and the Camp Fogarty and Burrillville Training Centers. The Governor also provides \$425,000 for year one of significant upgrades to the historic Benefit Street Arsenal in Providence. The Rhode Island Capital Plan Fund financing is expended in proportion to federal financing, in a ratio dependent on ownership and use of the structures. The Governor recommends federal capital financing in the amount of \$2.5 million in FY 2014 for match to the state financing. The state match to Federal Emergency Management Agency financing for Hurricane Sandy reimbursements is discussed under the Rhode Island Emergency Management Agency's summary discussion.

For the FY 2015 budget, the Governor recommends \$19.0 million for the Military Staff, which is now comprised of only the National Guard program. The Governor provides \$1.8 million in general revenue for the Guard which is \$481,059 more than the FY 2014 enacted level for the program. Federal financing in the amount of \$14.8 million is provided for the various security programs of the Air and Army National Guards, and the firefighters at the Quonset Air base. The Governor also includes \$300,000 in restricted receipts from the Military Family Relief program and \$142,800 from counter drug forfeitures, specifically the Google settlement, in his FY 2015 recommendation. Financing for the Family Relief fund comes from check-offs on state income tax forms – disbursements assist eligible reservists and members of active duty military in need of assistance. The forfeiture recoveries are programmed for restricted use as outlined in the settlement agreement between the State and the United States Department of Justice.

For personnel in FY 2015, the Governor recommends \$7.7 million in all funds for the 85.0 FTE positions in the National Guard, comprised of \$783,446 in general revenue and \$7.0 million in federal financing or a federal to state personnel financing ratio of approximately 92:8. The Governor provides \$75,000 in overtime and other expenses in anticipation of National Guard activation for the January, 2015 inaugural events for newly elected general officers. Continued funding is provided for various benefits provided to National Guard active and retired personnel continues in the Governor's FY 2015 recommendation, including the Education Benefit, the Life Insurance Benefit (reimbursement for federal funded life insurance for guardsmen deployed overseas), and the Funeral Honors program.

Operating expense financed with general revenue is \$796,365 in FY 2015, an increase of \$64,036 from the FY 2014 enacted, attributable to state share requirements at federal facilities for utility costs, building maintenance and repair, and janitorial services. Rhode Island Capital Plan Fund financing is provided in the amount of \$2.0 million in FY 2015 for continued asset protection and improvement projects at State Armories, training centers and administrative buildings. The Governor also provides \$2.5 million in

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federal construction financing in conjunction with the Rhode Island Capital Plan Fund financing.

For the National Guard program, the Governor recommends 85.0 FTE positions in the revised FY 2014, no change from the enacted level and 85.0 FTE positions in FY 2015.

Department of Public Safety

The Department of Public Safety includes the following programs: Central Management, E-911 Emergency Telephone System, State Fire Marshal, Security Services, Rhode Island State Police, and Municipal Police Training Academy.

The Governor's revised FY 2014 Budget for the Department of Public Safety is \$125.4 million, including \$94.6 million in general revenue, \$10.4 million in federal funds, \$12.9 million in restricted receipts, and \$7.5 million in other funds. This recommendation is an increase of \$1.1 from the enacted FY 2014 Budget of \$124.3 million, and reflects a decrease of \$1.7 million in general revenue, an increase of \$4.3 million in federal funds, an increase of \$100,567 in restricted receipts, and a decrease of \$1.6 million in other funds.

The \$1.7 million decrease in general revenues recommended by the Governor in FY 2014 includes reductions of \$1.8 million in personnel expenditures throughout the Department of Public Safety. Of this total, \$848,087 occurs in the State Police program primarily due to four (4.0) recruits not completing the 55th State Police Academy, unexpected trooper retirements, turnover expectations, and statewide benefit savings. The Governor's revised FY 2014 Budget recommendation continues to finance \$3.5 million for personnel, clothing, and equipment costs for thirty-six (36.0) recruits who recently completed the 55th State Police Academy, which began July 2013.

The Governor's revised recommendation for federal funds totals \$10.4 million in FY 2014, which is an increase of \$4.3 million from the enacted FY 2014 Budget of \$6.2 million. Major changes in federal funds include an increase of \$902,500 in Homeland Security grants and \$250,000 in Urban Area Security Initiatives found within the State Police program. Additionally, the recommendation includes \$682,295 more in the Central Management program to reflect new grant awards such as Alcohol Impaired Driving Countermeasure Incentive grants, the financing for the Rhode Island Forensic Improvement program and National Priority Safety Grants, all received during the fiscal year.

The Governor's revised recommendation for restricted receipts totals \$12.9 million in FY 2014, which is an increase of \$100,567 from the enacted FY 2014 Budget due to minimal variances throughout the Department's budget. The enacted FY 2014 amount for restricted receipts includes \$11.7 million in Federal Forfeitures financing from the Google Settlement, with the balance from other forfeiture recoveries.

The Governor's revised recommendation for other funds totals \$7.5 million in FY 2014, which is a decrease of \$1.6 million from the enacted FY 2014 Budget of \$9.1 million. The decrease is primarily due to a reduction in Rhode Island Capital Plan Fund financing of \$1.3 million for various projects, including a decrease of \$1.2 million by shifting financing to later years for the State Police Barack and Training Academy project and a decrease of \$583,500 for the Rhode Island Fire Academy building project offset slightly by an increase of \$137,967 for Parking Area Improvements.

Additionally, the Governor recommends an increase of \$147,688 in the Capitol Police Rotary Internal

Public Safety

Service Account to finance one (1.0) new Capitol Police Officer FTE position, which will be located at a state office building at 50 Service Ave in Warwick. The recommendation also shifts two (2.0) FTE positions from the Capitol Police Program to the internal service fund. This program supplies security services to other State Departments which then reimburse the Department of Public Safety for those services rendered.

For the revised FY 2014 Budget, the Governor recommends 634.2 FTE positions for the Department of Public Safety, which is a decrease of 11.0 FTE positions from the enacted level of 645.2 FTE positions. The decrease accounts for one (1.0) General Counsel FTE position within the Central Management program, the Director of the Rhode Island Municipal Police Training Academy FTE position (1.0), and nine (9.0) FTE positions within the State Police program.

The Governor's FY 2015 Budget for the Department of Public Safety is \$128.9 million, including \$96.0 million in general revenue, \$6.9 million in federal funds, \$12.9 million in restricted receipts, and \$13.2 million in other funds. This recommendation is an increase of \$4.5 million from the enacted FY 2014 Budget of \$124.3 million, and reflects a decrease of \$393,965 in general revenue, an increase of \$738,740 in federal funds, an increase of \$110,666 in restricted receipts, and an increase of \$4.1 million in other funds.

The \$393,965 decrease in general revenue recommended by the Governor in FY 2015 primarily reflects a savings of \$800,000 in retiree health benefits by requiring any retired State Police Officer who is currently employed by a non-state entity and eligible to receive health insurance benefits through said employer to move off of state health insurance coverage. The savings is offset with the addition of one (1.0) Paralegal Clerk FTE position to the Central Management program and one (1.0) Lead Information Systems Specialist FTE position to the State Police program.

The Governor recommends increased general revenue expenditures of \$58,175 in his FY 2015 Budget to finance a new Paralegal Clerk position as of September 2014 in the Central Management program. Previously, the Division of Sheriffs fell under supervision of the Department of Administration and there its many issues such as grievances, disciplinary actions, updating rules and regulations, policy changes, and memorandum of understandings were handled by Administration's multiple attorneys and staff. The Department of Administration has since relinquished all legal responsibilities and control over the Sheriffs personnel and as a result, the Governor recommends the additional employee to assist with these issues.

The Governor also recommends additional general revenue expenditures of \$86,882 in FY 2015 to finance a new Lead Information Systems Specialist position within the State Police program. This position will work alongside the State Police Management Information Systems Unit to assist the agencies within the Department of Public Safety. The recommendation accounts for a full year of expenditures in FY 2015 to provide technical assistance for the Department of Public Safety. When the Department of Public Safety was formed in 2008, the number of technical staff remained the same as issues increased. This position will help alleviate the strain imposed on current technical staff.

Additionally, the Governor recommends an increase of \$398,883 in general revenue expenditures to finance 177.0 FTE positions within the Division of Sheriffs based on promoting seven (7.0) currently vacant positions beginning in FY 2015. The vacant Sheriff positions are one (1.0) Major, one (1.0) Lieutenant, and five (5.0) Deputy-Sergeant positions. These positions will be filled internally by promotions within the Division of Sherriff. Based on the promotions into higher levels, this would cause

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seven (7.0) Deputy Sheriff positions to become vacant. As a result, the Governor recommends filling all seven (7.0) FTE positions in FY 2015. The Governor also recommends shifting six (6.0) Deputy Sheriff positions from thirty-five to forty hour work weeks. During contract negotiations in 2005, a settlement agreement was reached with the Department of Administration which ensured that the thirty-five hour workweek employees would have a change in work schedule to a forty hour workweek schedule. The goal is to continue this trend of shifting six (6.0) each year until all Deputy Sheriff positions are on a forty hour workweek.

The Governor's Recommendation for federal funds totals \$6.9 million in FY 2015, which is an increase of \$738,740 from the enacted FY 2014 Budget of \$6.2 million. Major changes in federal funds include increases of \$526,359 in the State Police program and \$94,000 more in the Fire Marshal program to reflect available award amounts anticipated to be received in FY 2015.

The Governor's Recommendation for restricted receipts totals \$12.9 million in FY 2015, which is an increase of \$110,666 from the enacted FY 2014 Budget of \$12.8 million. The increase is primarily due to an increase of \$375,000 in Federal Forfeitures retained offset by minimal reductions throughout the Department. In addition, the FY 2015 recommendation includes \$11.7 million in financing from the Google Settlement, which is also included in the Governor's FY 2014 recommendation.

The Governor also recommends shifting personnel expenditures of one (1.0) Clerk Position and twenty percent of costs associated with the Fire Marshal position, all previously financed by general revenue, to the Fire Academy Training Fees restricted receipt account based on current cash trends. Rhode Island General Law 23-28.2-22 created the Fire Education and Training Unit under the Division of Fire Marshal in FY 2011 and also established a Fire Academy Training Fees restricted receipt account. All receipts collected are deposited in this account and used to fund costs associated with the fire training academy. As such, the Governor recommends shifting \$115,400 in general revenue costs to restricted receipts in the Fire Marshal program.

The Governor's Recommendation for other funds totals \$13.2 million in FY 2015, which is an increase of \$4.1 million from the enacted FY 2014 Budget of \$9.1 million. The increase is primarily due to \$4.2 million in various Rhode Island Capital Plan Fund projects throughout the Department of Public Safety.

Similar to the revised FY 2014 Budget recommendation, the Governor recommends an increase of \$188,068 in the Capitol Police Rotary Internal Account to finance one (1.0) new Capitol Police Officer FTE position, which will be located at a state office building at 50 Service Ave in Warwick and the shifting of two (2.0) FTE positions to the internal service fund for positions currently paid for by State Departments through this internal service fund. The Department of Public Safety includes the Capitol Police Rotary program. The program includes 11.0 FTE positions financed from the internal service fund, an increase of three (3.0) FTE positions, with a corresponding reduction from the Capitol Police program financed entirely with general revenues. The Governor's recommendation for the Capitol Police Rotary totals \$1.0 million in FY 2014 and \$1.1 million in FY 2015.

For the FY 2015 Budget, the Governor recommends 634.2 FTE positions for the Department of Public Safety. Similar to the revised FY 2014 Budget, this is a decrease of 11.0 FTE positions from the FY 2014 enacted. The decrease accounts for one (1.0) General Counsel FTE position within the Central Management program, the Director of the Rhode Island Municipal Police Training Academy FTE position (1.0), and nine (9.0) FTE positions found within the State Police program.

Public Safety

Office of the Public Defender

The Governor's revised FY 2014 Budget for the Office of the Public Defender is \$11.1 million, including \$10.9 million in general revenue and \$257,806 in federal funds. The general revenue recommendation is \$149,275 less than the FY 2014 enacted level, while the federal funds recommendation is \$34,910 less than the FY 2014 enacted level. Personnel expenditures decrease by \$107,238 due to statewide adjustments for medical benefits (including medical contract savings) and retiree health and turnover savings. The Governor recommends \$162,591 in contract services, a decrease of \$20,211. Operating and capital expenditures of \$951,275 decrease by \$21,826.

The Governor recommends total expenditures of \$11.4 million in FY 2015, including \$11.1 million in general revenue and \$248,864 in federal funds. The FY 2015 general revenue recommendation is \$96,130 more than the FY 2014 enacted budget, while federal funds decrease by \$43,132. The budget reflects adjustments to current services required for salary and employee benefit requirements of the existing staff, including both initial statewide target increases for retirement, retiree health, and medical benefits and statewide reductions in these items due to identified savings. The Governor recommends \$176,763 in contract services for both trial related work and continued funding of intake eligibility technicians. The Governor recommends \$991,648 in operating and capital expenditures, including continued funding of \$24,793 in FY 2015 for computer network and operating systems upgrades.

The Governor recommends continued inclusion of the following federal grant funded programs: 1) \$97,341 in FY 2014 and \$89,119 in FY 2015, for the Juvenile Response Unit; 2) \$99,710 in FY 2014 and FY 2015 for the Community Partnership program that funds legal and social work assistance to clients; and 3) \$60,035 in FY 2014 and FY 2015, for the John R. Justice Incentive Grant. Funds from this grant will be loaned out as scholarly assistance to municipal, state and federal prosecutors and defenders.

The FY 2014 revised and FY 2015 recommendations are for 93.0 FTE positions, no change from the enacted level. The staff consists of attorneys supported by social workers, investigators, interpreters, information technology, intake and clerical support.

Rhode Island Emergency Management Agency

The Governor's recommended FY 2015 Budget proposes to transfer executive duties associated with the Rhode Island Emergency Management Agency from the Military Staff to a separate, stand-alone agency. For the purposes of presentation, historical expenditure information will remain under the Military Staff. The reassignment of executive authority reflects the current operational practice of state response in times of natural and manmade emergency events.

The Governor provides a total of \$20.6 million in FY 2015 for the Rhode Island Emergency Management Agency, comprised of \$2.0 million in general revenue, \$18.3 million in federal funds, \$221,729 in restricted receipts and \$167,000 in Rhode Island Capital Plan Fund financing. Total personnel financing is \$3.4 million for the 32.0 FTE positions transferred to the new Agency. General revenue financing for personnel totals \$779,390 in the Governor's recommendation, or approximately 23.0 percent of total personnel financing for the Agency. Federal funds provide 71.0 percent personnel financing, or \$2.4 million. Restricted receipt financing, comprised of indirect cost recoveries from certain federal grants and non-state funding for the Title III program (Emergency Planning and Community Right-to-Know Act) provides 6.0 percent, or \$192,831 in FY 2015.

General revenue also provides financing for the annual maintenance contract for the Rhode Island

Public Safety

Statewide Communications Network (RISCON) which maintains interoperable communications between the State, cities and towns, and other entities with over 10,000 end users. A newly renegotiated contract is financed with general revenue in the amount of \$1.2 million in FY 2015, ensuring 24/7 on-site technical support, security testing, and performance management reports for managers to ensure that all site equipment is performing at optimum levels. Federal financing is also provided in the amount of \$254,169 from a 2010 Interoperable Emergency Communication Grant. Future challenges for the system include sustainability of the physical infrastructure, conformance with security requirements of the federal Homeland Security Act, and back-up generators to avoid interruption in service during emergency events, thereby ensuring the safety of first responders.

The Governor's FY 2015 federal financing recommendation includes \$3.1 million in Emergency Management Performance Grants to assist communities in preparedness efforts, and \$3.4 million in State Homeland Security Grants for efforts associated with terrorist threats, active shooters, hazardous material containment, and mass evacuations. The Rhode Island Emergency Management Agency's role as the centralized coordinator of resources ensures that interagency coordination exists, that executive decision making is centralized, and that information is disseminated accurately and immediately. The federal financing allows the organization to maintain consistent practices among the communities and other groups in terms of response, recovery and preparation for future events.

The Governor also recommends \$10.2 million in Federal Emergency Management Agency financing for various natural disasters including the floods of 2010, Tropical Storm Irene in 2011, Hurricane Sandy in 2012 and the Nemo Blizzard of 2013. The Federal Emergency Management Agency grants provide flow-through financing that reimburses communities and other groups for recovery projects after events that follow the issuance of a major disaster declaration.

Following the Hurricane Sandy declaration, the Governor recommended Rhode Island Capital Plan Fund financing to provide the 25.0 percent state match for state buildings and facilities that suffered damage from the storm. In the FY 2014 revised budget, \$1.6 million in Rhode Island Capital Plan Fund financing and \$2.8 million in federal financing is provided in the Emergency Management Agency's program as it appears within Military Staff's budget. A total of \$5.1 million was disbursed from these two resources in FY 2013 for the damage inflicted on state facilities by this storm. Residual disbursements of \$167,000 are expected in FY 2015 for Hurricane Sandy and the Governor provides Rhode Island Capital Plan Fund financing for this purpose in the new Rhode Island Emergency Management Agency.

The Governor recommends 32.0 FTE positions for the Rhode Island Emergency Management Agency in FY 2015, which is the same as the FY 2014 enacted for the program as it appeared in the Military Staff's appropriation.

Natural Resources

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management and the Coastal Resources Management Council. The Governor recommends total full-time equivalent positions of 428.0 in FY 2014 and FY 2015 for the Natural Resource function. Up to 350 temporary positions may also be used for seasonal support at state parks and beaches. Certain debt service for general obligation bonds issued to finance capital projects for the Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are appropriated in the Department of Administration, though the agencies themselves are not part of the State Budget.

The Department of Environmental Management manages and protects Rhode Island's public and common natural assets, including land, air and water resources. It manages state-owned lands, including state parks and beaches, forests, port facilities, and fish and wildlife management areas. The Department administers a capital management program financed by general obligation bonds, funds from the Rhode Island Capital Plan Fund, federal funds, restricted receipts and third-party sources (for land acquisition). Capital program activities include: acquiring and developing recreational, open space and agricultural lands; municipal and non-profit grant programs for land acquisition and development; improvements to state-owned ports and recreation facilities; Superfund federal mandates; construction of new state environmental facilities; municipal wastewater facility construction grant programs; and grants to non-governmental entities for specified water quality improvement projects. The Department also monitors the use and quality of state groundwater; regulates discharges and uses of surface fresh and salt water; enforces game, fishing and boating regulations; coordinates a statewide forest fire protection plan; regulates air quality; and monitors the disposal of solid and hazardous wastes.

The Governor's FY 2015 Budget includes a 'Jobs for a Beautiful Rhode Island' initiative. This proposal, a general obligation bond authorization to be placed on the November 2014 ballot, would promote a Beautiful Rhode Island by investing in infrastructure to ensure that our environment can support the growth of tourism and natural resource based economic development. This bond would serve as a catalyst for investment and growth in the sectors most dependent on a healthy, thriving environment by creating jobs, supporting economic growth, providing resiliency and security to our local communities, and ensuring public safety and public resources. The general obligation bond authorization of \$75.0 million would encompass \$40.0 million for the Department of Environmental Management to use for the continuation of land acquisition, rehabilitation, and an array of other 'green' projects; \$20.0 million for clean water infrastructure; and \$15.0 million for water facilities assistance.

The Coastal Resource Management Council seeks to preserve, protect and restore the coastal resources of the state. The Council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, coastal policy analysts, marine resources and infrastructure specialists, an aquaculture and dredging coordinator, environmental scientists and administrative support staff. The Council issues permits regarding proposed changes in coastal facilities within an area from three miles offshore to two hundred feet inland from coastal features, including all freshwater wetlands within the coastal zone. The council formulates, amends, and enforces violations of the Rhode Island Coastal Resources Management and Special Area Management plans. The council develops guidelines and advises communities on harbor management plans; develops a Submerged Lands Management Licensing program for public trust areas; designates public rights-of-way to the shore; and serves as the aquaculture coordinator for permitting and planning actions. The Council is the lead agency for all dredging and implements an extensive habitat restoration effort. It also conducts public outreach and public communication campaigns on its programs and activities, and coordinates its programs with other government agencies.

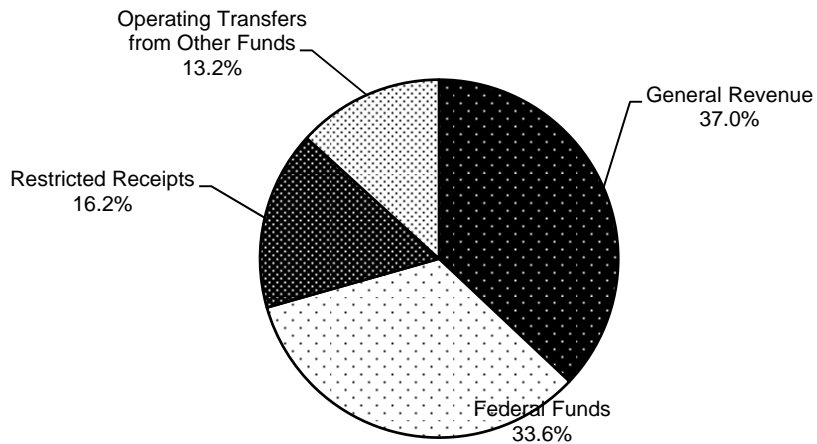
Natural Resources

The Governor's FY 2014 revised budget in all funds for all natural resource agencies is \$112.3 million, a decrease of \$8.6 million from the FY 2014 enacted appropriation of \$120.9 million. Of this amount, \$36.4 million, or 32.4 percent, is from general revenue, \$38.4 million, or 34.2 percent, is from federal funds, \$19.2 million, or 17.1 percent, is from restricted receipts, and \$18.3 million, or 16.3 percent, is from other funds. General revenues decrease by \$568,711, or 1.5 percent, federal funds decrease by \$2.1 million, or 5.2 percent, restricted receipts increase by \$694,953, or 3.8 percent, and operating transfers from other funds decreased by \$6.6 million, or 26.6 percent below the enacted level.

Of the \$112.3 million recommended for Natural Resources in FY 2014, personnel is budgeted at \$57.9 million, or 51.6 percent; operating at \$12.9 million, or 11.5 percent; assistance, grants, and benefits at \$6.4 million, or 5.7 percent; capital improvements at \$35.0 million, or 31.1 percent; and operating transfers at \$50,000, or 0.1 percent.

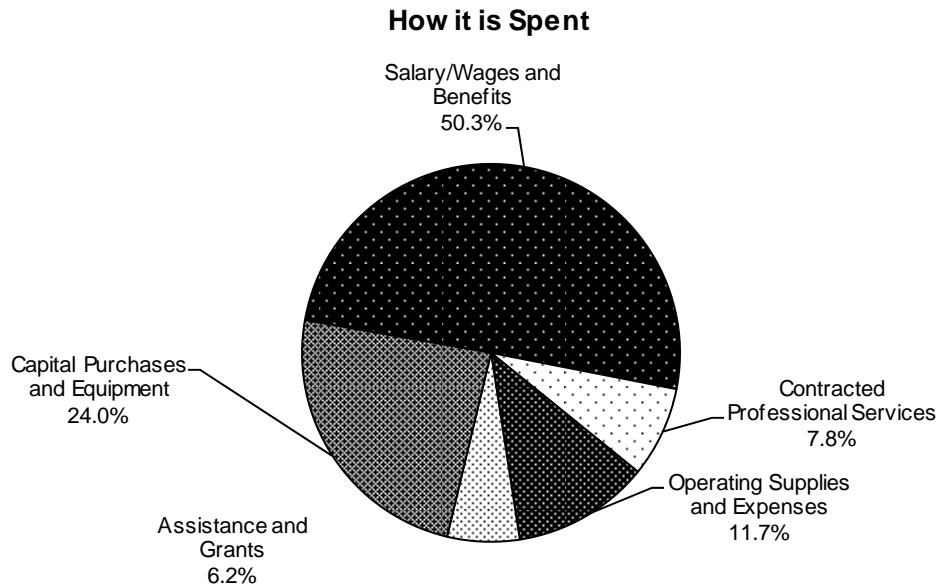
The Governor's FY 2015 Budget from all funds for Natural Resource agencies is \$100.1 million, a decrease of \$20.8 million from the FY 2014 enacted appropriation of \$120.9 million. Of this amount, \$37.1 million, or 37.0 percent, is from general revenue; \$33.6 million, or 33.6 percent, is from federal funds; \$16.2 million, or 16.2 percent, is from restricted receipts; and \$13.2 million, or 13.2 percent, is from operating transfers from other funds. General revenues increase by \$124,994 or 0.3 percent, federal funds decrease by \$7.0 million, or 17.2 percent, restricted receipts decrease by \$2.3 million, or 12.3 percent, and other funds decrease by \$11.7 million, or 46.9 percent, under the enacted level.

How it is Financed



Natural Resources

Of the \$100.1 million recommended for Natural Resources for FY 2015, personnel is budgeted at \$58.1 million, or 58.0 percent; operating at \$11.7 million, or 11.7 percent; assistance, grants, and benefits at \$6.2 million, or 6.2 percent; capital improvements at \$24.0 million, or 24.0 percent; and operating transfers at \$50,000, or 0.1 percent.



Natural Resources

Environmental Management

The Governor's revised FY 2014 Budget for the Department of Environmental Management is \$107.5 million, including \$34.2 million in general revenue, \$36.1 million in federal funds, \$18.9 million in restricted receipts, and \$18.3 million in other funds. This represents a total decrease of \$8.7 million from the enacted budget of \$116.2 million. Funding changes include reductions of \$553,116, or 1.6 percent, in general revenue expenditures; \$2.3 million, or 5.9 percent, in federal funds expenditures; and \$6.7 million, or 26.8 percent, in other funds. There is an increase of \$819,935, or 4.5 percent, in restricted receipts.

The reduction of \$553,116 in general revenue appropriations includes a net savings of \$157,940 for employee benefits due to rate changes in medical health insurance and retiree health and a medical contract savings. There is department-wide personnel turnover savings of \$65,799 and a reduction of \$19,650 for contract services. Other major changes within the Department include a reduction of \$264,227 for operating expenditures and \$45,500 for grants and benefits.

The Governor's federal funds recommendation includes a reduction of \$2.3 million from the FY 2014 enacted level. The majority of this reduction, or \$2.6 million, is related to contract services, which brings spending more in line with historical levels. The recommendation also includes decreases of \$401,640 in capital purchases and equipment, \$187,118 for salaries and benefits, and \$105,000 in grants and benefits. There is an increase of \$986,143 in operating expenditures.

The Governor's recommendation for restricted receipts totals \$18.9 million in FY 2014, an increase of \$819,935 from the enacted FY 2014 Budget of \$18.1 million. This increase includes an additional \$416,488 for salaries and benefits, most of which is in the Bureau of Environmental Protection in the Compliance and Inspection division. Other major changes to restricted receipts include an addition of \$138,206 for contract services, \$156,490 for grants and benefits, and \$117,430 for capital purchases and equipment.

The Governor's recommendation for other funds totals \$18.3 million in FY 2014, which is a decrease of \$6.7 million from the enacted FY 2014 Budget. There is a reduction of \$2.5 million for retro-fit heavy duty diesel vehicles funded by the Department of Transportation. Rhode Island Capital Plan Fund financing includes a shift of \$2.6 million from FY 2014 to FY 2015 for the World War II Park Facility, a shift of \$1.4 million from FY 2014 to FY 2015 for the Natural Resources Office/ Visitors Center, and a total reduction of \$945,955 for shifts of funding to out years for the Recreation Facilities Improvement project, Blackstone Valley Bike Path, and Newport and Galilee Pier Upgrades.

One of the top priorities of the Department of Environmental Management is improving customer service. A critical component of this effort is the Department's Lean Government Initiative to reduce waste, standardize processes, and produce clear, predictable, and reliable regulations, while maintaining environmental protection standards. The next phase of the Lean effort, including development of a permit application center and the streamlining of processes in the Natural Resources program, is underway in FY 2014 and continues into FY 2015.

The Governor's FY 2015 budget for the Department of Environmental Management is \$95.8 million, which includes \$34.9 million in general revenue, \$31.8 million in federal funds, \$15.9 million in restricted receipts, and \$13.2 million in other funds. This represents a total decrease of \$20.4 million from the FY 2014 enacted budget of \$116.2 million and includes an increase of \$113,787 or 0.3 percent, in general revenue expenditures; a decrease of \$6.6 million, or 17.2 percent, in federal funds expenditures; a decrease of \$2.1 million, or 11.9 percent, in restricted receipts; and a decrease of \$11.7 million, or 46.9 percent, in other funds.

Natural Resources

The increase of \$113,787 in general revenue appropriations from the enacted FY 2014 Budget primarily reflects additional financing for personnel for salary increases due to step increases and statewide benefit adjustments. On a categorical basis, general revenue increased by \$408,334 for personnel expenses and \$8,570 for capital purchases and equipment. These increases were somewhat offset by reductions of \$240,072 for operating expenses, \$42,455 for grants and benefits, and \$20,600 for contract services.

The Governor's recommendation for federal funds totals \$31.8 million in FY 2015 and reflects a decrease of \$6.6 million from the enacted FY 2014 Budget of \$38.4 million. This recommendation includes a reduction of \$3.1 million for contract services, which brings spending more in line with historical levels. Capital purchases and equipment decreases by \$4.3 million and includes decreases of \$2.7 million for the Rhode Island Commercial Fishing Infrastructure; \$600,000 for Wildlife Development; and a total of \$1.0 million for Outdoor Recreation Projects and North American Wetlands Conservation, which reflects the expiration of funding for these grants. Other changes to federal financing includes an increase of \$196,495 for salaries and benefits, a decrease of \$193,227 for operating expenses, and an increase of \$742,003 for grants and benefits.

The Governor's recommendation for restricted receipts totals \$15.9 million in FY 2015, which is a decrease of \$2.1 million from the enacted FY 2014 Budget of \$18.1 million. The majority of the change in restricted receipts is related to a decrease of \$2.2 million in capital purchases and equipment for the Fort Adams project, which was a grant provided by Sail Newport in FY 2014 to undertake construction of a Sailing Training Facility, which is expected to be completed by the end of the fiscal year. Further changes to restricted receipts include increases of \$109,430 for other capital purchases and \$259,363 for personnel expenditures and decreases of \$71,200 for contract services, \$13,762 for operating expenditures, and \$230,357 for grants and benefits.

The Governor's recommendation for other funds totals \$13.2 million in FY 2015, which is a decrease of \$11.7 million from the enacted FY 2014 Budget of \$24.9 million. The major changes for the Department include decreases in Rhode Island Capital Plan Fund resources of \$3.0 million for Recreational Projects, \$2.2 million for the Galilee Pier projects, \$2.5 million for Rocky Point, \$1.4 million for Fort Adams Sailing Infrastructure, and a total of \$1.2 million for Dam Repair, Fort Adams Rehabilitation, and Blackstone Valley Bike Path, as projects are either completed or funding is brought in line with annual requirements. These reductions reflect the culmination or near completion of projects. There is also a reduction \$2.8 million for Retrofit Heavy-Duty Diesel Vehicles, which is provided by the Department of Transportation. The Governor's recommendation includes funding of \$625,100 from the Rhode Island Capital Plan Fund for the Natural Resource Office/Visitor's Center and a new telephone system for the Department. Also included in the recommendation for other funds is an increase of \$743,850 for DOT Recreational Projects.

In FY 2015, the Department will continue its focus on improving facilities and increasing enjoyment and use of public lands. This effort is augmented by the Department's successful Great Outdoors Pursuit program, which attracts thousands of Rhode Islanders to the Department of Environmental Management's public lands each year.

The Governor's recommendation for the FY 2015 Budget includes a proposal for 'Jobs for a Beautiful Rhode Island,' which would permit a \$75.0 million general obligation bond authorization to be placed on the November 2014 ballot. This initiative would promote economic growth, expand the job market in the areas of agriculture and the fishing industry, enhance the attractiveness of our State, and provide safer communities by investing in the infrastructure of Rhode Island. The Department would use \$40.0 million of this bond authorization for continued development in open space and land protection, farmland preservation and acquisition, local land acquisition and recreation development, lake recreation and restoration, distressed community recreation grants, facilities improvements, marine infrastructure and

Natural Resources

pier development, brownfield remediation, 'green' infrastructure, flood prevention, local agriculture and seafood grants, and a shellfish management and restoration facility.

The Governor recommends 399.0 FTE positions for the revised FY 2014 and FY 2015 budgets, which is consistent with the FY 2014 enacted budget.

Coastal Resources Management Council

The Governor's revised FY 2014 Budget for the Coastal Resources Management Council is \$4.8 million. This includes \$2.2 million of general revenue, \$2.3 million of federal funds, \$250,000 in restricted receipts and \$50,000 from the Rhode Island Capital Plan Fund. General revenue decreases by \$6,241, while federal funds increase by \$26,690, from the enacted level. General revenue personnel expenditures are level funded for 18.0 FTE positions, and include a net reduction of \$13,202 for planning and contract adjustments in medical benefits and retiree health.

Federal funds increase by \$60,430 in the federal funded portion of personnel (11.0 FTE positions) and operating expenditures. Funding for six other federal grants decrease by \$33,720. Two grants (Narragansett Bay Habitat Restoration Planning and R.I. River Ecosystem Restoration) reflect revised expenditure scheduling, including the latter, which is funded by American Recovery and Reinvestment Act stimulus funds to construct four fish ladders and remove two dams. The budget also includes three federal grants that fund development work for the Northeast Regional Ocean Council, classification of marine habitats in other New England states, and planning work on coastal and marine habitat adaptation to rising sea levels. In addition, the Governor recommends expenditure schedule revisions of the Aquatic Invasive Species federal grant (a \$6,007 increase).

The Governor recommends \$250,000 in restricted receipt expenditures for the Coastal and Estuary Habitat Restoration Program and Trust fund from the Oil Spill Prevention, Administration and Response Fund, to be spent on specific projects to rehabilitate coastal habitats. The Governor recommends Rhode Island Capital Plan Fund financing of \$50,000 to construct a secure boat storage facility. The South Coast Restoration Project, to include the Charlestown Breachway Hazard Mitigation project, has been transferred to Federal Emergency Management Agency federal funds and state match funds from the Rhode Island Capital Plan Fund, under the Hurricane Sandy Clean-Up project in the Rhode Island Emergency Management Agency.

In the FY 2015 budget, the Governor recommends \$4.2 million, including \$2.2 million of general revenue, \$1.8 million of federal funds, and \$250,000 in restricted receipts. The general revenue budget increases by \$11,207 from the enacted budget, reflecting statewide target adjustments, including revisions in retirement, statewide benefit assessments, health benefit and retiree health rates, as well as reductions reflecting medical contract savings. Federal Funds decrease by \$357,980 from the enacted level, reflecting primarily the expected completion of work on the River Ecosystem Restoration and the Marine Habitat Characterization federal grants (a \$432,536 decrease) and revised expenditure estimates for the Narragansett Bay Habitat Restoration project (a \$120,819 increase).

The FTE position authorization for the Council is unchanged at 29.0 FTE positions for FY 2014 and FY 2015. The staff includes engineers, environmental scientists, coastal policy analysts, marine resources and infrastructure specialists, an aquaculture and dredging coordinator, as well as administrative support staff.

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Transportation

Summary

The transportation function provides for the maintenance and construction of a quality infrastructure that reflects the transportation needs of the citizens of Rhode Island. The function is implemented by the Department of Transportation (DOT) through its core programs, transportation development and maintenance. Transportation development includes construction and design, traffic management, environmental and intermodal planning, capital programming, bridge rehabilitation/replacement, and highway safety. The Department of Transportation maintenance section engages in the routine maintenance of state highways, bridges, and associated roadsides and highway appurtenances.

Intermodal Surface Transportation Fund

In FY 1994, Rhode Island established the Intermodal Surface Transportation Fund (ISTF) to provide financing for transportation expenditures from dedicated user-related revenue sources. This dedicated highway fund establishes a direct relationship between transportation project financing and the end-users of the projects, with the goal of establishing a stable revenue stream capable of financing the projects on a pay-as-you-go basis.

For FY 2014 and FY 2015, the Intermodal Surface Transportation Fund is supported by 32.5 cents of Rhode Island's total 33.0-cent per gallon gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation, as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Human Services (formerly the Department of Elderly Affairs). The revenue generated by the state's gasoline tax is allocated to these recipients on an individual cent basis. State law governs the distribution of the cents to the agencies. As of FY 2010, there is no longer any contribution to the general fund from the gasoline tax. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax was established at each Revenue Estimating Conference; however, as there is no longer an impact on general revenue receipts, the Conference is no longer determining the gasoline tax estimate. The Office of Revenue Analysis within the Department of Revenue has provided the estimates for FY 2014 and FY 2015. The Office of Revenue Analysis estimates gasoline tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gasoline tax supported operations.

