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Overview

*The Governor's Proposed
Fiscal Policy Initiatives*

The Governor's FY 2003 recommended budget is designed to continue the strengthening of Rhode Island's economy by providing a counter-cyclical response to the economic forecast of recession in the 2002-2003 calendar years. In pursuit of this objective, the Governor's budget contains few tax increases, opting instead to increase user fees as necessary, accelerates the receipt of certain revenues and proposes minimal expenditure reductions, opting instead to defer expenditures wherever possible. The Governor's proposed budget modifies, but does not abandon, the administration's plans to rebuild and maintain the state's infrastructure. This recommendation will sustain or enhance economic activity in the construction industry during the cyclical downturn. The Governor's proposed budget reflects the principle that the key to prosperity for Rhode Island is to foster economic development. This is accomplished by maintaining our competitive tax structure, and continuing to invest in core programs, such as childcare, health care and education, to strengthen our families and our work force.

The biggest State tax change in the Governor's FY 2003 budget is a proposed thirty-five cent (\$0.35) increase in the state's cigarette tax, from \$1.00 per pack to \$1.35 per pack. This tax increase is estimated to generate over \$22.5 million in FY 2003. In addition to the increased revenue, an increase in the state's cigarette tax will provide a deterrent to the state's residents, especially its youth, to begin smoking. A recent study conducted by researchers at the University of Illinois-Chicago and the University of Michigan concluded that a ten percent increase in the price of cigarettes decreases the probability of an adolescent starting to smoke between three and ten percent. Further, the higher tax on cigarettes could also induce current adult smokers to restrict consumption, and possibly to cease smoking completely. The consensus of studies of behavior of adult smokers is that a ten percent increase in the price of cigarettes will reduce adult consumption by three to five percent.

The Governor's FY 2003 budget recommendation also proposes to accelerate the State's receipt of the tobacco settlement payments awarded by the 1998 Master Settlement Agreement on tobacco. The Governor recommends that the State securitize its expected tobacco settlement revenues, on a tax-exempt basis, for the calendar years 2004 through 2043. This securitization will serve to transfer the compliance, default, and litigation risks associated with these cash flows from the state's taxpayers to the holders of the proposed tobacco bonds. The principal and interest payments will be secured solely by the actual receipts from the tobacco Master Settlement Agreement payments, and will not be a debt obligation of the state.

The Governor's FY 2003 budget recommendation allocates \$272.2 million of securitization proceeds to defease all of the state's non-callable general obligation debt outstanding. This defeasance will result in debt service savings of \$43.9 million in FY 2003, with further annual savings projected for fiscal years 2004 through 2012 totaling \$324.7 million. The Governor's FY 2003 budget recommendation also proposes to utilize \$55.3 million in securitization proceeds for current eligible expenditures in the operating budget. This amount would be in addition to the \$54.3 million in tobacco settlement payments that the November 2001 Revenue Estimating Conference estimated for FY 2003 receipts. The remaining proceeds from the securitization will be reserved for use in future fiscal years for capital projects and/or third party grants in order to enhance the structural balance in the state budget for the FY 2004 — FY 2008 period.

The proposed tobacco securitization provides the state with the fiscal flexibility to finance its spending obligations in the face of an economic slowdown that is expected to be mild and of moderate duration. Using the tobacco bond proceeds in a fiscally responsible manner, as the Governor's FY 2003 Budget recommendation does, will reduce the state's debt burden and improve its debt-to-personal income ratio.

Overview

These improvements should provide the state with the capability to manage its finances in a fiscally prudent manner in the future, and to maintain its current course with respect to improving its business climate.

The FY 2003 Budget submitted to the General Assembly continues the multi-year financial management plan which is to systematically rebuild and invest in Rhode Island's economic infrastructure. Multi-year planning has characterized Governor Almond's administration.

***Multi-Year Financial
Management Plan to
Rebuild and Invest in
Rhode Island***

Total expenditures for FY 2003 are \$5.344 billion. Expenditures from all fund sources in FY 2003 are \$94.1 million greater than the revised FY 2002 Budget of \$5.250 billion. This reflects a growth rate of 1.8 percent.

Expenditures from general revenues total \$2.668 billion for FY 2003, reflecting an increase of \$43.9 million, or 1.6 percent, from the revised FY 2002 Budget of \$2.625 billion.

The recommended budget is financed from total general revenue resources of \$2.669 billion for FY 2003, an increase of \$26.0 million from the revised FY 2002 level of \$2.643 billion. An opening surplus of \$18.9 million is also included, as is the required transfer to the Budget Reserve Fund of \$54.5 million.

The Governor's FY 2003-2007 Capital Improvement Plan continues the Governor's effort to reduce net tax supported debt as a ratio of personal income from 8.5 percent in 1994 to 3.99 percent in FY 2007. The Capital Budget proposes expenditures of \$725.4 million in FY 2003, and recommends issuance of \$100 million of new general obligation bonds for transportation purposes, education facilities, clean water projects and the acquisition of open space. The Governor proposes new general obligation referenda totaling \$113.3 million in November 2002 and \$135.5 million in November 2004 to continue required infrastructure improvements. The capital plan also includes long term financing for a new juvenile training school, a new Kent County Courthouse, a parking garage at the Garrahy Courthouse, improvements to correctional facilities, and a five year program to enhance the state's supply of affordable housing.

The full-time equivalent ceiling, or FTE cap, for positions in state government is recommended to increase from the revised FY 2002 cap of 15,856.3 to 15,862.3 for FY 2003. As of January 26, 2002, the number of filled positions, excluding exempt position in higher education, was 15,318.9. This is more than five hundred positions below the current ceiling, and is consistent with the Administration's imposition by executive order of a hiring freeze in support of the management of state government operations in a fiscally prudent manner.

The Governor's budget recommendations seek to preserve key investments to build the economy and to provide better and more cost-effective services to our citizens.

Overview

***Budget Reserve Fund
Remains Intact***

The Budget Reserve Fund will remain fully funded at 3% of total resources in the Governor's budget recommendation. The use of the reserve fund to resolve the budget problems was not viewed as a viable alternative due to the relationship with the Rhode Island Capital Plan Fund and the constitutional and statutory requirements for repayment. The Governor's recommendation is based upon the policy that Budget Reserve Funds should be reserved only for an unanticipated shortfall which would be impossible to address in the time permitted. The FY 2002 and FY 2003 projected deficits have been anticipated and are resolved by the budget plans recommended.

Phase V of the Governor's income tax rate reduction initiative is reflected in the FY 2003 Budget. In the FY 1998 Budget, the Governor proposed a reduction in the personal income tax rate from 27.5 percent of federal tax liability to 25.0 percent over a five-year period. Due to changes in federal tax law, the base was changed from federal tax liability to federal taxable income effective January 1, 2001. The five-year rate reduction schedule is as follows:

***Taxpayer Relief:
Personal Income Tax
Reduced to 25.0
Percent***

Phases I through V have been implemented:

Effective January 1, 1998 - rate reduced from 27.5% to 27.0% (Phase I)
Effective January 1, 1999 - rate reduced from 27.0% to 26.5% (Phase II)
Effective January 1, 2000 - rate reduced from 26.5% to 26.0% (Phase III)
Effective January 1, 2001 - rate reduced from 26.0% to 25.5% (Phase IV)
Effective January 1, 2002 - rate reduced from 25.5% to 25.0% (Phase V)

***Taxpayer Relief:
Tax Deductible
Contributions to the
CollegeBoundfund***

The Governor's FY 2003 budget recommends that non-rollover contributions to the state's tuition savings plan, the CollegeBoundfund, be given preferential Rhode Island income tax treatment effective January 1, 2002. The tax preference is to be given in the form of a deduction from adjusted federal taxable income of up to \$500 per individual taxpayer, or \$1,000 for taxpayers filing a joint return, for contributions made to eligible accounts maintained with the CollegeBoundfund. The Governor's support for this initiative of the General Treasurer allows eligible participants to make what are essentially pre-tax contributions to the CollegeBoundfund of up to \$1,000 per year.