Since the inception of this funding mechanism for transportation activities, there have been numerous revisions to the allocation plan. Each change has been initiated in order to direct more revenues to transportation operations rather than to the general fund. There was a change to the disbursement schedule in the enacted FY 2010 Budget, which increased the RIPTA allocation and the total gasoline tax by two cents, and an increase to the Department of Transportation of one cent, with an offsetting reduction and elimination of the allocation of gasoline tax directed to the general fund.

Starting in FY 2009, 0.5 of the State's 1.0-cent per gallon environmental protection regulatory fee collected by distributors of motor fuel when the product is sold to owners and/or operators of underground storage tanks has been recommended to support the Rhode Island Public Transit Authority (RIPTA).

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Current Law Gasoline Tax Allocation (in cents)							
<u>Recipient</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DOT	20.75	21.75 ³	21.75	21.75	21.75	21.75	21.75
RIPTA	7.75 ¹	9.75 ⁴	9.75	9.75	9.75	9.75	9.75
General Fund	1.0 ¹	0.0 ³	0.0	0.0	0.0	0.0	0.0
DEA/DHS	1.0	1.0 ⁵	1.0	1.0	1.0	1.0	1.0
Underground Storage Tank-DEM	0.5 ²	0.5	0.5	0.5	0.5	0.5	0.5
Total:	31.0	33.0	33.0	33.0	33.0	33.0	33.0

¹ One additional cent was recommended for RIPTA with an offsetting reduction in the allocation of gasoline tax directed to the general fund starting in FY 2006 to finance a market survey of non-transit users and a management study of the agency

² Starting in FY 2009, 0.5 of the 1.0 cent Underground Storage Tank fee was recommended for allocation to RIPTA

³ Starting in FY 2010, 1.0 of the remaining cent distributed to the General Fund was recommended to finance Department of Transportation operations

⁴ Starting in FY 2010, 2.0 new cents of gasoline tax were added to the total for 33.0 cents now collected; the additional two centers were allocated to finance RIPTA

⁵ Starting in 2010, 1.0 cent formerly directed to DEA was now sent to DHS

Federal Funding

The Department of Transportation provides services through four programs: Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance. Primary funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA). Federal highway funding is provided through the Highway Trust Fund and other sources, as appropriated and allocated by Congress through transportation authorization legislation. Typically, these authorization provisions extend five to six years, allowing for mid-range capital planning at the state level. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was passed in August 2005, authorized funding for highway construction, highway safety programs, mass transit operations, and other surface transportation projects over a five-year period, from 2005 to 2009. The Act expired in 2009, but was extended by Congress for one year in 2010. In subsequent years, SAFETEA-LU was extended for short periods with minor adjustments to the substantive provisions.

In June 2012, Congress approved a new two-year transportation authorization, called Moving Ahead for Progress in the 21st Century (MAP-21). MAP-21 shifts the Federal planning and project model toward performance measurements. The limited time of the authorization is an improvement over short-term extensions, but a two-year authorization still requires the state to make assumptions when projecting the availability of future Federal resources. MAP-21 intends to create a streamlined and performance-based

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surface transportation program and builds on and refines many existing highway, transit, bike, and pedestrian programs and policies.

MAP-21 sets forth the following goals:

- Strengthen America's highways
- Establish performance-based programs
- Create jobs and support economic growth
- Support the Department of Transportation's aggressive safety agenda
- Streamline Federal highway transportation programs
- Accelerate project delivery and promotes innovation

The Highway Trust Fund (HTF) is the source of funding for most MAP-21 programs. The HTF includes the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. Federal motor fuel taxes are the primary source of income for the HTF. MAP-21 extends highway-user fees (Federal gas tax and other related taxes), generally at the rates that were in place when the legislation was enacted, through September 30, 2016. It also extends provisions for full or partial exemption from highway-user taxes and provisions for deposit of almost all of the highway-user taxes into the HTF through September 30, 2016.

In MAP-21, the metropolitan and statewide transportation planning processes are continued and enhanced to incorporate performance goals, measures, and targets into the process of identifying needed transportation improvements and project selection. Requirements for a long-range plan and a short-term Transportation Improvement Program (TIP) continue, with the development of the Long-Range Transportation Plan (LRTP) incorporating the performance plans required by the Act for certain programs. The TIP must also be developed to make progress toward established performance targets and must include a description of the anticipated achievements.

Overall, MAP-21 includes an array of provisions designed to increase innovation and improve efficiency, effectiveness, and accountability in the planning, design, engineering, construction and financing of transportation projects. Prior to MAP-21, Rhode Island received one-half of one percent of all funds allocated to states nationwide as a result of the Federal funding formula. In FY 2014 and FY 2015, Rhode Island will maintain its federal level of funding at the same level as FY 2010. MAP-21 is scheduled to expire on September 30, 2014.

The Rhode Island Department of Transportation Highway Improvement Program (HIP) includes highway and intermodal projects that use Federal funds administered by the FHWA that are typically funded with 80.0 percent Federal funding and 20.0 percent State matching funds. Prior to FY 2013, the State had traditionally matched Federal highway funds with general obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the general obligation bonds issued was paid with gas tax revenue. As a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance costs.

Rhode Island relies heavily on federal funds to finance its Highway Improvement Program and other operations of the Department. It is important to note that at a national level, the Federal Highway Trust Fund is being depleted with funds being expended faster than they are being replenished from federal fuel and other fees. In calendar year 2013 and 2014, the United States Congress has taken no action to bolster the Highway Trust Fund. Because of the multi-year nature of the Highway Improvement Program, the Rhode Island Department of Transportation will be working on an action plan based on the assumption that Congress will act to restore Highway Funding by the end of December 2015.

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Highway Improvement Program – State Match Financing

As a solution to the structural deficit and increasing debt service impact, Governor Chafee proposed shifting existing license and registration fees to transportation purposes over five-years as part of his FY 2012 Budget proposal (Article 22). However, Article 22 included in the FY 2012 Budget as Enacted, passed by the General Assembly, did not shift any existing registration and license fees, but instead increased registration and license fees and dedicated those new revenues to transportation purposes. The Article created the Rhode Island Highway Maintenance Trust Fund and prescribed a three-year, phased increase in registration and license fees, beginning in FY 2014 (July 2013). Two-year registrations and drivers licenses would each be increased by \$30 (\$10 per year for three-years), while one-year registrations would be increased by \$15 (\$5 per year for three-years). Article 6 of the FY 2014 Budget as Enacted made some technical changes to language within the legislation and modified some of the surcharges. The Article had a minimal impact on the estimated revenues to be generated by the surcharges on annual and biennial registrations and operator's licenses. The revised estimate includes \$5.9 million in FY 2014, \$11.4 million in FY 2015 and \$16.8 million in FY 2016.

In addition to the fee increase, Rhode Island Capital Plan Fund (RICAP) financing will be used to supplement the revenue generated by the new fees so that bond borrowing to match Federal Highway funding would be eliminated by FY 2016. The Legislature appropriated \$20.0 million in FY 2013 and \$21.1 million in FY 2014 from the Rhode Island Capital Plan Fund to accelerate the elimination of general obligation bond financing for the Department of Transportation's federal highway match. The increase in FY 2014 was based on the estimated decrease in registration fees from the original estimate. Rhode Island Capital Plan Fund financing and registration fees will replace debt financing, which along with shifting remaining transportation debt service to general revenue over time, will eventually reduce the debt service of the Department of Transportation and alleviate the systemic deficits that have occurred in the past.

Transportation Improvement Program

The Highway Improvement Program implements the Department's capital program as identified in the State's Transportation Improvement Program (TIP). The TIP is a listing of transportation projects that the state plans to finance over a four-year period from Federal highway and transit funds. Federal law requires that all projects using Federal transportation funds shall appear in a TIP adopted by the State Planning Council and approved by the Governor.

In Rhode Island, the TIP is the product of extensive public outreach to all communities, public interest groups, and citizens throughout the state by the agencies involved in transportation planning and project implementation. Following extensive public solicitation for the current TIP, highway projects are selected by a twenty-seven member public body, known as the Transportation Advisory Committee (TAC), using criteria based on six major categories: mobility benefits; cost effectiveness; economic development; environmental impact; degree of support to local and state goals and plans; and safety/security/technology. Certain projects are reviewed by special public committees prior to selection for the TIP by the TAC. The transportation air quality subcommittee, assisted by DOT and DEM staff, conducts a solicitation and evaluation of Congestion Mitigation and Air Quality (CMAQ) proposals, a TAC subcommittee reviews new bicycle/pedestrian projects, and the RIDOT Advisory Committee solicits and evaluates applications for funds earmarked for Transportation Enhancements.

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GARVEE Program

FY 2004 marked the beginning of a major effort on the part of Rhode Island government to address the rebuilding and modernization of the State's transportation systems. In 2003, 2006 and 2009, the State completed the first, second and third parts of a three-part bond transaction that provided \$720.0 million in construction funds for five major infrastructure projects financed by two methods. The majority of the costs (\$544.4 million) have been financed through Grant Anticipation Revenue Vehicle bonds (GARVEE).

GARVEE is a program approved by Congress that allows states to borrow funds, which are then repaid by the annual allocation of Federal Highway Administration construction funds. The remaining costs were provided through Motor Vehicle Tax Revenue Bonds. These bonds are financed through a two-cent dedication of the Department's gasoline tax allocation. With the established funding sources in place to meet the financing requirements of this borrowing, this program will have no fiscal impact to the State and offer no financial exposure to taxpayers other than the pledging of the FHWA and gas tax funds to repay the bonds. The projects financed under this program were the I-195 Relocation, Washington Bridge Reconstruction, and a new Sakonnet River Bridge. Also financed was the completion of the Freight Rail Improvement Program and Quonset Rt. 403 construction.

Project	Total Cost	GARVEE Funding		
		GARVEE Funding	Other Funding	Projected Through FY 2014
Route 195 Relocation (the I-Way)	\$612.8	\$378.1	\$234.7	\$365.2
New Sakonnet River Bridge	243.1	142.4	100.7	130.4
New Washington Bridge	79.1	79.1	0.0	53.3
Phase II, Route 403	200.9	116.5	84.4	116.5
Freight Rail Improvement Project (FRIP)	118.1	31.8	86.2	31.8
Total	\$1,254.0	\$747.9	\$506.0	\$697.2

*\$ in millions. Totals may vary due to rounding.

The debt service on the GARVEE bonds to be paid through the FHWA allocation in FY 2014 and FY 2015 is \$48.4 million each year and is reflected in the Department's operating budget as a Federal fund source. The gas-tax funded debt service on the Motor Fuel Tax revenue bonds totals \$8.3 million in FY 2014 and FY 2015, which is paid using 2.0 cents of total gas tax revenues. An amendment to the original GARVEE approval (as granted by Article 36 of the FY 2004 budget as enacted), which allowed \$9.6 million of the GARVEE bond authorization approved for the Washington Bridge project to be applied to the Sakonnet River Bridge project was adopted as part of Article 7 of the FY 2013 Budget as Enacted. The total GARVEE borrowing would remain unchanged; the \$9.6 million in authorization would shift between projects.

Federal Stimulus Funds

On February 17, 2009, Congress passed an economic stimulus bill, the American Recovery and Reinvestment Act (ARRA), which provided Rhode Island with \$137.0 million in additional highway funding with no required state match for highway infrastructure investment, which has been spent over three years for sixty-six separate projects throughout Rhode Island including highway, road and bridge repair, pavement resurfacing, as well as enhancement projects, such as lighting and drainage improvements. Stimulus funds will be fully expended in FY 2014 and will no longer be available as a source of funding.

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Rhode Island Public Transit Authority

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. Operating assistance of \$40.6 million in each of FY 2014 and FY 2015 to the Rhode Island Public Transit Authority will be financed from a 9.25 cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0 cent Underground Storage Tank fee. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Human Services to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite rider programs for the elderly and to finance compliance costs statewide associated with Americans with Disabilities Act.

Governor's FY 2014 Revised Budget Recommendation

The Governor's FY 2014 Revised Budget for the Department of Transportation totals \$478.2 million, including \$349.1 million in federal funds, \$122.2 million in other funds, and \$6.9 million in restricted receipts. This represents a \$17.9 million increase in all funds from the FY 2014 Enacted Budget. Federal funds increase by a total of \$37.4 million, while restricted receipts decrease by \$1.1 from the enacted budget. Other funds for Transportation decrease by a total of \$18.3 million from the enacted budget. The other funds total includes gasoline tax expenditures for the Department of Transportation, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as Rhode Island Capital Plan Fund appropriations, land sale proceeds, nonland surplus property revenues and other miscellaneous receipts.

Governor's FY 2014 Revised Intermodal Surface Transportation Fund Recommendation

The revised FY 2014 estimated revenue available within the Intermodal Surface Transportation Fund is \$135.4 million, which represents the revised per penny gasoline tax yield estimate of \$4,168,974, as well as a negative carry forward from FY 2013 totaling \$51,080 and an additional \$2.1 million from 0.5 cent of the 1.0 cent Underground Storage Tank fee. Gasoline tax funds within the Department of Transportation total \$98.4 million, \$49.4 million is recommended for the operations of the Department, \$40.6 million is the operating transfer to finance RIPTA, and \$8.3 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department decrease by \$87,926 from the enacted budget. The decrease is a result of a carry forward deficit of \$51,080 and a decrease in the gasoline tax estimate. The original estimate used in the FY 2014 Enacted Budget was \$4,170,507 per penny. The estimate provided by the Office of Revenue Analysis has revised the per penny gasoline tax down to \$4,168,974, a decrease of \$1,533 per penny.

Other adjustments to the total gasoline tax appropriation for the Department include projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs of \$30.5 million for DOT. Due to the projected deficit caused by the continued pressure on the Department of Transportation's budget with increasing debt service and declining gasoline tax, general revenue will be used to fund \$9.3 million of the Department's debt service for FY 2014. In the FY 2013 enacted budget, the General Assembly included \$8.0 million to begin this shift in funding source for DOT debt service. In addition, RIDOT received \$1.9 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service, which is borrowing used by the state at the outset of the American Recovery and Reinvestment Act of 2009, reducing the amount of gasoline tax used on debt service. This is a reduction of \$145,150 as compared to the enacted budget based on cuts that occurred at the federal level based on sequestration. Lastly, in April 2012, a major refunding and restructuring of transportation debt was completed that will greatly help level payments over time, eliminating the "spikes" that have caused additional pressure on the shrinking gas tax revenues for the

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Department. The debt service adjustment represents a decrease of \$28,282 from the enacted budget, reflected within the Department of Administration's budget.

Additionally, due to projected deficits at the Rhode Island Public Transit Authority, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded with \$1.7 million of general revenue in FY 2014 to supplement gas tax revenue previously used for debt service. A total of \$2.4 million represents the financing of Human Resources, Purchasing, and Information Technology positions that have been consolidated within the Department of Administration for employees who work at the Department of Transportation but whose costs are budgeted within the Department of Administration. The total transfer amount of these positions represents an increase of \$314,932 from the FY 2014 enacted budget. The increase addresses the anticipated need for increased financing for Human Resources and Information Technology consolidations and an additional transfer to DOA related to services provided by the Division of Purchasing. The Governor recommends a zero sum balance for the end of FY 2014 in the Intermodal Surface Transportation Fund.

Governor's FY 2014 Revised Rhode Island Capital Plan Fund Recommendation

A total recommendation of \$14.4 million in FY 2014 from the Rhode Island Capital Plan Fund finances \$4.1 million for Train Station Maintenance and Repairs, Salt Storage Facilities and Maintenance Facility improvements and fire alarms, and construction on the Portsmouth, East Providence, and Cherry Hill Facilities. Included in the Rhode Island Capital Plan Fund is a Rhode Island Public Transit Authority project for \$219,261 towards Land and Building Enhancements. Additionally, the Governor recommends \$300,000 for a Cooperative Maintenance Facility between the Rhode Island Department of Transportation and the Rhode Island Public Transit Authority to convert the former RIPTA maintenance facility on Melrose Street in Providence to a cooperative maintenance facility for Department of Transportation heavy fleet and RIPTA buses.

In FY 2014, the Governor recommends \$2.0 million for the Replacement of Heavy Duty Vehicle Equipment. The FY 2014 – FY 2018 Capital Improvement Plan, as enacted by the General Assembly, included \$1.0 million annually to provide for the replacement of the Department of Transportation's heavy duty vehicle equipment. The Governor recommends combining the FY 2013 and FY 2014 allocations into a single purchase, which has allowed the Department to procure seven ten-wheel dump trucks and two drainage cleaning vacuum trucks. Along with normal highway repair operations, the seven ten-wheel trucks will be used for snow plowing operations and will be replacements for seven designated older vehicles. The two drainage clearing vacuum trucks will augment the one vacuum truck currently in the fleet.

The Governor also recommends \$7.7 million in Rhode Island Capital Plan Fund financing for the Highway Improvement Program, which is a decrease of \$13.4 million from the enacted FY 2014 Budget. In FY 2013, the General Assembly appropriated \$20.0 million from the Rhode Island Capital Plan Fund to accelerate the elimination of general obligation bond financing for the Department of Transportation's federal highway match. The FY 2013 closing report for the Rhode Island Department of Transportation reflected expenditures of \$33.4 million within the newly created Rhode Island Capital Plan Fund Highway Improvement Program account. The expenditures of \$33.4 million caused the account to reflect a \$13.4 million deficit at the close of FY 2013. Under procedures followed in prior years by the State Budget Office, any overspending in a Rhode Island Capital Plan Fund account is offset against the following year's appropriation. As a result, the Department of Transportation will have \$13.4 million less funding available in the FY 2014 appropriation, reflected in the Governor's FY 2014 revised recommendation. The total Rhode Island Capital Plan Fund decrease amongst all Department of Transportation projects is \$12.7 million compared to the FY 2014 enacted level, primarily as a result of the reduction of Rhode Island Capital Plan Fund resources in the Highway Improvement Program. As this is primarily an accounting and

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timing issue, the reduction in RICAP funding in FY 2014 will have no impact on the Department's ability to meet its obligation for state match.

Governor's FY 2014 Revised Other Funds Recommendation

Other funds changes include a \$5.7 million decrease from the sale of land associated with the I-195 relocation project in order to reflect current project schedules. A total of \$6.6 million in expenditures from the sale of land from the reconstruction of I-195 is expected to take place in FY 2014. A total of \$2.5 million in other land sale expenditures is expected in FY 2014. The Department estimates collecting \$325,000 in FY 2014 from a maintenance fee for outside advertising, an increase by \$15,000 from the enacted budget. Revenue raised in FY 2014 is recommended to be used for operating expenses within Transportation's Division of Engineering that do not qualify for federal reimbursement.

Governor's FY 2014 Revised Federal Funds Recommendation

Federal funds increase by a total of \$37.4 million from the enacted budget of which \$32.4 million is attributable to MAP-21 for projects under the Federal Highway Program. Transportation has been conservative in their construction scheduling as the construction budget is driven by the availability of funding. This financing reflects projects that have federal funds that have already been obligated.

The overall increase in Federal funds is offset by several decreasing Federal grants, such as a \$575,475 decrease in National Highway Safety Administration grants to correct actual federal grants anticipated in FY 2014 and a decrease of \$3.5 million in Federal Transit funds associated with the fixed guideway (commuter rail) project. National Highway Safety Administration grants total \$5.2 million, while Federal Transit grants total \$9.0 million. GARVEE debt service is deducted from the total estimated obligation authority for the Federal Highway Fund, and totals \$48.4 million in the revised FY 2014 Budget. The revised FY 2014 Budget includes a total of \$14.7 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal funds category.

Governor's FY 2014 Revised FTE Recommendation

The Governor recommends 752.6 FTE positions in his revised FY 2014 Budget, which is a decrease of 20.0 FTE positions from the enacted level of 772.6 FTE positions. The Governor recommends the reduction to correspond to actual filled positions. Over the last five-years, the Department has averaged 697.0 filled FTE positions in a given fiscal year. Based on long-term vacancies, the Governor recommends eliminating the following FTE positions: six (6.0) Engineering Technician I positions, four (4.0) Engineering Technician II (Construction & Maintenance) positions, one (1.0) Engineering Technician II (Materials) position, one (1.0) Engineering Technician III (Construction & Maintenance) position, one (1.0) Engineering Tech III (Materials) position, one (1.0) Senior Real Estate Specialist position, one (1.0) Senior Auditor position, one (1.0) Civil Engineer position, three (3.0) Highway Maintenance Operator I positions, and one (1.0) Landscape Maintenance Technician position from the Department's enacted FTE position cap.

Governor's FY 2015 Budget Recommendation

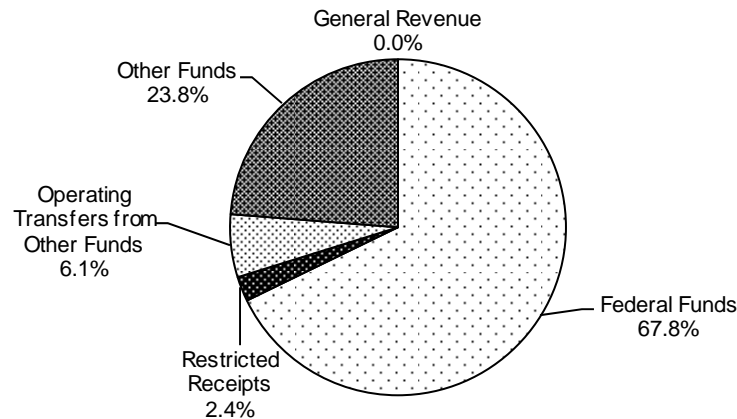
In FY 2015, recommended expenditures from all sources for transportation activities total \$519.2 million, an increase of \$59.0 million from the enacted FY 2014 Budget.

The following chart illustrates departmental expenditures by source of financing for FY 2015.

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This chart does not include general obligation bond expenditures, GARVEE expenditures, and GARVEE debt service payments, with the exception of personnel costs financed by the GARVEE program and general obligation bonds.

How it is Financed



The other funds source represents 23.8 percent of the FY 2015 Budget for the Department, or \$123.3 million, an increase of \$9.9 million from the enacted FY 2014 Budget. Other funds include total gasoline tax expenditures of \$101.9 million, of which \$53.0 million represents the Department of Transportation budget, \$38.5 million is budgeted for RIPTA's allocation of the gasoline tax, with an additional \$2.1 million for the 0.5 cents of the Underground Storage Fee allocated to RIPTA, and \$8.3 million for the Motor Fuel Bond allocation of the gasoline tax.

Governor's FY 2015 Intermodal Surface Transportation Fund Recommendation

The total estimated receipts for the Intermodal Surface Transportation Fund in FY 2015 are \$135.3 million, which represents a gasoline tax yield estimate of \$4,162,981 per penny of the gasoline tax. The total gasoline tax budget within the Department of Transportation represents a decrease of \$231,619 from the enacted FY 2014 Budget. Included in the FY 2015 gasoline tax budget for the Department is a general obligation bond debt service payment of \$26.8 million, a decrease of \$3.5 million from the enacted FY 2014 Budget.

Due to continued pressure on the Department's budget with increasing debt service, and declining gasoline tax revenue as compared to previous years, general revenue will be used to fund \$19.3 million of the Department's debt service for FY 2015. This represents an increase of \$10.0 million in general revenue towards debt service as compared to the enacted budget. In addition, RIDOT received \$1.9 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service. Similar to FY 2014, this is a reduction of \$145,150 as compared to the enacted budget based on federal sequestration cuts. Based on the refunding and restructuring of debt in April 2012, the debt service adjustment to the Department represents an increase of \$6.3 million from the enacted budget. The restructuring of debt service is expected to achieve long term savings.

General obligation bonds have been used up until very recently as the state match piece for the state's Federal Highway Program as a means towards providing the twenty percent state match for eighty percent

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federal funded projects. The Governor has moved away from using general obligation bonds as a match while the ballot of 2012 marked the first time in years that general obligation bonds for transportation funding was not on the ballot. By removing this type of debt service, the Department will benefit greatly by freeing up Motor Fuel Tax revenues that has and currently goes directly to pay debt service. Additionally, as previously mentioned, the Governor and the State have made it a priority over the next few years to use general revenue as a means of paying back transportation bond debt. As the following chart indicates, the estimated amount of freed up Motor Fuel Tax revenues the Department of Transportation can expect to receive over the next few years is shown below:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Total Estimated Debt Service	\$41,607,518	\$47,949,497	\$50,631,014	\$50,188,143	\$41,619,843
General Revenue	\$9,250,000	\$19,250,000	\$29,250,000	\$39,250,000	\$39,749,013
Federal Build America Grant	\$1,870,830	\$1,870,830	\$1,870,830	\$1,870,830	\$1,870,830
Motor Fuel Tax - Debt Service	\$30,486,688	\$26,828,667	\$19,510,184	\$9,067,313	\$0
Increase(Decrease) - Debt Service	\$0	\$6,341,979	\$2,681,517	(\$442,871)	(\$8,568,300)
Additional Available Motor Fuel Tax Revenues	\$11,120,830	\$14,778,851	\$28,439,313	\$41,563,701	\$50,188,143

It is important to note that the freed up funds is strictly the difference of debt service paid through general revenue and Federal Build America Grant funds as compared to what remains to be paid through the Motor Fuel Tax. Increased operational costs of the Department of Transportation, a consistent reduction of the gas tax yield over the years, and annual debt service requirements can all affect how much of these freed up funds will be available for new initiatives and programs, some of which will be touched on further below.

Similar to FY 2014 and due to projected deficits at RIPTA, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded with \$1.8 million of general revenue for one additional year in FY 2015 to supplement gas tax revenue generally used for debt service. The Governor has informed RIPTA that this shift will not continue after FY 2015 and it is expected that the Authority will balance its budget without this support in FY 2016 and thereafter.

A total of \$2.4 million represents reductions to the Department's allocation of the gasoline tax in order to finance Human Resources, Purchasing, and Information Technology positions consolidated within the Department of Administration. The transfer represents an increase of \$316,256 from the enacted FY 2014 Budget. Similar to FY 2014, the increase addresses the anticipated need for increased financing for Human Resources and Information Technology consolidations and an additional transfer to DOA related to services provided by the Division of Purchasing. Similar to the revised FY 2014 recommendation, the Governor recommends a zero sum balance for the end of FY 2015 in the Intermodal Surface Transportation Fund.

Governor's FY 2015 Rhode Island Capital Plan Fund

The FY 2015 recommendation includes Rhode Island Capital Plan Fund expenditures totaling \$31.4 million, of which \$1.5 million is for Salt Storage facilities, \$223,529 for the RIPTA Land and Buildings project, \$400,000 for Maintenance Facilities, \$1.2 million for the Portsmouth Facility, \$200,000 for Maintenance and Repairs at three train stations, and \$3.5 million is recommended for the conversion of the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for DOT heavy equipment and RIPTA buses. The Governor recommends \$21.7 million from the Rhode Island Capital Plan Fund be included for the Highway Improvement Program. This continues the plan to use Rhode Island Capital Plan Fund resources as part of the state match towards the Department's federal highway program.

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Similar to the FY 2014 recommendation, the Governor continues to recommend Rhode Island Capital Plan Fund financing be included in FY 2015, in the amount of \$2.5 million or \$1.5 million more than the enacted level, to provide for a consistent heavy duty vehicle replacement plan in which the Department of Transportation can rely to steadily replace older vehicles with newer ones. Additionally, the Governor recommends an additional \$2.4 million from the Motor Fuel Tax Budget be match by the Department of Transportation to assist in heavy duty vehicle equipment purchases. The Governor believes that by providing the Department a consistent source of funding each year, it will have a reliable replacement plan by cycling in new vehicles while replacing older ones. Moving forward, the recommendation in the Capital Improvement Plan includes a total of \$5.0 million each year between Rhode Island Capital Plan funds and Motor Fuel Tax revenues towards the replacement of heavy duty maintenance equipment vehicles.

New FY 2015 Transportation Initiatives

In FY 2015, the Governor recommends a new project relating to Mass Transit Hub Infrastructure in Transportation's Budget. The Rhode Island Public Transit Authority, the Department of Transportation and the Division of Statewide Planning are working cooperatively on a comprehensive operational analysis of the State's mass transit hub system to determine if the current system is the most effective and efficient structure that best serves the citizens of the State of Rhode Island. The goal is to enhance access to multiple intermodal sites throughout the state and to expand access to key transportation, healthcare and other locations. The Governor recommends a \$40.0 million general obligation bond authorization be placed on the November 2014 ballot, funding from which will be used to undertake major enhancements and renovations to mass transit hub infrastructure throughout the State. To facilitate this work, the Governor recommends \$250,000 from the Rhode Island Capital Plan Fund in FY 2015 for preliminary conceptual design of a new mass transit hub system in Rhode Island.

As part of using freed up Motor Fuel Revenues through the allocation of general revenue towards debt service, the Governor recommends including \$500,000 in FY 2015 from gas tax revenues to establish a Highway Drainage Preservation program. The goal is to increase this program by \$500,000 each year based on additional gas tax revenues freed up from general revenue going towards the Department of Transportation's debt service. The Department is responsible for the inspection and cleaning of 25,000 catch basins around the state. The State is required to inspect each catch basin annually and cleaned as needed. This project would provide for the establishment of an asset protection program for catch basins along with the cleaning required of each basin. As salt and sand are applied to the states roadways, and as runoff occurs due to natural rainfall and flooding, catch basins gradually fill with sand and other sediment, becoming ineffective and causing pooling at low points on roadway surfaces. The sedimentation of the catch basins is a concern to the Department of Environmental Management and the United States Environmental Protection Agency because, when storm water is not appropriately handled by the catch basins, runoff can cause additional pollution to reach bodies of water, including groundwater, wetlands, and rivers.

The Governor recognizes the need for a statewide bridge program, and through the freed up Motor Fuel Revenues as discussed throughout the State, will be able to begin implementing this program in FY 2015. Beginning in FY 2015, the Governor recommends a Statewide Bridge Rehabilitation program, to be administered by the Rhode Island Department of Transportation for any bridges under its authority, in the amount of \$10.0 million in FY 2015. Upfront financing of the program in FY 2015 will be made up of other funds available to the Department of Transportation along with phasing in freed up gas tax revenues in future years, the majority of which will become available based on the use of general revenue towards debt service.

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The Statewide Bridge Rehabilitation effort will be a statewide program that will help eliminate the current backlog of structurally deficient bridges. As part of the new, performance-oriented, Moving Ahead for Progress in the 21st Century (MAP-21) Federal transportation reauthorization bill, states will be required to meet a standard of 10.0 percent or less of National Highway System bridges categorized as structurally deficient. If greater than 10.0 percent of bridges are considered “structurally deficient” for three consecutive years, penalties can be imposed on the state that compel an increased share of federal funds be dedicated to bridge projects. In conjunction, DOT has set the same goal for the entire State bridge system. There are a number of factors which contribute to the condition of the bridges, including age of the structures, climate, and changes in traffic volumes and routes. By eliminating structurally deficient bridges, this will ensure we protect these assets and it will ensure continued federal funding flexibility under MAP-21.

The following chart demonstrates initial estimates, factoring in changes to the gas tax yield based on past trends, departmental expenditure patterns, and updated debt service numbers to reflect specifically the Governor’s vision to use the freed up Motor Fuel Tax Revenues achieved by using general revenue to pay down the Department of Transportation’s debt service. The Governor’s plan still ensures that the Department will be able to meet all of its operating costs, in addition to the new programs.

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	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Estimated Debt Service	\$41,607,518	\$47,949,497	\$50,631,014	\$50,188,143	\$41,619,843	\$40,579,751	\$36,432,478
General Revenue	\$9,250,000	\$19,250,000	\$29,250,000	\$39,250,000	\$39,749,013	\$38,708,921	\$34,561,648
Federal Build America Grant	\$1,870,830	\$1,870,830	\$1,870,830	\$1,870,830	\$1,870,830	\$1,870,830	\$1,870,830
Motor Fuel Tax - Debt Service	\$30,486,688	\$26,828,667	\$19,510,184	\$9,067,313	\$0	\$0	\$0
Increase(Decrease) - Debt Service	\$0	\$6,341,979	\$2,681,517	(\$442,871)	(\$8,568,300)	(\$1,040,092)	(\$4,147,273)

Department of Transportation	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Estimated Per Penny Gas Tax Yield	\$4,168,974	\$4,162,981	\$4,156,556	\$4,162,837	\$4,160,791	\$4,160,061	\$4,161,230
Motor Fuel Revenues							
DOT Portion of Gas Tax	\$82,337,237	\$82,218,875	\$82,091,974	\$82,216,029	\$82,175,626	\$82,161,210	\$82,184,288
Carry Forward Balance	(\$51,080)	\$0	\$0	\$1,276,167	\$1,528,823	\$3,913,164	\$5,197,985
GARVEE Portion of Gas Tax	\$8,337,948	\$8,325,962	\$8,313,111	\$8,325,674	\$8,321,582	\$8,320,122	\$8,322,460
RIPTA Portion of Gas Tax	\$40,647,497	\$40,589,065	\$40,526,418	\$40,587,660	\$40,567,714	\$40,560,597	\$40,571,990
Total Estimated Revenues	\$131,271,602	\$131,133,902	\$130,931,504	\$132,405,529	\$132,593,746	\$134,955,094	\$136,276,723
Motor Fuel Expenditures							
Debt Service	\$30,486,688	\$26,828,667	\$19,510,184	\$9,067,313	\$0	\$0	\$0
GARVEE Transfer	\$8,337,948	\$8,325,962	\$8,313,111	\$8,325,674	\$8,321,582	\$8,320,122	\$8,322,460
RIPTA Transfer	\$40,647,497	\$40,589,065	\$40,526,418	\$40,587,660	\$40,567,714	\$40,560,597	\$40,571,990
Consolidations Transfer (DOA)	\$2,427,576	\$2,428,900	\$2,489,623	\$2,551,863	\$2,615,660	\$2,681,051	\$2,748,077
Personnel Costs	\$25,225,344	\$25,777,784	\$26,422,228	\$27,082,785	\$27,759,854	\$28,453,850	\$29,165,196
Contract Services	\$262,300	\$270,300	\$277,058	\$283,984	\$291,084	\$298,361	\$305,820
Winter Maintenance (Excluding OT)	\$12,065,408	\$12,592,565	\$12,281,101	\$12,588,128	\$12,902,832	\$13,225,403	\$13,556,038
Other Operating Costs	\$10,043,617	\$10,541,822	\$10,427,584	\$10,605,698	\$10,787,652	\$10,911,861	\$11,115,759
Assistance & Grants	\$476,924	\$496,403	\$491,025	\$498,882	\$500,351	\$506,730	\$507,001
Other Capital Costs	\$298,300	\$421,000	\$417,005	\$284,719	\$433,852	\$299,133	\$451,467
Vehicle Equipment Replacement Plan	\$1,000,000	\$2,361,434	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Drainage Preservation Program	\$0	\$500,000	\$1,000,000	\$1,500,000	\$2,000,000	\$2,000,000	\$2,000,000
Statewide Bridge Rehab Program	\$0	\$0	\$5,000,000	\$15,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Total Estimated Expenditures	\$131,271,602	\$131,133,902	\$129,655,336	\$130,876,706	\$128,680,581	\$129,757,109	\$131,243,807
Surplus (Deficit)	\$0	\$0	\$1,276,167	\$1,528,823	\$3,913,164	\$5,197,985	\$5,032,916

* Estimates reflect best available information provided to the State Budget Office and are subject to change.

Statewide Bridge Rehabilitation Program							
Motor Fuel Tax Revenues	\$0	\$0	\$5,000,000	\$15,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Other Funds - ISTF	\$0	\$10,000,000	\$10,000,000	\$0	\$0	\$0	\$0
Total	\$0	\$10,000,000	\$15,000,000	\$15,000,000	\$20,000,000	\$20,000,000	\$20,000,000

Governor's FY 2015 Other Funds Recommendation

A total of \$1.5 million in other funds is from estimated land sale revenues. Additionally, the Department of Transportation has received \$43.0 million through the land sale associated with the relocation of the I-195 project, which will be used over a number of years. In FY 2015, the Department estimates using \$19.8 million from the I-195 land sale revenue. The remaining other funds for the Department is comprised of \$160,000 for outdoor advertising and non-land surplus property collections for the budget year.

The total budget for federal grants for the Department represents 67.8 percent of the Budget, or \$352.1 million, including \$256.8 million in federal highway funds, a total of \$48.4 million is GARVEE debt service payments from Federal highway funds, and \$636,396 budgeted to account for personnel costs transferred to

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the GARVEE construction program. Federal grants for the Department are comprised of a total of \$8.8 million in Federal Transit funds and \$5.7 million in National Highway Safety funds. Federal Transit funds decrease by \$3.7 million in FY 2015 from the enacted level. National Highway Safety funds decrease by \$75,475 below the enacted FY 2014 Budget to reflect actual federal grants anticipated in FY 2015.

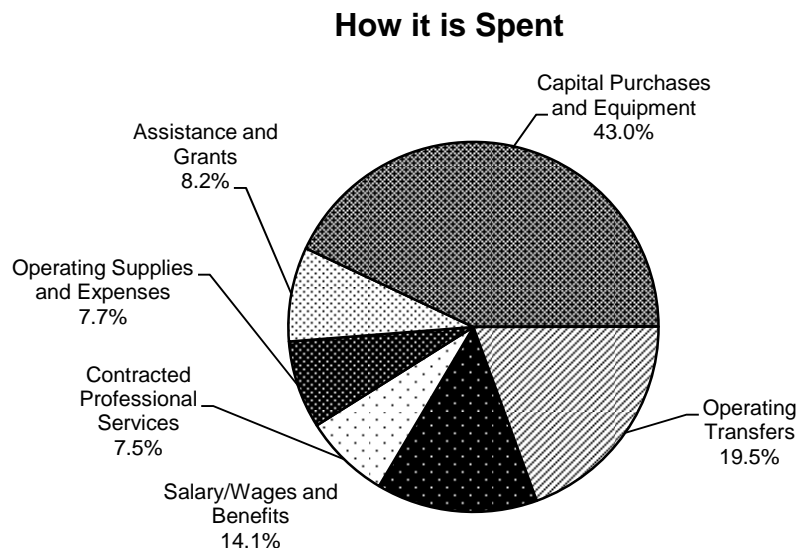
Governor's FY 2015 Restricted Receipts Recommendation

Restricted receipts represent 2.4 percent of the total budget or \$12.4 million. The majority of the funds will come from the Highway Maintenance Trust Fund, which is budgeted as a restricted receipt account similar to FY 2014 and primarily used as state matching funds towards the Department's Federal Highway Program.

Governor's FY 2015 FTE Recommendation

Similar to the FY 2014 revised recommendation, the Governor recommends 752.6 FTE positions for FY 2015, which is a decrease of 20.0 FTE positions from enacted level of 772.6 FTE positions. The Governor recommends decreasing the Rhode Island Department of Transportation's enacted FTE number to correspond to the five year average of 697.0 filled FTE positions.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2015.



The capital category of expenditure represents 43.0 percent of the total Department budget. Capital consists primarily of Federal highway dollars located within the Engineering program for infrastructure construction costs. Available funding drives the projections for the Department of Transportation.

A total of 21.6 percent represents personnel costs of the Department, which includes contract services. Initiated in FY 2008, the Department's Federal indirect cost recovery plan allows a portion of personnel, as well as contract services and operating costs to be eligible for federal reimbursement. A total of \$19.0 million of personnel and contract services costs are located within the Maintenance program where the source of funding is the gasoline tax.

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The category of operating transfers represents 19.5 percent of all funds total spending for DOT, which includes the pass-through gasoline tax and underground storage tank fund revenue for RIPTA of \$40.6 million, and \$48.4 million which is paid for the GARVEE bonds through an operating transfer of federal highway funds.

The operating category represents 7.7 percent of all funds total spending for the Department with 55.9 percent of the category representing maintenance activities, which include pavement repair, crack sealing, pothole repair, litter collection, vehicle fleet maintenance, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program.

Assistance, grants, and benefits represent 8.2 percent of the FY 2015 Budget and consist primarily of Federal Highway Administration and Federal Transit Administration grant funds.

Appendix A

Schedules

FY 2015 General Revenue Budget Surplus

	FY 2012 Audited ⁽¹⁾	FY 2013 Audited ⁽²⁾	FY 2014 Enacted ⁽³⁾	FY 2014 Revised ⁽⁴⁾	FY 2015 Recommend ⁽⁵⁾
Surplus					
Opening Surplus	\$64,229,426	\$115,187,511	\$93,407,399	\$104,119,715	\$68,862,721
Audit Adjustments	-	-	-	(5,585,024)	-
Adjustment to Opening Surplus	-	-	-	-	-
Reappropriated Surplus	4,532,242	7,726,521	-	7,052,524	-
Subtotal	\$68,761,668	\$122,914,032	\$93,407,399	\$105,587,215	\$68,862,721
General Taxes	\$2,518,449,026	2,577,507,611	2,622,955,876	2,622,955,876	2,717,800,000
Revenue estimators' revision	-	-	-	31,044,124	11,367,723
Changes to Adopted	-	-	-	-	-
Subtotal	\$2,518,449,026	\$2,577,507,611	\$2,622,955,876	\$2,654,000,000	\$2,729,167,723
Departmental Revenues	339,895,284	356,831,653	348,707,542	348,707,542	208,200,000
Revenue estimators' revision	-	-	-	11,392,458	141,257,582
Changes to Adopted	-	-	-	-	3,411,696
Subtotal	\$339,895,284	\$356,831,653	\$348,707,542	\$360,100,000	\$352,869,278
Other Sources					
Other Miscellaneous	20,110,214	4,166,214	5,545,000	5,545,000	2,475,000
Revenue estimators' revision	-	-	-	1,910,000	-
Changes to Adopted	-	-	-	4,246,398	-
Lottery	377,706,394	379,224,715	394,100,000	394,100,000	399,900,000
Revenue estimators' revision	-	-	-	100,000	-
Changes to Adopted	-	-	-	-	-
Unclaimed Property	14,555,573	6,268,627	9,700,000	9,700,000	10,100,000.0
Revenue estimators' revision	-	-	-	1,200,000	-
Subtotal	\$412,372,181	\$389,659,556	\$409,345,000	\$416,801,398	\$412,475,000
Total Revenues	\$3,270,716,491	\$3,323,998,820	\$3,381,008,418	\$3,430,901,398	\$3,494,512,001
Transfer to Budget Reserve	(93,378,486)	(103,175,590)	(104,232,475)	(105,883,083)	(106,901,242)
Total Available	\$3,246,099,674	\$3,343,737,262	\$3,370,183,343	\$3,430,605,530	\$3,456,473,481
Actual/Enacted Expenditures	\$3,110,242,012	\$3,216,046,418	\$3,359,755,123	\$3,359,755,123	\$3,456,087,970
Reappropriations	-	-	-	7,052,524	-
Caseload Conference Changes	-	-	-	121,197	-
Other Changes in Expenditures	-	-	-	(15,186,035)	-
Total Expenditures	\$3,110,242,012	\$3,216,046,418	\$3,359,755,123	\$3,351,742,809	\$3,456,087,970
Total Ending Balances	\$135,857,662	\$127,690,844	\$10,428,220	\$78,862,721	\$385,511
Transfer to Other Funds⁽⁶⁾	(\$12,943,629)	(\$16,518,605)	(\$10,000,000)	(\$10,000,000)	\$0
Reappropriations	(7,726,521)	(7,052,524)	-	-	-
Free Surplus	\$115,187,511	\$104,119,715	\$428,220	\$68,862,721	\$385,511
Budget Reserve and Cash					
Stabilization Account	\$153,407,512	\$171,959,317	\$173,720,791	\$176,471,804	\$178,168,736

⁽¹⁾ Derived from the State Controller's final closing report for FY 2012, dated January 4, 2013.

⁽²⁾ Derived from the State Controller's final closing report for FY 2013, dated January 6, 2014.

⁽³⁾ Reflects the FY 2014 budget enacted by the General Assembly and signed into law by the Governor on July 3, 2013.

⁽⁴⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2013 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

⁽⁵⁾ Reflects the Governor's recommended FY 2015 budget, including results of the November 2013 Revenue and Caseload Estimating Conference and any proposed legislative changes to modify adopted estimates.

⁽⁶⁾ Reflects restricted General Fund balances transferred to the retirement fund in FY 2012 and FY 2013, the Information Technology Investment Fund and the State Fleet Revolving Loan Fund in FY 2013 and the Accelerated Depreciation Fund in FY 2014.

Expenditures from All Funds

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$390,215,975	\$376,882,855	\$428,701,337	\$448,024,096	\$432,514,812
Business Regulation	12,591,226	14,707,298	12,989,880	14,676,780	12,976,430
Labor and Training	801,847,663	651,795,888	592,481,112	587,943,283	510,802,490
Revenue	345,151,113	348,730,714	353,439,739	445,503,425	450,554,219
Legislature	35,327,139	37,045,498	37,791,548	40,222,217	38,016,750
Lieutenant Governor	1,068,715	1,243,608	2,095,378	2,675,825	1,089,434
Secretary of State	6,742,224	7,313,841	6,952,764	7,047,576	7,866,955
General Treasurer	39,706,807	42,696,505	35,407,461	39,260,106	35,153,927
Board of Elections	1,660,728	1,846,513	1,739,361	1,760,405	4,145,127
Rhode Island Ethics Commission	1,410,813	1,500,568	1,577,204	1,575,940	1,581,205
Governor's Office	4,648,355	4,024,335	4,443,513	4,614,074	4,652,562
Commission for Human Rights	1,408,199	1,454,143	1,459,423	1,463,433	1,480,179
Public Utilities Commission	6,335,868	7,130,573	8,420,293	8,518,927	8,619,471
Subtotal - General Government	\$1,648,114,825	\$1,496,372,339	\$1,487,499,013	\$1,603,286,087	\$1,509,453,561
Health and Human Services					
Office of Health & Human Services (2)	17,098,684	1,664,435,882	1,867,935,132	1,874,402,672	2,092,840,275
Children, Youth, and Families	216,588,816	209,939,192	213,873,566	216,112,530	209,217,229
Health	104,085,326	103,167,181	120,980,759	118,030,124	122,600,780
Human Services (3)	2,206,209,397	631,829,247	662,090,161	671,667,891	655,462,770
Mental Health, Retardation, & Hospitals	428,033,267	436,309,308	437,848,408	439,897,397	444,026,610
Governor's Commission on Disabilities	597,971	447,357	1,455,336	1,485,612	1,508,802
Commission On Deaf and Hard of Hearing	377,005	371,083	471,609	469,267	474,279
Office of the Child Advocate	558,884	610,133	648,648	625,477	661,817
Office of the Mental Health Advocate	387,894	340,722	486,144	483,716	495,010
Subtotal - Human Services	\$2,973,937,244	\$3,047,450,105	\$3,305,789,763	\$3,323,174,686	\$3,527,287,572
Education					
Elementary and Secondary	1,122,700,087	1,170,946,470	1,225,973,266	1,227,529,512	1,249,201,477
Higher Education - Board of Governors	1,004,427,997	1,008,387,638	1,057,498,950	1,062,745,645	1,072,723,227
RI Council on the Arts	2,760,123	3,094,687	2,765,495	2,746,807	3,772,042
RI Atomic Energy Commission	1,282,491	1,230,680	1,436,731	1,225,471	1,271,174
Higher Education Assistance Authority	24,036,466	25,054,892	26,763,735	24,979,919	24,446,961
Historical Preservation and Heritage Comm.	1,908,488	1,876,982	3,506,949	4,505,227	5,102,827
Public Telecommunications Authority	1,557,832	784,886	-	-	-
Subtotal - Education	\$2,158,673,484	\$2,211,376,235	\$2,317,945,126	\$2,323,732,581	\$2,356,517,708

Expenditures from All Funds

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	24,597,318	25,023,767	30,400,101	43,041,364	36,503,363
Corrections	189,703,152	189,506,984	204,702,527	203,445,374	209,574,698
Judicial	100,907,796	104,012,635	107,624,121	107,492,631	106,494,516
Military Staff	36,046,730	40,713,548	43,157,514	49,221,675	19,014,074
Rhode Island Emergency Mng Agency (5)	0	0	0	0	20,622,227
Public Safety (4)	102,975,645	103,867,362	123,477,749	124,408,992	127,821,614
Office Of Public Defender	10,560,860	10,651,421	11,326,682	11,142,497	11,379,680
Subtotal - Public Safety	\$464,791,501	\$473,775,717	\$520,688,694	\$538,752,533	\$531,410,172
Natural Resources					
Environmental Management	74,010,170	67,572,786	116,179,523	107,492,595	95,827,457
Coastal Resources Management Council	6,100,775	4,667,950	4,709,906	4,793,768	4,238,151
Subtotal - Natural Resources	\$80,110,945	\$72,240,736	\$120,889,429	\$112,286,363	\$100,065,608
Transportation					
Transportation	387,375,260	408,046,202	460,249,997	478,192,284	519,227,382
Subtotal - Transportation	\$387,375,260	\$408,046,202	\$460,249,997	\$478,192,284	\$519,227,382
Total	\$7,713,003,259	\$7,709,261,334	\$8,213,062,022	\$8,379,424,534	\$8,543,962,003

(1) In FY 2012 the Sheriffs program was moved to the Department of Public Safety

(2) In FY 2013, the Medicaid program was moved from the Department of Human Services to the Office of Health and Human Services.

(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2015, the Governor proposes to separate Rhode Island Emergency Management Agency from the Military Staff.

Expenditures from General Revenues

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$248,320,234	\$260,904,556	\$264,801,211	\$262,101,671	\$295,595,931
Business Regulation	8,394,345	8,610,843	9,245,878	8,814,930	9,013,477
Labor and Training	7,553,602	7,730,995	9,064,061	9,048,019	9,181,603
Revenue	95,686,157	94,786,540	102,007,495	101,152,290	102,488,659
Legislature	33,685,084	35,681,738	36,186,933	38,654,217	36,429,671
Lieutenant Governor	948,391	942,140	986,890	946,501	1,015,084
Secretary of State	6,262,148	6,810,969	6,497,833	6,477,569	7,337,203
General Treasurer	2,531,859	2,532,414	2,654,692	2,617,317	2,532,105
Board of Elections	1,610,728	1,846,488	1,739,361	1,760,405	4,145,127
Rhode Island Ethics Commission	1,410,813	1,500,568	1,577,204	1,575,940	1,581,205
Governor's Office	4,081,232	4,024,335	4,443,513	4,614,074	4,652,562
Commission for Human Rights	1,093,206	1,131,840	1,150,785	1,146,066	1,193,083
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	\$411,577,799	\$426,503,426	\$440,355,856	\$438,908,999	\$475,165,710
Health and Human Services					
Office of Health & Human Services (2)	9,694,301	772,296,683	843,227,650	842,044,257	847,618,499
Children, Youth, and Families	154,375,838	150,929,977	152,976,991	152,340,326	148,415,637
Health	23,518,929	24,068,601	24,308,001	23,994,615	23,513,130
Human Services (3)	844,385,003	97,459,617	93,479,195	96,610,196	97,273,992
Mental Health, Retardation, & Hospitals	190,883,740	196,900,069	202,091,382	200,935,077	201,791,368
Governor's Commission on Disabilities	381,164	337,427	357,711	356,352	358,275
Commission On Deaf and Hard of Hearing	377,005	371,083	391,609	389,267	394,279
Office of the Child Advocate	512,165	578,085	608,651	575,477	611,817
Office of the Mental Health Advocate	387,894	340,722	486,144	483,716	495,010
Subtotal - Human Services	\$1,224,516,039	\$1,243,282,264	\$1,317,927,334	\$1,317,729,283	\$1,320,472,007
Education					
Elementary and Secondary	860,936,950	928,462,807	964,706,909	961,127,886	1,007,205,243
Higher Education - Board of Governors	165,658,691	172,678,735	180,013,795	179,134,843	191,738,963
RI Council on the Arts	1,656,365	1,561,217	1,335,630	1,317,591	2,340,158
RI Atomic Energy Commission	875,412	829,034	861,710	856,770	913,197
Higher Education Assistance Authority	5,911,331	5,693,317	4,281,726	4,333,323	4,281,726
Historical Preservation and Heritage Comm.	1,253,696	1,242,950	1,357,510	1,340,796	1,280,610
Public Telecommunications Authority	928,421	799,077	-	-	-
Subtotal - Education	\$1,037,220,866	\$1,111,267,137	\$1,152,557,280	\$1,148,111,209	\$1,207,759,897

Expenditures from General Revenues

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	22,161,393	22,301,954	23,656,979	24,013,794	23,587,146
Corrections	184,655,159	184,044,974	185,379,198	186,042,042	188,725,295
Judicial	87,723,958	87,871,336	91,681,359	91,405,406	92,421,668
Military Staff	3,491,202	3,548,304	3,869,983	3,640,037	1,842,096
Rhode Island Emergency Management Agency	-	-	-	-	1,959,858
Public Safety (4)	90,786,762	90,408,367	96,361,799	94,644,689	95,967,834
Office Of Public Defender	10,166,398	10,472,687	11,034,686	10,885,411	11,130,816
Subtotal - Public Safety	\$398,984,872	\$398,647,622	\$411,984,004	\$410,631,379	\$415,634,713
Natural Resources					
Environmental Management	35,707,703	34,140,929	34,756,318	34,203,202	34,870,105
Coastal Resources Management Council	2,234,732	2,205,036	2,174,331	2,158,736	2,185,538
Subtotal - Natural Resources	\$37,942,435	\$36,345,965	\$36,930,649	\$36,361,938	\$37,055,643
Transportation					
Transportation	-	-	-	-	-
Subtotal - Transportation	-	-	-	-	-
Total	\$3,110,242,011	\$3,216,046,414	\$3,359,755,123	\$3,351,742,808	\$3,456,087,970

(1) In FY 2012 the Sheriffs program was moved to the Department of Public Safety

(2) In FY 2013, the Medicaid program was moved from the Department of Human Services to the Office of Health and Human Services.

(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2015, the Governor proposes to separate Rhode Island Emergency Management Agency from the Military Staff.

Expenditures from Federal Funds

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$64,385,784	\$48,041,755	\$62,189,669	\$90,518,624	\$53,453,959
Business Regulation	2,726,596	4,698,165	1,747,589	3,958,494	2,021,830
Labor and Training	205,099,595	151,039,255	95,710,236	99,066,609	42,183,672
Revenue	1,472,179	1,951,612	3,048,651	4,010,750	2,948,586
Legislature	-	-	-	-	-
Lieutenant Governor	120,324	301,468	1,108,488	1,594,324	74,350
Secretary of State	52,872	2,541	-	50,163	-
General Treasurer	1,199,276	1,027,164	1,130,422	851,029	870,338
Board of Elections	50,000	25	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	(1)	-	-	-	-
Commission for Human Rights	314,993	322,303	308,638	317,367	287,096
Public Utilities Commission	307,914	281,102	166,818	205,056	87,733
Subtotal - General Government	\$275,729,532	\$207,665,390	\$165,410,511	\$200,572,416	\$101,927,564
Health and Human Services					
Office of Health & Human Services (2)	6,506,943	880,889,456	1,014,710,198	1,022,376,346	1,231,413,896
Children, Youth, and Families	59,251,759	56,202,223	56,692,405	59,346,541	56,127,348
Health	55,441,392	54,360,133	62,004,542	61,395,434	65,094,393
Human Services (3)	1,344,961,678	523,431,013	554,368,102	562,747,841	547,675,923
Mental Health, Retardation, & Hospitals	225,892,158	228,870,909	217,759,723	219,882,621	215,194,293
Governor's Commission on Disabilities	70,987	101,893	129,989	156,330	141,350
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	46,719	32,048	39,997	50,000	50,000
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$1,692,171,636	\$1,743,887,675	\$1,905,704,956	\$1,925,955,113	\$2,115,697,203

Expenditures from Federal Funds

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
Education					
Elementary and Secondary	234,690,933	213,509,174	225,746,654	228,824,552	208,495,934
Higher Education - Board of Governors	23,172,890	4,015,957	6,190,306	5,032,194	5,092,287
RI Council on the Arts	824,067	713,635	797,329	796,680	799,348
RI Atomic Energy Commission	79,057	132,451	267,044	60,724	0
Higher Education Assistance Authority	9,566,865	10,977,121	13,274,020	12,316,514	13,330,967
Historical Preservation and Heritage Comm.	537,821	538,626	609,949	2,175,422	2,183,588
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$268,871,633	\$229,886,964	\$246,885,302	\$249,206,086	229,902,124
Public Safety					
Attorney General	1,475,840	1,390,205	1,619,532	2,829,090	1,366,309
Corrections	2,388,892	1,950,008	1,788,688	2,520,639	1,654,703
Rhode Island Emergency Management Agen	-	-	-	-	18,273,640
Judicial	2,377,916	2,043,111	2,624,248	2,063,760	1,909,247
Military Staff	31,350,783	34,152,735	34,878,752	41,330,122	14,779,178
Public Safety (4)	7,573,445	5,960,830	6,155,535	10,448,443	6,894,275
Office Of Public Defender	394,462	178,734	291,996	257,086	248,864
Subtotal - Public Safety	\$45,561,338	\$45,675,623	\$47,358,751	\$59,449,140	\$45,126,216
Natural Resources					
Environmental Management	22,171,087	18,300,658	38,391,731	36,112,636	31,779,611
Coastal Resources Management Council	3,054,725	2,021,633	2,160,593	2,335,032	1,802,613
Subtotal - Natural Resources	\$25,225,812	\$20,322,291	\$40,552,324	\$38,447,668	\$33,582,224
Transportation					
Transportation	291,517,766	272,369,503	311,761,586	349,127,537	352,114,755
Subtotal - Transportation	\$291,517,766	\$272,369,503	\$311,761,586	\$349,127,537	\$352,114,755
Total	\$2,599,077,717	\$2,519,807,446	\$2,717,673,430	\$2,822,757,960	\$2,878,350,086

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(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2015, the Governor proposes to separate Rhode Island Emergency Management Agency from the Military Staff.

Expenditures from Restricted Receipts

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$15,107,473	\$7,165,104	\$15,912,808	\$15,803,850	\$14,201,089
Business Regulation	1,470,285	1,398,290	1,996,413	1,903,356	1,941,123
Labor and Training	23,685,420	36,663,287	43,125,719	55,242,490	40,250,583
Revenue	1,993,811	1,730,219	1,821,886	3,981,638	1,814,986
Legislature	1,642,055	1,363,760	1,604,615	1,568,000	1,587,079
Lieutenant Governor	-	-	-	135,000	-
Secretary of State	427,204	500,331	454,931	519,844	529,752
General Treasurer	35,767,114	38,966,029	31,393,424	35,581,483	31,530,876
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	567,124	-	-	-	-
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	6,027,954	6,849,471	8,253,475	8,313,871	8,531,738
Subtotal - General Government	\$86,688,440	\$94,636,491	\$104,563,271	\$123,049,532	\$100,387,226
Health and Human Services					
Office of Health & Human Services (2)	897,440	11,249,743	9,997,284	9,982,069	13,807,880
Children, Youth, and Families	2,682,360	2,448,750	2,614,170	2,448,750	2,448,750
Health	25,113,233	24,703,887	34,632,906	32,511,013	33,993,257
Human Services (3)	12,585,836	7,232,941	9,762,500	7,133,846	6,034,874
Mental Health, Retardation, & Hospitals	6,973,731	6,039,273	7,396,872	9,551,440	9,608,663
Governor's Commission on Disabilities	7,442	5,217	10,365	15,930	9,177
Commission On Deaf and Hard of Hearing	-	-	80,000	80,000	80,000
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$48,260,042	\$51,679,811	\$64,494,097	\$61,723,048	\$65,982,601
Education					
Elementary and Secondary	23,014,366	23,405,069	27,658,516	25,993,892	27,253,972
Higher Education - Board of Governors	739,741	596,538	702,583	702,583	644,000
RI Council on the Arts	-	-	-	-	-
RI Atomic Energy Commission	-	-	-	-	-
Higher Education Assistance Authority	-	-	-	-	-
Historical Preservation and Heritage Comm.	41,971	42,137	454,491	420,320	434,910
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$23,796,078	\$24,043,744	\$28,815,590	\$27,116,795	\$28,332,882

Expenditures from Restricted Receipts

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	837,372	923,413	5,073,590	15,956,675	11,249,908
Corrections	92,770	52,723	64,890	66,153	54,639
Rhode Island Emergency Management Agency	-	-	-	-	221,729
Judicial	9,731,044	10,393,917	11,803,514	11,838,182	10,813,601
Military Staff	205,899	359,161	1,000,779	771,058	442,800
Public Safety (4)	416,630	3,076,402	12,753,188	12,853,755	12,863,854
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$11,283,715	\$14,805,616	\$30,695,961	\$41,485,823	\$35,646,531
Natural Resources					
Environmental Management	11,406,708	12,009,000	18,081,515	18,901,450	15,934,989
Coastal Resources Management Council	145,000	219,000	374,982	250,000	250,000
Subtotal - Natural Resources	\$11,551,708	\$12,228,000	\$18,456,497	\$19,151,450	\$16,184,989
Transportation					
Transportation	2,518,104	973,230	8,010,496	6,868,950	12,352,761
Subtotal - Transportation	\$2,518,104	\$973,230	\$8,010,496	\$6,868,950	\$12,352,761
Total	\$184,098,087	\$198,366,892	\$255,035,912	\$279,395,598	\$258,886,990

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(5) In FY 2015, the Governor proposes to separate Rhode Island Emergency Management Agency from the Military Staff.

Expenditures from Other Funds

	FY 2012	FY 2013	FY 2014	FY 2014	FY 2015
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$62,402,484	\$60,771,440	\$85,797,649	\$79,599,951	\$69,263,833
Business Regulation	-	-	-	-	-
Labor and Training	565,509,046	456,362,351	444,581,096	424,586,165	419,186,632
Revenue	245,998,966	250,262,343	246,561,707	336,358,747	343,301,988
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-
Secretary of State	-	-	-	-	-
General Treasurer	208,558	170,898	228,923	210,277	220,608
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	-	-	-
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	\$874,119,054	\$767,567,032	\$777,169,375	\$840,755,140	\$831,973,061
Health and Human Services					
Office of Health & Human Services (2)	-	-	-	-	-
Children, Youth, and Families	278,859	358,242	1,590,000	1,976,913	2,225,494
Health	11,772	34,560	35,310	129,062	-
Human Services (3)	4,276,880	3,705,676	4,480,364	5,176,008	4,477,981
Mental Health, Retardation, & Hospitals	4,283,638	4,499,057	10,600,431	9,528,259	17,432,286
Governor's Commission on Disabilities	138,378	2,820	957,271	957,000	1,000,000
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$8,989,527	\$8,600,355	\$17,663,376	\$17,767,242	\$25,135,761
Education					
Elementary and Secondary	4,057,838	5,569,420	7,861,187	11,583,182	6,246,328
Higher Education - Board of Governors	814,856,675	831,096,408	870,592,266	877,876,025	875,247,977
RI Council on the Arts	279,691	819,835	632,536	632,536	632,536
RI Atomic Energy Commission	328,022	269,195	307,977	307,977	357,977
Higher Education Assistance Authority	8,558,270	8,384,454	9,207,989	8,330,082	6,834,268
Historical Preservation and Heritage Comm.	75,000	53,269	1,084,999	568,689	1,203,719
Public Telecommunications Authority	629,411	(14,191)	-	-	-
Subtotal - Education	\$828,784,907	\$846,178,390	\$889,686,954	\$899,298,491	\$890,522,805

Expenditures from Other Funds

	FY 2012 Actual	FY 2013 Actual	FY 2014 Enacted	FY 2014 Revised	FY 2015 Recommend
Public Safety					
Attorney General	122,713	408,195	50,000	241,805	300,000
Corrections	2,566,331	3,459,279	17,469,751	14,816,540	19,140,061
Rhode Island Emergency Management Agency	-	-	-	-	167,000
Judicial	1,074,878	3,704,271	1,515,000	2,185,283	1,350,000
Military Staff	998,846	2,653,348	3,408,000	3,480,458	1,950,000
Public Safety (4)	4,198,808	4,421,763	8,207,227	6,462,105	12,095,651
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$8,961,576	\$14,646,856	\$30,649,978	\$27,186,191	\$35,002,712
Natural Resources					
Environmental Management	4,724,672	3,122,199	24,949,959	18,275,307	13,242,752
Coastal Resources Management Council	666,318	222,281	-	50,000	-
Subtotal - Natural Resources	\$5,390,990	\$3,344,480	\$24,949,959	\$18,325,307	\$13,242,752
Transportation					
Transportation	93,339,390	134,703,469	140,477,915	122,195,797	154,759,866
Subtotal - Transportation	\$93,339,390	\$134,703,469	\$140,477,915	\$122,195,797	\$154,759,866
Total	\$1,819,585,444	\$1,775,040,582	\$1,880,597,557	\$1,925,528,168	\$1,950,636,957

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Full-Time Equivalent Positions

	FY 2014 Enacted	FY 2014 Revised	Variance	FY 2015
General Government				
Administration	720.7	720.7	-	723.7
Business Regulation	94.0	94.0	-	94.0
Labor & Training	392.0	410.0	18.0	410.0
Revenue	492.0	492.0	-	499.0
Legislature	298.5	298.5	-	298.5
Office of the Lieutenant Governor	8.0	8.0	-	8.0
Secretary of State	57.0	57.0	-	57.0
General Treasurer	83.0	83.0	-	83.0
Board Of Elections	11.0	11.0	-	11.0
Rhode Island Ethics Commission	12.0	12.0	-	12.0
Office of the Governor	45.0	45.0	-	45.0
Commission for Human Rights	14.5	14.5	-	14.5
Public Utilities Commission	49.0	49.0	-	50.0
Subtotal - General Government	2,276.7	2,294.7	18.0	2,305.7
Health and Human Services				
Office of Health and Human Services	184.0	184.0	-	184.0
Children, Youth, and Families	670.5	670.5	-	670.5
Health	494.1	491.1	(3.0)	491.3
Human Services	959.1	959.1	-	959.1
Behavioral Healthcare, Developmental Disabilities, and Hospitals	1,423.4	1,422.4	(1.0)	1,422.4
Office of the Child Advocate	6.0	6.0	-	6.0
Commission On the Deaf & Hard of Hearing	3.0	3.0	-	3.0
Governor's Commission on Disabilities	4.0	4.0	-	4.0
Office of the Mental Health Advocate	3.7	3.7	-	3.7
Subtotal - Human Services	3,747.8	3,743.8	(4.0)	3,744.0
Education				
Elementary and Secondary Education	171.4	171.4	-	154.9
Davies	126.0	126.0	-	126.0
School for the Deaf	60.0	60.0	-	60.0
<i>Elementary Secondary Education - Total</i>	<i>357.4</i>	<i>357.4</i>	<i>-</i>	<i>340.9</i>
Office of Higher Education Non-Sponsored Research	12.8	11.8	(1.0)	11.8
URI Non-Sponsored Research	1,863.3	1,937.9	74.6	1,955.3
RIC Non-Sponsored Research	841.6	841.6	-	841.6
CCRI Non-Sponsored Research	754.1	794.4	40.3	795.4
<i>Higher Education - Total Non-Sponsored</i>	<i>3,471.8</i>	<i>3,585.7</i>	<i>113.9</i>	<i>3,604.1</i>

Full-Time Equivalent Positions

	FY 2014 Enacted	FY 2014 Revised	Variance	FY 2015
RI Council On The Arts	6.0	6.0	-	6.0
RI Atomic Energy Commission	8.6	8.6	-	8.6
Higher Education Assistance Authority	23.0	23.0	-	25.0
Historical Preservation and Heritage Commission	16.6	16.6	-	16.6
Subtotal - Education	3,883.4	3,997.3	113.9	4,001.2
Public Safety				
Attorney General	233.1	233.1	-	233.1
Corrections	1,419.0	1,419.0	-	1,419.0
Judicial	726.3	726.3	-	726.3
Military Staff	117.0	117.0	-	85.0
Emergency Management	-	-	-	32.0
Public Safety	645.2	634.2	(11.0)	634.2
Office of the Public Defender	93.0	93.0	-	93.0
Subtotal - Public Safety	3,233.6	3,222.6	(11.0)	3,222.6
Natural Resources				
Environmental Management	399.0	399.0	-	399.0
Coastal Resources Management Council	29.0	29.0	-	29.0
Subtotal - Natural Resources	428.0	428.0	-	428.0
Transportation				
Transportation	772.6	752.6	(20.0)	752.6
Subtotal - Transportation	772.6	752.6	(20.0)	752.6
Total Non Sponsored	14,342.1	14,439.0	96.9	14,454.1
Higher Education Sponsored Research *				
Office	1.0	1.0	-	1.0
CCRI	100.0	59.7	(40.3)	58.7
RIC	82.0	82.0	-	82.0
URI	593.2	518.6	(74.6)	501.2
Subtotal Sponsored Research	776.2	661.3	(114.9)	642.9
Total Higher Education	4,248.0	4,247.0	(1.0)	4,247.0
Total Personnel Authorizations	15,118.3	15,100.3	(18.0)	15,097.0

*A total of 776.2 FTE positions in Higher Education in FY 2013 and FY 2014 represent FTE's supported by sponsored research funds. Commencing in FY2005, these positions were included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

General Revenues as Recommended

	FY 2012 Audited	FY 2013 Audited	FY 2014 Revised	FY 2015 Recommended
Personal Income Tax	\$ 1,060,481,684	\$ 1,085,765,261	\$ 1,120,700,000	\$ 1,158,295,659
General Business Taxes				
Business Corporations	123,054,377	131,827,907	136,000,000	133,911,698
Public Utilities Gross Earnings	100,631,477	99,640,815	95,900,000	97,500,000
Financial Institutions	3,557,938	12,594,921	4,300,000	4,500,000
Insurance Companies	89,487,511	92,744,945	100,600,000	107,738,811
Bank Deposits	2,000,645	2,877,325	2,900,000	2,900,000
Health Care Provider Assessment	41,922,464	41,568,589	42,600,000	43,860,632
Sales and Use Taxes				
Sales and Use	851,055,730	878,866,074	904,000,000	937,510,924
Motor Vehicle	48,391,564	49,431,495	50,800,000	50,800,000
Motor Fuel	732,672	438,255	700,000	700,000
Cigarettes	131,085,912	132,516,310	136,300,000	133,150,000
Alcohol	11,873,646	12,176,109	18,200,000	17,000,000
Other Taxes				
Inheritance and Gift	46,411,738	28,489,275	31,800,000	31,800,000
Racing and Athletics	1,327,003	1,171,108	1,200,000	1,100,000
Realty Transfer	6,434,665	7,399,222	8,000,000	8,400,000
Total Taxes	\$ 2,518,449,026	\$ 2,577,507,611	\$ 2,654,000,000	\$ 2,729,167,723
Departmental Receipts	\$ 339,895,284	\$ 356,831,653	\$ 354,514,976	\$ 352,869,278
Taxes and Departmentals	\$ 2,858,344,310	\$ 2,934,339,264	\$ 3,008,514,976	\$ 3,082,037,001
Other Sources				
Gas Tax Transfer	\$ -	\$ -	\$ -	\$ -
Other Miscellaneous	20,110,214	4,166,213	11,701,398	2,475,000
Lottery	377,706,394	379,224,715	394,200,000	399,900,000
Unclaimed Property	14,555,573	6,268,627	10,900,000	10,100,000
Other Sources	\$ 412,372,181	\$ 389,659,555	\$ 416,801,398	\$ 412,475,000
Total General Revenues	\$ 3,270,716,491	\$ 3,323,998,820	\$ 3,425,316,374	\$ 3,494,512,001

The audited revenues displayed above reflect gross receipts, including reimbursement of tax credits issued through the Historical Structures Tax credit program. The state's consolidated financial report reflects the reimbursement as a transfer from other funds, rather than within each tax source.