An additional aspect of the counter-cyclical budget plan is the Governor's proposal to delay the transfer of all gas tax receipts to transportation programs including DOT, RIPTA, and the para-transit program in the Department of Elderly Affairs by FY 2003. The Governor recommends that the last .25 cent transfer to the Department of Transportation be implemented in FY 2004, rather than FY 2003.

***Gas Tax Transfer
Program in the FY 2003
Budget***

The scheduled transfers are:

Overview

Completed

Effective FY 1998 – transfer 2.0 cents to DOT for a total of 16.00 cents.
 Effective FY 1999 – transfer an additional 1.5 cents to DOT for a total of 17.50 cents
 Effective FY 1999 – transfer an additional 2.0 cents to RIPTA for a total of 5.00 cents
 Effective FY 2000 – transfer an additional 0.75 cent to DOT for a total of 18.25 cents
 Effective FY 2000 – transfer an additional 0.5 cent to RIPTA for a total of 5.50 cents
 Effective FY 2001 – transfer an additional 0.25 cent to RIPTA for a total of 5.75 cents
 Effective FY 2001 – transfer an additional 1.25 cents to DOT for a total of 19.50 cents
 Effective FY 2002 – transfer an additional 1.0 cent to DOT for a total of 20.50 cents
 Effective FY 2002 – transfer an additional 0.5 cent to RIPTA for a total of 6.25 cents

Recommended

Effective FY 2003 – delay the transfer of an additional 0.25 cent from the state general fund to DOT and leave the allocation at FY 2002 levels.
 Effective FY 2004 – transfer an additional 0.25 cent to DOT for a total of 20.75 cents

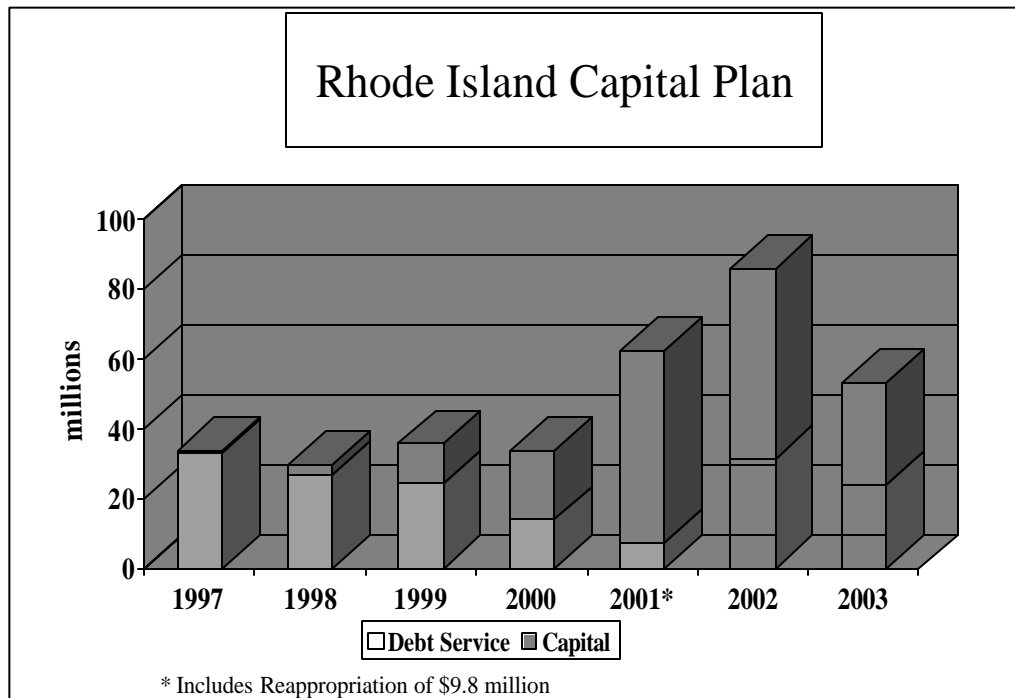
In FY 2003, the distribution of the gas tax would be: RIPTA – 6.25 cents, DEA – 1.00 cent, DOT – 20.5 cents, General Fund – 0.25 cent.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Intermodal Surface Transportation Fund Transfers (in cents)							
<i>Department of Transportation</i>	16.0	17.5	18.25	19.50	20.5	20.5	20.75
<i>RI Public Transportation Authority</i>	3.0	5.0	5.50	5.75	6.25	6.25	6.25
<i>Department of Elderly Affairs</i>	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<i>General Fund</i>	8.0	4.5	3.25	1.75	0.25	0.25	0.00
<i>Total Gas Tax Levy, in cents:</i>	28.0	28.0	28.0	28.0	28.0	28.0	28.0

The FY 2003 recommended budget is proof that a moderate multi-year plan can be successful. In the early years of the Rhode Island Capital Fund, over ninety-five percent of the resources were used for debt service. The Governor recommended a plan which would gradually transfer debt service back to general revenues, and utilize the fund's resources to complete much needed capital projects. While utilizing an additional \$16.5 million in FY2002 and \$23.8 million FY2003 for debt service to provide operating budget relief, there are still funds made available for critical capital projects. "Pay as you go" funding provides \$54.2 million in FY2002 and \$29.2 million in FY2003 for capital projects.

***"Pay-As-You-Go"
Capital Plan
Continues***

Overview



Debt Reduction

The Governor's recommended Capital Budget and Operating Budget reflect an enhanced plan for debt reduction using approximately \$272.2 million of resources from the proceeds of the proposed tobacco securitization bonds to defease \$278.1 million of general obligation debt. This proposed refunding of outstanding general obligation debt, will result in a significant reduction in the State's net tax supported debt position. This decrease in the Rhode Island's net tax supported debt is due to the fact that the tobacco revenue bonds will not be a liability of the State. The use of these accelerated tobacco settlement resources will advance the trend of reducing net tax supported debt beyond that which had been displayed in previous Capital Budgets. It would also result in \$43.9 million of debt service savings in FY 2003, plus additional savings over the next ten years, providing budget relief of \$324.7 million during that period. The State's net tax supported debt position is projected to be \$1.795 billion at the end of FY 2003 without recognizing this defeasance. With this recommendation, the position is reduced to \$1.551 billion. This is an important factor in the State's credit review and it is expected that this recommendation will improve the state's debt ratios through FY 2012.

This action will compensate for the deviation from the State's goals to utilize Sinking Fund resources to defease debt. To address the needs of state government operations and to enhance key investments to Rhode Island's competitiveness, the Governor is recommending that the resources dedicated to the Sinking Fund for debt reduction be adjusted to reflect competing priorities. Therefore, funds which would have been directed by statute to the Sinking Fund are recommended as a resource in the General Fund. The Governor recommends that accelerated tobacco master settlement proceeds be utilized instead.

This recommendation will continue the trend of debt reduction, surpassing the milestone achieved in August 2000 when all debt issued by the Depositors Economic Protection Corporation (DEPCO) was

Overview

fully paid, cancelled or defeased. This achievement was the result of prudent and disciplined financial management. Beginning in 1998, DEPCO retained all of the excess dedicated sales tax and all amounts it received from settlements and legal proceedings, and used it to pay its debt as funds became available. These funds allowed DEPCO to pay, cancel or defease all bonds by August 1, 2000, twenty-two years earlier than the original pay down schedule. The taxpayers have benefited from the savings achieved through the early repayments in an amount estimated to be in excess of \$800 million. If DEPCO had proceeded with the original amortization schedule in place when the State's 1995-1999 Capital Budget was published, principal of \$441.3 million would remain outstanding, with \$324.2 million of interest owed on the debt, rather than no debt or interest obligations on August 1, 2000.

Education Aid to Local Governments totals \$703.5 million in FY 2003, a \$27.9 million increase in state support relative to the FY 2002 revised budget (restated to include the Metropolitan Career and Technical School). This represents a 4.1 percent increase above the revised FY 2002 budget. This includes an increase of \$7.3 million in teacher retirement obligations, attributable to higher FY 2003 contribution rates and a higher estimated teacher salary base. The net increase of \$20.6 million in categorical education aid represents a 3.4 percent increase from FY 2002.

***Local Education Aid
Up 3.4%***

The recommendation reflects the Governor's continuing emphasis on education, and includes an increase in categorical state aid of \$20.6 million, or 3.4%, from FY 2002 enacted and recommended levels. Charter school funding increases \$4.0 million, and includes funds for one new school in September 2002. Increases in Student Equity funding of \$5.0 million and Targeted Aid of \$10.2 million indicate continuing support for urban districts. The Governor's recommendation includes a guaranteed minimum increase for all school districts of one percent.

Increases for other aid categories are: Core Instruction Equity, \$315,971; Group Home financing, \$435,000; Full-Day Kindergarten, \$933,800; Central Falls, \$1.2 million; and General Education Aid \$1.9 million. Reductions are recommended for \$2.7 million in Progressive Support and Intervention, \$435,000 in Professional Development, and \$245,000 in Vocational Education. Two categories are eliminated in their entirety: the Gates Foundation from \$664,000 in FY 2002, and Textbook Expansion from \$320,000. Included in the Governor's recommendation is the reduction in general revenue funds of \$405,000 for Child Opportunity Zones (COZs). This program would no longer receive general revenue financing.

For the first time, the Metropolitan Career and Technical School is included in education aid discussions and in education aid tables. The FY 2003 budget includes a total of \$3.2 million for the Metropolitan School, an increase of \$1.0 million, or 50.0 percent, from FY 2002, and reflects the projected addition of 110 students and the initial opening of a campus on Public Street in Providence.

The Governor's first priority is to direct the maximum funding possible to education programs in fiscal year 2003. This is amply illustrated by the fact that education programs will receive \$35.6 million more funding in fiscal 2003 than in the revised fiscal 2002 budget. This amount is more than eighty percent of the \$44.0 million statewide increase for all programs. The Governor's budget recommends freezing the exemption level for the auto excise tax at the proposed level for fiscal 2002. This is consistent with the Governor's stated position that he would assess the affordability of this tax phase out in each fiscal year. The auto excise tax exemption will remain at the \$3,500 level, but will provide for an annual inflationary component, and a tax roll growth component in determining the total

***Auto Excise
Tax Exemption
Frozen***

Overview

payment to the cities and towns. The Governor recommends funding the Motor Vehicle Excise Tax program at \$86.5 million in FY 2003. This is an increase of \$9.9 million from the FY 2002 revised funding level, and will provide for payments to each city and town at the FY 2002 level, with additions for growth in Consumer Price Index and in tax rolls for each municipality.

The Governor recommends financing the motor vehicle tax program at the \$3,500 exemption level, or \$86.5 million reflecting a \$9.9 million increase over the 2002 revised level. The Governor's recommended general revenue sharing for FY 2003 is \$48.3 million and represents an increase of \$4.7 million from the revised FY 2002 budget. This level represents 2.4 percent of state tax revenue, reflecting a postponement of the scheduled expansion to 2.7 percent. The Payment-in-Lieu-of-Taxes (PILOT) program is funded at \$18.1 million, reflecting level funding, and State Library Aid is also level funded at \$6.3 million. Local aid increases by \$15.1 million, or 9.7 percent, from the FY 2002 revised levels. Additional funds will be provided to municipalities through an increase in the public service corporation tax of \$6.7 million. Total aid distributed to local communities, including the public service corporation tax distributions is expected to increase by \$21.7 million, or 12.7 percent.

***State Aid Increases by
\$15.1 million or 9.7%***

***(Total distribution up
\$21.6 million or 12.7%)***

***Higher Education
Support Up 4.0%***

For FY 2003, the Governor recommends total expenditures of \$558.5 million for Public Higher Education. This is financed by general revenue appropriations totaling \$181.4 million, \$2.4 million in federal funds, and \$374.7 million in other funds. Other funds include tuition revenues, which are projected to grow by \$5.4 million, or 4.0 percent. The net \$6.9 million expenditure increase includes additional personnel funding of \$6.2 million, \$1.4 million for current services operating costs, and a decrease of \$0.7 million for scholarship funding. Within the Rhode Island Capital Plan Fund, \$15.3 million is recommended for Higher Education asset protection programs and other capital facility improvements. When debt service costs related to higher education, which are recorded in the Department of Administration, are recognized, total state support increases by \$8.1 million in FY 2003 for a total increase of 4.6%.

In response to the terrorist attack on September 11, 2001, the Governor includes funding in FY 2002 to address public safety issues statewide. The Military Staff and State Police have provided enhanced security for T.F. Green Airport and will be reimbursed by the Airport Corporation. The FY 2002 revised budget provides general revenue of \$600,000 for court security enhancements within the Judicial Department. Enhancements to State House security, both prior to and subsequent to September 11th, have been financed from existing Rhode Island Capital funds programmed for the State House. Federal funding will be used to purchase a bomb vehicle and bomb equipment for the State Fire Marshal in order to increase the agency's ability to respond to incidents involving explosive materials.

***Public Safety
Investments***

The Department of Health has received federal Bio-terrorism grants of \$885,405 in FY 2002 and \$626,405 in FY 2003 for the purpose of increasing the state's preparedness to respond to a biological or chemical weapons attack. In addition, the Federal government has announced the awarding of supplemental bioterrorism funds in the amount of \$7.3 million, which is not included in the Governor's budget, to upgrade infectious disease surveillance and expand public health laboratory and communication systems capacities. Also included is \$649,325 to enhance the readiness of hospital systems to deal with large numbers of casualties. The Department of Health anticipates using these funds

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for building connectivity and capacity for high speed, secure wireless connections, and blast faxing and email capabilities. In addition, the state will focus on the following: building laboratory capacity; ensuring data security and redundancy; development of an education and training plan that will reach health professionals, emergency room physicians and nurses, and city and town employees; development of an emergency plan for the reception and distribution of the pharmaceutical stockpile; and, building a national public health knowledge management system for use of web pages for dissemination of information. Key in-state partners are the Rhode Island Emergency Management Agency, cities and towns including local emergency response agencies, physicians, hospitals, private laboratories and clinics, and schools and universities, among others. The Rhode Island Emergency Management Agency also anticipates the award of \$3.0 million in additional federal funds for homeland security. The grants would be used to train emergency personnel for response to terrorist attacks, and to conduct simulated disaster exercises, and to purchase emergency response equipment including hazardous material suits and chemical and biohazard testing equipment.

In addition to funding on-going services in public safety, the Governor is recommending an initiative in the area of probation and parole in response to the Legislative Commission to Study an Enhanced Role for Probation and Parole. Funding of \$500,000 is provided for two programs. The Department of Corrections will expand the intensive supervision of sex offenders beyond the Providence/Cranston/Johnston area to the entire state. The expanded Sex Offender Supervision unit will supervise offenders based on the level of risk to the community, offer closer monitoring of offenders through increased use of polygraph testing, provide closer contact and coordination with law enforcement and local treatment agencies, and enable the department to maintain a one to thirty caseload ratio as utilized in other jurisdictions. The initiative would also provide for the establishment of a special community-based probation unit in Providence. This unit will target supervision to those offenders requiring the closest scrutiny.

The Governor recommends significant investments in capital construction. Construction on a new Kent County Courthouse is scheduled to begin in FY 2003, with funding of \$51.8 million over three years. In addressing the Department of Correction's Master Plan for capacity improvements to the state's facilities, \$120.8 million is programmed over the next five years. The Plan includes the addition of a segregation unit to Moran Medium Security, as well as additions to the High Security Center and to Maximum Security. Commencing in FY 2004, the Governor recommends the establishment of four Community Corrections Centers. The Governor recommends that the correctional projects be financed primarily through the issuance of certificates of participation, or through the Rhode Island Refunding Bond Authority, if constrained by existing leases relating to previous Rhode Island Public Building Authority financings.