Changes to FY 2014 Enacted Revenue Estimates

	FY 2014 Enacted	November REC Consensus Changes	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 1,109,154,500	\$ 11,545,500	\$ -	\$ 1,120,700,000
General Business Taxes				
Business Corporations	141,300,000	(5,300,000)	-	136,000,000
Public Utilities Gross	94,900,000	1,000,000	-	95,900,000
Financial Institutions	4,300,000	-	-	4,300,000
Insurance Companies	98,815,832	1,784,168	-	100,600,000
Bank Deposits	2,500,000	400,000	-	2,900,000
Health Care Provider	42,610,544	(10,544)	-	42,600,000
Sales and Use Taxes				
Sales and Use	887,201,672	16,798,328	-	904,000,000
Motor Vehicle	51,800,000	(1,000,000)	-	50,800,000
Motor Fuel	1,000,000	(300,000)	-	700,000
Cigarettes	130,700,000	5,600,000	-	136,300,000
Alcohol	18,173,328	26,672	-	18,200,000
Other Taxes				
Inheritance and Gift	31,800,000	-	-	31,800,000
Racing and Athletics	1,200,000	-	-	1,200,000
Realty Transfer	7,500,000	500,000	-	8,000,000
Total Taxes	\$ 2,622,955,876	\$ 31,044,124	\$ -	\$ 2,654,000,000
Departmental Receipts	348,707,542	11,392,458	\$ (5,585,024)	354,514,976
Total Taxes and Departmentals	\$ 2,971,663,418	\$ 42,436,582	\$ (5,585,024)	\$ 3,008,514,976
Other Sources				
Gas Tax Transfer	-	-	\$ -	-
Other Miscellaneous	5,545,000	1,910,000	4,246,398	11,701,398
Lottery	394,100,000	100,000	-	394,200,000
Unclaimed Property	9,700,000	1,200,000	-	10,900,000
Other Sources	\$ 409,345,000	\$ 3,210,000	\$ 4,246,398	\$ 416,801,398
Total General Revenues	\$ 3,381,008,418	\$ 45,646,582	\$ (1,338,626)	\$ 3,425,316,374

Changes to FY 2015 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 1,153,900,000	\$ 4,395,659	\$ 1,158,295,659
General Business Taxes			
Business Corporations	133,200,000	711,698	133,911,698
Public Utilities Gross	97,500,000	-	97,500,000
Financial Institutions	4,500,000	-	4,500,000
Insurance Companies	108,700,000	(961,189)	107,738,811
Bank Deposits	2,900,000	-	2,900,000
Health Care Provider	44,300,000	(439,368)	43,860,632
Sales and Use Taxes			
Sales and Use	930,600,000	6,910,924	937,510,924
Motor Vehicle	50,800,000	-	50,800,000
Motor Fuel	700,000	-	700,000
Cigarettes	132,400,000	750,000	133,150,000
Alcohol	17,000,000	-	17,000,000
Other Taxes			
Inheritance and Gift	31,800,000	-	31,800,000
Racing and Athletics	1,100,000	-	1,100,000
Realty Transfer	8,400,000	-	8,400,000
Total Taxes	\$ 2,717,800,000	\$ 11,367,723	\$ 2,729,167,723
Departmental Receipts	\$ 208,200,000	\$ 144,669,278	\$ 352,869,278
Total Taxes and Departmentals	\$ 2,926,000,000	\$ 156,037,001	\$ 3,082,037,001
Other Sources			
Gas Tax Transfer	\$ -	\$ -	\$ -
Other Miscellaneous	2,475,000	-	2,475,000
Lottery	399,900,000	-	399,900,000
Unclaimed Property	10,100,000	-	10,100,000
Other Sources	\$ 412,475,000	\$ -	\$ 412,475,000
Total General Revenues	\$ 3,338,475,000	\$ 156,037,001	\$ 3,494,512,001

General Revenue Changes to Adopted Estimates

FY 2015	Governor Recommend
<u>Taxes</u>	
<u>Personal Income Taxes</u>	
Add Ten (10) Additional Revenue Officer Positions	\$ 2,737,259
Create a Statewide Taskforce to Combat Employee Misclassification	990,000
State Employee Compliance Project	400,000
Registration Block on "New" Registrations	268,400
Subtotal: Personal Income Taxes	\$ 4,395,659
<u>General Business Taxes</u>	
<u>Business Corporations Tax</u>	
Add Ten (10) Additional Revenue Officer Positions	\$ 711,698
Subtotal: Business Corporation Tax	\$ 711,698
<u>Insurance Companies Gross Premiums</u>	
Managed Care Rate Reduction	\$ (433,860)
Reduce Health Care High Utilizers	(326,221)
Hospital Rate Freeze	(121,060)
DME Reviews based on OIG Audits	(40,024)
Imaging Services Utilization Review	(40,024)
Subtotal: Insurance Companies Gross Premiums Tax	\$ (961,189)
<u>Health Care Provider Tax</u>	
Suspend Nursing Home COLA effective October 1, 2014	\$ (411,851)
Long Term Care Financial Eligibility/Payment Review	(27,517)
Subtotal: Health Care Provider Tax	\$ (439,368)
Subtotal: General Business Taxes	\$ (688,860)
<u>Sales and Excise Taxes</u>	
<u>Sales and Use Tax</u>	
Add Ten (10) Additional Revenue Officer Positions	\$ 2,723,968
Safe Harbor for Use Tax on Personal Income Tax Returns	2,200,000
Expand Sales and Use Tax to Hotel Resellers	775,652
Anti-Zapper Legislation	770,000
Expand Sales and Use Tax to Bed and Breakfasts and Timeshares	441,304
Subtotal: Sales and Use Tax	\$ 6,910,924
<u>Cigarettes Tax</u>	
Tax E-Cigarettes as an Other Tobacco Product	\$ 750,000
Subtotal: Cigarettes Tax	\$ 750,000
Subtotal: Sales and Excise Taxes	\$ 7,660,924
Subtotal: All Taxes	\$ 11,367,723
<u>Departmental Revenues</u>	
<u>Licenses and Fees</u>	
DHS: Reinststitute Hospital Licensing Fee at 5.246 Percent on FY 2012 Net Patient Revenues	\$ 141,257,582
DOR: Imaging Services Utilization Review	(40,024)
Subtotal: Licenses and Fees	\$ 141,217,558

General Revenue Changes to Adopted Estimates

Fines and Penalties

DOR: Add Ten (10) Additional Revenue Officer Positions, Interest and Penalties	\$	2,239,576
DOR: Create a Statewide Taskforce to Combat Employee Misclassification, Interest and Penalties		810,000
DOR: Registration Block on "New" Registrations, Interest and Penalties	\$	219,600
<i>Subtotal: Fines and Penalties</i>	\$	3,269,176

Miscellaneous Departmental Receipts

Expand State 5.0 Percent Hotel Tax to Hotel Resellers	\$	116,348
Expand State 5.0 Percent Hotel Tax to Bed and Breakfasts and Timeshares	\$	66,196
<i>Subtotal: Miscellaneous Departmental Receipts</i>	\$	182,544

Subtotal: Departmental Revenues	\$	144,669,278
Subtotal: Taxes and Departmental Revenues	\$	156,037,001
Total FY 2015 General Revenue Adjustments	\$	156,037,001

Other Revenue Enhancements

	Governor Recommend
FY 2014	
<u>Restricted Receipts</u>	
DOA: Transfer of Surplus Funds from Insurance Restricted Account to General Fund	\$ (925,419)
Subtotal: Restricted Receipts	\$ (925,419)
<u>Rhode Island Capital Plan Fund</u>	
Transfer of Bond Premium to General Fund	\$ (3,320,979)
Subtotal: Intermodal Surface Transportation Fund	\$ (3,320,979)
FY 2014 Total Non-General Revenue Changes	\$ (4,246,398)

Appendix B
Changes to FY 2014

Changes to FY 2014 General Revenue Budget Surplus

	FY 2012 Audited ⁽¹⁾	FY 2013 Audited ⁽²⁾	FY 2014 Enacted ⁽³⁾	FY 2014 Revised	Change From Enacted
Surplus					
Opening Surplus	\$64,229,426	\$115,187,511	\$93,407,399	\$104,119,715	\$10,712,316
Audit Adjustments	-	-	-	(5,585,024)	(\$5,585,024)
Adjustment to Opening Surplus	-	-	-	-	\$0
Reappropriated Surplus	4,532,242	7,726,521	-	7,052,524	\$7,052,524
Subtotal	\$68,761,668	\$122,914,032	\$93,407,399	\$105,587,215	\$12,179,816
General Taxes	\$2,518,449,026	2,577,507,611	2,622,955,876	2,622,955,876	-
Revenue estimators' revision	-	-	-	31,044,124	31,044,124
Changes to Adopted	-	-	-	-	-
Subtotal	\$2,518,449,026	\$2,577,507,611	\$2,622,955,876	\$2,654,000,000	31,044,124
Departmental Revenues	339,895,284	356,831,653	348,707,542	348,707,542	-
Revenue estimators' revision	-	-	-	11,392,458	11,392,458
Changes to Adopted	-	-	-	-	-
Subtotal	\$339,895,284	\$356,831,653	\$348,707,542	\$360,100,000	\$11,392,458
Other Sources					
Other Miscellaneous	20,110,214	4,166,214	5,545,000	5,545,000	-
Revenue estimators' revision	-	-	-	1,910,000	1,910,000
Changes to Adopted	-	-	-	4,246,398	4,246,398
Lottery	377,706,394	379,224,715	394,100,000	394,100,000	-
Revenue estimators' revision	-	-	-	100,000	100,000
Changes to Adopted	-	-	-	-	-
Unclaimed Property	14,555,573	6,268,627	9,700,000	9,700,000	-
Revenue estimators' revision	-	-	-	1,200,000	1,200,000
Subtotal	\$412,372,181	\$389,659,556	\$409,345,000	\$416,801,398	\$7,456,398
Total Revenues	\$3,270,716,491	\$3,323,998,820	\$3,381,008,418	\$3,430,901,398	\$49,892,980
Transfer to Budget Reserve	(93,378,486)	(103,175,590)	(104,232,475)	(105,883,083)	(1,650,608)
Total Available	\$3,246,099,674	\$3,343,737,262	\$3,370,183,343	\$3,430,605,530	\$60,422,188
Actual/Enacted Expenditures	\$3,110,242,012	\$3,216,046,418	\$3,359,755,123	\$3,359,755,123	\$0
Reappropriations	-	-	-	7,052,524	\$7,052,524
Caseload Conference Changes	-	-	-	121,197	\$121,197
Other Changes in Expenditures	-	-	-	(15,186,035)	(\$15,186,035)
Total Expenditures	\$3,110,242,012	\$3,216,046,418	\$3,359,755,123	\$3,351,742,809	(\$8,012,314)
Total Ending Balances	\$135,857,662	\$127,690,844	\$10,428,220	\$78,862,721	\$68,434,502
Transfer to Other Funds ⁽⁴⁾	(\$12,943,629)	(\$16,518,605)	(\$10,000,000)	(\$10,000,000)	\$0
Reappropriations	(7,726,521)	(7,052,524)	-	-	-
Free Surplus	\$115,187,511	\$104,119,715	\$428,220	\$68,862,721	\$68,434,502
Budget Reserve and Cash					
Stabilization Account	\$153,407,512	\$171,959,317	\$173,720,791	\$176,183,127	\$2,462,336

⁽¹⁾ Derived from the State Controller's final closing report for FY 2012, dated January 4, 2013.

⁽²⁾ Derived from the State Controller's final closing report for FY 2013, dated January 6, 2014.

⁽³⁾ Reflects the FY 2014 budget enacted by the General Assembly and signed into law by the Governor on July 3, 2013.

⁽⁴⁾ Reflects restricted General Fund balances transferred to the Information Technology Investment Fund and State Fleet Revolving Loan Fund in FY 2013 and to the Accelerated Depreciation Fund in FY 2014.

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
<u>General Government</u>						
Administration						
Central Management	2,922,038					
Personnel-Salary & Benefits				(156,464)		
Contracted Professional Services - HR Study				500,000		
Operating Supplies & Expenses				8,173		
Office of Digital Excellence (ODE) - Personnel				(172,898)		
Office of Digital Excellence (ODE) - Code for America				180,000		
	2,922,038	-	(13,834)	358,811	3,267,015	(344,977)
Accounts & Control	3,966,422					
Personnel-Salary & Benefits				(94,472)		
Operating Supplies & Expenses				24,739		
	3,966,422	-	(24,150)	(69,733)	3,872,539	93,883
Office of Management and Budget	4,049,888					
Personnel-Salary & Benefits (Federal Grants Mgt Office Transfer)				(29,695)		
Contracted Professional Services (Shift RI Ready to EDC FY 2015)				(75,000)		
Operating Supplies & Expenses				12,061		
	4,049,888	-	(16,354)	(92,634)	3,940,900	108,988
Purchasing	2,689,542					
Personnel-Salary & Benefits				(22,716)		
Contracted Professional Services (IT Support, Legal, Lean Procses)				161,050		
Operating Supplies & Expenses				23,251		
Capital Purchases & Equipment				(1,500)		
	2,689,542	-	(16,306)	160,085	2,833,321	(143,779)
Auditing	1,344,585					
Personnel-Salary & Benefits				22,688		
Operating Supplies & Expenses (Audit Software)				702		
	1,344,585	-	(6,721)	23,390	1,361,254	(16,669)
Human Resources	8,329,216					
Personnel-Salary & Benefits (HR Director vacanc)				(137,921)		
Contracted Professional Services (Healthcare Plan Auditor)		130,431		-		
Operating Supplies & Expenses				(15,460)		
	8,329,216	130,431	(44,881)	(153,381)	8,261,385	67,831
Personnel Appeal Board	75,036					
	75,036	-	-	-	75,036	-
Legal Services	1,948,683					
Personnel-Salary & Benefits				62,025		
Contracted Professional Services (Union Negotiations)				301,400		
Operating (Online Legal Research Subscription)				11,255		
	1,948,683	-	(10,647)	374,680	2,312,716	(364,033)
Facilities Management	32,198,875					
Personnel-Salary & Benefits				(27,348)		
Contracted Professional Services (Power Plant Mgt)				(241,152)		
Operating - Non-Utilities (Building Repairs & Maintenance)				(84,360)		
Operating - Utilities Savings				(1,503,240)		
Capital Purchase (DOA Furniture & Equipment Upgrade)				144,568		
	32,198,875	-	(63,438)	(1,711,532)	30,423,905	1,774,970
Capital Projects and Property Management	1,240,545					
Personnel-Salary & Benefits (Seasonal FTE)				17,386		
Contracted Professional Services (Stenographic Services)				7,300		
Operating Supplies & Expenses (Vehicle & Staff Training)				5,367		
Capital Purchases & Equipment (Upgrade Furniture)				1,000		
	1,240,545	-	(7,165)	31,053	1,264,433	(23,888)
Information Technology	19,293,222					
Personnel-Salary & Benefits (Turnover, Adj. Billed Services)				(457,940)		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Contracted Professional Services (Oracle E-business Data Mgr) Operating (Hardware & Software Contract Shift from IT Fund) Capital Purchases (Computer Equipment \$499-\$5,000)	19,293,222	-	(84,743)	(130,200)	19,078,279	214,943
Library and Information Services	1,007,465					
Personnel-Salary & Benefits (Chief of OLIS vacancy) Operating Supplies & Expenses (Federal MOE)	1,007,465	-	(4,060)	(72,390) 72,390	1,003,405	4,060
Planning	4,701,094					
Personnel-Salary & Benefits (Turnover Statewide Planning) Contracted Professional Services (WRB WAP, Architecture) Operating (WRB Scholarship & Insurance, Planning Print & Telecom) Assistance & Grants (Other Grants) Housing Resources Grants (FY 2013 Reimbursements)	4,701,094	92,492 92,492	(9,017)	(81,962) (118,300) 30,410 69,000 -	4,683,717	17,377
General	23,623,489					
RI Film and Television Office - Personnel I-195 Commission (FY 2013 Carry-forward)	23,623,489	674,679 674,679	(1,414)	(368) -	24,296,386	(672,897)
Debt Service Payments	157,387,801 157,387,801	-	-	(3,188,408) (3,188,408)	154,199,393	3,188,408
Salary/Benefits Adjustments	(1,398,040)					
Program Reduction Cost Savings Spousal Medical Coverage Reform Medicare Exchange	(1,398,040)	-	1,134,452	(915,200) 2,049,652 -	(263,588)	(1,134,452)
Construction, Permitting, Appeals & Licensure	1,421,350					
Personnel-Salary & Benefits (Unachievable Turnover) Operating Supplies & Equipment (Staff Training) Capital Purchases & Equipment	1,421,350	-	(8,025)	69,244 14,506 (5,500) 78,250	1,491,575	(70,225)
Total	264,801,211	897,602	823,697	(4,420,839)	262,101,671	2,699,540
Business Regulation						
Central Management	1,197,671					
Personnel Operating	1,197,671	-	(6,566) (6,566)	30,293 -	1,221,398	(23,727)
Insurance Regulation	3,767,883					
Personnel Operating	3,767,883	-	(20,801) (20,801)	69,101 (33,231) 35,870	3,782,952	(15,069)
Office of the Health Commissioner	542,180					
Personnel	542,180	-	(2,120) (2,120)	(39,885) (39,885)	500,175	42,005
Board of Accountancy	81,034					
Personnel	81,034	-	(246) (246)	(64,134) (64,134)	16,654	64,380
Banking	1,715,225					
Personnel Operating	1,715,225	-	(9,817) (9,817)	(169,650) (18,064) (187,714)	1,517,694	197,531
Securities	980,090					

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Personnel			(6,811)	(30,249)		
Operating				(7,882)		
	980,090	-	(6,811)	(38,131)	935,148	44,942
Commercial Licensing, Racing & Athletics	707,941					
Personnel			(3,301)	(80,712)		
Operating				(39,233)		
	707,941	-	(3,301)	(119,945)	584,695	123,246
Board of Design Professionals	253,854					
Personnel-Salary & Benefits			(1,066)	3,426		
	253,854	-	(1,066)	3,426	256,214	(2,360)
Total	9,245,878	-	(50,728)	(380,220)	8,814,930	430,948
Labor and Training						
Central Management	118,760					
Personnel-Salary & Benefits			(525)	(23,291)		
Contracted Professional Services				(2,947)		
Operating Supplies and Expenses/Capital				(921)		
Grants and Benefits				2		
	118,760	-	(525)	(27,157)	91,078	27,682
Workforce Development Services	1,250,000					
Personnel-Salary & Benefits			(825)	174,222		
Grants and Benefits				(174,222)		
	1,250,000	-	(825)	-	1,249,175	825
Workforce Regulation and Safety	3,002,408					
Personnel-Salary & Benefits			(18,951)	8,865		
Contracted Professional Services				6,879		
Operating Supplies and Expenses/Capital				5,768		
Grants and Benefits				(236)		
	3,002,408	-	(18,951)	21,276	3,004,733	(2,325)
Income Support	4,299,157					
Personnel-Salary & Benefits			(518)	17,939		
Contracted Professional Services				75		
Operating Supplies and Expenses/Capital				(152)		
Police Relief Fund				(72,383)		
Firefighter Relief Fund				72,383		
	4,299,157	-	(518)	17,862	4,316,501	(17,344)
Labor Relations Board	393,736					
Personnel-Salary & Benefits			(1,497)	(1,958)		
Contracted Professional Services				(5,604)		
Operating Supplies and Expenses/Capital				1,862		
Grants and Assistance				(7)		
	393,736	-	(1,497)	(5,707)	386,532	7,204
Total	9,064,061	-	(22,316)	6,274	9,048,019	16,042
Legislature						
Legislature	36,186,933	4,706,495	(209,428)	(4,706,495)		
Personnel-Salary & Benefits				(46,319)		
Contracted Professional Services				721,500		
Grants and Assistance				356,964		
Operating Expenses				998,767		
Capital Purchases and Expenses				645,800		
	36,186,933	4,706,495	(209,428)	(2,029,783)	38,654,217	(2,467,284)
Office of the Lieutenant Governor	986,890					
Personnel-Salary & Benefits			(5,638)	(32,671)		
Operating Supplies and Expenses/Capital				(2,080)		
	986,890	-	(5,638)	(34,751)	946,501	40,389

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Secretary of State						
Administration	2,078,542					
Personnel-Salary & Benefits			(10,210)	128,934		
Contracted Professional Services				(250)		
Operating Supplies and Expenses				11,596		
	2,078,542	-	(10,210)	140,280	2,208,612	(130,070)
Corporations	2,152,424					
Personnel-Salary & Benefits			(12,682)	152,257		
Contracted Professional Services				(3,500)		
Operating Supplies and Expenses				(1,671)		
Capital Purchases and Equipment				-		
	2,152,424	-	(12,682)	147,086	2,286,828	(134,404)
State Archives	131,705					
Operating Supplies and Expenses		-		(60,564)		
	131,705	-	-	(60,564)	71,141	60,564
Elections	1,162,821					
Personnel-Salary & Benefits			(2,050)	(261,965)		
Contracted Professional Services				-		
Operating Supplies and Expenses				-		
Capital Purchases and Equipment				-		
	1,162,821		(2,050)	(261,965)	898,806	264,015
State Library	611,318					
Personnel-Salary & Benefits			(2,237)	(90,993)		
Contracted Professional Services				-		
Operating Supplies and Expenses				-		
Capital Purchases and Equipment				-		
	611,318		(2,237)	(90,993)	518,088	93,230
Office of Public Information	361,023					
Personnel-Salary & Benefits			(3,094)	124,165		
Contracted Professional Services				12,000		
Operating Supplies and Expenses				-		
Capital Purchases and Equipment				-		
	361,023		(3,094)	136,165	494,094	(133,071)
Total	6,497,833	-	(30,273)	10,009	6,477,569	20,264
Office of the General Treasurer						
Treasury	2,471,194	-	(11,080)			
Personnel-Salary & Benefits			-	(1,740)		
Operating				(46,240)		
Contracted Professional Services				6,000		
	2,471,194	-	(11,080)	(41,980)	2,418,134	53,060
Crime Victim Compensation Program	183,498					
Personnel-Salary & Benefits				8,260		
Operating Supplies and Expenses				7,425		
	183,498			15,685	199,183	(15,685)
Total	2,654,692	-	(11,080)	(26,295)	2,617,317	37,375
Board of Elections						
Board Of Elections	1,589,361					
Personnel-Salary & Benefits			(7,072)	(2,585)		
Contracted Professional Services				19,700		
Operating Supplies and Expenses				11,001		
Public Financing of General Election	150,000					
Total	1,739,361	-	(7,072)	28,116	1,760,405	(21,044)
RI Ethics Commissions						
RI Ethics Commission	1,577,204	5,762				
Personnel-Salary & Benefits			(7,026)	(3,529)		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Contracted Professional Services				-		
Operating Supplies and Expenses				3,529		
Total	1,577,204	5,762	(7,026)	-	1,575,940	1,264
Office of the Governor	4,193,513	196,428	-			
Personnel-Salary & Benefits			(7,555)	135,597		
Operating /Contracted Services				(147,409)		
Capital				(6,500)		
Contingency Fund	250,000					
Total	4,443,513	196,428	(7,555)	(18,312)	4,614,074	(170,561)
Commission for Human Rights	1,150,785					
Personnel-Salary & Benefits			(6,339)	5,258		
Contract Professional Services				-		
Operating Supplies and Expenses				(3,638)		
Total	1,150,785	-	(6,339)	1,620	1,146,066	4,719
Department of Revenue						
Director of Revenue	1,222,847					
Personnel-Salary & Benefits (Senior Internal Auditor Vacancy)				(105,323)		
Contracted Professional Services				(5,000)		
Operating Supplies and Expenses				2,980		
Capital Purchases and Equipment				2,025		
Total	1,222,847		(5,867)	(105,318)	1,111,662	111,185
Office of Revenue Analysis	528,721					
Personnel-Benefit Adjustments				(6,717)		
Operating Supplies and Expenses				(390)		
Capital Purchases and Equipment				1,025		
Total	528,721		(2,202)	(6,082)	520,437	8,284
Office of Municipal Finance	2,351,173					
Personnel-Salary & Benefits (Vacancies)				(130,997)		
Contracted Professional Services-Actuary & Legal				(300,000)		
Operating Supplies and Expenses				6,974		
Capital Purchases and Equipment				1,025		
Aid to Local Units of Gov't-Admin. Finance Officer 50% Share				107,287		
Total	2,351,173	-	(10,868)	(315,711)	2,024,594	326,579
Taxation	18,027,851					
Personnel-Salary & Benefits (Vacancies)				(294,116)		
Contracted Professional Services				25,000		
Operating Supplies and Expenses				(73,900)		
Total	18,027,851	-	(99,327)	(343,016)	17,585,508	442,343
Registry	18,895,421					
Personnel-Turnover Restoration for RIMS Training				165,706		
Contracted Professional Services				3,082		
Operating Supplies and Expenses		66,000		(33,222)		
Operational Savings - Central Mail				(25,873)		
Assistance and Grants-Reduction Pension Early Retirement				(1,000)		
Capital Purchases and Equipment				(2,408)		
Operating Transfers-CCRI School Bus Driver Training				6,000		
Total	18,895,421	66,000	(89,100)	112,285	18,984,606	(89,185)
State Aid						
Municipal Reimb-50% Actuarial Pension Studies	5,000,000					
Distressed Communities Relief Fund	10,384,458					
Payment in Lieu of Tax Exempt Properties	35,080,409					
Motor Vehicle Excise Tax Payments	10,000,000					
Property Revaluation Program	516,615	86,396		(142,395)		
Total	60,981,482	86,396		(142,395)	60,925,483	55,999
Total	102,007,495	152,396	(207,364)	(800,237)	101,152,290	855,205

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Sub-Total General Government	440,355,856	5,958,683	258,878	(7,664,418)	438,908,999	1,446,857
<u>Human Services</u>						
Office of Health and Human Services						
Central Management	27,699,190	-				
Personnel- Salary & Benefits				(607,281)		
Unified Health Infrastructure Project				1,167,726		
Contracted Professional Services- Cost Allocation Plan				125,000		
Other Contracted Professional Services				(355,848)		
Operating Supplies/Equipment				44,557		
Other Grants and Benefits				(295,567)		
Statewide- Retiree Health Insurance Rate Change			(42,056)			
Statewide- Medical Health Insurance			12,497			
Statewide Medical Contract Savings			(37,822)			
	27,699,190	-	(67,381)	78,587	27,710,396	(11,206)
Medical Assistance						
Managed Care- November CEC	281,682,858			(2,118,545)		
Hospitals- November CEC	107,499,737			(9,822,158)		
Nursing Facilities- November CEC	179,263,818			(37,507,018)		
Home & Community Based Services- November CEC	48,645,073			(9,857,873)		
Other Services- November CEC	44,013,672			(74,751)		
Pharmacy - November CEC	51,721,344			7,759		
Rhody Health- November CEC	100,701,958			59,177,987		
Affordable Care Act Transition Program	2,000,000			(1,000,000)		
	815,528,460	-	-	(1,194,599)	814,333,861	1,194,599
	843,227,650	-	(67,381)	(1,116,012)	842,044,257	1,183,393
Children, Youth, and Families						
Central Management	4,911,020					
Personnel-Salary & Benefits				(223,942)		
Contracted Professional Services				(51,226)		
Operating Supplies and Expenses				(12,214)		
Statewide Medical Contract Savings			(10,069)			
	4,911,020	-	(10,069)	(287,382)	4,613,569	297,451
Children's Behavioral Health	4,491,441					
Personnel-Salary & Benefits				(120,321)		
Contracted Professional Services				1,390,374		
Operating Supplies and Expenses				14,953		
Grants and Benefits				794,421		
Statewide Medical Contract Savings			(5,625)			
	4,491,441	-	(5,625)	2,079,427	6,565,243	(2,073,802)
Juvenile Corrections	26,877,697					
Personnel-Salary & Benefits			(47,434)	(2,072,473)		
Contracted Professional Services				107,674		
Operating Supplies and Expenses/Capital Purchases				(109,709)		
Grants and Benefits				(173,313)		
Statewide Medical Contract Savings			(77,126)			
	26,877,697	-	(124,560)	(2,247,821)	24,505,316	2,372,381
Child Welfare	116,496,833					
Personnel-Salary & Benefits			(49,371)	759,321		
Contracted Professional Services				31,893		
Operating Supplies and Expenses				314,904		
Grants and Benefits				(1,004,658)		
Statewide Medical Contract Savings			(92,724)			
	116,496,833	-	(142,095)	101,460	116,456,198	40,635

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Higher Education Incentive Grants	200,000					
	200,000					
Total	152,976,991	-	(282,349)	(354,316)	152,340,326	636,665
Health						
Central Management	544,959					
Personnel-Salary & Benefits			(344)	4,468		
Contract Professional Services				1,000		
Operating Supplies and Expense				(9,658)		
Assistance and Grants				-		
	544,959	-	(344)	(4,190)	540,425	4,534
State Medical Examiner	2,365,037					
Personnel-Salary & Benefits			(10,236)	(78,697)		
Contract Professional Services				84,387		
Operating Supplies and Expense				(5,690)		
	2,365,037	-	(10,236)	-	2,354,801	10,236
Environmental & Health Services Regulations	9,491,266					
Personnel-Salary & Benefits			(57,818)	(86,139)		
Contract Professional Services				11,213		
Operating Supplies and Expense				-		
Assistance and Grants				(19,000)		
Capital Purchases and Equipment				2,660		
	9,491,266	-	(57,818)	(91,266)	9,342,182	149,084
Health Laboratories	6,199,240					
Personnel-Salary & Benefits			(28,331)	79,664		
Contracted Professional Services				(195,830)		
Operating Expenditures				16,979		
Capital Purchases and Equipment				(4,500)		
	6,199,240	-	(28,331)	(103,687)	6,067,222	132,018
Public Health Information	1,524,091					
Personnel-Salary & Benefits			(8,805)	4,378		
Contracted Professional Services				22,820		
Operating Supplies and Expenses				(5,741)		
Capital Purchases and Equipment				900		
	1,524,091	-	(8,805)	22,357	1,537,643	(13,552)
Community & Family Health and Equity	2,448,286					
Personnel-Salary & Benefits			(9,971)	(52,299)		
Contracted Professional Services				(86,062)		
Operating Expenditures				111,424		
Assistance and Grants				119,819		
	2,448,286	-	(9,971)	92,882	2,531,197	(82,911)
Infectious Disease and Epidemiology	1,735,122					
Personnel-Salary & Benefits			(7,450)	(101,234)		
Contracted Professional Services				(863)		
Operating Expenditures				(1,430)		
Assistance and Grants				(3,000)		
	1,735,122	-	(7,450)	(106,527)	1,621,145	113,977
Total	24,308,001	-	(122,955)	(190,431)	23,994,615	313,386
Human Services						
Central Management	5,543,121					
Personnel- Salary & Benefits			(1,571)	(48,561)		
Operating Supplies and Expenses				2,187		
Assistance and Grants				(912)		
Statewide Medical Contract Savings			(5,179)			
	5,543,121	-	(6,750)	(47,286)	5,489,085	54,036

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Child Support Enforcement	2,370,212					
Personnel- Salary & Benefits			(2,562)	(23,868)		
Operating Supplies and Expenses				(2,146)		
Contracted Professional Services				29,550		
Statewide Medical Contract Savings			(7,339)			
	2,370,212	-	(9,901)	3,536	2,363,847	6,365
Individual and Family Support	20,922,405					
Personnel- Salary & Benefits			(20,224)	608,532		
Other Operating Supplies and Expenses				309,970		
Other Contracted Professional Services				43,612		
Other Assistance and Grants				(120,552)		
UHIP Additional Operating & Consulting Costs				3,384,643		
Work Support Strategies				145,123		
Operating Transfers - Intermodal Surface Transportation Fund				(563,951)		
Statewide Medical Contract Savings			(58,354)			
	20,922,405	-	(78,578)	3,807,377	24,651,204	(3,728,799)
Veterans' Affairs	20,993,993					
Personnel- Salary & Benefits			(27,200)	(27,775)		
Overtime				339,310		
Operating Supplies and Expenses				34,577		
Contracted Professional Services				-		
Turnover				(1,403,741)		
Statewide Medical Contract Savings			(70,676)			
	20,993,993	-	(97,876)	(1,057,629)	19,838,488	1,155,505
Health Care Quality, Financing and Purchasing	8,141,377					
Personnel- Salary & Benefits			(10,585)	38,037		
Operating Supplies and Expense				129,803		
Assistance and Grants				(3,664)		
Contracted Professional Services				(203,170)		
Statewide Medical Contract Savings			(31,470)			
	8,141,377	-	(42,055)	(38,994)	8,060,328	81,049
S.S.I. Program	18,234,514					
S.S.I. Program- November CEC				206,996		
	18,234,514	-	-	206,996	18,441,510	(206,996)
Rhode Island Works						
Child Care	9,668,635					
	9,668,635	-	-	-	9,668,635	-
State Funded Programs	1,906,800					
General Public Assistance- November CEC				108,800		
	1,906,800			108,800	2,015,600	(108,800)
Elderly Affairs						
General Revenues	5,698,138					
Personnel-Salary & Benefits			(947)	385,665		
Contracted Professional Services				(15,217)		
Operating Supplies and Expenses				20,667		
Other Assistance and Grants				(2,908)		
Statewide Medical Contract Savings			(3,900)			
	5,698,138	-	(4,847)	388,207	6,081,498	(383,360)
Total	93,479,195	-	(240,006)	3,371,007	96,610,196	(3,131,001)
Behavioral Health, Developmental Disabilities & Hospitals						
Central Management	816,045		(4,922)			
Personnel-Salary & Benefits				199,870		
Contracted Professional Services				(43,478)		
Operating Supplies and Expenses				7,929		
Grants and Benefits				-		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Capital Purchases and Equipment				-		
	816,045	-	(4,922)	164,321	975,444	(159,399)
Hosp. & Community System Support	1,592,216		(8,820)			
Personnel-Salary & Benefits				(13,109)		
Operating Supplies and Expenses				9,530		
Total	1,592,216	-	(8,820)	(3,579)	1,579,817	12,399
Services. for the Developmentally Disabled	109,467,984		(113,669)			
Personnel-Salary & Benefits				877,989		
Overtime				532,925		
Contracted Professional Services				(68,902)		
Operating Supplies and Expenses/Capital Purchases				108		
Grants - Provider Payments				(708,786)		
	109,467,984		(113,669)	633,334	109,987,649	(519,665)
Behavioral Healthcare Services	39,670,207		(9,723)			
Personnel-Salary & Benefits/Consultants				(378,292)		
Operating Supplies and Expenses				10,188		
Assistance and Grant				368,101		
Discontinuation of Select Contracts				(120,000)		
Health Home Rate Reduction				(164,529)		
	39,670,207	-	(9,723)	(284,532)	39,375,952	294,255
Hosp. & Community Rehab. Services	50,544,930		(247,797)			
Personnel-Salary & Benefits				262,160		
Overtime				862,132		
Contracted Professional Services				87,347		
Operating Supplies and Expenses/Capital Purchases				197,150		
Grants and Assistance - Medical Services				185,037		
Corrective Action Plan- Bed Rentals				(75,000)		
Corrective Action Plan- Shift Barber/Beauty to RR				(50,000)		
Corrective Action Plan- Cut Contract Hours by 5%				(72,500)		
Corrective Action Plan- Doc. Of Med. Nec. For Non- Allowable				(50,000)		
Corrective Action Plan- Attrition Longevity Savings				(82,500)		
Corrective Action Plan- FMAP Mirror Adjustment				(1,794,743)		
Corrective Action Plan- 2013 Cost Settlement Report				(750,000)		
	50,544,930	-	(247,797)	(1,280,917)	49,016,216	1,528,714
Total	202,091,382	-	(384,931)	(771,373)	200,935,078	1,156,304
Office of the Child Advocate	608,651					
Personnel-Salary & Benefits			(3,534)	(31,362)		
Operating Supplies and Expenses				1,722		
Capital Purchases and Equipment				-		
Total	608,651	-	(3,534)	(29,640)	575,477	33,174
Commission on Deaf and Hard of Hearing	391,609					
Personnel- Salary & Benefits			(2,342)	(249)		
Contracted Professional Services				(451)		
Operating Supplies and Expenses				700		
Total	391,609	-	(2,342)	-	389,267	2,342
Governor's Commission on Disabilities	357,711					
Personnel-Salary & Benefits			(1,359)	(7,307)		
Contracted Professional Services				-		
Operating Supplies and Expenses				7,307		
Grants				-		
Capital Purchases and Equipment				-		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Total	357,711	-	(1,359)	-	356,352	1,359
Office of the Mental Health Advocate	486,144					
Personnel-Salary & Benefits			(3,297)	1,330		
Contracted Professional Services				-		
Operating Supplies and Expenses				(461)		
Total	486,144	-	(3,297)	869	483,716	2,428
Sub-Total Human Services	1,317,927,334	-	(1,108,154)	910,104	1,317,729,284	198,050
<u>Education</u>						
Elementary and Secondary Education						
State Education Aid	724,892,567					
Funding Formula				(90,130)		
	724,892,567	-		(90,130)	724,802,437	90,130
School Housing Aid	69,949,504			(2,286,468)		
	69,949,504			(2,286,468)	67,663,036	2,286,468
Teachers' Retirement	81,691,253			(799,316)		
	81,691,253	-		(799,316)	80,891,937	799,316
RI School for the Deaf	6,070,194					
Personnel			(34,011)	(115,354)		
Contracted Professional Services				(21,261)		
Operating Supplies and Expenses				8,004		
Capital Purchases and Equipment				(3,000)		
	6,070,194	-	(34,011)	(131,611)	5,904,572	165,622
Central Falls School District	38,399,591					
	38,399,591	-		-	38,399,591	0
Davies Career & Technical School	12,792,048					
Personnel			(80,545)	102,443		
Contracted Professional Services				-		
Operating Supplies and Expenses				(21,898)		
	12,792,048	-	(80,545)	80,545	12,792,048	0
Met. Career & Tech. School	11,085,049					
	11,085,049	-		-	11,085,049	0
Administration of the Comp. Education Strategy	19,826,703					
Personnel-Salary & Benefits			(64,204)	(83,813)		
Contracted Professional Services				(13,079)		
Operating Supplies and Expenses				(51,196)		
Grants				(2,000)		
Capital				(25,195)		
Aid to Locals				2,000		
	19,826,703		(64,204)	(173,283)	19,589,216	237,487
Total	964,706,909	-	(178,760)	(3,400,263)	961,127,886	3,579,023
Higher Education						
Board of Governors/Office of Higher Education	4,994,523					
Personnel-Salary & Benefits			(3,951)			
	4,994,523	-	(3,951)	-	4,990,572	3,951
University of Rhode Island						
General Revenues	64,086,076					
State Crime Lab	1,027,327		(3,781)			
Debt Service	20,585,263			(233,333)		
Personnel-Salary & Benefits			(122,375)			
	85,698,666	-	(126,156)	(233,333)	85,339,177	359,489