Overview

***Investments in Health
Care***

The Governor's FY 2003 recommendation includes full funding for medical assistance for state clients, including provider rate adjustments, in conformance with levels adopted by the consensus caseload estimating conference. The Medical Benefits program in the Department of Human Services finances health care benefits for eligible clients in a variety of settings, including hospitals, assisted living arrangements, nursing homes, clinics and offices, and through a variety of models, including fee-for-service, managed care, and subsidy of federal and private health insurance. Not including reimbursements to hospitals for uncompensated care, and to local education authorities for special education, FY 2003 recommendations total \$849.4 million, including \$383.8 million of general revenues.

Total expenditures of \$232.8 million are recommended for the Department of Children, Youth and Families for FY 2003. In an effort to reduce the number of children placed in out-of-state residential programs, and to reduce unnecessary stays in high-end psychiatric programs, the Governor's recommendation includes funding for 28 new in-state placements in FY 2003. Also financed is the annualized cost of the 110 new placements to be developed throughout FY 2002. The Governor's recommended budget finances 275 purchase-of-service slots, a reduction of 50 placements from the FY 2002 revised level. Continued utilization review and the increased availability of a continuum of programs should ensure that children receive services in the least restrictive environment. The Governor's Capital Improvement Plan includes funding for the construction of a new Training School. Architectural design is scheduled to be near completion by the end of FY 2003.

The Governor recommends continued funding of the Rhode Island Pharmaceutical Assistance to the Elderly Program at established eligibility levels. For FY 2003, the Governor recommends funding of \$13.3 million for this program.

In the Department of Health, the Governor recommends maintaining current service levels in most operational areas. As part of the RI e-Government initiative, the Governor recommends \$300,000 in general revenue expenditures in the Department of Health's Vital Records program to continue implementation of a new system to automate the issuance of certified copies of birth records. This funding is in addition to the \$300,000 enacted in FY 2002 for this purpose.

***Investments to Protect
the Environment***

The Governor recommends continued protection of the state's natural resources by financing current service requirements of \$77.3 million in the State's natural resources agencies in FY 2003. In the divisions of compliance and inspection, enforcement and criminal investigation, in the Department of Environmental Management, the governor recommends financing of \$4.5 million to ensure that users of the state's natural assets maintain the quality of these finite resources for future generations. Water, air and hazardous waste programs are financed at current service levels in the Governor's budget and include new and expanded initiatives provided by increased access to federal and restricted funds. The Governor continues his commitment to preserving the state's public management areas by financing building and grounds operational and maintenance requirements, and by providing staff resources at seasonal facilities. The Governor supports the Department of Environmental Management's land acquisition program to conserve natural habitats, to preserve natural vistas and recreation areas, and to protect drinking water supplies. The Governor also recommends \$1.0 million in FY 2003, plus additional matching funds from federal Superfund grants, to finance remediation costs at the Rose Hill landfill in South Kingstown.

Overview

The FY 2000 Budget marked the completion of Phase II of the development of performance measures for each major program in state government. The Budget Office's Strategic Planning Unit has worked with departments and agencies in the development of program performance measures which decision makers and the public at large can use to evaluate program outcomes on an annual basis. These measures are included on the agency and program financing pages in the FY 2003 budget document and are described further in the Technical Appendix document. In the FY 2003 Budget, there are 262 performance measures for 47 departments and agencies of state government.

***Performance
Measurement/
Financial Integrity***

***Five-Year
Projection***

The fiscal 2003 executive summary also contains a five-year forecast as required by statute. The forecast warns that pressures to enhance educational services and other local aid programs, as well as programs for the more vulnerable segments of the population, are predicted to result in expenditure growth which outpaces revenue generation. By fiscal year 2007, it is estimated that expenditures will exceed revenues by \$375.9 million.

The Economy

Summary

The Consensus Revenue Estimating Conference convenes twice each year, 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 require the adoption of a consensus economic forecast at the Revenue Estimating Conference. Prior to the November 2001 conference, the conferees adopted a Rhode Island fiscal year forecast for Rhode Island total employment, Rhode Island personal income, and the U.S. consumer price index for all urban consumers covering the last fiscal year, the current fiscal year, and the budget year.

Due to the Rhode Island Division of Taxation's procurement of an updated personal income tax simulation model in 2001, additional economic variables needed to be forecast at the November 2001 conference. Thus, in addition to the above variables, forecasts for the following economic variables were also agreed upon at the November 2001 conference (all measures are for Rhode Island unless otherwise noted): wage and salary income, farm income, non-farm business income, dividends, interest and rent, total transfer payments, the unemployment rate, the interest rate for ten year U.S. Treasury notes, and the interest rate for three month U.S. Treasury bills. Furthermore, the forecast of these economic variables was expanded to include the relevant calendar years and extended to cover the period from 2001 through 2010.

During the November 2001 conference, the conferees heard testimony from the state's two economic consulting firms, *Economy.com* and *DRI-WEFA*. At this time, both consultants believed that the U.S. economy was in recession with the recession commencing in the third calendar quarter of 2001 and likely after the terrorist attacks of September 11th. Since this meeting, the National Bureau of Economic Research has officially declared that the U.S. economy went into recession in March 2001. This timing of the recession was designated despite the fact that the U.S. economy had not experienced two consecutive quarters of negative GDP growth until the third and fourth calendar quarters of 2001.

Interestingly, Rhode Island's economy had not begun to feel the effects of the national economic slowdown until the fourth calendar quarter of 2001. This is truly a turn of events for the Rhode Island economy. Historically, Rhode Island's economy has preceded the national economy into recession and lagged the national economy in the recovery phase. The reasons why Rhode Island has deviated from this historical pattern are many and include the fact that the Rhode Island economy has undergone a structural change from a manufacturing base to a services base since the last recession of the early 1990s. Nonetheless, there is little doubt that the Rhode Island economy is currently in recession and will remain so through the first calendar quarter of 2002 and possibly longer. At this point in time, it is believed that economic recovery in Rhode Island will begin toward the end of the second calendar quarter of 2002, with the full effects of the recovery not being felt until sometime in the third calendar quarter of 2002.

The consensus economic forecast for the fiscal years 2001 to 2003 agreed upon by the conferees at the November 2001 Revenue Estimating Conference is shown in the table below. This consensus economic forecast reflects the belief that the recession will be mild to average with a recovery of similar magnitude. This forecast is in stark contrast to the actual outcome of the last recession – a recession that was much deeper and more prolonged and was followed by a slow, gradual recovery.

The Economy

The November 2001 Consensus Economic Forecast				
Rates of Growth	FY 2000	FY 2001	FY 2002	FY 2003
Total Employment	2.3%	1.4%	-1.1%	0.3%
Personal Income	6.4%	5.9%	3.0%	3.8%
Wage and Salary Income	6.3%	6.8%	3.3%	4.0%
Farm Income	10.0%	-23.3%	-15.6%	8.5%
Non-farm Business Income	7.2%	5.8%	3.7%	6.0%
Dividends, Interest and Rent	7.4%	4.4%	-2.0%	-1.0%
Total Transfer Payments	4.2%	4.8%	8.5%	8.2%
U.S. CPI-U	1.5%	2.2%	3.4%	2.9%
Nominal Levels				
Unemployment Rate	4.2%	4.0%	5.9%	6.2%
Ten Year Treasury Notes	5.64%	6.03%	5.00%	5.30%
Three Month Treasury Bills	4.64%	5.82%	3.40%	3.90%

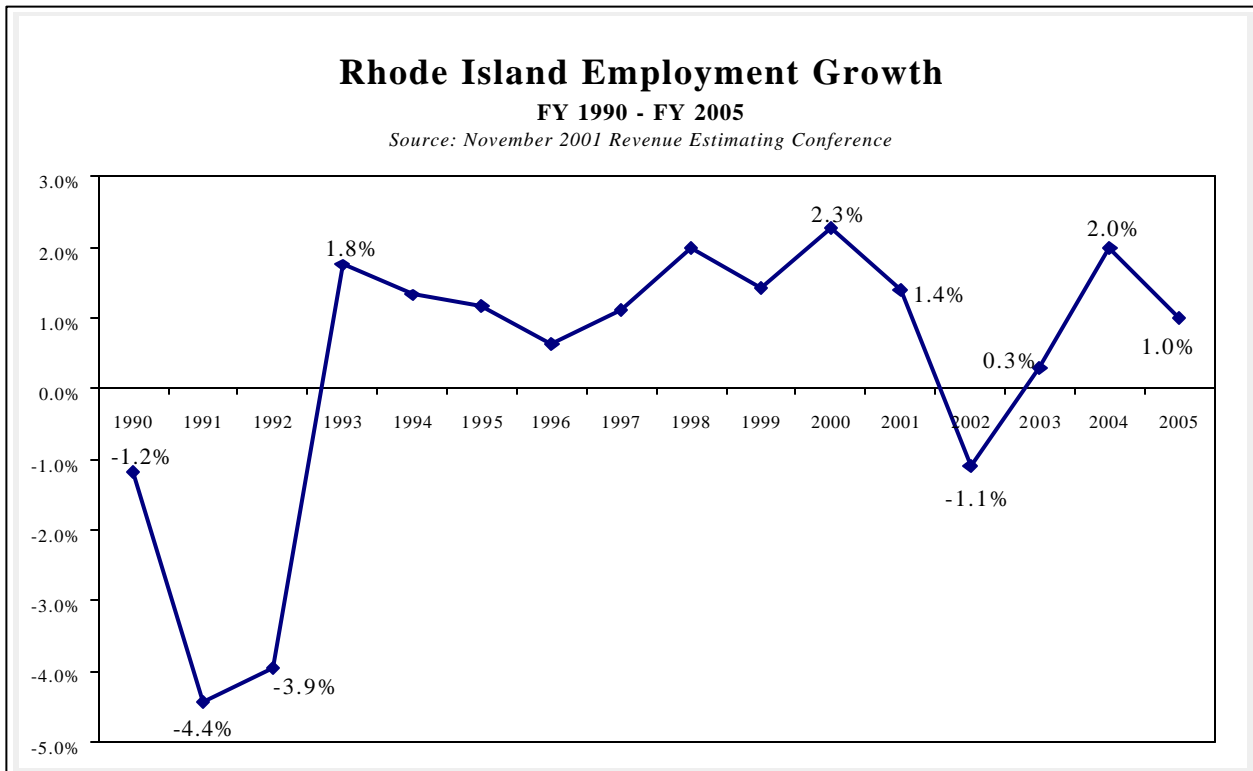
Employment

Although the Rhode Island economy is currently considered to be in recession, the state's labor market has yet to feel the full effects of the recession. As reported by the Rhode Island Department of Labor and Training (DLT), Rhode Island's seasonally adjusted unemployment rate for the month of December 2001 was 4.8 percent. This compares to a seasonally adjusted unemployment rate of 3.6 percent for December 2000, an increase of 33% over the year. Despite this increase in the unemployment rate over the year, Rhode Island's current unemployment rate remains well below the national rate of 5.8 percent. The November 2001 Revenue Estimating Conference (REC) forecasts an increase in the Rhode Island unemployment rate to 5.9% in FY 2002 with a further increase to 6.2% in FY 2003.

According DLT, employment at Rhode Island businesses reached a December record in December 2001. This occurred despite increased layoffs, higher unemployment rates and an emerging recession. DLT data indicate that Rhode Island total employment was 486,900 in December 2001, an increase of 0.5% from the 484,000 jobs reported in December 2000. Even though this figure represents an all time high, the gain in December 2001 was "the smallest annual December gain experienced in the past ten years." In spite of this over the year gain in employment at Rhode Island businesses, Rhode Island resident employment fell from 489,400 in December 2000 to 480,600 in December 2001 and the number of unemployed Rhode Islanders rose from 18,300 to 24,200. These data likely reflect the job losses of Rhode Islanders who work in neighboring states such as Massachusetts. According to the November 2001 REC, Rhode Island employment on a fiscal year basis is expected to decline to 472,700 in FY 2002, a loss of approximately 5,275 jobs from FY 2001. Weak recovery is forecast for FY 2003, with Rhode Island employment rising to 474,100, or eight-tenths of one percent (0.8%) below the FY 2001 level.

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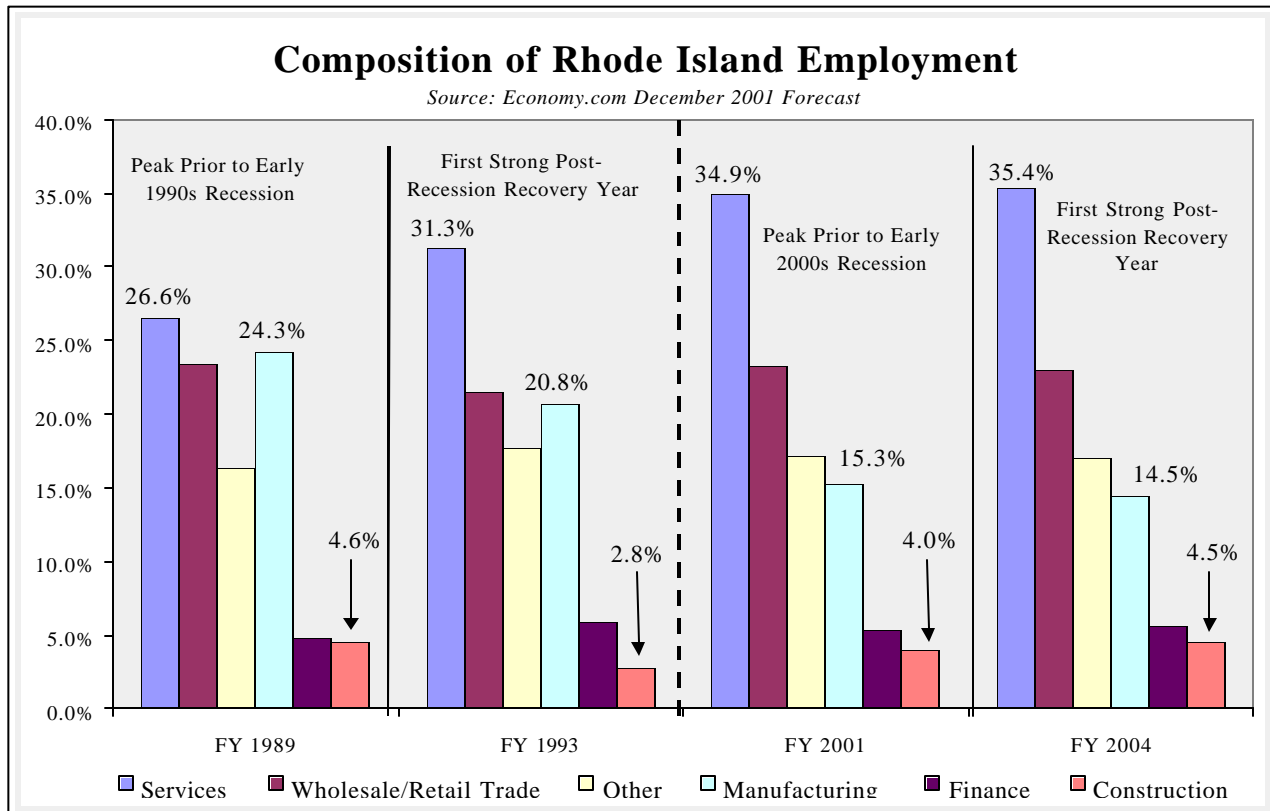
Rhode Island employment will continue to see further deterioration in the manufacturing and services sector. According to DLT, the Manufacturing sector shed 3,200 jobs between December 2000 and December 2001 and Business Services showed a decrease of 1,800 jobs in the same period. This deterioration was offset in part by employment gains in the construction and financial services sectors. Again, according to DLT, the over the year gain in employment in December 2001 was due primarily to increased employment of 2,000 in the Contract Construction industry, 1,200 in the Finance, Insurance and Real Estate sector, and 1,000 in the Trade and Government category. In spite of the loss of 1,800 jobs in the Business Services component, attributable primarily to decreases in temporary staffing, the Services division posted a net over the year gain of 500 jobs.