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Rhode Island College						
General Revenues	39,004,298					
Debt Service	3,887,576			(245,333)		
Personnel-Salary & Benefits			(114,389)			
	42,891,874	-	(114,389)	(245,333)	42,532,152	359,722
Community College of Rhode Island						
General Revenues	44,589,076					
Debt Service	1,839,656					
Personnel-Salary & Benefits			(155,790)			
	46,428,732	-	(155,790)	-	46,272,942	155,790
Total	180,013,795	-	(400,286)	(478,666)	179,134,843	878,952
RI Council On The Arts						
Personnel-Salary & Benefits	1,335,630		(2,817)	(15,222)		
Operating Supplies and Expenses				-		
Total	1,335,630	-	(2,817)	(15,222)	1,317,591	18,039
RI Atomic Energy Commission						
Personnel-Salary & Benefits	861,710		(4,940)	(27,197)		
Contracted Professional Services				(4,034)		
Operating Supplies and Expenses				31,231		
Total	861,710	-	(4,940)	-	856,770	4,940
RI Higher Education Assistance Authority						
Authority Operations and other Grants	147,000			-		
Needs Based Grants and Work Opport.	4,134,726		-	51,597		
Total	4,281,726	-	-	51,597	4,333,323	(51,597)
RI Historical Preservation & Heritage Commission						
Personnel-Salary & Benefits	1,357,510		(6,967)	(58,572)		
Contracted Professional Services				63,475		
Operating Supplies and Expenses				(7,850)		
Capital				(6,800.00)		
Total	1,357,510	-	(6,967)	(9,747)	1,340,796	16,714
Sub-Total Education	1,152,557,280	-	(593,770)	(3,852,301)	1,148,111,209	4,446,071
<u>Public Safety</u>						
Attorney General						
Criminal						
Personnel-Salary & Benefits	14,446,868		(84,213)	(199,170)		
Contracted Professional Services				91,118		
Operating Supplies and Expenses				45,215		
Capital				6,834		
	14,446,868	-	(84,213)	(56,003)	14,306,652	140,216
Civil						
Personnel-Salary & Benefits	4,985,425	292,610	(27,060)	112,778		
Contracted Professional Services				92,488		
Operating Supplies and Expenses				(4,282)		
	4,985,425	292,610	(27,060)	200,984	5,451,959	(466,534)
Bureau of Criminal Identification						
Personnel-Salary & Benefits	1,503,119		(9,751)	32,142		
Contracted Professional Services				3,187		
Operating Supplies and Expenses				(4,472)		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
	1,503,119	-	(9,751)	30,857	1,524,225	(21,106)
General	2,721,567					
Personnel-Salary & Benefits			(13,633)	32,079		
Contracted Professional Services				1,788		
Operating Supplies and Expenses				(10,843)		
	2,721,567	-	(13,633)	23,024	2,730,958	(9,391)
Total	23,656,979	292,610	(134,657)	198,862	24,013,794	(356,815)
Corrections						
Central Management	9,077,039	110,126				
Personnel-Salary & Benefits Other			(38,176)	(106,829)		
FTE Transfer				(215,836)		
Contracted Professional Services Other				180,090		
Electronic Medical Records				25,000		
Time Tracker Project Postponement				(350,000)		
Operating Supplies and Expenses Other				24,921		
Weapons Requalification				20,000		
CO Training Class Postponement				(759,217)		
Electronic Medical Records				232,000		
	9,077,039	110,126	(38,176)	(949,871)	8,199,118	877,921
Parole Board	1,354,433	13,816				
Personnel-Salary & Benefits			(7,013)	(86,086)		
Contracted Professional Services Other				2,471		
	1,354,433	13,816	(7,013)	(83,615)	1,277,621	76,812
Custody and Security	115,418,407	121,456				
Personnel-Salary & Benefits			(651,342)	75,868		
Reopened Modules				2,575,337		
Hurricane Sandy adjustment				(730,000)		
Construction Crews Supervision to RICAP				(432,439)		
Weapons Requalification				359,047		
SCAAP Adjustment				(105,679)		
Stipend Adjustment				100,000		
Contracted Professional Services other				5,379		
Other Operating/Capital				(9,498)		
per diem inmate expenditures				200,939		
vehicle lease cost increase				34,702		
Grants-Federal Prison Placements				18,000		
	115,418,407	121,456	(651,342)	2,091,656	116,980,177	(1,561,770)
Institutional Support	15,728,306	334,056				
Personnel-Salary & Benefits			(39,615)	(46,222)		
Contracted Professional Services other				(95,183)		
Other Operating/Grants/Capital				(124,568)		
vehicle service charges				124,570		
per diem inmate expenditures				45,346		
	15,728,306	334,056	(39,615)	(96,057)	15,926,690	(198,384)
Institutional Based Rehab/Pop Management	9,129,775	113,185				
Personnel-Salary & Benefits Other			(31,477)	(15,103)		
Contracted Professional Services Other				61,949		
Operating Supplies and Expenses Other				(103,403)		
per diem inmate expenditures				6,639		
GED Testing				43,343		
	9,129,775	113,185	(31,477)	(6,575)	9,204,908	(75,133)
Healthcare Services	19,639,269					
Personnel-Salary & Benefits			(54,759)	(102,301)		
Contracted Professional Services Other				(199,337)		
Per Diem Contracted Professional Services				243,634		
Other Medical Services				243,458		
per diem inmate expenditures				(173,866)		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Other Operating	19,639,269		(54,759)	(12,438) (850)	19,583,660	55,609
Community Corrections	15,031,969	8,196				
Personnel-Salary & Benefits Other			(83,391)	(25,957)		
Contracted Professional Services				(27,667)		
Operating Supplies and Expenses Other				(33,282)		
	15,031,969	8,196	(83,391)	(86,906)	14,869,868	162,101
Total	185,379,198	700,835	(905,773)	867,782	186,042,042	(662,844)
Judiciary						
Supreme Court	26,221,542	-	(99,337)			
Personnel-Salary & Benefits				(179,851)		
Contracted Services/Operating/Capital				329,785		
Judges Pensions				(149,670)		
Defense of Indigent Persons	3,562,240			(20,000)		
	29,783,782	-	(99,337)	(19,736)	29,664,709	119,073
Superior Court	22,294,581		(89,393)			
Personnel-Salary & Benefits				(130,323)		
Contracted Services/Operating/Capital				(101,155)		
Judges Pensions				(43,829)		
	22,294,581	-	(89,393)	(275,307)	21,929,881	364,700
Family Court	18,851,385		(95,536)			
Personnel-Salary & Benefits				428,278		
Contracted Services/Operating/Capital				(105,556)		
Judges Pensions				(85,734)		
	18,851,385	-	(95,536)	236,988	18,992,837	(141,452)
District Court	12,545,634		(56,001)			
Personnel-Salary & Benefits				(277,881)		
Contracted Services/Operating/Capital				(89,405)		
Judges Pensions				-		
	12,545,634	-	(56,001)	(367,286)	12,122,347	423,287
Traffic Tribunal	8,090,350		(45,483)			
Personnel-Salary & Benefits				354,802		
Contracted Services/Operating/Capital				225,355		
Judges Pensions				(44,446)		
	8,090,350	-	(45,483)	535,711	8,580,578	(490,228)
Judicial Tenure and Discipline	115,627		(528)	(45)		
	115,627		(528)	(45)	115,054	573
Total	91,681,359	-	(386,278)	110,325	91,405,406	275,953
Military Staff						
National Guard	1,361,037	100,396	(4,449)			
Personnel-Salary & Benefits				(100,396)		
Contract-Janitorial Services				266,176		
Operating				6,739		
Funeral Honors				51,310		
				(4,000)		
	1,361,037	100,396	(4,449)	219,829	1,676,813	(315,776)
Emergency Management	2,508,946		(6,001)			
Personnel-Salary & Benefits				(90,976)		
Hurricane Sandy Overtime				-		
RISCON Motorola Contract				(484,763)		
Other Operating				12,957		
Grants				23,061		
	2,508,946	-	(6,001)	(539,721)	1,963,224	545,722

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Total	3,869,983	100,396	(10,450)	(319,893)	3,640,037	229,947
Public Safety						
Central Management	1,240,692					
Personnel-Salary & Benefits			(7,367)	(30,072)		
Operating Supplies and Expenses				-		
	1,240,692	-	(7,367)	(30,072)	1,203,253	37,439
E-911 Emergency Telephone System	5,488,731					
Personnel-Salary & Benefits			(27,961)	9,105		
Contracted Professional Services				-		
Operating Supplies and Expenses				(25,579)		
Capital Purchases and Equipment						
	5,488,731	-	(27,961)	(16,474)	5,444,296	44,435
State Fire Marshal	2,894,425					
Personnel-Salary & Benefits			(14,207)	(158,831)		
Contracted Professional Services				2,145		
Operating Supplies and Expenses				2,129		
Capital Purchases and Equipment				-		
	2,894,425	-	(14,207)	(154,557)	2,725,661	168,764
Security Services	21,814,553					
Personnel-Salary & Benefits			(120,250)	(547,843)		
Contracted Professional Services				(710)		
Operating Supplies and Expenses				(41,910)		
Assistance & Grants				(500)		
Capital Purchases and Equipment				23,000		
	21,814,553	-	(120,250)	(567,963)	21,126,340	688,213
Municipal Police Training Academy	293,022					
Personnel-Salary & Benefits			(1,710)	(56,703)		
Contracted Professional Services				(4,000)		
Operating Supplies and Expenses				5,795		
	293,022	-	(1,710)	(54,908)	236,404	56,618
State Police	64,630,376					
Personnel-Salary & Benefits			(98,604)	(749,483)		
Contracted Professional Services				139,150		
Operating Supplies and Expenses				(148,884)		
State Trooper Pensions				(119,820)		
Capital Purchases and Equipment				256,000		
	64,630,376	-	(98,604)	(623,037)	63,908,735	721,641
Total	96,361,799	-	(270,099)	(1,447,011)	94,644,689	1,717,110
Office Of Public Defender						
Office of the Director	11,034,686					
Personnel-Salary & Benefits			(59,188)	(48,060)		
Contract Services-Eligibility Techs				(20,211)		
Operating Supplies and Expenses				260		
Allocation of Court Costs				(22,076)		
	11,034,686	-	(59,188)	(90,087)	10,885,411	149,275
Total	11,034,686	-	(59,188)	(90,087)	10,885,411	149,275
Sub-Total Public Safety	411,984,004	1,093,841	(1,766,445)	(680,022)	410,631,379	1,352,626
<u>Natural Resources</u>						
Environmental Management						
Office of the Director	4,575,920		(9,969)			
Personnel-Salary & Benefits				509		
Operating Supplies & Expenses: Headquarters				(86,083)		
	4,609,334	-	(9,969)	(85,574)	4,513,791	95,543
Natural Resources	18,718,638					
Personnel-Salary & Benefits			(57,880)	6,240		

Changes to FY 2014 Enacted Agency General Revenue Expenditures

	FY2014 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Statewide Savings Initiatives	Projected Changes	FY 2014 Projected Expenditures	Projected Surplus/ (Deficit)
Contracted Professional Services				(19,650)		
Operating Supplies and Expenses				(176,140)		
Other Assistance & Grants				(45,500)		
	18,718,638	-	(57,880)	(235,050)	18,425,708	292,930
Environmental Protection	11,428,346					
Personnel-Salary & Benefits			(90,091)	(72,548)		
Operating/Grants				(2,004)		
	11,428,346	-	(90,091)	(74,552)	11,263,703	164,643
Total	34,756,318	-	(157,940)	(395,176)	34,203,202	553,116
Coastal Resources Management Council	2,174,331		(13,241)			
Operating				(2,354)		
Total	2,174,331	-	(13,241)	(2,354)	2,158,736	15,595
Sub-Total Environment	36,930,649	-	(171,181)	(397,530)	36,361,938	568,711
Statewide General Revenue Total	3,359,755,123	7,052,524	(3,380,672)	(11,684,167)	3,351,742,808	8,012,315

Table 2 - Summary of Changes to FY 2014 Enacted General Revenue Expenditures

	FY 2014 Enacted	Reappropriation	Redistribution Medical Benefit Savings	Total Projected Changes	Projected Expenditures	Change From Enacted (Surplus)/Deficit
General Government						
Administration	264,801,211	897,602	823,697	(2,699,540)	262,101,671	(\$2,699,540)
Business Regulation	9,245,878	-	(50,728)	(430,948)	8,814,930	(430,948)
Labor and Training	9,064,061	-	(22,316)	(16,042)	9,048,019	(16,042)
Department of Revenue	102,007,495	152,396	(207,364)	(855,205)	101,152,290	(855,205)
Legislature	36,186,933	4,706,495	(209,428)	2,467,284	38,654,217	2,467,284
Lieutenant Governor	986,890	-	(5,638)	(40,389)	946,501	(40,389)
Secretary of State	6,497,833	-	(30,273)	(20,264)	6,477,569	(20,264)
General Treasurer	2,654,692	-	(11,080)	(37,375)	2,617,317	(37,375)
Board of Elections	1,739,361	-	(7,072)	21,044	1,760,405	21,044
Rhode Island Ethics Commission	1,577,204	5,762	(7,026)	(1,264)	1,575,940	(1,264)
Governor's Office	4,443,513	196,428	(7,555)	170,561	4,614,074	170,561
Commission for Human Rights	1,150,785	-	(6,339)	(4,719)	1,146,066	(4,719)
Public Utilities Commission	-	-	-	-	-	-
Subtotal - General Government	440,355,856	5,958,683	258,878	(1,446,857)	438,908,999	(1,446,857)
Human Services						
Office of Health & Human Services	843,227,650	-	(67,381)	(1,183,393)	842,044,257	(1,183,393)
Children, Youth, and Families	152,976,991	-	(282,349)	(636,665)	152,340,326	(636,665)
Health	24,308,001	-	(122,955)	(313,386)	23,994,615	(313,386)
Human Services	93,479,195	-	(240,006)	3,131,001	96,610,196	3,131,001
Behavioral Health, Developmental Disabilities & Hosp	202,091,382	-	(384,931)	(1,156,304)	200,935,078	(1,156,304)
Office of the Child Advocate	608,651	-	(3,534)	(33,174)	575,477	(33,174)
Comm. on Deaf & Hard of Hearing	391,609	-	(2,342)	(2,342)	389,267	(2,342)
RI Developmental Disabilities Council	-	-	-	-	-	-
Governor's Commission on Disabilities	357,711	-	(1,359)	(1,359)	356,352	(1,359)
Office of the Mental Health Advocate	486,144	-	(3,297)	(2,428)	483,716	(2,428)
Subtotal - Human Services	1,317,927,334	-	(1,108,154)	(198,050)	1,317,729,284	(198,050)
Education						
Elementary and Secondary	964,706,909	-	(178,760)	(3,579,023)	961,127,886	(3,579,023)
Higher Education - Board of Governors	180,013,795	-	(400,286)	(878,952)	179,134,843	(878,952)
RI Council on the Arts	1,335,630	-	(2,817)	(18,039)	1,317,591	(18,039)
RI Atomic Energy Commission	861,710	-	(4,940)	(4,940)	856,770	(4,940)
Higher Education Assistance Authority	4,281,726	-	-	51,597	4,333,323	51,597
Historical Preservation & Heritage Comm	1,357,510	-	(6,967)	(16,714)	1,340,796	(16,714)
Subtotal - Education	1,152,557,280	-	(593,770)	(4,446,071)	1,148,111,209	(4,446,071)
Public Safety						
Attorney General	\$23,656,979	292,610	(\$134,657)	356,815	24,013,794	356,815
Corrections	185,379,198	700,835	(905,773)	662,844	186,042,042	662,844
Judicial	91,681,359	-	(386,278)	(275,953)	91,405,406	(275,953)
Military Staff	3,869,983	100,396	(10,450)	(229,947)	3,640,037	(229,947)
Public Safety	96,361,799	-	(270,099)	(1,717,110)	94,644,689	(1,717,110)
Office Of Public Defender	11,034,686	-	(59,188)	(149,275)	10,885,411	(149,275)
Subtotal - Public Safety	411,984,004	1,093,841	(1,766,445)	(1,352,626)	410,631,379	(1,352,626)
Environmental Management	34,756,318	-	(157,940)	(553,116)	34,203,202	(553,116)
Coastal Resources Management Council	2,174,331	-	(13,241)	(15,595)	2,158,736	(15,595)
Subtotal - Natural Resources	36,930,649	-	(171,181)	(568,711)	36,361,938	(568,711)
Total	3,359,755,123	7,052,524	(3,380,672)	(8,012,315)	3,351,742,808	(8,012,315)

Appendix C
Aid to Cities and
Towns

Formula Aid to Cities and Towns

The Governor's FY 2015 Budget recommends formula aid to cities and towns totaling \$115.3 million. The tables on the following pages display the FY 2012 and FY 2013 actuals, the FY 2014 enacted, the FY 2014 revised, and the FY 2015 recommended levels of funding for formula aid to cities and towns by community. The narrative below describes each of the programs included on the tables.

The **Payment-in-Lieu-of-Taxes (PILOT)** program reimburses communities for up to 27.0 percent of what they would have collected in property taxes from certain designated tax exempt property (subject to appropriation). The FY 2014 revised budget is funded at \$35.1 million, the same amount as the FY 2015 proposed budget. This represents a reimbursement rate of 22.04 percent in FY 2014. Data used to determine distribution amounts is updated annually to reflect the most recent data.

The **Distressed Communities Relief Fund** provides state assistance to municipalities with the highest property tax burdens relative to the wealth of taxpayers. Municipalities are eligible that meet the statutorily determined distressed test in three of four categories. The program is level funded at \$10.4 million in FY 2014 Revised and FY 2015 Proposed.

Beginning in FY 2014 and continuing through FY 2016, **Municipal Incentive Aid** will provide a new category of state assistance with the purpose of encouraging municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. Municipalities would be eligible to receive aid in FY 2015 and FY 2016 if: (1) the municipality has no locally-administered pension plan(s); or (2) transitioned all locally-administered pension plans into MERS by June 30, 2014; or (3) the municipality notified plan participants, beneficiaries and others pursuant to RIGL §45-65 and had submitted to the Department of Revenue a Funding Improvement Plan ("FIP") pursuant to chapter 45-65, for every locally-administered pension plan and each submitted FIP meets the guidelines of the Study Commission on Locally-Administered Pension plans created pursuant to section 45-65-8 or otherwise applicable guidelines or regulations and each FIP has been approved by the plan sponsor and the governing body; or (4) the municipality has implemented the original recommended FIP or an amended FIP pursuant to chapter 45-65 within eighteen (18) months after an actuary has certified that a locally-administered plan is in critical status for a plan year; or (5) there exists a locally-administered pension plan(s) in the municipality, but either (i) no FIP was required per RIGL 45-65 and the municipality is funding 100% of its Annually Required Contribution; or (ii) a FIP is required, but the due date for submission of the FIP is after the March payment of incentive aid. The aid is provided at \$5.0 million for FY 2014 and FY 2015.

The FY 2015 budget continues to provide funding for the **Property Valuation Statistical Update Program**, which reimburses cities and towns for legislatively mandated property valuation statistical updates on a per parcel basis. Funding for FY 2014 is estimated at \$460,616. The projected FY 2015 funding is \$633,209 for estimated actual cost of reimbursement based on similar communities.

Funding for **Aid to Local Libraries** is at \$8.8 million in FY 2014 and FY 2015. In addition, funding for library construction aid is provided at \$2.5 million in FY 2014 and \$2.3 million in FY 2015 to finance anticipated debt service or construction reimbursement obligations under this program.

The 1998 General Assembly enacted the **Motor Vehicle Excise Tax Phase-Out** legislation to phase out the excise tax on motor vehicles and trailers over an original seven year period. There have been various legislative changes to the legislation since its inception. For FY 2011 and thereafter, the General Assembly enacted legislation that mandates a \$500 exemption for which the State will reimburse municipalities an amount subject to appropriation. The legislation further allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement. The Assembly removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates and ratios of assessment to be lowered

Formula Aid to Cities and Towns

from the current frozen levels. Total funding enacted in FY 2014 Revised and FY 2015 Proposed to support this program is \$10.0 million. Data used to determine distribution amounts for FY 2014 and FY 2015 is an estimate and is subject to change once finalized December 31, 2012 and December 31, 2013 motor vehicle tax rolls are received.

The **Public Service Corporation Tax** is for tangible personal property of telegraph, cable and telecommunications corporations and express corporations that is exempt from local taxation, and instead is subject to taxation by the State. The revenue from this tax flows through the State (it is not appropriated by the State). The revenues (apart from some administrative expenses) are apportioned to the cities and towns based on the ratio of each municipality's population relative to the total population of the State. The actual disbursements for FY 2014 total \$13.2 million and the estimated disbursements for FY 2015 total \$13.2 million. Data used to determine distribution amounts is updated annually to reflect the most recent data.

The 1986 General Assembly enacted the **Hotel Local Tax**, a five percent hotel tax upon the total consideration charged for occupancy of any space furnished by any hotel of the state. Twenty-five percent of the revenues generated from the 5.0 percent state hotel tax are distributed to the municipalities where the individual hotels are located. Furthermore, the 2004 General Assembly enacted a one percent gross receipts tax on the total consideration charged for occupancy of any space furnished by a hotel of the state. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the hotel was located. For FY 2014 Revised, a combined amount is provided at \$6.5 million, and estimated to be \$6.9 million in the FY 2015.

The 2003 General Assembly enacted the **Local Meals and Beverage Tax**, a one percent additional tax on gross receipts from the sale of food and beverages sold in or on eating and drinking establishments. The tax is collected by the Division of Taxation and then distributed back to the city or town in which the meals and beverages were delivered. Distributions under this tax are projected to total \$21.8 million in FY 2014 and \$23.1 million in FY 2015.

Summary of Formula Aid to Cities and Towns

	FY 2012 Actual	FY 2013 Actual	FY 2014 Revised	FY 2015 Recommend
Public Service Corporation Tax	11,846,984	12,667,660	13,202,094	13,202,094
Meals and Beverage Tax	20,995,381	21,355,178	21,777,177	23,051,521
Hotel Tax (2.25%)	6,325,859	6,664,239	6,518,292	6,893,240
Payment In Lieu of Taxes (PILOT)	33,080,409	35,080,410	35,080,409	35,080,409
Total Miscellaneous Aid	72,248,633	75,767,487	76,577,972	78,227,264
Incentive Aid	-	-	5,000,000	5,000,000
Total Incentive State Aid to Cities and Towns	-	-	5,000,000	5,000,000
Central Falls Stabilization Payment	2,636,932	-	-	-
Dist. Comm. - General Appropriation	10,384,458	10,384,458	10,384,458	10,384,458
Total Distressed Communities Aid	13,021,390	10,384,458	10,384,458	\$10,384,458
Motor Vehicle Tax Phase-out Program ¹	10,000,963	10,000,000	10,000,000	10,000,000
Total Motor Vehicle Tax Phase-out Prog.	\$10,000,963	\$10,000,000	\$10,000,000	\$10,000,000
Subtotal Formula Aid - All Sources	\$95,270,986	\$96,151,945	\$101,962,430	\$103,611,722
Percent Change from prior year	-50.21%	0.92%	6.04%	1.62%
Resource Sharing & Library Aid ²	8,773,398	8,773,398	8,773,398	8,773,398
Library Construction Aid	2,772,507	2,471,714	2,500,666	2,331,589
Total Library Aid	11,545,905	11,245,112	11,274,064	11,104,987
Property Revaluation Program	905,250	889,640	460,616	633,209
Total Other Aid	\$905,250	\$889,640	\$460,616	\$633,209
Total Aid	\$107,722,141	\$108,286,697	\$113,697,110	\$115,349,918
Percent Change from prior year	-47.02%	0.52%	5.00%	1.45%

¹ Amounts for the Motor Vehicle Excise Tax represent final payments due each community based upon the exemption amounts in effect for the given fiscal year. Actual cash payments may have occurred over multiple fiscal years.

² Resource Sharing and Library Aid for state institutions is included in these totals.

Fiscal Year 2014 Enacted State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Municipal Incentive Aid*	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption**	FY 2014 Total Appropriated State Aid
Barrington	13,387		77,873	341,148	253,456	685,863
Bristol	692,849		109,663	129,784	101,579	1,033,874
Burrillville	112,265		75,644	129,564	192,748	510,220
Central Falls	24,638	170,622	91,844	14,022	87,356	388,482
Charlestown			37,260	47,837	42,696	127,793
Coventry			166,126	215,315	235,735	617,176
Cranston	5,236,467	2,320,642	381,766	541,181	966,785	9,446,841
Cumberland	101		158,223	268,332	235,961	662,616
East Greenwich	204,947		62,403	121,962	90,440	479,751
East Providence	176,390		224,226	403,334	484,524	1,288,475
Exeter			30,874	41,703	89,481	162,058
Foster	372		21,699	31,569	55,664	109,304
Glocester			46,378	71,674	99,703	217,754
Hopkinton			38,721	34,084	66,491	139,295
Jamestown			25,703	80,467	23,683	129,853
Johnston			136,438	120,380	404,093	660,911
Lincoln			100,146	191,841	209,370	501,357
Little Compton			16,614	29,670	14,660	60,943
Middletown			76,967	135,566	73,198	285,731
Narragansett			75,677	123,055	65,718	264,449
Newport	1,101,495		116,689	378,526	84,173	1,680,882
New Shoreham			4,521	78,316	4,089	86,926
North Kingstown	1,941		125,831	263,709	197,458	588,938
North Providence	544,065	846,788	152,463	171,750	375,931	2,090,997
North Smithfield			56,226	63,341	181,965	301,532
Pawtucket	472,601	1,252,008	338,638	315,245	720,887	3,099,379
Portsmouth			82,157	103,446	84,872	270,475
Providence	24,227,138	4,429,560	845,052	1,182,779	1,737,590	32,422,119
Richmond			36,482	26,139	61,243	123,864
Scituate			48,940	95,169	74,943	219,051
Smithfield	537,747		101,774	269,659	275,736	1,184,915
South Kingstown	154,721		144,389	203,945	146,786	649,841
Tiverton			74,510	94,109	63,673	232,292
Warren			50,918	53,561	86,863	191,342
Warwick	1,226,062		394,570	688,368	1,270,121	3,579,121
Westerly	121,833		108,439	265,542	201,730	697,543
West Greenwich			28,597	27,126	53,261	108,984
West Warwick		675,775	138,805	147,770	197,021	1,159,371
Woonsocket	231,391	689,062	196,763	197,423	388,319	1,702,958
Subtotal	\$35,080,409	\$10,384,458	\$5,000,000	\$7,698,411	\$10,000,000	\$68,163,278
Statewide Reference Library Resource Grant				1,012,378		1,012,378
Grant-In-Aid to Institutional Libraries				62,609		62,609
Library Construction Reimbursement				2,500,666		2,500,666
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-		-
Total	\$35,080,409	\$10,384,458	\$5,000,000	\$11,274,064	\$10,000,000	\$71,738,931

*To be eligible to receive incentive aid, municipalities must meet eligibility criteria.

** Estimate as of 7/9/13. Subject to change in the spring of 2014 once finalized motor vehicle tax rolls are received from cities and towns.

Fiscal Year Enacted 2014 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	FY 2014 Total Shared Taxes State Aid	FY 2014 Total Shared & Appropriated Aid
Barrington	205,617	-	140,738	346,356	1,032,219
Bristol	289,555	30,309	353,116	672,981	1,706,855
Burrillville	199,730	-	176,444	376,174	886,394
Central Falls	242,507	-	104,134	346,641	735,123
Charlestown	98,381	20,323	110,430	229,134	356,927
Coventry	438,642	70,692	372,548	881,882	1,499,058
Cranston	1,008,020	9,198	1,518,621	2,535,839	11,982,680
Cumberland	417,774	-	391,340	809,113	1,471,730
East Greenwich	164,770	367	484,805	649,942	1,129,693
East Providence	592,051	35,654	818,421	1,446,125	2,734,600
Exeter	81,520	-	76,289	157,809	319,867
Foster	57,295	132	14,605	72,032	181,336
Glocester	122,456	1,811	72,747	197,014	414,768
Hopkinton	102,239	-	49,242	151,481	290,776
Jamestown	67,867	10,222	84,057	162,146	291,998
Johnston	360,253	6,548	481,407	848,209	1,509,120
Lincoln	264,428	89,914	705,910	1,060,253	1,561,609
Little Compton	43,867	8,756	33,671	86,294	147,237
Middletown	203,225	612,044	631,797	1,447,066	1,732,796
Narragansett	199,818	80,107	554,106	834,031	1,098,480
Newport	308,107	1,726,727	1,902,127	3,936,960	5,617,843
New Shoreham	11,937	231,486	265,712	509,135	596,061
North Kingstown	332,245	65,082	480,338	877,664	1,466,602
North Providence	402,567	-	346,195	748,762	2,839,759
North Smithfield	148,460	2,569	188,449	339,478	641,010
Pawtucket	894,145	43,228	695,812	1,633,185	4,732,564
Portsmouth	216,929	8,408	179,149	404,485	674,960
Providence	2,231,291	1,746,158	4,609,224	8,586,672	41,008,791
Richmond	96,326	3,476	120,921	220,724	344,588
Scituate	129,220	3,982	62,506	195,708	414,759
Smithfield	268,724	130,448	578,904	978,076	2,162,991
South Kingstown	381,247	125,057	646,410	1,152,714	1,802,555
Tiverton	196,736	-	196,200	392,937	625,229
Warren	134,444	-	250,968	385,412	576,753
Warwick	1,041,829	895,867	2,406,037	4,343,732	7,922,853
Westerly	286,324	332,003	730,227	1,348,554	2,046,097
West Greenwich	75,508	84,578	101,497	261,583	370,566
West Warwick	366,504	89,146	323,440	779,091	1,938,462
Woonsocket	519,536	54,000	518,635	1,092,171	2,795,130
Subtotal	\$13,202,094	\$6,518,292	\$21,777,177	\$41,497,564	\$109,660,842
Statewide Reference Library Resource Grant (Providence)					1,012,378
Grant-In-Aid to Institutional Libraries					62,609
Library Construction Reimbursement					2,500,666
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$13,202,094	\$6,518,292	\$21,777,177	\$41,497,564	\$113,236,495

*Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Fiscal Year 2014 Revised State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Municipal Incentive Aid*	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption**	FY 2014 Total Appropriated State Aid
Barrington	13,387		77,873	341,148	253,456	685,863
Bristol	692,849		109,663	129,784	101,579	1,033,874
Burrillville	112,265		75,644	129,564	192,748	510,220
Central Falls	24,638	170,622	91,844	14,022	87,356	388,482
Charlestown			37,260	47,837	42,696	127,793
Coventry ***			-	215,315	235,735	451,050
Cranston	5,236,467	2,320,642	381,766	541,181	966,785	9,446,841
Cumberland	101		158,223	268,332	235,961	662,616
East Greenwich	204,947		62,403	121,962	90,440	479,751
East Providence	176,390		224,226	403,334	484,524	1,288,475
Exeter			30,874	41,703	89,481	162,058
Foster	372		21,699	31,569	55,664	109,304
Glocester			46,378	71,674	99,703	217,754
Hopkinton			38,721	34,084	66,491	139,295
Jamestown			25,703	80,467	23,683	129,853
Johnston			136,438	120,380	404,093	660,911
Lincoln			100,146	191,841	209,370	501,357
Little Compton			16,614	29,670	14,660	60,943
Middletown			76,967	135,566	73,198	285,731
Narragansett			75,677	123,055	65,718	264,449
Newport	1,101,495		116,689	378,526	84,173	1,680,882
New Shoreham			4,521	78,316	4,089	86,926
North Kingstown	1,941		125,831	263,709	197,458	588,938
North Providence	544,065	846,788	152,463	171,750	375,931	2,090,997
North Smithfield			56,226	63,341	181,965	301,532
Pawtucket	472,601	1,252,008	338,638	315,245	720,887	3,099,379
Portsmouth			82,157	103,446	84,872	270,475
Providence	24,227,138	4,429,560	845,052	1,182,779	1,737,590	32,422,119
Richmond			36,482	26,139	61,243	123,864
Scituate			48,940	95,169	74,943	219,051
Smithfield	537,747		101,774	269,659	275,736	1,184,915
South Kingstown	154,721		144,389	203,945	146,786	649,841
Tiverton			74,510	94,109	63,673	232,292
Warren			50,918	53,561	86,863	191,342
Warwick	1,226,062		394,570	688,368	1,270,121	3,579,121
Westerly	121,833		108,439	265,542	201,730	697,543
West Greenwich			28,597	27,126	53,261	108,984
West Warwick		675,775	138,805	147,770	197,021	1,159,371
Woonsocket	231,391	689,062	196,763	197,423	388,319	1,702,958
Subtotal	\$35,080,409	\$10,384,458	\$4,833,874	\$7,698,411	\$10,000,000	\$67,997,152
Redistribution Municipal						
Incentive Aid ***			\$166,126			\$166,126
Statewide Reference Library Resource Grant				1,012,378		1,012,378
Grant-In-Aid to Institutional Libraries				62,609		62,609
Library Construction Reimbursement				2,500,666		2,500,666
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-	-
Total	\$35,080,409	\$10,384,458	\$5,000,000	\$11,274,064	\$10,000,000	\$71,738,931

*To be eligible to receive incentive aid, municipalities must meet eligibility criteria.

** Estimate as of 12/12/13. Subject to change in the spring of 2014 once finalized motor vehicle tax rolls are received from cities and towns.

*** In any fiscal year that a municipality does not receive an appropriation pursuant to R.I. General Laws 45-13.2 (Municipal Incentive Aid), the amount that would have been allocated to the municipality will be distributed in the month of May among the other eligible municipalities for that fiscal year.