The chart above exhibits the forecasted change in the growth of Rhode Island employment compared to the growth rate experienced during the early 1990s recession. In the early 1990s recession, the state experienced negative job growth for three consecutive fiscal years. The result was a loss of approximately 43,000 jobs with nearly 21,000 jobs being lost in manufacturing alone. Although job growth was positive in the seven subsequent fiscal years, it wasn't until FY 2000 that Rhode Island employment surpassed its pre-recession high. The November 2001 REC predicted negative employment growth for only one fiscal year, FY 2002, with relatively flat growth in FY 2003 and more robust growth in FY 2004. According to the forecast, Rhode Island total employment should surpass its pre-recession high of 478,000 in FY 2001 sometime in FY 2004 and grow moderately through FY 2010. In terms of employment then, the forecasted recovery in Rhode Island should take hold quickly (i.e., a "V" shaped rate of employment growth curve) as compared to the much weaker recovery that took hold after the early 1990s recession (i.e., a "U" shaped rate of employment growth curve).

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Part of the reason for the extended weakness in the Rhode Island labor market during the early 1990s recession was that the state's economy was undergoing a structural change at the same time that it was in recession. This is best demonstrated by considering the composition of employment in Rhode Island in the peak year prior to recession and in the first strong post-recession recovery year. The composition of Rhode Island employment for these periods for the early 1990s recession and the early 2000s recession are shown in the chart below. The peak year prior to the early 1990s recession was FY 1989 while the first strong post-recession recovery year was FY 1993. For the early 2000s recession, these same years are FY 2001 and FY 2004 respectively. The chart below displays the change in the composition of Rhode Island employment in these two periods.



In FY 1989, 24.3% of Rhode Island employment was in the manufacturing sector and 26.6% was in services. In FY 1993, the first strong post-recession recovery year, the percentage of Rhode Island employment concentrated in manufacturing had fallen to 20.8% and the percentage of Rhode Island employment accounted for by services had risen to 31.3%. Most of the decline in manufacturing jobs was in the area of durables manufacturing (e.g., jewelry) and most of the gain in service jobs was in health services. In addition, during this same period, construction jobs as a percentage of total employment in Rhode Island fell from 4.6% to 2.8%. This drop was likely due to the financial collapse of the state's privately insured credit unions and the subsequent drying up of funds that had fed the late 1980s construction boom in Rhode Island. Thus, the early 1990s recession wrought a structural transformation in Rhode Island's labor market, shifting from a manufacturing to a services orientation.

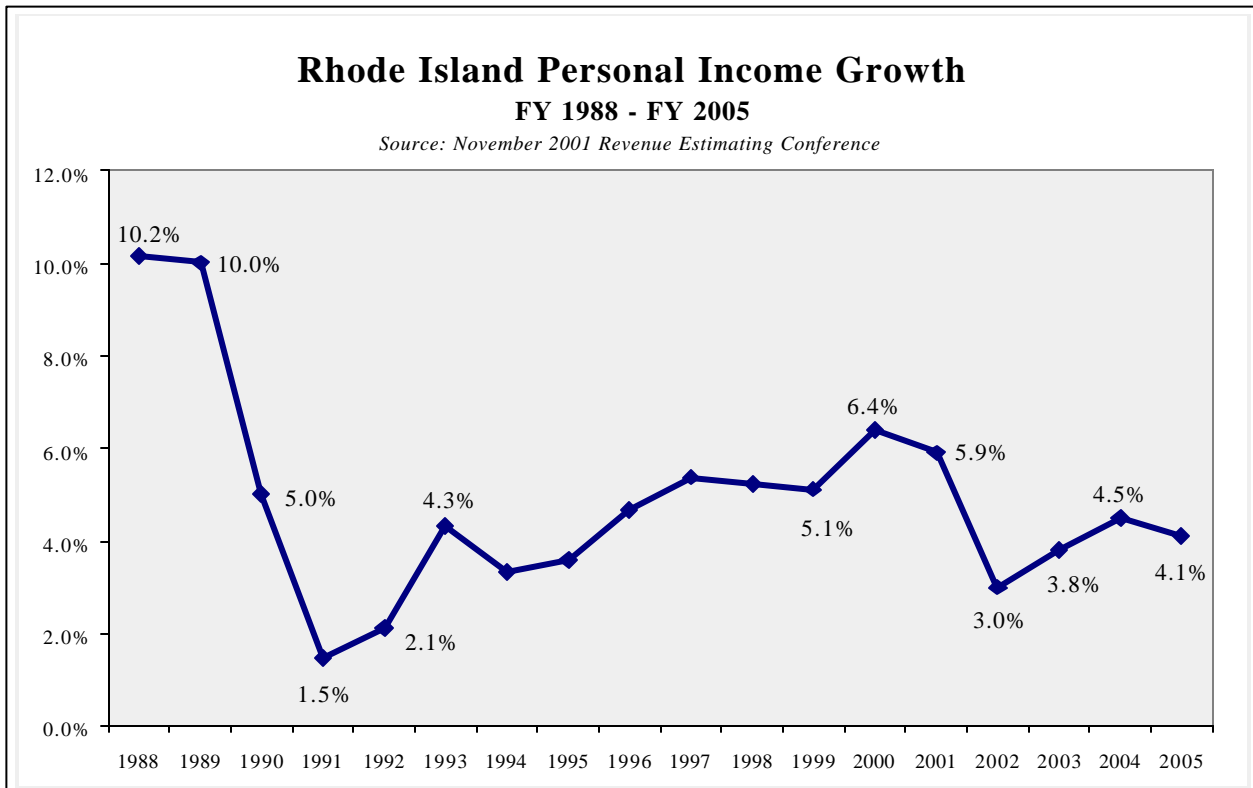
The current recession is expected to result in a slight shifting of employment sectors as compared to the structural change evidenced in the last recession. In FY 2001, 15.3% of Rhode Island employment was in the manufacturing sector and 34.9% was in services. In FY 2004, the expected first strong post-recession recovery year, the percentage of Rhode Island employment concentrated in manufacturing is expected to

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fall to 14.5% and the percentage of Rhode Island employment accounted for by services is expected to rise to 35.4%. This slight shift from manufacturing to services is consistent with an economic downturn rather than a structural change in the economy. During this same period, construction jobs as a percentage of total employment in Rhode Island are expected to increase from 4.0% to 4.5%. This relatively significant increase is due to the fact that the state is in the process of commencing several large public construction projects that will have significant impacts in the future.

Personal Income

The expected performance of personal income growth in Rhode Island during the current recession also differs sharply from that which occurred in the early 1990s recession. This is illustrated in the chart below. Just prior to the early 1990s recession, Rhode Island personal income grew at a double-digit rate. According to *Economy.com's December 2001 Rhode Island Fiscal Year Forecast*, in FY 1988 Rhode Island personal income growth was 10.2% and in FY 1989 it was 10.0%. This compared to U.S. growth in personal income of approximately 7.6% in FY 1989 (the earliest time period for which data is available). This high rate of growth in Rhode Island personal income was clearly not sustainable and was indicative of the speculative bubble that had developed in the Rhode Island economy during the late 1980s. This speculative bubble had been fueled by the liberal lending practices of the state's privately insured credit unions and to a lesser extent massive federal defense spending.