Fiscal Year 2014 Revised Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	FY 2014 Total Shared Taxes State Aid	FY 2014 Total Shared & Appropriated Aid
Barrington	205,617	-	140,738	346,356	1,032,219
Bristol	289,555	30,309	353,116	672,981	1,706,855
Burrillville	199,730	-	176,444	376,174	886,394
Central Falls	242,507	-	104,134	346,641	735,123
Charlestown	98,381	20,323	110,430	229,134	356,927
Coventry	438,642	70,692	372,548	881,882	1,332,932
Cranston	1,008,020	9,198	1,518,621	2,535,839	11,982,680
Cumberland	417,774	-	391,340	809,113	1,471,730
East Greenwich	164,770	367	484,805	649,942	1,129,693
East Providence	592,051	35,654	818,421	1,446,125	2,734,600
Exeter	81,520	-	76,289	157,809	319,867
Foster	57,295	132	14,605	72,032	181,336
Glocester	122,456	1,811	72,747	197,014	414,768
Hopkinton	102,239	-	49,242	151,481	290,776
Jamestown	67,867	10,222	84,057	162,146	291,998
Johnston	360,253	6,548	481,407	848,209	1,509,120
Lincoln	264,428	89,914	705,910	1,060,253	1,561,609
Little Compton	43,867	8,756	33,671	86,294	147,237
Middletown	203,225	612,044	631,797	1,447,066	1,732,796
Narragansett	199,818	80,107	554,106	834,031	1,098,480
Newport	308,107	1,726,727	1,902,127	3,936,960	5,617,843
New Shoreham	11,937	231,486	265,712	509,135	596,061
North Kingstown	332,245	65,082	480,338	877,664	1,466,602
North Providence	402,567	-	346,195	748,762	2,839,759
North Smithfield	148,460	2,569	188,449	339,478	641,010
Pawtucket	894,145	43,228	695,812	1,633,185	4,732,564
Portsmouth	216,929	8,408	179,149	404,485	674,960
Providence	2,231,291	1,746,158	4,609,224	8,586,672	41,008,791
Richmond	96,326	3,476	120,921	220,724	344,588
Scituate	129,220	3,982	62,506	195,708	414,759
Smithfield	268,724	130,448	578,904	978,076	2,162,991
South Kingstown	381,247	125,057	646,410	1,152,714	1,802,555
Tiverton	196,736	-	196,200	392,937	625,229
Warren	134,444	-	250,968	385,412	576,753
Warwick	1,041,829	895,867	2,406,037	4,343,732	7,922,853
Westerly	286,324	332,003	730,227	1,348,554	2,046,097
West Greenwich	75,508	84,578	101,497	261,583	370,566
West Warwick	366,504	89,146	323,440	779,091	1,938,462
Woonsocket	519,536	54,000	518,635	1,092,171	2,795,130
Subtotal	\$13,202,094	\$6,518,292	\$21,777,177	\$41,497,564	\$109,494,716
Redistribution Municipal					
Incentive Aid ***					\$166,126
Statewide Reference Library Resource Grant (Providence)					1,012,378
Grant-In-Aid to Institutional Libraries					62,609
Library Construction Reimbursement					2,500,666
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$13,202,094	\$6,518,292	\$21,777,177	\$41,497,564	\$113,236,495

*Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Changes in Formula Aid - FY 2014 Revised vs. FY 2014 Enacted

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Municipal Incentive Aid (New FY14)	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Total Appropriated Difference
Barrington	-	-	-	-	-	-
Bristol	-	-	-	-	-	-
Burrillville	-	-	-	-	-	-
Central Falls	-	-	-	-	-	-
Charlestown	-	-	-	-	-	-
Coventry	-	-	(166,126)	-	-	(166,126)
Cranston	-	-	-	-	-	-
Cumberland	-	-	-	-	-	-
East Greenwich	-	-	-	-	-	-
East Providence	-	-	-	-	-	-
Exeter	-	-	-	-	-	-
Foster	-	-	-	-	-	-
Glocester	-	-	-	-	-	-
Hopkinton	-	-	-	-	-	-
Jamestown	-	-	-	-	-	-
Johnston	-	-	-	-	-	-
Lincoln	-	-	-	-	-	-
Little Compton	-	-	-	-	-	-
Middletown	-	-	-	-	-	-
Narragansett	-	-	-	-	-	-
Newport	-	-	-	-	-	-
New Shoreham	-	-	-	-	-	-
North Kingstown	-	-	-	-	-	-
North Providence	-	-	-	-	-	-
North Smithfield	-	-	-	-	-	-
Pawtucket	-	-	-	-	-	-
Portsmouth	-	-	-	-	-	-
Providence	-	-	-	-	-	-
Richmond	-	-	-	-	-	-
Scituate	-	-	-	-	-	-
Smithfield	-	-	-	-	-	-
South Kingstown	-	-	-	-	-	-
Tiverton	-	-	-	-	-	-
Warren	-	-	-	-	-	-
Warwick	-	-	-	-	-	-
Westerly	-	-	-	-	-	-
West Greenwich	-	-	-	-	-	-
West Warwick	-	-	-	-	-	-
Woonsocket	-	-	-	-	-	-
Subtotal	\$0	\$0	-\$166,126	\$0	\$0	-\$166,126

Redistribution

Municipal Incentive Aid ***	\$0	\$0	\$166,126	\$0	\$0	\$166,126
Statewide Reference Library Resource Grant (Providence)						\$0
Grant-In-Aid to Institutional Libraries						\$0
Library Construction Reimbursement						\$0
Motor Vehicle Excise Tax Reimbursement - Fire Districts						-
Total	\$0	\$0	\$0	\$0	\$0	\$0

*** In any fiscal year that a municipality does not receive an appropriation pursuant to R.I. General Laws 45-13.2 (Municipal Incentive Aid), the amount that would have been allocated to the municipality will be distributed in the month of May among the other eligible municipalities for that fiscal year.

Changes in Pass Through and All Aid - FY 2014 Rev vs. FY 2014 Enacted

City or Town	Public Service Corporation Tax	Hotel Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	-	-	-	-
Bristol	-	-	-	-	-
Burrillville	-	-	-	-	-
Central Falls	-	-	-	-	-
Charlestown	-	-	-	-	-
Coventry	-	-	-	-	(166,126)
Cranston	-	-	-	-	-
Cumberland	-	-	-	-	-
East Greenwich	-	-	-	-	-
East Providence	-	-	-	-	-
Exeter	-	-	-	-	-
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	-	-	-	-	-
Lincoln	-	-	-	-	-
Little Compton	-	-	-	-	-
Middletown	-	-	-	-	-
Narragansett	-	-	-	-	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	-	-	-	-	-
North Providence	-	-	-	-	-
North Smithfield	-	-	-	-	-
Pawtucket	-	-	-	-	-
Portsmouth	-	-	-	-	-
Providence	-	-	-	-	-
Richmond	-	-	-	-	-
Scituate	-	-	-	-	-
Smithfield	-	-	-	-	-
South Kingstown	-	-	-	-	-
Tiverton	-	-	-	-	-
Warren	-	-	-	-	-
Warwick	-	-	-	-	-
Westerly	-	-	-	-	-
West Greenwich	-	-	-	-	-
West Warwick	-	-	-	-	-
Woonsocket	-	-	-	-	-
Subtotal	\$0	\$0	\$0	\$0	-\$166,126

Redistribution Municipal

Incentive Aid ***	166,126
Statewide Reference Library Resource Grant	\$0
Grant-In-Aid to Institutional Libraries	-
Library Construction Reimbursement	-
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-
Total	\$0

*** In any fiscal year that a municipality does not receive an appropriation pursuant to R.I. General Laws 45-13.2 (Municipal Incentive Aid), the amount that would have been allocated to the municipality will be distributed in the month of May among the other eligible municipalities for that fiscal year.

Fiscal Year 2015 Proposed State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Municipal Incentive Aid*	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption**	FY 2015 Total Appropriated State Aid
Barrington	13,387		77,873	341,488	253,456	686,203
Bristol	692,849		109,663	139,595	101,579	1,043,685
Burrillville	112,265		75,644	141,022	192,748	521,679
Central Falls	24,638	197,930	91,844	17,569	87,356	419,337
Charlestown			37,260	47,766	42,696	127,721
Coventry			166,126	222,474	235,735	624,334
Cranston	5,236,467	1,160,322	381,766	539,079	966,785	8,284,419
Cumberland	101		158,223	273,112	235,961	667,396
East Greenwich	204,947		62,403	121,085	90,440	478,874
East Providence	176,390		224,226	363,025	484,524	1,248,166
Exeter			30,874	45,664	89,481	166,018
Foster	372		21,699	31,550	55,664	109,286
Glocester			46,378	71,631	99,703	217,712
Hopkinton			38,721	34,685	66,491	139,896
Jamestown			25,703	87,697	23,683	137,083
Johnston			136,438	124,729	404,093	665,260
Lincoln			100,146	191,018	209,370	500,534
Little Compton			16,614	30,298	14,660	61,571
Middletown			76,967	137,973	73,198	288,137
Narragansett			75,677	122,983	65,718	264,377
Newport	1,101,495		116,689	381,739	84,173	1,684,095
New Shoreham			4,521	78,270	4,089	86,880
North Kingstown	1,941		125,831	273,440	197,458	598,669
North Providence	544,065	948,672	152,463	176,242	375,931	2,197,373
North Smithfield			56,226	63,304	181,965	301,495
Pawtucket	472,601	1,387,409	338,638	329,493	720,887	3,249,028
Portsmouth			82,157	103,554	84,872	270,582
Providence	24,227,138	5,071,751	845,052	1,132,820	1,737,590	33,014,351
Richmond			36,482	26,531	61,243	124,256
Scituate			48,940	95,113	74,943	218,995
Smithfield	537,747		101,774	269,275	275,736	1,184,531
South Kingstown	154,721		144,389	199,345	146,786	645,241
Tiverton			74,510	102,842	63,673	241,025
Warren			50,918	53,916	86,863	191,697
Warwick	1,226,062		394,570	691,943	1,270,121	3,582,696
Westerly	121,833		108,439	255,839	201,730	687,840
West Greenwich			28,597	28,154	53,261	110,012
West Warwick		783,095	138,805	155,644	197,021	1,274,565
Woonsocket	231,391	835,279	196,763	196,505	388,319	1,848,257
Subtotal	\$35,080,409	\$10,384,458	\$5,000,000	\$7,698,411	\$10,000,000	\$68,163,278
Statewide Reference Library Resource Grant				1,012,378		1,012,378
Grant-In-Aid to Institutional Libraries				62,609		62,609
Library Construction Reimbursement				2,331,589		2,331,590
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-	-
Total	\$35,080,409	\$10,384,458	\$5,000,000	\$11,104,987	\$10,000,000	\$71,569,855

*To be eligible to receive incentive aid, municipalities must meet eligibility criteria.

** Estimate as of 12/12/13. Subject to change in the spring of 2014 once finalized motor vehicle tax rolls are received from cities and towns.

NOTE: All the appropriated and pass through state aid for FY 2015 Proposed is based on FY 2014 Revised data and will change once current data becomes available.

Fiscal Year 2015 Proposed Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	FY 2015 Total Shared Taxes State Aid	FY 2015 Total Shared & Appropriated Aid
Barrington	205,617	-	148,404	354,022	1,040,225
Bristol	289,555	34,052	360,317	683,924	1,727,609
Burrillville	199,730	-	209,468	409,198	930,876
Central Falls	242,507	-	102,591	345,099	764,436
Charlestown	98,381	19,158	117,928	235,466	363,188
Coventry	438,642	68,715	381,214	888,572	1,512,906
Cranston	1,008,020	9,144	1,615,035	2,632,199	10,916,618
Cumberland	417,774	-	418,217	835,990	1,503,387
East Greenwich	164,770	532	546,085	711,386	1,190,261
East Providence	592,051	35,505	880,760	1,508,316	2,756,482
Exeter	81,520	-	83,930	165,450	331,468
Foster	57,295	89	16,016	73,400	182,685
Glocester	122,456	1,898	78,783	203,137	420,848
Hopkinton	102,239	-	55,751	157,990	297,886
Jamestown	67,867	9,409	83,545	160,821	297,904
Johnston	360,253	7,029	501,587	868,870	1,534,130
Lincoln	264,428	97,301	734,957	1,096,686	1,597,220
Little Compton	43,867	10,413	41,199	95,480	157,051
Middletown	203,225	604,208	649,459	1,456,892	1,745,029
Narragansett	199,818	79,746	540,384	819,947	1,084,324
Newport	308,107	1,839,465	2,064,335	4,211,907	5,896,002
New Shoreham	11,937	262,269	278,201	552,408	639,288
North Kingstown	332,245	72,697	499,111	904,052	1,502,722
North Providence	402,567	-	375,812	778,379	2,975,752
North Smithfield	148,460	3,210	211,130	362,800	664,295
Pawtucket	894,145	47,625	700,761	1,642,530	4,891,558
Portsmouth	216,929	9,175	191,566	417,670	688,252
Providence	2,231,291	1,820,430	4,917,696	8,969,417	41,983,768
Richmond	96,326	3,714	128,437	228,477	352,733
Scituate	129,220	3,393	72,735	205,348	424,343
Smithfield	268,724	132,591	628,350	1,029,665	2,214,196
South Kingstown	381,247	132,107	693,891	1,207,246	1,852,487
Tiverton	196,736	-	203,605	400,342	641,367
Warren	134,444	-	248,669	383,112	574,810
Warwick	1,041,829	968,315	2,523,900	4,534,043	8,116,739
Westerly	286,324	380,840	769,745	1,436,908	2,124,749
West Greenwich	75,508	91,300	112,199	279,007	389,019
West Warwick	366,504	86,050	338,506	791,059	2,065,625
Woonsocket	519,536	62,861	527,242	1,109,639	2,957,896
Subtotal	\$13,202,094	\$6,893,240	\$23,051,521	\$43,146,855	\$111,310,133
Statewide Reference Library Resource Grant (Providence)					1,012,378
Grant-In-Aid to Institutional Libraries					62,609
Library Construction Reimbursement					2,331,590
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$13,202,094	\$6,893,240	\$23,051,521	\$43,146,855	\$114,716,710

*Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Changes in Formula Aid - FY 2015 vs. FY 2014 Revised

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Municipal Incentive Aid (New FY14)	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Total Appropriated Difference
Barrington	-	-	-	340	0	340
Bristol	-	-	-	9,811	0	9,811
Burrillville	-	-	-	11,458	-	11,458
Central Falls	-	27,308	-	3,547	-	30,855
Charlestown	-	-	-	(71)	-	(71)
Coventry	-	-	166,126	7,159	-	173,285
Cranston	-	(1,160,320)	-	(2,102)	-	(1,162,422)
Cumberland	-	-	-	4,780	-	4,780
East Greenwich	-	-	-	(877)	-	(877)
East Providence	-	-	-	(40,309)	-	(40,309)
Exeter	-	-	-	3,961	-	3,961
Foster	-	-	-	(19)	-	(19)
Glocester	-	-	-	(43)	-	(43)
Hopkinton	-	-	-	601	-	601
Jamestown	-	-	-	7,230	-	7,230
Johnston	-	-	-	4,349	-	4,349
Lincoln	-	-	-	(823)	-	(823)
Little Compton	-	-	-	628	-	628
Middletown	-	-	-	2,407	-	2,407
Narragansett	-	-	-	(72)	-	(72)
Newport	-	-	-	3,213	-	3,213
New Shoreham	-	-	-	(46)	-	(46)
North Kingstown	-	-	-	9,731	-	9,731
North Providence	-	101,884	-	4,492	-	106,376
North Smithfield	-	-	-	(37)	-	(37)
Pawtucket	-	135,401	-	14,248	-	149,648
Portsmouth	-	-	-	108	-	108
Providence	-	642,191	-	(49,959)	-	592,232
Richmond	-	-	-	392	-	392
Scituate	-	-	-	(56)	-	(56)
Smithfield	-	-	-	(384)	-	(384)
South Kingstown	-	-	-	(4,600)	-	(4,600)
Tiverton	-	-	-	8,733	-	8,733
Warren	-	-	-	355	-	355
Warwick	-	-	-	3,575	-	3,575
Westerly	-	-	-	(9,703)	-	(9,703)
West Greenwich	-	-	-	1,028	-	1,028
West Warwick	-	107,320	-	7,874	-	115,194
Woonsocket	-	146,217	-	(918)	-	145,299
Subtotal	\$0	\$0	\$166,126	\$0	\$0	\$166,126

FY14 Redistribution

Municipal Incentive

Aid ***	-\$166,126	-\$166,126
Statewide Reference Library Resource Grant (Providence)		\$0
Grant-In-Aid to Institutional Libraries		\$0
Library Construction Reimbursement		-\$169,076
Motor Vehicle Excise Tax Reimbursement - Fire Districts		-
Total	\$0	\$0

Changes in Pass Through and All Aid - FY 2015 vs. FY 2014 Revised

City or Town	Public Service Corporation Tax	Hotel Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	-	7,666	7,666	8,006
Bristol	-	3,743	7,200	10,944	20,754
Burrillville	-	-	33,024	33,024	44,482
Central Falls	-	-	(1,542)	(1,542)	29,313
Charlestown	-	(1,165)	7,498	6,332	6,261
Coventry	-	(1,977)	8,667	6,690	179,974
Cranston	-	(54)	96,414	96,360	(1,066,062)
Cumberland	-	-	26,877	26,877	31,657
East Greenwich	-	165	61,279	61,444	60,567
East Providence	-	(148)	62,340	62,191	21,883
Exeter	-	-	7,641	7,641	11,602
Foster	-	(43)	1,411	1,368	1,350
Glocester	-	87	6,036	6,123	6,081
Hopkinton	-	-	6,509	6,509	7,110
Jamestown	-	(813)	(512)	(1,325)	5,905
Johnston	-	481	20,180	20,661	25,010
Lincoln	-	7,387	29,047	36,433	35,610
Little Compton	-	1,657	7,528	9,186	9,813
Middletown	-	(7,836)	17,661	9,826	12,232
Narragansett	-	(362)	(13,722)	(14,083)	(14,156)
Newport	-	112,738	162,209	274,947	278,160
New Shoreham	-	30,783	12,490	43,273	43,227
North Kingstown	-	7,616	18,773	26,389	36,120
North Providence	-	-	29,617	29,617	135,993
North Smithfield	-	641	22,681	23,322	23,285
Pawtucket	-	4,397	4,949	9,345	158,993
Portsmouth	-	768	12,417	13,185	13,292
Providence	-	74,272	308,473	382,745	974,977
Richmond	-	237	7,516	7,753	8,145
Scituate	-	(589)	10,229	9,640	9,584
Smithfield	-	2,143	49,446	51,589	51,205
South Kingstown	-	7,050	47,482	54,531	49,932
Tiverton	-	-	7,405	7,405	16,138
Warren	-	-	(2,299)	(2,299)	(1,944)
Warwick	-	72,448	117,863	190,311	193,886
Westerly	-	48,836	39,518	88,354	78,651
West Greenwich	-	6,722	10,702	17,424	18,452
West Warwick	-	(3,097)	15,066	11,969	127,163
Woonsocket	-	8,860	8,607	17,467	162,766
Subtotal	\$0	\$374,947	\$1,274,344	\$1,649,291	\$1,815,417

FY14 Redistribution

Municipal Incentive Aid

***	-\$166,126
Statewide Reference Library Resource Grant	\$0
Grant-In-Aid to Institutional Libraries	-
Library Construction Reimbursement	-\$169,076
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-

Total	\$0	\$374,947	\$1,274,344	\$1,649,291	\$1,480,215
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Appendix D

Aid to Schools

Education Aid to Local Governments

Education Aid to Local Governments totals \$987.2 million in FY 2015, a \$45.7 million increase in total state funding relative to the FY 2014 revised budget, a 4.9 percent increase. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the charter schools, the Central Falls School District, and the Metropolitan Career and Technical School, as well as support for the state share of teacher retirement and School Housing Aid.

Fiscal year 2015 represents year four of the education aid funding formula. As of July 1, 2011, education aid to all districts, charter schools, and state schools (Davies and the Met) is formula based. The School for the Deaf is a special education program and the funding method has not changed since it already has a state, federal, and local share. Based on the principle that the money follows the student, the formula was developed with the following guiding principles: (1) Build a strong foundation for all children; (2) improve equity among districts and schools; (3) be transparent; and (4) be financially responsible.

The funding formula has been designed to distribute aid based on three key components:

- Core Instructional Amount – (\$8,966 per student in FY 2015) Derived from a regional average of the National Center for Education Statistics (NCES) expenditure data, the core instructional amount is based on cost studies from states that have been deemed by education researchers to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what Rhode Island should be spending to provide a high quality of education. The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instructional support, and leadership costs.
- Student Success Factor – (\$3,586 per student in FY 2015) Provides additional funding to support student needs beyond the core services listed above with the ultimate goal of closing student achievement gaps. Within the formula, each student is entitled to a 40% student success factor, which is applied to the core instructional amount. This factor is also applied to PK-12 students who are eligible for free and reduced price lunch.
- State Share Ratio – After the core components have been determined, a state share ratio formula is applied to address two key questions: How to account for differences in the revenue-generation capacity of communities and how to allocate funding to communities based on the supports that students need. The state share ratio is dependent on district property values weighted for median family income and students eligible for free and reduced price lunch.

Data plays a crucial role in how education aid is distributed to districts, charter schools, Davies, and the Met. The funding formula will incorporate annual data updates including student counts, the core instruction per pupil, and the most recently assessed community property values and median family income data in order to ensure aid distribution uses the best available data. The formula establishes a platform for creating horizontal equity. It attempts to get a like amount of funding to children who have similar characteristics regardless of where they sit, which in turn gradually rebalances education funding to provide all districts a common level of purchasing power.

In addition, specific categorical funds for certain high-cost items were established outside the formula distribution: High cost special education, career and technical education, early childhood education, transportation for non-public and regional districts, as well as regional district bonuses. A Central Falls Stabilization Fund has also been created to assure that appropriate funding is available to support the district, due to concerns regarding local capacity. According to law, state stabilization funds are only paid upon transfer of a matching amount to the school district by the city. If Central Falls is unable to pay its share, the State will not provide funding under the stabilization fund.

Education Aid to Local Governments

Lastly, funding allocations will be phased in over ten years based on a transition model where overfunded districts shall have a level decrease period, while underfunded districts will have a quicker transition of seven years. In FY 2015, the fourth year of formula implementation, the transition periods will be seven years for overfunded districts and four years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2015 Education Aid.

Distributed Aid

Beginning in FY 2012, distributed aid will now reflect aid to both districts and charter schools as a result of the education aid funding formula. In prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2015, total distributed education aid increases \$35.0 million from the revised FY 2014 budget. The Governor's budget fully funds year four of the education aid funding formula in FY 2015, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$36.0 million from the revised FY 2014 budget. A reduction of \$1.0 million in Group Home Aid is made to reflect updated group home bed census figures.

One of the primary drivers for the \$36.0 million growth is attributed to the expansion of charter schools. Charter school growth is funded in full in the year of growth, while reductions in the sending communities are spread over the remaining years of transition. Upon full transition, money will follow the student and charter or state school growth will be offset by dollar-for-dollar reductions in the sending communities. In FY 2015, five existing charter schools experiencing growth will be fully-funded, while three charter schools, Engineering Early College, Hope Academy, and Southside Elementary are projected to open.

Moreover, the FY 2015 request continues with year two of funding the Urban Collaborative through the funding formula, in accordance with the change the 2012 General Assembly made to RIGL §16-3.1-11. Although this change is revenue neutral to the state, the four current sending communities, Central Falls, Cranston, North Providence, and Providence, will see a reduction in state education aid for these 145 students.

The Governor's recommendation also includes \$1.4 million in funding formula aid to accommodate districts that will be implementing the Full-Day Kindergarten Pilot Program. Since students participating in this program are now in school for a full day instead of half the school day, Distributed Aid for FY 2015 shows a subsequent increase to accommodate the increase in the Average Daily Membership (ADM) number used in the education aid funding formula calculations.

Finally, an additional \$1.8 million is included in the Central Falls Stabilization Fund as required by RIGL 16-7.2-6(d) to cover costs outside of those calculated by the education aid funding formula. This is the first year that Central Falls receives assistance through this Fund.

State Schools

The State Schools- Davies Career and Technical School, Metropolitan Career and Technical School, and the Rhode Island School for the Deaf are collectively financed at \$28.7 million in general revenue for FY 2015, which constitutes a \$1.0 million decrease from the revised FY 2014 budget. Only Davies and the Met fall under the funding formula.

Non-Distributed Aid

Non-distributed aid in FY 2015 increases \$2.6 million from the revised FY 2015 budget. The FY 2015 budget includes \$12.3 million to finance four of the five education aid categorical funds, all of which were

Education Aid to Local Governments

included in the funding formula legislation passed in 2010. The regional district bonus, the fifth categorical fund, is not funded in the Governor's budget since no new regional districts were established in FY 2014. The remaining categorical funds will not be distributed according to the formula, but instead according to their own individual set of rules. The Governor recommends \$3.5 million to be used for the career and technical education fund which will support the initial investment requirements to transform existing or create new career and technical programs and offset the higher than average costs of maintaining the highly specialized programs. An increase of \$1.1 million from the FY 2014 revised budget for a total of \$4.4 million is recommended for year four of the transportation fund, designed to reimburse districts for the excess costs associated with transporting non-public, non-special education students to out-of-district non-public schools and public school students within regional districts. Only those districts participating in the statewide system are eligible for non-public transportation funding. The Governor recommends \$3.0 million for early childhood programs to increase access to voluntary, free, high-quality pre-kindergarten programs. The Pre-K expansion in Rhode Island will start with seventeen communities with selected concentrations of children from low-income families. This began as a pilot program in FY 2010 and continued in FY 2011; however, funding was eliminated in the FY 2012 enacted budget. Funding was restored in FY 2013 and the program continues to be financed in the Governor's FY 2014 Revised and FY 2015 Budgets. A \$500,000 increase as compared to the FY 2014 Revised Budget is recommended for a high cost special education fund, which will reimburse districts for special education costs exceeding five times the total foundation per pupil (\$62,760 in FY 2015), including but not limited to instructional and related services provided to a child as defined in his/her Individual Education Plan (IEP), transportation costs, tuition costs, assistive technology costs, and other associated costs.

Moreover, the FY 2014 revised and FY 2015 budget includes \$250,000 for the Full-Day Kindergarten Pilot Program intended for one-time start-up costs for interested LEAs. A subsequent increase in Distributed Aid is included to accommodate the increase in the Average Daily Membership (ADM) number.

Offsetting some of these increases in education aid includes eliminating a substantial investment of \$745,000 to the Rhode Island Vision Education and Services Program (RIVESP) over a three-year period beginning in FY 2014; FY 2015 is year two of the phase-out. RIVESP, housed at the Sherlock Center at Rhode Island College, is a program that provides children with low vision, blindness, and print disabilities full access to services and adaptive instructional materials, while also providing teaching and consultation services to the children, their families, and educational staff within the school environment. This reduction in state aid would have no impact on students who utilize these services, for the original intent of the Program is to ultimately have the full cost of such services shift to LEAs. In addition, state financing for the Textbook Expansion program and the School Breakfast program will also be discontinued. This will not affect operations in either program since state aid is provided only for additional assistance. The operating costs for both programs are financed by the LEAs and through federal funds, respectively.

General revenue funding of \$400,000 for the Rhode Island Telecommunications Access fund in FY 2015 is level-funded as compared to the FY 2014 revised level.

Other Aid

The FY 2015 Budget also includes an increase in other aid of \$9.2 million; an \$8.9 million and \$286,468 increase for Teachers' Retirement and the Housing Aid programs, respectively.

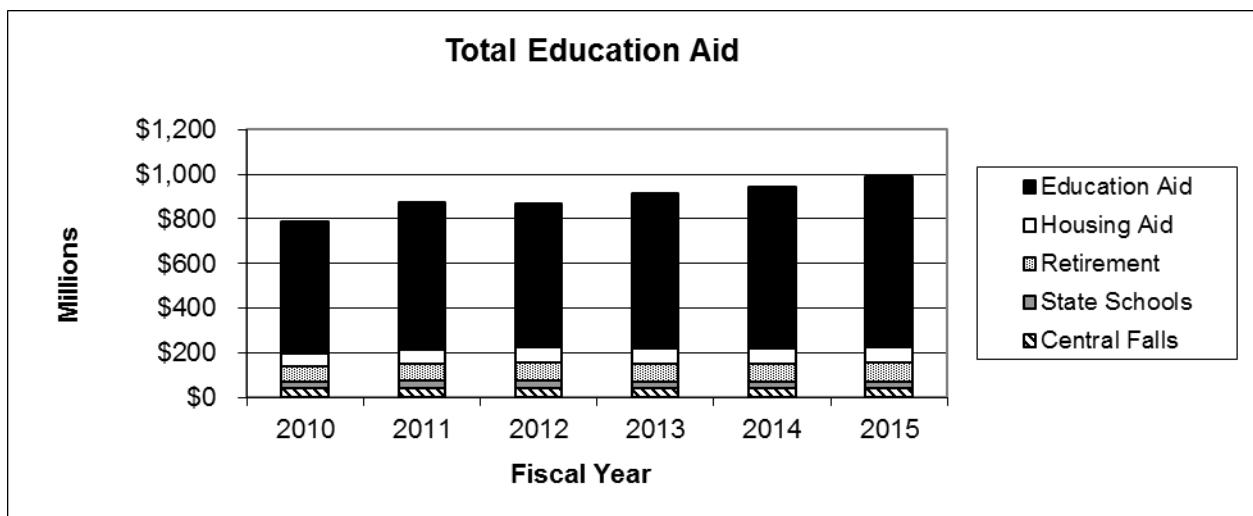
FY 2015 Education Aid Increases (Decreases) From the Revised FY 2014 Budget

- Formula Aid: \$35,575,416
- Group Home Funding: (\$1,038,000)
- Central Falls School District: \$446,261

Education Aid to Local Governments

- Textbook Expansion: (\$240,000)
- School Breakfast: (\$270,000)
- Early Childhood Demonstration: \$1,000,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$500,000
- Metropolitan Career and Technical School: (\$548,442)
- School for the Deaf: \$25,252
- Davies Career and Technical School: (\$525,810)
- Teachers' Retirement: \$8,937,459
- School Housing Aid: \$286,468

The following graph displays total school aid from FY 2010 to FY 2015. The "Education Aid" component is comprised of all aid categories under the standard Education Aid program. For FY 2012 and on, this includes such items as the Funding Formula Distribution and Group Home Aid. FY 2011 and prior include, but are not limited to, General Aid, Targeted Aid, Charter School Aid, and the Student Investment Initiatives. Other components of total aid include: State Contributions for Teachers' Retirement; School Housing Aid; Central Falls School District; and State Schools (Davies, Deaf, and the Metropolitan School).



Housing Aid

The School Housing Aid Program reimburses a community for eligible construction expenditures beginning in the fiscal year after the project is completed. The reimbursement rate is based on the cost of the project over the life of the bonds issued for the project. The Commissioner and the Board of Regents review each local community's request for reimbursement through the program. Pursuant to recent legislation, the Department of Education and the Board of Regents promulgated new regulations governing both this process as well as the oversight of all projects eligible for School Housing Aid.

Although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, FY 2010 allocations were based on 2008 wealth and enrollment levels. The housing aid share ratio calculation is based on a district's income adjusted per-pupil property wealth compared to aggregate state per-pupil property wealth. The average state housing aid share ratio is thirty-eight percent, adjusted to ensure a minimum of thirty percent in each community. Under current law,

Education Aid to Local Governments

beginning FY 2013, the minimum reimbursement to each community is frozen to a maximum of thirty-five percent. A four percent bonus is awarded when a minimum of seventy-five percent of a project's cost is for energy conservation, asbestos removal, or handicapped access. Regional districts receive a two percent bonus for each regionalized grade for new construction projects, and an additional four percent bonus for renovation projects.

Reimbursement is based on total expended project cost, plus related bond interest cost, not on the amount of the original bond issuance. For example, if a community issued \$6.5 million for ten years for a capital improvement to a school, but only spent \$6.0 million, the Department would reimburse the community for the State's appropriate share of the \$6.0 million spent on the completed project, plus the bond interest payments over a ten-year period. This statute was amended to include the use of lease revenue bonds, financial leases, capital reserve funding, and similar financial instruments to finance school construction. Communities used this amendment to receive project reimbursements commencing in FY 1999. The FY 2004 Appropriation Act amended the housing aid statute to require that all future school construction debt be issued through the Rhode Island Health and Education Building Corporation.

In June 2011, the General Assembly enacted a moratorium on new school construction project approvals (except for health and safety projects) and a sunset provision for projects approved before the current school construction regulations went into effect. This moratorium is due for expiration on June 30, 2014.

The revised FY 2014 and FY 2015 budgets propose general revenue expenditures of \$67.7 million and \$67.9 million, respectively, for the School Housing Aid program.

Teachers' Retirement

RIGL 16-16-22 requires the State to make contributions to the teacher retirement system in Rhode Island. The State shall contribute a percentage of the employer's share, with the school districts contributing the balance. The State's share has varied over the years based upon the total actuarially determined rate of payroll, but since FY 1993 it has been fixed at 40 percent, with the municipalities contributing 60 percent. Each district receives the same percentage, regardless of district wealth.

The State deferred the State's contributions to Teachers' Retirement in both FY 1991 and FY 1992. Most municipalities also deferred the local portion of teacher retirement contributions for this period. The state deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be financed over twenty years, as will the local deferral. The annual calculation applied to the state contribution to Teachers' Retirement includes an adjustment to accommodate the deferral liability.

Furthermore, the municipalities of Burrillville, East Greenwich, Little Compton, New Shoreham and North Smithfield did not participate in the 1990 early retirement window for teachers and therefore contribute a slightly smaller percentage of teachers' salaries than the ones listed in the tables below.

Contribution Rates for Teachers' Retirement Fund

- Defined Benefit Retirement Plan

	Actuarial Contribution Rate of Payroll (60%)*	Employer Share			
		Local (40%)*	State Total	Sub Share	Teacher
1999	21.02%	6.62%	4.90%	11.52%	9.5%
2000	24.14%	8.43%	6.21%	14.64%	9.5%
2001	21.51%	6.86%	5.15%	12.01%	9.5%
2002	19.45%	5.73%	4.22%	9.95%	9.5%

Education Aid to Local Governments

2003	21.47%	6.93%	5.04%	11.97%	9.5%
2004	23.22%	7.99%	5.73%	13.72%	9.5%
2005	24.34%	8.72%	6.12%	14.84%	9.5%
2006	25.97%	9.72%	6.75%	16.47%	9.5%
2007	29.14%	11.62%	8.02%	19.64%	9.5%
2008	31.51%	13.04%	8.97%	22.01%	9.5%
2009	29.57%	11.89%	8.18%	20.07%	9.5%
2010	29.57%	11.89%	8.18%	20.07%	9.5%
2011	28.51%	11.25%	7.76%	19.01%	9.5%
2012	31.82%	13.23%	9.09%	22.32%	9.5%
2013	23.04%	11.41%	7.88%	19.29%	3.75%
2014	24.43%	12.26%	8.42%	20.68%	3.75%
2015	26.35%	13.41%	9.19%	22.60%	3.75%

* Adjusted for deferral liability

- Defined Contribution Retirement Plan

Required Contribution		Employer Share			Teacher Share
Rate of Payroll		Local (60%)	State (40%)	Subtotal	
2014	6.0%	0.6%	0.4%	1.0%	5.0%
2014 (Non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%
2015	6.0%	0.6%	0.4%	1.0%	5.0%
2015 (Non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%

The following table displays the state contributions to Teacher Retirement since FY 1999. The State Retirement Board uses the districts' retirement contribution data to calculate the state obligation each month, and contributions are accrued to the appropriate fiscal period.

State Contributions for Teacher Retirement

Fiscal Year	State Share
1999 Actual	\$30,202,943
2000 Actual	\$40,719,407
2001 Actual	\$35,365,234
2002 Actual	\$30,652,207
2003 Actual	\$38,242,690
2004 Actual	\$45,039,269
2005 Actual	\$48,503,125
2006 Actual	\$54,537,733
2007 Actual	\$70,286,753
2008 Actual	\$83,028,510
2009 Actual	\$73,592,722
2010 Actual	\$68,550,306
2011 Actual	\$70,286,261
2012 Actual	\$80,385,930

Education Aid to Local Governments

2013 Actual	\$75,777,027
2014 Revised	\$80,891,937
2015 Recommended	\$89,829,396

Explanation of Tables- by Category and LEA

The following two tables display education aid first by category, and then by apportionment among the state's local and regional education agencies (LEAs). "Distributed LEA Aid" consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, such as General Aid in FY 2011 and Formula Aid for FY 2012 and beyond, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for indirect Charter School Aid on the LEA table only up until FY 2011) is also displayed in this section. "State Schools" include the Metropolitan School, Davies, and School for the Deaf. "Non-Distributed Aid" includes several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. "Other Aid" consists of allocations for School Housing Aid and state contributions to the Teachers' Retirement Fund. For the purposes of these tables, direct aid to charter schools is categorized as non-distributed, up until FY 2011. Starting FY 2012 and beyond, direct aid to charter schools is categorized as distributed aid as a result of the funding formula.