After the demise of the Soviet Empire in late 1989, federal defense spending began to decline over the 1990-1992 period. This development had the effect of removing high-paying manufacturing jobs from Rhode Island's economic base. The collapse of Rhode Island's privately insured credit unions at the beginning of 1991 further exacerbated this decline by freezing many Rhode Islanders financial assets for

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a substantial period of time. The result of these two events was to decrease the rate of growth in Rhode Island personal income to a still respectable 5.0% in FY 1990, an anemic 1.5% in FY 1991, and a lethargic 2.1% in FY 1992. It wasn't until the first strong recovery year of FY 1993 that personal income growth in Rhode Island began to attain more reasonable levels.

The underlying structure of Rhode Island's economy is radically different from the late 1980s-early 1990s. Rhode Island's dependence on federal defense spending to provide high paying manufacturing jobs has lessened and the financial house of cards that was Rhode Island's privately insured credit unions has been eliminated entirely. As a result, prior to the onset of the early 2000s recession, Rhode Island's rate of growth in personal income in FY 1999 and FY 2000, the two fiscal years immediately prior to the onset of recession, was a more moderate 5.1% and 6.4% respectively. At the federal level, the growth rate in personal income was 5.9% in each of these periods. Thus, prior to the onset of the early 2000s recession, Rhode Island personal income growth was much less divergent from national levels indicating that changes in the Rhode Island economy would mirror changes in the national economy.

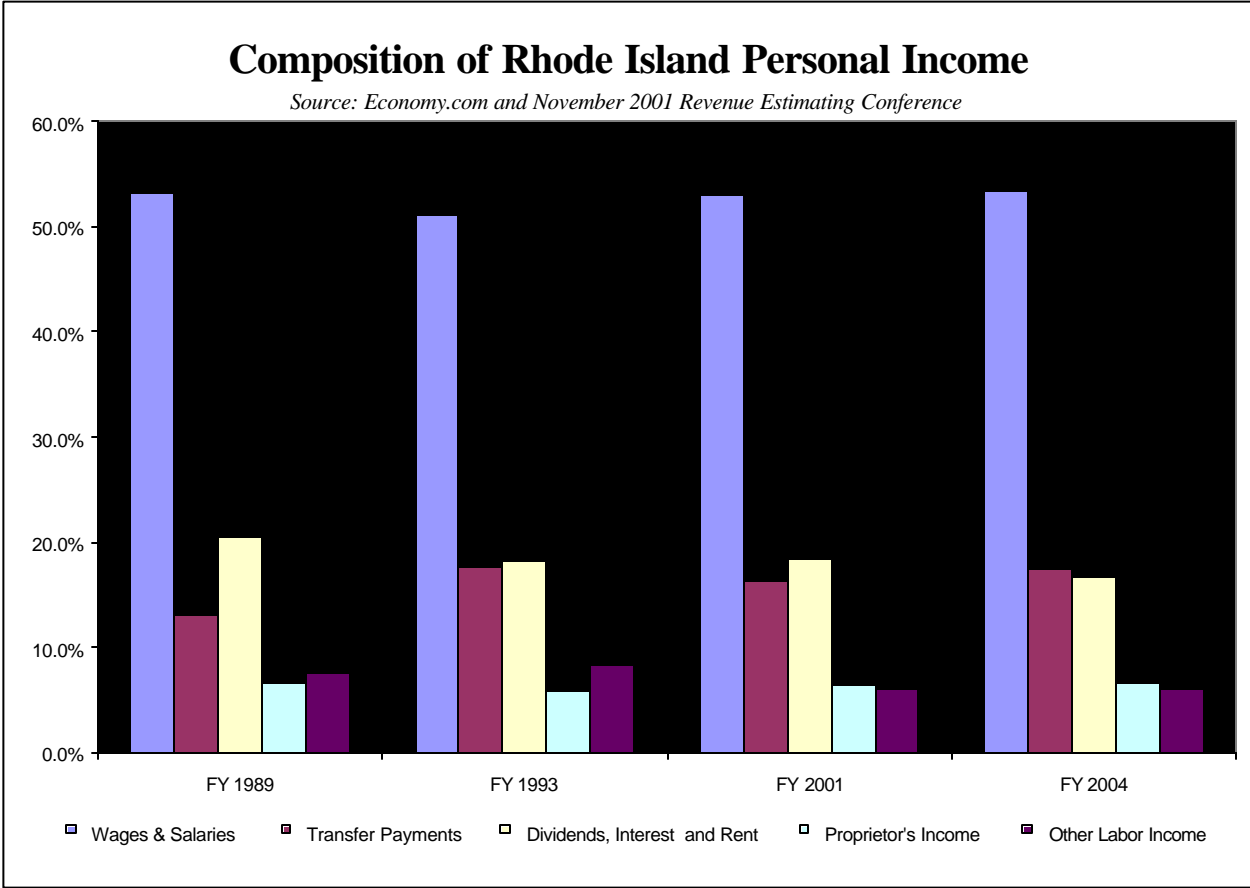
In FY 2001, Rhode Island personal income growth began to decelerate toward the U.S. rate of growth in personal income, falling to 5.9% as compared to the U.S. rate of growth of 6.0%. In the early 1990s recession, Rhode Island personal income growth overshot the decline in the rate of growth in U.S. personal income falling to 5.0%, while the U.S. rate fell to 7.0%. In FY 2002, the November 2001 REC forecast for Rhode Island personal income growth calls for a decrease to a 3.0% growth rate, a rate of growth twice that of the low in the early 1990s recession. In FY 2002, *Economy.com* forecasts the rate of growth in U.S. personal income to fall to a 3.9% rate of growth. Thus, even though, the decline in the growth rate of Rhode Island personal income is expected to overshoot that of the U.S. as a whole, the degree of overshooting is considerably less than in the previous recession. Further, the November 2001 REC forecast for Rhode Island personal income growth in FY 2003 is 3.8%, again nearly twice the rate of growth that occurred during the comparable period (i.e., FY 1992) of the last recession.

The composition of Rhode Island personal income also underwent a substantive change during the early 1990s recession and a less pronounced change is anticipated for the early 2000s recession. The chart below illustrates this difference. In FY 1989, the peak year prior to the onset of the early 1990s recession, wages and salaries comprised 53.2% of Rhode Island personal income, transfer payments, including unemployment insurance and social security payments, were 13.1%, and dividends, interest and rent, were 20.5%. By FY 1993, the first strong post recession recovery year at the end of the early 1990s recession, the composition of personal income had changed considerably. Wages and salaries as a percentage of personal income fell to 51.0%, transfer payments had risen to 17.6% of personal income, and dividends, interest and rent had declined to 18.5% of personal income. The sharp increase in transfer payments over this period was indicative of the depth and breadth of the recession.

In FY 2001, the peak year prior to the onset of the early 2000s recession, wages and salaries comprised 52.9% of personal income, transfer payments 16.3%, and dividends, interest and rent 18.4%. Interestingly, the percentage of Rhode Island personal income attributable to dividends, interest and rent was lower than in FY 1989 and not significantly different than in FY 1993. This is likely a reflection of the strong stock market in the U.S. in the late 1990s. Transfer payments as a percentage of personal income were significantly higher in FY 2001 than FY 1989 and likely reflect the graying of Rhode Island's population. The November 2001 REC forecast for FY 2004, the first strong post recession recovery year at the end of the early 2000s recession, has wages and salaries as 53.3% of personal income, transfer payments as 17.5% of personal income, and dividends, interest and rent as 16.6% of personal income. The rise in transfer payments from FY 2001 to FY 2004 is considerably less than in the previous recession, indicating that the depth and breadth of the early 2000s recession is expected to be

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much less severe than that of the early 1990s. In addition, the slight increase in wages and salaries as a percentage of personal income indicates that the labor market will remain strong during the current economic downturn.



Revenues and Receipts

The FY 2003 budget recommends appropriation of funds totaling of \$5.344 billion. The largest source of funds is general revenue, which equals \$2.669 billion, or 49.9 percent of the total budget. General Revenue expenditures are discussed in greater detail on the following pages.