Education Aid to Local Units of Government

	FY 2014 Revised		FY 2015 Recommend		Difference
Distributed LEA Aid					
Barrington	\$ 3,918,965	\$	4,613,191	\$	694,226
Burrillville	13,042,387		13,123,950		81,563
Charlestown	1,706,995		1,711,607		4,612
Coventry	20,300,158		21,299,255		999,097
Cranston	42,982,101		46,653,409		3,671,308
Cumberland	14,621,350		15,618,239		996,889
East Greenwich	2,266,168		2,421,954		155,786
East Providence	28,039,793		29,316,046		1,276,253
Foster	1,189,070		1,177,658		(11,412)
Glocester	2,683,922		2,642,789		(41,133)
Hopkinton	5,515,535		5,614,461		98,926
Jamestown	359,449		401,463		42,014
Johnston	11,756,085		12,960,058		1,203,973
Lincoln	8,957,047		9,795,054		838,007
Little Compton	365,270		404,941		39,671
Middletown	9,098,862		8,951,060		(147,802)
Narragansett	1,799,609		2,010,898		211,289
Newport	10,641,310		10,682,365		41,055
New Shoreham	75,366		81,289		5,923
North Kingstown	10,791,146		10,714,391		(76,755)
North Providence	14,984,604		16,290,755		1,306,151
North Smithfield	5,364,804		5,565,348		200,544
Pawtucket	71,454,232		74,858,028		3,403,796
Portsmouth	5,125,144		4,856,357		(268,787)
Providence	205,733,049		213,256,979		7,523,930
Richmond	5,335,436		5,195,425		(140,011)
Scituate	3,685,657		3,913,574		227,917
Smithfield	4,924,041		4,953,991		29,950
South Kingstown	8,100,495		7,832,493		(268,002)
Tiverton	5,769,004		5,826,351		57,347
Warwick	35,092,103		36,195,582		1,103,479
Westerly	7,122,961		7,643,254		520,293
West Warwick	20,265,989		20,886,831		620,842
Woonsocket	48,092,469		50,523,775		2,431,306
Bristol/Warren	16,575,588		16,074,429		(501,159)
Exeter/W Greenwich	6,068,269		5,880,806		(187,463)
Chariho District	268,242		229,922		(38,320)
Foster/Glocester	5,001,610		4,972,225		(29,385)
Central Falls	38,399,591		38,845,852		446,261
Subtotal *	\$ 697,473,876	\$	723,996,055	\$	26,522,179

Education Aid to Local Units of Government

	FY 2014 Revised		FY 2015 Recommend		Difference
Distributed LEA Aid					
Achievement First	\$ 1,745,202	\$	4,408,893	\$	2,663,691
Beacon Charter School	1,682,079		1,675,426		(6,653)
Blackstone Academy	1,619,062		1,655,787		36,725
Compass School	561,195		546,658		(14,537)
Engineering Early	-		1,067,169		1,067,169
Greene School	888,954		924,518		35,564
Highlander	3,331,257		3,758,673		427,416
Hope Academy	-		808,669		808,669
International Charter School	2,867,619		2,864,354		(3,265)
Kingston Hill Academy	653,830		618,614		(35,216)
Learning Community	6,122,147		6,145,261		23,114
New England Laborers	1,230,541		1,208,034		(22,507)
Nowell Academy	1,573,568		1,579,359		5,791
Nurses Institute	2,478,686		2,487,652		8,965
Paul Cuffee Charter School	7,962,677		7,981,632		18,955
RIMA Blackstone Valley	7,818,591		9,501,709		1,683,118
Segue Institute for Learning	2,596,191		2,631,920		35,729
Southside Elementary	-		255,742		255,742
Textron	2,255,254		2,367,223		111,969
Times 2 Academy	7,013,322		6,981,388		(31,934)
Trinity Academy	1,448,044		1,828,080		380,036
Village Green	1,209,709		1,848,404		638,695
Subtotal	\$ 55,057,929	\$	63,145,163	\$	8,087,234
Urban Collaborative	\$ 296,703	\$	670,967	\$	374,264
Distributed LEA Subtotal	\$ 752,828,508	\$	787,812,185	\$	34,983,677
Non-Distributed Aid					
Textbook Expansion	\$ 240,000	\$	-	\$	(240,000)
School Breakfast	270,000		-		(270,000)
Telecommunications Access	400,000		400,000		-
Early Childhood Demonstration	1,950,000		2,950,000		1,000,000
Transportation Categorical	3,263,520		4,351,360		1,087,840
High Cost Special Ed Categorical	1,000,000		1,500,000		500,000
Career and Tech Categorical	3,000,000		3,500,000		500,000
All Day Kindergarten	250,000		250,000		-
Subtotal	\$ 10,373,520	\$	12,951,360	\$	2,577,840

Education Aid to Local Units of Government

	FY 2014 Revised		FY 2015 Recommend		Difference
State Schools					
Metropolitan School	\$ 11,085,049	\$	10,536,607	\$	(548,442)
School for the Deaf	5,904,572		5,929,824		25,252
Davies School *	12,792,048		12,227,793		(564,255)
Subtotal	\$ 29,781,669	\$	28,694,224	\$	(1,087,445)
Other Aid					
Teachers' Retirement	\$ 80,891,937	\$	89,829,396	\$	8,937,459
School Housing Aid	67,663,036		67,949,504		286,468
Subtotal	\$ 148,554,973	\$	157,778,900	\$	9,223,927
Total	\$ 941,538,670	\$	987,236,669	\$	45,697,999

*Numbers printed in the Education Aid tables in the Technical Appendix do not reflect the latest data.

Appendix E
Personnel
Statewide Summary

Personnel - Statewide Summary

<u>Distribution by Category</u>	<u>FY 2014</u>		<u>FY 2015</u>	
	FTE Positions	Cost	FTE Positions	Cost
Classified	9,501.1	543,693,999	9,533.7	548,714,726
Unclassified	2,501.1	173,520,373	2,501.1	174,747,603
Nonclassified	2,995.7	217,354,350	3,003.7	217,856,197
Program Reductions/Reconciliation	(54.7)	-	(75.2)	(965,308)
Overtime	-	54,010,468	-	53,179,536
Turnover	-	(59,127,488)	-	(55,142,225)
Cost Allocation from program Y	209.1	22,379,765	209.0	22,366,717
Cost Allocation to program X ⁽¹⁾	(209.1)	(25,085,667)	(209.0)	(25,072,621)
Interdepartmental Transfers ⁽²⁾	-	570,465	-	570,465
Road Construction ⁽³⁾	-	2,652,000	-	2,652,000
Net FTE Reconciliation, Higher Education ⁽⁴⁾	157.1		133.7	
Salaries	15,100.3	\$929,968,265	15,097.0	\$938,907,090
Benefits				
Retirement		181,039,237		185,923,355
Health Benefits		180,544,619		198,060,348
FICA		69,504,322		70,246,546
Retiree Health		55,886,767		53,879,460
Other		7,753,480		7,878,144
Holiday Pay		7,944,349		8,252,240
Payroll Accrual		4,896,546		4,825,659
Salaries and Benefits	15,100.3	\$1,437,537,585	15,097.0	\$1,467,972,842
Cost per FTE Position		95,199		97,236
Temporary and Seasonal		87,357,609		94,767,045
Statewide Benefit Assessment		35,038,966		36,273,422
Worker's Compensation		234,832		225,603
Payroll Costs	15,100.3	\$1,560,168,992	15,097.0	\$1,599,238,912

Personnel - Statewide Summary

	<u>FY 2014</u>		<u>FY 2015</u>	
Purchased Services	Cost		Cost	
Medical Services		13,875,999		13,803,560
Design & Engineering Services		44,786,782		44,706,740
Training & Educational Services		54,728,886		45,556,103
Buildings and Grounds Maintenance		6,200,049		5,808,476
Information Technology		77,959,990		54,089,099
Legal Services		6,236,439		4,745,083
Management & Consultant Services		84,430,259		74,075,706
Clerical & Temporary Services		7,015,010		6,503,049
Other Contract Services		26,195,530		15,560,292
University/Colleges Services		17,474,181		16,808,251
Total		\$338,903,125		\$281,656,359

Total Personnel	15,100.3	\$1,899,072,117	15,097.0	\$1,880,895,271
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	<u>FY 2014</u>		<u>FY 2015</u>	
<u>Distribution by Source of Funds</u>	FTE	Cost	FTE	Cost
General Revenue	8,554.2	865,728,582	8,613.2	887,715,913
Federal Funds	2,063.1	503,693,811	2,026.2	454,664,143
Restricted Receipts	417.5	99,783,132	441.9	101,185,413
Internal Service Funds	54.0	9,267,019	50.6	9,190,233
Other Special Funds	4,011.5	420,599,573	3,964.8	428,139,569
Subtotal	15,100.3		15,097.0	
Total: All Funds	15,100.3	\$1,899,072,117	15,097.0	\$1,880,895,271

(1) Includes cost allocation of \$2,705,903 from personnel to operating expenditure in Public Higher Education.

(2) Includes \$669,411 in Public Safety as an Interdepartmental Transfer which was placed in the Personnel Supplement in error. Refer to Errata document which reflects the correction. Also from the Rhode Island Airport Corporation there is an Interdepartmental Transfer out of \$98,946. The net of these two numbers in Public Safety is \$570,465 which currently is reflected in the Public Safety Personnel Supplement as an Interdepartmental Transfer.

(3) In Public Safety (\$2,100,000) and Corrections (\$552,000)

(4) Net of unlisted third party financed FTE positions and undesignated FTE reductions in Public Higher Education

Appendix F
Five-Year Financial
Projection

FY 2015 – FY 2019 Overview

Summary

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

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

The five-year financial projection includes tables that present anticipated revenues and expenditures for the five fiscal years ending in June 2019. Also included are tables that provide detail on the planning values used in these projections. The planning values reflect policy assumptions, as well as economic and demographic forecasts.

The purpose of the five-year forecast is to provide a baseline fiscal outlook for the State of Rhode Island. Although the forecast may be used as a benchmark in assessing the affordability and desirability of alternative policy options, caution should be exercised in the interpreting of the forecast. Forward-looking estimates, such as those made in this forecast, are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Many of these risks, such as national economic and business conditions, political or legal impediments, are beyond the control of the State. The estimates and forecasts made here are as of the date they were prepared and will change as factors used in the forecasts change.

From the FY 2015 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2019. The operating deficits by fiscal year are as follows: \$151.1 million in FY 2016, \$256.7 million in FY 2017, \$330.5 million in FY 2018, and \$419.3 million in FY 2019. In percentage terms, the deficits are projected to range from 4.2 percent of spending in FY 2016 to 10.4 percent of spending in FY 2019. The expenditure-side of the budget is estimated to increase at an average annual rate of 4.1 percent from the FY 2015 base to FY 2019. Inflation, however, as measured by the United States consumer price index for all urban consumers (CPI-U), is expected to grow at an average annual rate of 2.4 percent over this same period. A number of factors are responsible for the rate of growth above inflation, as discussed in detail below.

The expected opening of gaming facilities in Massachusetts in the coming years is projected to significantly impact out year revenues. Lottery transfers to the State general fund are projected to diminish by a total of \$422.1 million over the five year forecast period, due to the increased competition to Rhode Island's gaming facilities in Lincoln and Newport. Without this impact on Rhode Island's revenues, the five year forecast would show deficits of \$104.2 million in FY 2016, \$157.2 million in FY 2017, \$207.0 million in FY 2018 and \$279.9 million in FY 2019. In FY 2016, the deficit would be 2.9 percent of expenditures, as opposed to the 4.2 percent under the current forecast, or a total of \$103.4 million less. By FY 2019, the deficit would be 6.9 percent of expenditures, as opposed to the 10.4 percent under the current forecast, or a total of \$139.4 million less.

The five year projection anticipates average annual general revenue growth of approximately 1.7 percent beyond the budget year, based upon the adopted November 2013 Revenue Estimating Conference forecast for the Rhode Island economy and the Governor's recommended changes to adopted revenues. The forecasts underlying the five year projection assumes that the recovery in the Rhode Island economy, which started in FY 2011, will pick up steam especially in FY 2015 through FY 2017. The underlying forecasts

FY 2015 – FY 2019 Overview

in FY 2015 anticipate significant growth for wage and salaries and personal income of 6.7 percent and 6.3 percent, respectively, while the FY 2016 forecast assumes acceleration in non-farm employment growth of 1.9 percent and a decrease in the unemployment rate to 6.6 percent.

While FY 2015 shows a slight decline in general revenue growth when compared to FY 2014 from 3.0 percent to 2.0 percent, the Rhode Island economy is expected to begin a more robust recovery in FY 2015. General revenue growth remains positive for the FY 2016 to FY 2019 period at rates above 1.6 percent annually, as increased gaming competition in Massachusetts takes hold, starting in FY 2016. The impact of Massachusetts-based gaming facilities is significant as, absent their establishment, average general revenue growth in the FY 2016 through FY 2019 period would be 2.7 percent versus the 1.7 percent average annual growth rate currently projected.

Personal income is forecasted to grow at an average annual rate of 5.1 percent over the FY 2015 – FY 2019 period. Nonfarm employment is anticipated to grow at an average annual rate of 1.3 percent and wage and salary disbursements at an average annual rate of 5.5 percent over the same period. Dividends, interest and rent payments are forecasted to grow at an average annual rate of 6.3 percent over the FY 2015 – FY 2019 period, the strongest growth of any personal income component.

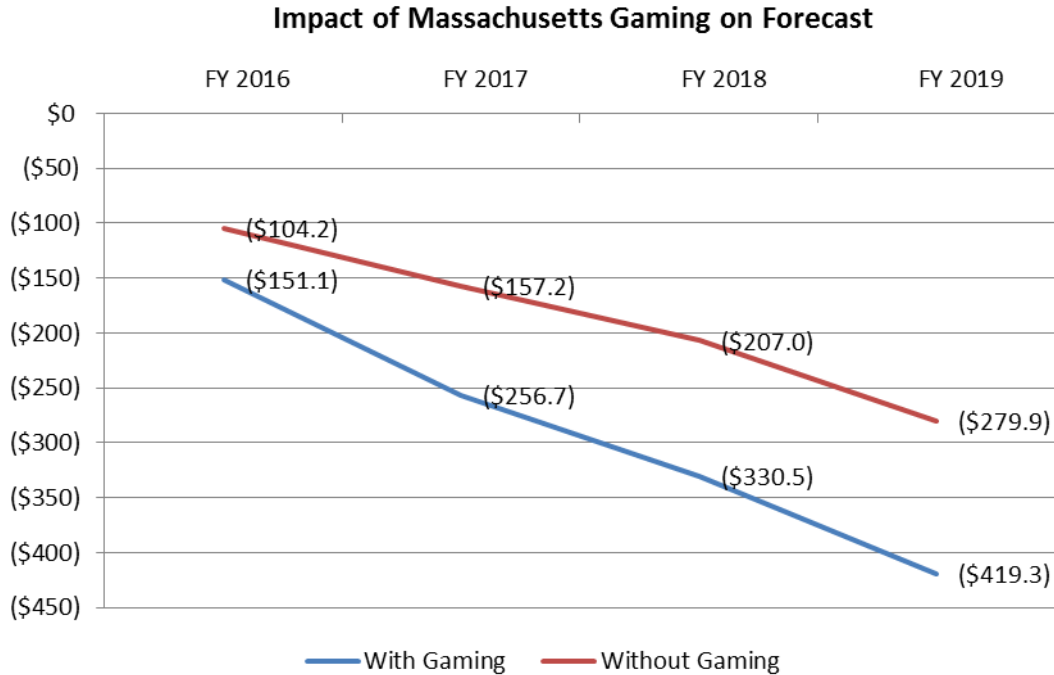
There are several risks to the revenue forecast. First, the economic forecast is a “graceful transition” to a higher interest rate regime as the Federal Reserve tapers its Quantitative Easing program. The “wild card” in the forecast is the impact that this transition to a higher interest rate regime has on the housing market. In particular, if the Federal Reserve’s taper from its Quantitative Easing program is too rapid and results in sharp increases in interest rates, then these sharp increases in interest rates may cause a steep decline in the demand for housing and the current economic forecast will likely be too optimistic. Conversely, if the Federal Reserve’s taper from its Quantitative Easing program is too slow and results in slight increases in interest rates, then these slight increases in interest rates may cause an increase in the demand for housing and the current economic forecast will likely be too pessimistic. Given housing’s pivotal role in the U.S. economy, unforeseen changes in housing demand will impact overall economic conditions and the nation’s economic recovery. Given Rhode Island’s position as a small open economy in what is effectively a common currency market, changes in the national housing market could have outsized effects on Rhode Island’s economic recovery and the State’s general revenues.

Second, the Rhode Island economy faces unique risks outside of those that impact the U.S. economy as a whole. Specifically, Rhode Island’s high concentration of defense procurement contracts per capita make the state’s economy vulnerable to federal decisions regarding defense spending and weapons procurement. Delays in the appropriation of defense spending will likely more adversely impact Rhode Island’s economy than those of other northeastern states and also reduce the rate of growth in important revenue sources such as the personal income tax. Further, Rhode Island’s aging and poor quality infrastructure and its weak human capital assets will continue to be a drag on the state’s economy and the state’s revenues absent the development of a cohesive long-term strategy to address not only these two areas but also Rhode Island’s relatively expensive energy costs.

Finally, the expansion of gaming in Massachusetts will impact the state’s general revenues via the lottery transfer. Two items are important in this regard. One is the timing of the opening of gaming facilities in Massachusetts. If Massachusetts’ gaming facilities become operational earlier than is estimated in the forecast, then general revenue growth will weaken sooner than is currently forecast. If Massachusetts’ gaming facilities become operational later than is estimated in the forecast, then general revenue growth will be stronger than is currently forecast. Second is the location of the gaming facilities in Massachusetts. The five year revenue projection assumes the Likely Case for the location of the racino and the three resort

FY 2015 – FY 2019 Overview

casinos in Massachusetts, as determined in the *Gaming Study and Economic Impact Analysis* prepared for the state by Christiansen Capital Advisors. If the locations of the Massachusetts gaming facilities are closer to the state's two gaming facilities, then a larger negative impact on general revenue growth will likely occur. If the locations of the Massachusetts gaming facilities are farther from the state's two gaming facilities, then a smaller negative impact on general revenue growth would be expected.



Highlights

The Governor does not recommend any major revenue enhancement initiatives in the FY 2015 budget that would seriously impact revenue forecasts in the FY 2016 – FY 2019 period. The provision of a use tax safe harbor for Rhode Island residents on the personal income tax return should provide the state some buffer against further rapid growth in purchases of taxable goods or services from remote sellers by Rhode Island consumers. Also, the addition of 10 revenue officers should provide for increased compliance with the state's tax code and result in increased revenues over the FY 2016 through FY 2019 period than would otherwise have been realized.

Economic Forecast and Revenues

The economic forecast was developed by the principals of the November 2013 Revenue Estimating Conference with input from the consulting economist at Moody's Analytics and respective staff. This forecast is derived from the U.S. macroeconomic model and the State of Rhode Island economic model that Moody's Analytics has developed. A detailed analysis of the conferees near-term economic forecast for the State is contained in The Economy section of the Executive Summary. In that section, particular attention is paid to how the state fared relative to the past year with respect to non-farm employment and personal income growth. In addition, a brief explanation of the actual economic performance of the State against the economic forecast contained in the FY 2014 budget is undertaken. Finally, the economic forecast is presented for the out-years through FY 2019.

FY 2015 – FY 2019 Overview

The biggest risk to the economic forecast is the sustainability of current trends of vital economic indicators for the United States and Rhode Island. Rhode Island's economic momentum has grown modestly over the year along with the national economy and strengthening business and consumer confidence could cause national and state economic growth to continue trending upward in the near-term. If Rhode Island's economy experiences stagnant growth relative to that of the U.S., then personal income, employment, and wage and salary growth will be reduced in the near-term and likely be pushed out toward the end of the forecast horizon contained in this document.

In particular, employment growth rates are expected to be positive for the FY 2015 – FY 2018 period and eventually drop to minimal growth for FY 2019. Rhode Island employment growth is estimated to be positive for the FY 2015 – FY 2018 period, with reduced but positive rates of growth projected in FY 2017 and FY 2018. In FY 2017, Rhode Island employment growth slows to 1.5 percent, a rate nearly three times FY 2013's growth rate of 0.5 percent. FY 2019 total non-farm employment is expected to eclipse 500,500 jobs which would be the highest level of employment in the last 20 years. In FY 2019, employment growth, however, slows to a rate of less than 0.1 percent, which would be the lowest growth rate since the depths of the Great Recession. Rhode Island personal income growth is expected to accelerate through FY 2016 before moderating each year for the FY 2017 – FY 2019 period. Personal income growth is projected to reach its peak in FY 2016 at a growth rate of 6.4 percent and then tick downward to an average annual growth rate of 4.3 percent for the FY 2017 – FY 2019 period.

The revenue projections contained in the five year forecast incorporate the Governor's proposed FY 2015 general revenue changes to estimates adopted at the November 2013 Revenue Estimating Conference. Overall revenues are expected to grow from \$3.495 billion in FY 2015 to \$3.744 billion in FY 2019. This is growth of \$249.1 million, reflecting average annual growth of 1.7 percent. This revenue forecast includes the expected impact that the opening of gaming facilities in Massachusetts will have on the state's general revenues. Absent the opening of these facilities, the projected general revenues for FY 2019 would be \$3.887 billion, an increase of \$392.8 million over FY 2015 recommended revenues. This results in an annual average growth rate of 2.7 percent.

The FY 2015 five year revenue projection without the onset of gaming competition in Massachusetts but with table games in operation at Twin River forecasts total general revenues of \$3.887 billion in FY 2019. For the FY 2015 through FY 2019 period, the average annual rate of growth is 2.7 percent excluding the impact of Massachusetts gaming competition on Rhode Island. The current five year forecast, which incorporates the establishment of gaming competition in Massachusetts and the implementation of table games at Twin River, projects \$3.744 billion of general revenue by FY 2019, resulting in \$139.4 million less in resources than was projected without gaming competition in Massachusetts. The resulting average annual growth rate for the FY 2015 through FY 2019 period is 1.7 percent or slightly more than two-thirds of the FY 2015 through FY 2019 average annual growth rate without gaming competition in Massachusetts.

Expenditures

Expenditure side risks must also be noted within the five-year projection. There are initiatives contained in the Governor's FY 2015 budget that set the expenditure base at a lower level and therefore a risk to the forecast is the passage of those proposals and their successful implementation. Conversely, as described above, if revenues are better than forecast in the near or long-term, adjustments could, and likely would, be made to some of the Governor's expenditure proposals thus impacting out year projections.

A recurring risk to the five-year forecast relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical

FY 2015 – FY 2019 Overview

services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. This impacts both the costs incurred for the clients the state services and its employees. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that growth for state employee health benefit costs will average 5.9 percent annually through FY 2019. The forecast also assumes that state employees will continue to share in the cost of medical insurance premiums and costs will moderate due to proposed plan design changes.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. Also of concern is the implementation of the Affordable Care Act and the impact this will have on state expenditures for medical services to Medicaid eligible citizens.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume no cost of living adjustment (COLA) in FY 2015, as none has been negotiated with the state employee unions. As a proxy for any negotiated COLAs and step and educational incentive increases, increases using CPI have been included for FY 2015 and thereafter. In FY 2015, salary costs are projected to grow 2.54 percent, followed by increases of 2.44 percent, 2.75 percent, 2.78 percent and 2.81 percent in each fiscal year through FY2019.

The forecast reflects employee cost sharing that is expected to offset health insurance costs in FY 2015 and throughout the forecast period. Average employee cost sharing of 20.0 percent of medical premium cost in FY 2015 and thereafter is projected. This compares with average employee cost sharing of just 11.0 percent in FY 2009. Gross medical cost increases for health care premiums are expected to grow 5.9 percent annually on average in the forecast.

Pension reform legislation enacted in the fall of 2011 continues to have a major impact on the growth in benefits costs. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required contribution rate for state employees is expected to increase from 24.33 percent in FY 2015 to a high of 24.79 percent in FY 2019. These rates are substantially lower than those projected at the time of enactment of the FY 2012 budget. At that time, the annual required contribution rate was projected to increase from 22.98 percent in FY 2012 to 36.34 percent in FY 2013 and 44.62 percent by FY 2017. Based upon projected payroll growth and the forecasted retirement contribution rates, the general revenue funded contribution for state employee members would grow from a projected \$92.0 million in FY 2015 to \$103.0 million in FY 2019, reflecting growth of \$11.0 million in retirement costs, an average increase of 2.9 percent a year. As a result of lawsuits filed in opposition to the pension reform legislation, the Court has ordered mediation. Any mediated solution to these lawsuits could have an impact on out year pension costs.

Personnel and operating costs continue to be constrained during FY 2015. The current five year forecast assumes \$1.026 billion of personnel and operating costs in FY 2015 and an average growth of 2.7 percent over the five year interval, resulting in an estimated cost of \$1.039 billion in FY 2019, an increase of \$113.2 million. This estimate incorporates the impact of a number of initiatives or other changes that will impact out year expenses. These include annualized savings from several initiatives included in the Governor's FY 2015 Recommended Budget.

FY 2015 – FY 2019 Overview

Grants and Benefits

Grants and Benefits are projected to increase by an average of 5.2 percent annually from FY 2015 to FY 2019. This growth rate results in an increase of \$265.1 million in this category of spending over the five year horizon. The growth rates used in the five year forecast were derived from state-specific Medicaid expenditure projections released by the Centers for Medicaid and Medicare Services (CMS) in June 2013. As these are national projections, they may or may not be valid for Rhode Island, but lacking more regionally applicable data, the State Budget Office selected these growth rates for use in this year's five year projections. Several projections under this section also use the CPI-U, particularly with respect to programs of (non-Medicaid) cash assistance.

The forecast for grants and benefits under the Office of Health and Human Services and the Department of Human Services is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program (TANF), known as the Rhode Island Works program (formerly FIP), and the Child Care Assistance Program will meet their stated objectives during the forecast period, that federal block grants will continue at current levels, and that Medicaid matching rates (FMAP) will remain close to those in effect for FY 2015.

The forecast assumes that eligibility and economic influences on RI Works/Child Care caseloads will result in increases in costs of approximately 2.4 percent annually. These exclusively reflect continuing additions for child care subsidies, which are extended to low-income families even after cash assistance clients gain access to unsubsidized employment. Federal block and matching grant resources are assumed to be insufficient to finance these incremental costs throughout the forecast period, and, therefore, general revenue dollars are added. No additional effects from the implementation of the new RI Works program are recognized in the estimates, and it is assumed that federal TANF resources will remain sufficient to meet the entire cost of the RI Works program throughout the forecast horizon. Supplemental Security Income (SSI) and non-medical General Public Assistance (GPA) payments are likewise forecasted to grow at an average rate of 2.4 percent throughout the five-year period.

The managed care forecast assumes that base costs will inflate on average at 5.7 percent per year until FY 2019. Incorporated into the FY 2015 expenditure base for managed care is a proposal in the Governor's Budget to reduce all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2014, for savings totaling \$10.8 million in general revenue. Rates will be negotiated so as to reduce average annual growth in these rates by 2.95 percentage points relative to the increases assumed at the November 2013 CEC. The Governor further recommends freezing (to FY 2013 levels, for one additional year) payment rates for inpatient and outpatient hospital services, yielding \$3.0 million in general revenue savings within the managed care segment of the Medical Assistance program. Savings attributable to other FY 2015 budgetary initiatives, which are detailed in the Health and Human Services section of the Executive Summary, are also embedded in the out-year projections for both managed care and the various other categories of Medicaid expenditure.

Similarly, cost trends in institutional long term care include an average annual growth rate of 6.3 percent from FY 2015 through FY 2019. For home and community based long-term care, the growth rate over the forecast horizon is estimated at 7.9 percent. The FY 2015 expenditure base includes savings of \$3.7 million for the suspension of the rate increase to nursing facilities scheduled for October 1, 2014.

Pharmacy inflation is assumed on average at 6.0 percent annually. Five-year estimates also reflect a schedule increasing federal "clawback" assessment charges for Part D Medicare benefits to dually eligible Medicaid clients.

FY 2015 – FY 2019 Overview

The five year financial projection for Medical Assistance expenditures now incorporates the out-year implications of a key provision of the Patient Protection and Affordable Care Act (PPACA): the expansion of Medicaid coverage to non-pregnant adults without dependent children with incomes up to 138 percent of Federal Poverty Level, commencing on January 2014. Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapses on December 31, 2016, after which the federal matching rate declines incrementally until reaching 90 percent for 2020 and thereafter. Commencing in FY 2017, the forecast includes general revenue totaling \$58.0 million spanning the projection period to accommodate the loss of 100 percent federal financing.

The general revenue expenditures within the Services for the Developmentally Disabilities Private System are projected to increase from \$91.7 million in FY 2015 to \$107.9 million in FY 2019, which equates to an average annual growth rate of 4.2 percent over the five-year period. There are several factors that could significantly impact expenditures during the forecast period. These include general economic conditions that negatively impact Rhode Islanders; the aging of caregivers; the aging of the existing population; and greater public awareness of the availability and, therefore, the utilization of services. Efforts to restructure the network of providers serving persons with developmental disabilities and efforts to increase shared living arrangements over and above those contained in the Governor's FY 2015 Budget could serve to constrain growth below those contained in the projection. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in the Executive Office of Health and Human Services' grant costs.

Behavioral Healthcare Services also increase from FY 2015 through FY 2019. This five-year projection includes a general revenue increase of \$5.8 million from the FY 2015 recommended level of \$32.8 million in Mental Health Services and a general revenue increase of \$0.5 million from the FY 2015 recommended level of \$3.1 million in Substance Abuse Services. This equates to an average annual growth rate of 4.2 percent for each program over the five-year period.

Cost trends for general revenue state match expenditures to the Medicaid, Title IV-E, and other grant programs in the Department of Children Youth and Families are projected to grow from \$90.8 million to \$106.9 million between FY 2015 and FY 2019. This increase of \$16.0 million over the five year period is based on the projected growth rate for Medicaid Services, which equates to a growth rate of 4.2 percent over the five-year period.

Local Aid

Local aid expenditures include education aid, the Motor Vehicle Excise Tax Reimbursement, aid to local libraries comprised of Library Resource Sharing and Library Construction Aid, the Payment in Lieu of Taxes (PILOT) program, the Property Revaluation program, the Distressed Communities Relief program and the Governor's new Municipal Incentive Aid program. The Motor Vehicle Excise Tax Reimbursement, Distressed Communities, and PILOT are level funded over the period; Motor Vehicle Excise Tax at \$10.0 million, Distressed Communities at \$15.4 million, and PILOT at \$35.1 million. Growth in Library Resource Sharing, Library Construction Aid and the Property Revaluation program are forecasted based on proposed schedules from the responsible programs. The Municipal Incentive Aid program is budgeted at \$5.0 million in FY 2015 and FY 2016.

In dollar terms, the largest driving force behind local aid expenditure growth from FY 2015 to FY 2019 is Education Aid programs, which are expected to increase by a total of \$143.6 million from the FY 2015 base

FY 2015 – FY 2019 Overview

level of \$1,009.6 million. This growth is a direct result of the new education aid funding formula which contains a ten year transition period. Districts that stand to gain money will do so over a seven year period, while losing districts will gradually lose funding over the full ten years. In general, because of how the transition rules are structured, districts losing money are given more time to adjust, causing the early years of the transition period to cost more. Formula aid for the purposes of the five year forecast includes aid to districts, charter schools, Central Falls and the Met School.

The funding formula is primarily data driven. As a result, changes may occur in the core instruction amount, the state share calculation, increases or decreases in student populations, changes in median family income, student movement between charter schools or state schools, as well as increases or decreases in free and reduced lunch students. To plan for these changes, a 5.0 percent annual growth rate has been included within the five year forecast. The five year estimate also includes financing for five education aid categorical funds. These categorical funds are projected to increase by \$19.4 million, from \$13.3 million to \$32.7 million over the five years.

State contributions for teachers' retirement increase by \$13.9 million, from \$89.8 million in FY 2015 to \$103.7 million in FY 2019. Projections for future required employer contributions to the teachers' retirement fund reflect a 2.0 percent teacher payroll growth and increased state contribution rates from 9.19 percent in FY 2015 to 9.84 percent in FY 2019. Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to increase by \$2.5 million, from \$67.9 million to \$70.4 million, assuming the minimum state share ratio remains at 35.0 percent over the next five years.

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2015 – FY 2019 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations is projected to increase from \$214.9 million in FY 2015 to \$247.0 million in FY 2018, an increase of \$32.1 million. The increase is attributable to the issuance of debt for the Historic Tax Credit program, and including funding for debt service on the \$75.0 million issuance under the Commerce Corporation Job Creation Guaranty program, which adds approximately \$12.5 million annually beginning in FY 2015. Also included in the five year projections is continuation of the Governor's proposal to shift financing of transportation debt service from the Intermodal Surface Transportation Fund to general revenue over a five year period which began with the General Assembly shifting \$8.0 million to general revenue funding in the FY 2013 enacted budget. The Governor's FY 2015 budget increases this shift by \$10 million to \$19.3 million and the five year projections assume this increases by \$10 million annually until all such debt service is moved. This adds over \$38.0 million in general revenue expenditures by FY 2019.

The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2015 - 2019 Capital Budget. Interest rates for fixed rate general obligation bonds to be issued to fund projects are projected at between 4.5 percent and 5.0 percent. Interest rates for issuance of twenty-year fixed rate certificates of participation are estimated at 5.0 percent. Historic Tax Credit debt is projected to be issued at 4.5 percent over nine years in 2014, 2016 and 2018. Projected amortization schedules are found in the exhibits contained in Appendix C of the Capital Budget document.

Amortization of existing debt combined with new debt issuance, results in increased general revenue appropriations for debt service of \$32.1 million from FY 2015 to FY 2019. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore

FY 2015 – FY 2019 Overview

are not reflected in the five-year report as operating costs. Between FY 2015 and FY 2018, there is an increase of \$10.5 million for debt for the Historic Tax Credit stabilization program, which decreases by \$14.5 million in FY 2019 as the first issuance of this debt is paid off. General obligation debt, which includes the assumption of debt service from DOT over this period, increases by \$36.0 million. Performance based obligations remain at \$7.0 million over the five year period. Debt service on certificates of participation increase by \$1.2 million from \$30.6 million in FY 2015 to \$31.9 million in FY 2019. This includes issuance for new COPS authorization for an integrated tax system and an LEA Technology program and for two new proposals contained in the Governor's FY 2015 Budget. Convention Center debt service declines by \$1.4 million over the five year period.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. As stated above, however, the Governor recommends that debt service on transportation debt, which is currently funded with gas tax proceeds, be shifted to general revenue financing over a five year period, which began with a shift of \$8.0 million in FY 2013. As a result of the financing plan enacted by the General Assembly in the 2011 session, the use of debt to provide matching funds for federal highway funding will be discontinued by FY 2016 and thus no new debt will be issued for this purpose after that time. The five year forecast reflects the transition of debt service from gas tax financing to general revenue financing beginning in FY 2013 at a cost of \$8.0 million and increasing to \$9.25 million in FY 2014 and by an additional \$10.0 million each year until all transportation debt service is financed from general revenues by FY 2018. As part of the FY 2014 revised and FY 2015 budgets, the Governor recommends that debt service on general obligation bonds issues on behalf of the Rhode Island Public Transit Authority be moved to general revenue funding to assist the Authority in addressing an operating deficit. This transfer to general revenue, however, is not recommended to continue past FY 2015 and thus is not incorporated into the five year projections.

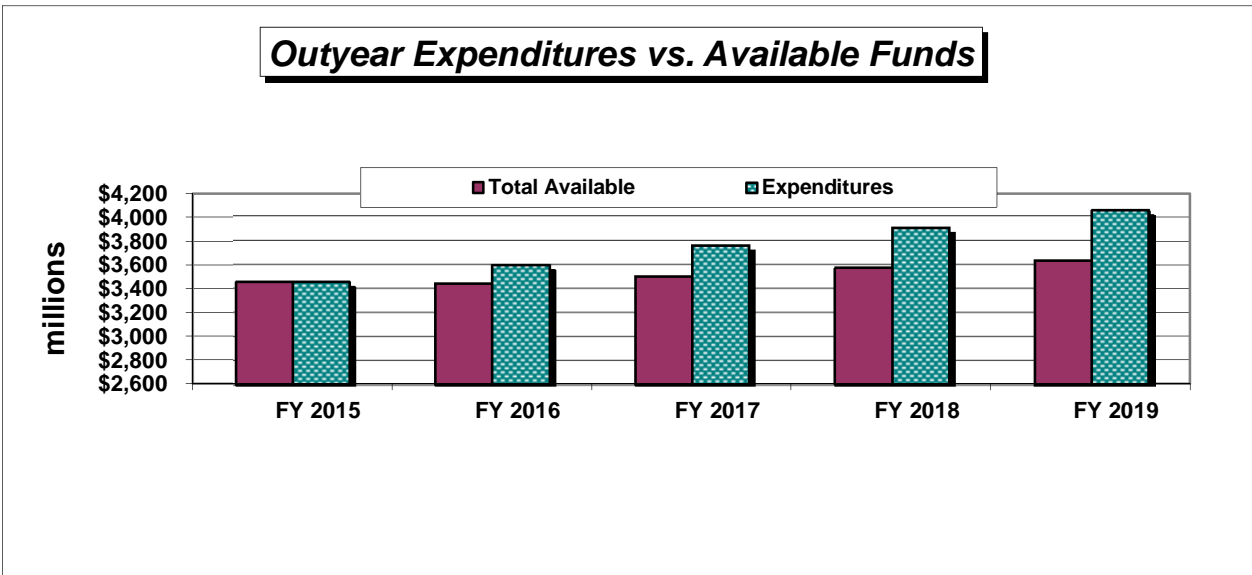
The obligations arising from performance based contracts between the Rhode Island Commerce Corporation and private entities are projected to require the same amount of state appropriations due to the projected achievement of performance targets. Fidelity job rent credits are expected to result in a state obligation of \$3.5 million through the forecast period. The FY 2014 obligation reflects projected payments of \$2.488 million on Phase I, plus \$0.9 million due on Phase II. The forecast assumes no requirement for the Bank of America (Fleet) obligation transaction, which if earned would total approximately \$0.3 million. The Providence Place Mall sales tax is expected to continue to fund the maximum \$3,560,000 debt service.

Other

The projection also assumes that capital disbursements from general revenues would be \$4.4 million in FY 2015 and thereafter. This includes all expenditures that would be subject to fixed assets recording.

General Revenue Outyear Estimates FY 2015 - FY 2019

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Opening Surplus ⁽¹⁾	\$68.9	\$0.0	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	3,082.0	3,182.8	3,290.0	3,381.8	3,445.0
Other Sources (incl. Lottery)	412.5	368.7	320.3	304.6	298.6
Budget Stabilization Fund	(106.9)	(106.5)	(108.3)	(110.6)	(112.3)
Total Available	3,456.5	3,444.9	3,501.9	3,575.8	3,631.3
Minus Expenditures	3,456.1	3,596.1	3,758.6	3,906.3	4,050.6
Equals Ending Balance	\$0.4	(\$151.1)	(\$256.7)	(\$330.5)	(\$419.3)
<i>Operating Surplus or Deficit</i>	<i>(\$68.5)</i>	<i>(\$151.1)</i>	<i>(\$256.7)</i>	<i>(\$330.5)</i>	<i>(\$419.3)</i>
Budget & Cash Stabilization Balance	\$178.2	\$176.9	\$179.8	\$183.5	\$186.5
RI Capital Fund Balance	\$24.3	\$6.5	\$1.6	\$10.5	\$31.5
Rhode Island Capital Fund					
<i>Capital Projects Disbursements</i>	<i>\$152.3</i>	<i>\$125.1</i>	<i>\$100.0</i>	<i>\$97.4</i>	<i>\$88.0</i>



⁽¹⁾ Under the Rhode Island Constitution, the budget must be balanced each year, thus deficits in any given fiscal year cannot be carried forward to the ensuing fiscal year.

General Revenue Outyear Estimates

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Income Tax	\$ 1,158,300,000	\$ 1,215,330,000	\$ 1,277,000,000	\$ 1,320,520,000	\$ 1,344,740,000
General Business Taxes:					
Business Corporations	133,910,000	141,030,000	153,700,000	164,910,000	176,530,000
Public Utilities	97,500,000	98,110,000	99,490,000	100,750,000	102,010,000
Financial Institutions	4,500,000	5,070,000	6,020,000	6,220,000	4,960,000
Insurance Companies	107,740,000	112,090,000	117,630,000	122,080,000	124,900,000
Bank Deposits	2,900,000	3,040,000	3,190,000	3,330,000	3,470,000
Health Care Provider	43,860,000	44,880,000	46,100,000	47,490,000	48,890,000
General Business Taxes	\$ 390,410,000	\$ 404,220,000	\$ 426,130,000	\$ 444,780,000	\$ 460,760,000
Sales and Use Taxes:					
Sales and Use	937,510,000	970,590,000	997,550,000	1,024,280,000	1,050,910,000
Motor Vehicle	50,800,000	50,850,000	51,400,000	53,440,000	52,350,000
Motor Fuel	700,000	930,000	910,000	940,000	930,000
Cigarettes	133,150,000	129,010,000	124,850,000	120,780,000	117,030,000
Alcohol	17,000,000	13,110,000	13,430,000	13,750,000	14,060,000
Controlled Substances	-	-	-	-	-
Sales and Use Taxes	\$ 1,139,160,000	\$ 1,164,490,000	\$ 1,188,140,000	\$ 1,213,190,000	\$ 1,235,280,000
Other Taxes:					
Inheritance and Gift	31,800,000	32,230,000	32,770,000	33,800,000	35,110,000
Racing and Athletics	1,100,000	1,040,000	990,000	940,000	870,000
Realty Transfer Tax	8,400,000	8,330,000	8,230,000	8,230,000	8,430,000
Other Taxes	\$ 41,300,000	\$ 41,600,000	\$ 41,990,000	\$ 42,970,000	\$ 44,410,000
Total Taxes	\$ 2,729,170,000	\$ 2,825,640,000	\$ 2,933,260,000	\$ 3,021,460,000	\$ 3,085,190,000
Total Departmental Receipts	352,870,000	357,100,000	356,690,000	360,300,000	359,770,000
Taxes and Departmentals	\$ 3,082,040,000	\$ 3,182,740,000	\$ 3,289,950,000	\$ 3,381,760,000	\$ 3,444,960,000
Other Sources					
Gas Tax Transfers	-	-	-	-	-
Other Miscellaneous	2,480,000	2,270,000	2,270,000	2,270,000	2,270,000
Lottery Commission Receipts	399,900,000	356,130,000	307,470,000	291,530,000	285,290,000
Unclaimed Property	10,100,000	10,310,000	10,560,000	10,800,000	11,040,000
Other Sources	\$ 412,480,000	\$ 368,710,000	\$ 320,300,000	\$ 304,600,000	\$ 298,600,000
Total General Revenues	\$ 3,494,520,000	\$ 3,551,450,000	\$ 3,610,250,000	\$ 3,686,360,000	\$ 3,743,560,000

General Revenue Outyear Estimates - Percentage Changes

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Income Tax	3.4%	4.9%	5.1%	3.4%	1.8%
General Business Taxes:					
Business Corporations	-1.5%	5.3%	9.0%	7.3%	7.0%
Public Utilities	1.7%	0.6%	1.4%	1.3%	1.3%
Financial Institutions	4.7%	12.7%	18.8%	3.3%	-20.2%
Insurance Companies	7.1%	4.0%	5.0%	3.8%	2.3%
Bank Deposits	0.0%	5.0%	4.7%	4.5%	4.3%
Health Care Provider	3.0%	2.3%	2.7%	3.0%	3.0%
General Business Taxes	2.1%	3.5%	5.4%	4.4%	3.6%
Sales and Use Taxes:					
Sales and Use	3.7%	3.5%	2.8%	2.7%	2.6%
Motor Vehicle	0.0%	0.1%	1.1%	4.0%	-2.0%
Motor Fuel	0.0%	33.2%	-2.8%	3.5%	-1.4%
Cigarettes	-2.3%	-3.1%	-3.2%	-3.3%	-3.1%
Alcohol	-6.6%	-22.9%	2.5%	2.4%	2.3%
Controlled Substances					
Sales and Use Taxes	2.6%	2.2%	2.0%	2.1%	1.8%
Other Taxes:					
Inheritance and Gift	0.0%	1.4%	1.7%	3.1%	3.9%
Racing and Athletics	-8.3%	-5.5%	-4.4%	-5.4%	-7.3%
Realty Transfer Tax	5.0%	-0.8%	-1.3%	0.0%	2.5%
Other Taxes	0.7%	0.7%	0.9%	2.3%	3.4%
Total Taxes	2.8%	3.5%	3.8%	3.0%	2.1%
Total Departmental Receipts	-0.5%	1.2%	-0.1%	1.0%	-0.1%
Taxes and Departmentals	2.4%	3.3%	3.4%	2.8%	1.9%
Other Sources					
Gas Tax Transfers	n/a	n/a	n/a	n/a	n/a
Other Miscellaneous	-78.8%	-8.3%	0.0%	0.0%	0.0%
Lottery Commission Receipts	1.4%	-10.9%	-13.7%	-5.2%	-2.1%
Unclaimed Property	-7.3%	2.1%	2.4%	2.3%	2.2%
Other Sources	-1.0%	-10.6%	-13.1%	-4.9%	-2.0%
Total General Revenues	2.0%	1.6%	1.7%	2.1%	1.6%

General Revenue Outyear Expenditure Estimates

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
State Operations					
Personnel	\$887,700,000	\$909,400,000	\$934,400,000	\$960,400,000	\$987,400,000
Other State Operations	138,700,000	141,800,000	145,300,000	148,800,000	152,200,000
Impact of Initiatives/Other Changes	-	1,264,389	1,686,969	(92,045)	-
Subtotal	\$1,026,400,000	\$1,052,464,389	\$1,081,386,969	\$1,109,107,955	\$1,139,600,000
		2.5%	2.7%	2.6%	2.7%
Grants and Benefits					
Executive Office of Health and Human Services & Department of Human Services					
Hospitals	16,640,000	17,500,000	18,470,000	19,300,000	20,410,000
Managed Care	536,990,000	567,250,000	596,090,000	629,060,000	669,140,000
Nursing Care	83,710,000	88,220,000	93,600,000	99,860,000	106,700,000
Home Care (HCBS)	18,690,000	20,040,000	21,670,000	23,450,000	25,350,000
Other Medicaid	46,020,000	49,450,000	54,740,000	59,330,000	64,050,000
Pharmacy	700,000	730,000	790,000	830,000	880,000
DEA Medicaid	3,540,000	3,800,000	4,110,000	4,440,000	4,800,000
Cash Assistance- RIW/CCAP/GPA	11,330,000	11,590,000	11,880,000	12,160,000	12,440,000
Cash Assistance - SSI	18,640,000	19,060,000	19,530,000	20,000,000	20,450,000
Clawback	50,440,000	51,580,000	52,850,000	54,120,000	55,350,000
DSH	65,440,000	66,790,000	61,480,000	61,480,000	61,480,000
HIV Care Program/ADAP	470,000	510,000	560,000	600,000	650,000
ACA- MA Population Expansion	0	0	9,030,000	21,520,000	27,460,000
Department of Children Youth & Families					
Children & Family Services	90,820,000	94,200,000	98,650,000	102,780,000	106,870,000
Department of Behavioral Healthcare, Developmental Disabilities & Hospitals					
Developmental Disabilities-Private	91,680,000	95,090,000	99,580,000	103,750,000	107,880,000
Integrated Mental Health	32,820,000	34,040,000	35,650,000	37,140,000	38,620,000
Substance Abuse	3,080,000	3,190,000	3,350,000	3,490,000	3,620,000
Other Grants and Benefits	102,760,000	105,090,000	107,680,000	110,270,000	112,770,000
Subtotal	\$1,173,770,000	\$1,228,130,000	\$1,289,710,000	\$1,363,580,000	\$1,438,920,000
		4.6%	5.0%	5.7%	5.5%
Local Aid					
Education Aid	964,230,000	1,008,620,000	1,054,670,000	1,102,170,000	1,152,190,000
Municipal Incentive Aid	5,000,000	5,000,000	0	0	0
Motor Vehicle Tax Reimbursements	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
PILOT	35,080,000	35,080,000	35,080,000	35,080,000	35,080,000
Distressed Communities	10,380,000	10,380,000	10,380,000	10,380,000	10,380,000
Fiscal Oversight Reimbursement	130,000	150,000	150,000	150,000	150,000
Library Aid	11,100,000	11,440,000	11,340,000	11,260,000	11,100,000
Property Revaluation Prgm	630,000	1,980,000	620,000	920,000	1,770,000
Subtotal	\$1,036,550,000	\$1,082,650,000	\$1,122,240,000	\$1,169,960,000	\$1,220,670,000
		4.4%	3.7%	4.3%	4.3%
Capital					
<i>Debt Service</i>					
General Obligation	91,180,000	90,940,000	100,790,000	103,728,106	107,678,198
Transportation Debt to General Revenue	19,250,000	29,250,000	39,250,000	39,771,894	38,731,802
Historic Tax Credit Program	31,670,000	31,670,000	42,130,000	42,250,000	27,790,000
EDC Job Creation Guaranty	12,330,000	12,500,000	12,450,000	12,380,000	12,350,000
COPS/Other Leases	30,640,000	34,060,000	36,790,000	32,550,000	31,870,000
Convention Center	22,980,000	22,970,000	22,470,000	21,570,000	21,570,000
Performance Based	6,880,000	7,000,000	7,000,000	7,000,000	7,000,000
TANS	-	-	-	-	-
<i>Capital Improvements</i>					
Other Projects	4,420,000	4,420,000	4,420,000	4,420,000	4,420,000
Subtotal	\$219,350,000	\$232,810,000	\$265,300,000	\$263,670,000	\$251,410,000
		6.1%	14.0%	-0.6%	-4.6%
Total	\$3,456,070,000	\$3,596,054,389	\$3,758,636,969	\$3,906,317,955	\$4,050,600,000
Difference		\$139,984,389	\$162,582,580	\$147,680,986	\$144,282,045
		4.05%	4.52%	3.93%	3.69%

General Revenue Outyear Planning Values

Estimates and Growth	FY2015	FY2016	FY2017	FY2018	FY2019
Personal Income (billions) [1]	\$53.9	\$57.3	\$60.4	\$62.8	\$65.1
<i>Change</i>	6.3%	6.4%	5.4%	4.0%	3.7%
Nonfarm Employment (thousands) [1]	479.3	490.4	497.8	500.4	500.6
<i>Change</i>	1.9%	2.3%	1.5%	0.5%	0.0%
Personal Income Tax [15]	3.0%	5.0%	5.1%	3.4%	1.8%
Business Corporation Tax [16]	-2.1%	5.3%	9.0%	7.3%	7.1%
Provider Tax [3]	4.0%	2.3%	2.7%	3.0%	3.0%
Sales Tax [20]	2.9%	3.5%	2.8%	2.7%	2.6%
Gasoline Tax					
Real Consumption [4]	3.9%	2.4%	1.2%	0.8%	0.7%
Other Taxes and Departmentals [14]	-0.7%	0.5%	0.4%	0.9%	0.1%
CPI-U (U.S.) [1]	2.0%	2.3%	2.5%	2.4%	2.3%
Salaries and Fringe Benefits					
Salary COLA - [10], CPI-U [1]	2.0%	2.3%	2.5%	2.4%	2.3%
Steps and Longevity Increases [15]	0.0%	0.0%	0.0%	0.0%	0.0%
Medical Benefits Costs [8]	6.9%	5.6%	5.1%	5.5%	6.4%
Retiree Health Costs [11]	6.75%	6.75%	6.75%	6.75%	6.75%
State Employees Retirement Costs [12]	23.33%	23.64%	23.62%	23.66%	23.79%
Home Health Care					
Expenditure Growth [5]	6.5%	7.2%	8.1%	8.2%	8.1%
Nursing Home Care					
Expenditure Growth [6]	4.8%	5.4%	6.1%	6.7%	6.8%
Managed Care/State Employee Plan					
Expenditure Growth [8]	6.9%	5.6%	5.1%	5.5%	6.4%
Other Medicaid					
Expenditure Growth [7]	7.5%	7.4%	9.4%	8.4%	7.9%
BHDDH- Mental Health					
Expenditure Growth [7]	7.5%	7.4%	9.4%	8.4%	7.9%
DCYF Services					
Expenditure Growth [7]	7.5%	7.4%	9.4%	8.4%	7.9%
BHDDH- MR/DD					
Expenditure Growth [7]	7.5%	7.4%	9.4%	8.4%	7.9%
Pharmacy					
Expenditure Growth [9]	5.6%	5.2%	7.5%	5.9%	5.2%
Hospital Care					
Expenditure Growth [13]	4.5%	5.2%	5.5%	4.5%	5.8%

[1] November 2013 Revenue Estimating Conference Consensus Economic Forecast, FY 2014 - FY 2020.

[2] RI Corporate/Franchise Tax Payments Growth as inflator (previously used U.S. Corporate Profits Before Tax as inflator)

[3] State of Rhode Island Budget Office Estimate

[4] Moody's Economy.com Quarterly U.S. Economic Forecast November 2013, Real Gasoline and Oil Consumption.

[5] CMS National Health Expenditures Historical and Projections June 2013, Home Health Care: State and Local Government

[6] CMS National Health Expenditures Historical and Projections June 2013, Nursing Home Care: State and Local Government

[7] CMS National Health Expenditures Historical and Projections June 2013, Physician as Proxy: State and Local Government

[8] CMS National Health Expenditures Historical and Projections January 2013, 1965-2022, Total Health Expenditures: Private Insurance as proxy

[9] CMS National Health Expenditures Historical and Projections June 2013, Prescription Drugs: State and Local Government

[10] Based on adopted CPI-U from November 2013 Revenue Estimating Conference

[11] State of Rhode Island Budget Office Estimate consistent with actuarial rate. Growth reflects changes in personnel costs.

[12] Estimate of actuarially required contribution based upon a % of payroll (GRS analysis of RI Retirement Security Act, Nov. 2011)

[13] CMS National Health Expenditures Historical and Projections June 2013, Hospital Care: State and Local Government

[14] State of Rhode Island Budget Office Estimate, All Other Taxes plus Departmentals minus Personal Income, Business Corporation, Health Care Provider Assessment, Sales and Use Taxes and Other Sources

[15] State of Rhode Island Budget Office Estimate after base growth and adjustments (bottom-line blended growth of components)

[16] State of Rhode Island Budget Office Estimate after base growth and adjustments

Appendix G

The Budget Process

The Budget Process: A Primer

The purpose of this primer is to clarify the annual budget and appropriations processes.

Appropriation Process. According to Article IX Section 16 of the Rhode Island Constitution, and the Rhode Island General Laws Section 35-3-7, the Governor must present spending recommendations to the Legislature. *The Budget* reflects expenditures for both the current and upcoming fiscal year and identifies the sources of financing for those expenditures.

On or before the third Thursday in January, unless delayed by act of the Legislature, the Governor must submit to the General Assembly a budget containing a complete plan of estimated revenues and proposed expenditures, with a personnel supplement detailing the number and titles of positions of each agency, and estimates of personnel costs for the next fiscal year. Commencing with the Governor's FY 2014 budget, this supplementary personnel information has been merged into the multivolume document entitled *Budget*.

The budget is proposed by the Governor and considered by the General Assembly, which may increase, decrease, alter, or strike out any item in the budget, provided that the action would not cause an excess of appropriations over anticipated revenue receipts. No appropriation in excess of budget recommendations may be made by the General Assembly unless it provides the necessary additional revenue to cover such appropriation. The Governor may veto legislative appropriations, although not on an individual "line item" basis. The Legislature may override any veto by a three-fifths majority vote. Supplemental appropriations measures must be submitted by the Governor to the General Assembly on or before the third Thursday in January. Supplemental appropriations by the General Assembly must also be supported by additional revenues.

The general laws of the state provide that if the General Assembly fails to pass the annual appropriation bill, amounts equal to those appropriated in the prior fiscal year shall be automatically available for expenditure, subject to monthly or quarterly allotments as determined by the Budget Officer. Expenditures for general obligation bond indebtedness of the state shall be made as required regardless of the passage of the annual budget or the amount provided for in the prior fiscal year.

Fiscal Years. It is important when reading the budget to consider which fiscal year is being discussed. The state *fiscal year* runs from July 1 to the following June 30 and is numbered for the calendar year in which it ends (e.g. FY 2012). The *current fiscal year* is the one which ends the coming June. The *actual fiscal years* are the years which concluded in June of the two previous years. The *budget year* refers to the next fiscal year, which begins the July following the Legislature's adjournment. Finally, *out-years* refer to any years beyond the budget year.

By law, *The Budget* must record two actual fiscal years of spending, as well as the Governor's revised spending recommendations for the current fiscal year, and the Governor's full recommendations for the budget year.

Revenue Estimates and Caseload Estimates. Receipt estimates for the current year and budget year are those adopted by the State Revenue Estimating Conference, as adjusted by any changes recommended by the Governor.

The State Revenue Estimating Conference was created by the 1990 General Assembly to provide the Governor and the Assembly with estimates of general revenues. It is composed of the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, with the chair rotating among the three. It must meet no less than twice per year, in November and May, and can be convened at any other time by call of

The Budget Process: A Primer

any member, and must reach consensus on revenues. The 1991 Assembly created a Medical Assistance and Public Assistance Caseload Estimating Conference similar to the Revenue Estimating Conference to adopt cash assistance entitlement caseload estimates. The 1998 Assembly amended the Medical Assistance and Public Assistance Caseload Estimating Conference to estimate medical assistance expenditures, upon which the Governor's expenditures budget shall be based, and the appropriations by the assembly shall be made.

The consensus revenue estimate is the official revenue projection for general revenue. Estimates of revenues for federal funds, restricted receipts, and other funds are prepared by individual state agencies, reviewed by the Budget Office, and included in *The Budget*.

Classification of State Spending. The State of Rhode Island classifies state spending by function of government and by category of expenditure.

Function of government classifies expenditures by grouping agencies that make expenditures for similar programs and purposes. There are six functions of government defined in *The Budget*: General Government, Human Services, Education, Public Safety, Natural Resources, and Transportation.

The following explains the six functions of government included in *The Budget*.

General Government includes the administrative and regulatory functions of state government. Certain elected officials (Governor, Lieutenant Governor, General Treasurer, Secretary of State), the Legislature, and the Department of Administration are agencies that perform an administrative function. The Department of Business Regulation, the Department of Labor and Training, and the Public Utilities Commission are examples of agencies that perform a regulatory function. The Department of Revenue coordinates revenue collection activities of several state divisions.

Human Services includes agencies that provide services to individuals. These services provided include: the care of the disabled by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; child protective and social services provided by the Department of Children, Youth and Families; health programs at the Department of Health and the Executive Office of Health and Human Services; financial assistance and social services provided by the Department of Human Services; and pharmaceutical assistance and home health care at the Division of Elderly Affairs. The Executive Office of Health and Human Services centrally coordinates the legal, budgetary, and policymaking activities of the Human Services agencies.

The *Education* function provides educational services to Rhode Islanders. The State Board of Education and The Office of Postsecondary Education provide direct education services.

Public Safety is the function that provides safety and security services to Rhode Island citizens. Agencies in this function include the Department of Corrections, the Judiciary, the Attorney General and the Department of Public Safety.

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The *Natural Resources* function protects the natural and physical resources of the state and regulates the use of those resources. Agencies included in this function are the Department of Environmental Management and the Coastal Resources Management Council.

Transportation includes the Department of Transportation, which is the only agency in this function. It is responsible for maintaining and constructing highways in Rhode Island, and for planning and financing all surface transportation modes.

Categories of expenditure classify expenditures by budgeting and accounting objects of expenditure: personnel; state operations; aid to local units of government; assistance, grants, and benefits; and capital. Objects of expenditures define how funds are encumbered and expended.

Personnel includes the salaries, wages, and benefits of state employees, as well as personnel services purchased from outside contractors and vendors.

Operating Supplies and Expenses include expenses incurred while conducting the day-to-day business of state government. This category is often referred to simply as "operating". Operating expenses comprise non-personnel expenditures for operations of state government, including facilities maintenance, program and office supplies, rental of outside property, telecommunications, and insurance.

Aid to Local Units of Government is payments made to governmental units that provide services at the local level. Education Aid to local school districts is an example.

Assistance, Grants and Benefits constitutes payments to individuals and agencies which are not governmental units. Drugs, medicine and nursing facilities for the Medicaid programs, the pharmaceutical assistance program for the elderly, and cash assistance payments for the Rhode Island Works, Supplemental Security Income, and Child Care Assistance entitlements are a few examples.

Capital Purchases and Equipment include capital improvements and new capital construction financed via the Rhode Island Capital Plan Fund (RICAP), general revenues, or federal funds. Please note that the majority of capital improvements, supported by other forms of financing (i.e. state debt instruments), are generally found in the *Capital Budget*.

Debt Service includes payments on short term tax anticipation notes, long term general obligation bonds, Rhode Island Refunding Bond Authority lease payments, certificates of participation payments for the Intake Service Center, Attorney General's administrative office, Information Technology, and the Rhode Island School for the Deaf; and lease payments to the Convention Center Authority.

Operating Transfers include inter-fund and inter-agency transfers of financial resources.

State Employees. A major part of the state operations category of expenditures is salary and wage payments to employees. Public service in state government is divided into the classified service, unclassified service, and non-classified service. The classified service comprises all positions in state service, now existing or to be created, except as specifically provided under R.I.G.L. 36-4-2 for unclassified employees and R.I.G.L. 16-59-7 for Higher Education non-classified employees. The classified service is divided into a competitive branch and a non-competitive branch. Employees hired to fill positions in the classified service must be hired on the basis of merit and fitness. The non-competitive branch includes positions that require the performance of routine tasks, or those that require licenses, certificates, or registrations. These employees

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are also promoted and discharged on the basis of rules and regulations established and administered by the Rhode Island State Employees Merit System.

Certain positions are specifically designated for inclusion in the unclassified service. These positions are defined to include those in specific agencies, or types of agencies for specific purposes. Examples are employees of the Legislature, elected officials, and employees of the courts. Compensation for unclassified positions is governed by the Unclassified Pay Board and other matters are governed by rules and regulations of the unclassified system.

State service also includes special types of positions. In addition to regular full-time positions, there are *seasonal* positions in the classified service. Such positions may require the employee to work an irregular schedule such that the employee is on call when needed, or for only a portion of the year, and only for a maximum of 925 hours in a 12-month period. Employees of the Department of Environment Management who staff the state's parks, beaches, and wildlands in the summer are an example of seasonal employees.

Financing of State Spending. Frequent reference is made in *The Budget* to "general revenue" expenditures and expenditures from "all funds". Expenditures from all funds include both general revenue expenditures and expenditures from federal funds, restricted receipts, and other or special revenue funds.

General revenue receives the most attention in the budget because it is the largest of the "uncommitted" revenue sources available to the state. It is also the fund to which most general tax receipts are credited. The Legislature may appropriate general revenue dollars for any purpose.

Federal funds, restricted receipts, and other funds, by contrast, are dedicated to specific purposes. For example, the Legislature may not appropriate monies from the Unemployment Insurance Fund to build new prisons. Other funds include the University and College Funds, the Transportation Fund, the Unemployment Insurance Fund, the Temporary Disability Insurance Fund, and the Rhode Island Capital Plan Fund.

Within the budget documents, schedules contain expenditure data for two actual fiscal years, the current fiscal year and the budget year. The schedules display agency data by fund source for All Funds, General Revenue, Federal Funds, Restricted Receipts, and Other Funds.

Rhode Island Capital Plan Funds. On November 7, 2006, Rhode Island voters approved a constitutional amendment limiting state expenditures commencing in FY 2008 such that appropriations do not result in general fund expenditures exceeding 98.0 percent of general fund revenues in FY 2008, and 97.0 percent in FY 2012 and thereafter. This amendment to the Rhode Island Constitution has also restricted, as of July 1, 2007, the use of excess funds in the Rhode Island Capital Fund solely for capital projects. Previously, the fund could be used for debt reduction, payment of debt service, and capital projects. Also, the constitutional amendment increased the budget reserve account by limiting annual appropriations to ninety-seven (97%) percent of estimated revenues and increasing the cap on the budget reserve account to five (5%) percent of estimated revenues. During the 2007 Session of the General Assembly, a statutory schedule was enacted to provide for incremental decreases of 0.2 percent to gradually move spending from 98 percent of revenues to 97 percent of revenues. Additionally, the budget reserve account maximum balance would be gradually increased by increments of 0.4 percent to gradually move from 3.0 percent to 5.0 percent of resources. In FY 2014, the spending is limited to 97.0 percent of revenues and the budget reserve fund is capped at 5.0 percent of resources.

Additionally, during the 2007 Session of the General Assembly, a law was enacted which requires that

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revenues received in excess of the amount estimated in the enacted budget, net of reserve fund contributions, would be transferred to the State Retirement Fund upon completion of the post audit.

Budget Basis. *The Budget* is prepared on the same basis that the state's year end financial statements, which is a modified accrual basis. Briefly, this means that obligations of the state are budgeted as expenditures if the goods or services are expected to be received during the fiscal year, regardless of whether a cash payment is expected to be made by the state by June 30th of that year. Revenues are estimated on the basis of when they are "earned" by the state. For example, the estimate of gas tax revenues reflects twelve months of revenues. However, due to a one month difference in the time the liability is incurred and the actual cash payment is made by the taxpayer, the revenue estimate reflects cash received from August through July.

The Comprehensive Annual Financial Report (CAFR) shows the status of the state's finances on the basis of "generally accepted accounting principles" (GAAP). Every attempt is made in preparing the budget to ensure that it is consistent with the auditing standards upon which the state's financial position will be determined.

Program Performance Measures. The current administration continues in its effort to develop and track measures of the performance of state agencies and departments. The performance measures included in the FY 2014 budget are derived from the on-going process to identify and refine measures for state decision-makers to evaluate on an annual basis. With few exceptions, all executive branch agencies, and most other government offices, have developed a mature set of program performance measures. These measures are included on the agency and program financing pages in *The Budget*. In some cases where no measures are identified, the process of developing measures continues. Performance measures for general officers and agency central management units are not required, indicated by NA (not applicable).

The Budget Process. Production of a budget is a continuous process. It does, however, have certain discrete phases. In the Executive Branch, the budget process begins as soon as the legislative session ends. At that time the budget staff prepares the *Budget as Enacted* which reflects the budget enacted by the Legislature.

In the spring and early summer, budget instructions and allocations are distributed by the Budget Office to state agencies. At those times, agencies are instructed by the Budget Office to prepare a capital and operating budget. The capital budget contains a five-year capital improvement plan.

Agencies are requested to prepare operating budgets at specified target levels for submission on or before September 15 or as specified by the Budget Officer. Agencies may also be allowed the opportunity to request additional funding through special white papers, separate from the agency's budget request.

The individual budgets submitted by the state agencies show program expenditures, with appropriate funding sources for each program within the agency. These data are shown for the actual year, the current year, and the target for the budget year.

In the fall and early winter, analysts in the Budget Office review agency budget requests. The Budget Office staff prepares recommendations for the Governor. An analysis of items added or reduced from the target request is presented to the Governor. The analysis includes the basis for the agency's request and the Budget Office recommendation and the basis for it. The Governor then makes a budget determination. This process is repeated for all issues in all agencies. These decisions form the Governor's recommendations. The Budget Office compiles the individual recommendations, aggregates them, and prepares *The Budget*. *The Budget*

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reflects the revised current year funding plan submitted to the Legislature on the third Thursday in January, as well as the budget year funding plan.

During this same period between September and the start of the legislative session, House and Senate fiscal staffs also have the agency budget requests for analysis. Following receipt of the Governor's recommendations, the legislative fiscal analysts begin their analysis of the recommendations of the Governor.

The Governor's budget recommendations traditionally are incorporated in one omnibus appropriations bill, which normally includes articles containing any statutory changes which would be required to implement the Governor's budget.

The following table summarizes the **budget calendar** during the budget cycle:

Mid-July	Capital Budget Requests due to Budget Office.
Late July	Budget Instructions and Funding Targets distributed to Agencies.
Mid September	Budget requests of Agencies with enacted all funds budget of \$10.0 million or less due to Budget Office.
Late Sept./ Early Oct.	Budget requests of Agencies with enacted all funds budget of over \$10.0 million due to Budget Office.
Oct./Nov.	Agency Meetings to review Budget Recommendations.
Late Dec./ Early Jan.	Gubernatorial Decisions on current year supplement and budget year recommendations.
3 rd Thursday in January	Statutory date for current-year Governor's Supplemental Appropriation bill submitted to Legislature.
3 rd Thursday in January	Statutory date for budget-year Governor's Budget Recommendation bill submitted to Legislature.

Consideration by House of Representatives and Senate. Appropriation bills are introduced into the House and are first considered by the House Finance Committee. The Senate Finance Committee also begins hearings on the budget bill, as introduced by the Governor. The chairpersons of the committees appoint subcommittees to consider appropriations for various agencies. Subcommittees vary in size, usually between two and five persons. After reviewing the budget requests and the Governor's budget, the subcommittees recommend adjustments to the full committee for consideration. A committee may adjust the recommendations of its subcommittee. Appropriation bills are reprinted to reflect the recommendations of the full committee. The bill is then presented to the full House, and upon passage is transmitted to the Senate. The process for review of an appropriation bill in the Senate mirrors the steps followed in the House of Representatives. Usually, however, consideration by the Senate occurs in a much shorter span of time. Once the bill is presented and approved by the full Senate, the Governor has three options: 1) sign the bill into law, 2) veto the bill, or 3) allow the bill to become law without signature (after six days, Sundays excepted, the bill automatically becomes law without the Governor's signature). The General Assembly may overturn the Governor's veto with a three-fifths vote in each house.

Appendix H

Errata

ERRATA

1. University of Rhode Island – In the Technical Appendix, the recommended funding for the Nursing and Associated Health Building (7086111.05) should be increased by \$500,000 in FY 2014 and \$700,000 in FY 2015. The project amounts are correct in the Capital Budget document.
2. Public Safety – State Police: Personnel Supplement, in FY 2014 and FY 2015, the Interdepartmental Transfer reflects \$570,465. This included double counting 8.0 State Trooper FTE positions that are reimbursed by the Lottery Division in the Department of Revenue. The FTE positions and costs, however, are already reflected in the State Police FTE position count and financing total in the personnel supplement. \$669,411 for the costs of the 8.0 FTE positions should be reduced out of the current \$570,465 in both years, resulting in a true Interdepartmental Transfer cost of negative \$98,946 in both years for an operating transfer to the Airport Corporation. As a result, the turnover number in both years should also reflect this change in the like amount.
3. Department of Environmental Management (DEM) – the Capital Budget narrative for DEM in Volume IV contains preliminary allocation of the proposed \$40.0 million bond authorization to various projects. The Capital Budget document reflects the final allocation that matches the proposed referendum.
4. Clean Water Finance Agency (CWFA) – the Capital Budget narrative in the Capital Budget document for CWFA does reflect the Governors November, 2014 bond proposal of \$20.0 million. The narrative contains a previous proposal for a later ballot with \$12.0 million for the Clean Water Revolving Loan Fund and \$8.0 million for the Drinking Water Revolving Loan Fund. The schedules in the Capital Budget document are correct.
5. Department of Elementary and Secondary Education – In the Technical Appendix, Education Aid to Local Units of Government and Education Aid by Category of Aid tables for Davies School should be increased by \$53,242 to \$12,792,048 in FY 2014 and \$14,797 to \$12,227,793 in FY 2015 to restore statewide medical and retiree health insurance savings. Financing for Davies is dictated by the Education Aid Funding Formula and therefore should not be subject to statewide changes.

In addition, in the Education Aid by Local Units of Government table FY 2015 column, adjustments to Group Home Aid are made as shown in the table below. There is no change in the grand total, only the distribution between local education agencies.

The amounts listed in all other areas in the Technical Appendix and other volumes are correct for both issues.

Distributed LEA Aid	FY 2015 Recommend	FY 2015 Recommend (Revised)	Difference
Burrillville	\$13,160,918	\$13,123,950	\$ (36,968)
Coventry	21,311,360	21,299,254	(12,106)
Cranston	46,660,221	46,653,409	(6,812)
East Providence	29,376,713	29,316,045	(60,668)
Johnston	12,973,047	12,960,058	(12,989)
Lincoln	9,806,217	9,795,054	(11,163)
Middletown	8,967,568	8,951,060	(16,508)
Newport	10,697,437	10,682,365	(15,072)
North Providence	16,318,910	16,290,756	(28,154)
North Smithfield	5,574,362	5,565,349	(9,013)
Pawtucket	74,986,053	74,858,028	(128,025)
Portsmouth	4,863,874	4,856,357	(7,517)
Providence	212,837,103	213,256,979	419,876
Smithfield	4,960,232	4,953,991	(6,241)
South Kingstown	7,839,453	7,832,494	(6,959)
Warwick	36,224,085	36,195,582	(28,503)
Woonsocket	50,544,885	50,523,775	(21,110)
Bristol/Warren	16,079,691	16,074,429	(5,262)
Exeter/W Greenwich	5,887,611	5,880,805	(6,806)
Subtotal	\$589,069,740	\$589,069,740	\$ 0

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Dedication

This year's budget documents are dedicated to the

Memory of William V. Golas, Jr.

Sr. Budget Analyst 1987 - 2013