Federal funds of \$1.617 billion are the second largest source of revenue, and are 30.3 percent of the total. Federal funds in FY 2003 decrease by approximately \$24.6 million over the revised FY 2002 budget due to the following items:

- A decrease of \$3.1 million for the Department of Administration, primarily attributable to a reduction in Community Development Block grant awards. The funding for these grants was increased significantly in FY 2002 and is returning to more normal levels for FY 2003.
- A decrease of \$5.8 million of federal funds within the Department of Labor and Training, mostly associated with discretionary grants for workforce development programs. This reduction is associated with the end of specific discretionary grants and program support. The affected programs include: Welfare to Work, the Workforce Investment Act and the Unemployment Insurance program.
- An increase of \$3.6 million in additional federal revenues for the Department of Children, Youth and Families. This increase is primarily attributable to an increase in the Medical Assistance Program and changes resulting from the Federal Matching Assistance Percentage (FMAP) rate change. Also included in the increase are adjustments for Justice Link Computer related expenditures and for programs relating to promoting safe and stable families.
- An increase of \$44.1 million in additional federal revenues for the Department of Human Services. This increase is entirely attributable to a \$44.6 million increase in Federal Medicaid grants. This increase is a composite of expanded and increased federal reimbursement rates. There is a \$48.5 million increase from FY 2002 revised levels for all funds in the Medical Benefits program. This amount is related to increases in all categories of Medicaid cost from expanding caseloads and cost inflation. The growth in federal costs for this increase at FY 2002 reimbursement rates is approximately \$25.6 million. Because of updated demographic information related to the 2000 United States Census, federal Medicaid matching rates are increasing from 52.45 percent in federal fiscal year 2002 to 55.4 percent in federal fiscal year 2003. This results in a four percent decrease in state Medicaid expenditures in state fiscal year 2003 compared to SFY 2003. The increased federal charges resulting are approximately \$19.0 million, and when included with the \$25.6 million in benefit growth, accounts for the \$44.6 million change.
- An increase of \$17.1 million in additional federal revenues for the Department of Mental Health Retardation and Hospitals. This increase is primarily attributable to the FMAP rate adjustments, salary and fringe benefit changes, case load and service changes in Developmental Disabilities, not-for-profit provider COLA adjustments within the Developmental Disability, Mental Health and Substance Abuse systems, and a new State Incentive Grant related to prevention activity in Substance Abuse.
- An increase of \$2.7 million within the Department of Corrections primarily due to the Violent Offender Incarceration/Truth in Sentencing Act. This act provides funding for construction projects to expand bed space and provide substance abuse services for violent offenders.
- A decrease of \$2.0 million in the State Police due to the one-time purchase, in FY 2002, of 79 in-car video systems, the replacement of approximately 100 computers and related expenditures. It also

Revenues and Receipts

- reflects a one-time grant, in FY 2002, to support the development of a National Incident -Based Reporting System.
- A decrease of \$32.4 million in the Department of Transportation (DOT) is primarily due to a reduction in federal funds resulting from a transfer of \$30.9 million of transit grants from the Department of Transportation to the Rhode Island Public Transit Authority (RIPTA).

Restricted receipts of \$134.9 million equal 2.5 percent of total revenue sources in FY 2003. Restricted receipts are revenues (such as licenses and fees) which are solely dedicated to activities specified by the legislation that created the receipt. Restricted receipts increase \$21.5 million from the FY 2002 revised budget to FY 2003. The most significant changes are:

- A net increase of \$1.9 million in the Department of Labor and Training, primarily for additional expenditures for the Human Resource Investment Council, an increased use of Tardy Funds and an increase in the availability of funding for Worker's Compensation related programs.
- A decrease of \$668,255 within the Department of Human Services, reflecting the completion of one major capital project financed with restricted receipt funds. A portion of each resident's income at the Veterans' Home is dedicated to a capital projects fund. During FY 2002 the Heating, Ventilation and Air Conditioning systems were upgraded. The repair projects in FY 2003 are not of the same magnitude and therefore the expenditures will be significantly less than those experienced in FY 2002.
- A net increase of \$2.7 million in the Department of Environmental Management, primarily reflects an increase for the Oil Spill Prevention, Administration and Responsibility Fund. The increase is a function of anticipated revenues, expenditures and balance forward funding from FY 2002. The funding for FY 2003 includes \$5.4 million for the Providence River dredging project.
- An increase of \$17.5 million in the Department of Transportation to accurately reflect the timing of anticipated receipt of bond funds associated with the Freight Rail Improvement Project.

For FY 2003, the Governor recommends other funds expenditures totaling \$924.1 million, or 17.3 percent of the total budget. This category is primarily comprised of funds in the University and College Fund, Employment Security and Temporary Disability funds and the portions of the gasoline tax dedicated to the Department of Transportation, the Department of Elderly Affairs, and the Rhode Island Public Transit Authority. Other funds also include operating transfers, such as the Rhode Island Capital Plan Fund (RICAP), as discussed below. Other funds increase \$4.1 million from the FY 2002 revised budget to FY 2003. The most significant changes are:

- A decrease of \$13.3 million within the Department of Administration resulting from two programs. First, a \$4.8 million increase in the General program for Rhode Island Capital Plan Fund projects. Second, a reduction of \$8.5 million in the Debt Service program, including a shift of \$7.7 million from Rhode Island Capital to general revenues, and a decrease of approximately \$0.7 million in gas tax funded debt service.
- An increase of \$15.5 million in the Department of Labor and Training for Income Support benefit payments. This includes increases in expenditures for both the Temporary Disability Insurance Fund and the Unemployment Insurance Fund.

Revenues and Receipts

- A reduction of \$1.9 million in the Office of the General Treasurer due to a reduction in purchased consultant services. The funding in FY 2003 represents the final installment of a \$20.5 million project to implement a new computerized system for the State Retirement System.
- An increase of \$5.3 million for Public Higher Education. The category of other funds, for Public Higher Education, includes institutional revenues, research funds, Rhode Island Capital Plan funds, auxiliary enterprise funds and student aid funds. The net increase reflects an increase of \$1.2 million for the University of Rhode Island, \$3.6 million for Rhode Island College and \$0.5 million for the Community College of Rhode Island.
- An increase of \$2.4 million in the Higher Education Assistance Authority reflecting increases to the College Bound Fund. The change includes \$2.0 million for new needs based scholarships and \$350,000 for in-state direct marketing.
- A reduction of \$3.5 million in the Department of Corrections due to the timing of projects funded with the Rhode Island Capital Plan Fund.
- A reduction of \$3.5 million in Judicial due to the timing of projects funded with the Rhode Island Capital Plan Fund.
- A reduction of \$3.2 million within the Department of Environmental Management due to asset protection projects at or near completion and funded with Rhode Island Capital Plan Funds.
- An increase of \$5.2 million in the Department of Transportation resulting primarily from an increase of 41.4 million for RIPTA capital projects from the Rhode Island Capital Plan Fund, and \$501,804 of resources from fees from outdoor advertising. The department will also experience an increase of \$3.3 million in gas tax revenue as a result of a change in the yield of gas tax, net of debt service.

General Revenues

The Governor's recommended budget includes general revenues of \$2.554 billion in FY 2002 and \$2.705 billion in FY 2003. Annual estimated growth during FY 2002 and FY 2003 is -0.4 percent and 5.9 percent, respectively. Estimated deposits of \$53.7 million and \$54.5 million will be made to the Budget Reserve and Cash Stabilization Fund during the same time periods.

The aforementioned estimates are predicated upon the November 2001 Consensus Revenue Estimating Conference results, and changes to general revenues recommended by the Governor. 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 on the economic forecast. The Conference members are the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor.

The November 2001 conference revised the FY 2002 enacted revenue estimate downward by \$35.7 million, a 1.4 percent decline. The Governor recommends a \$15.5 million increase in new revenues, as shown in the *General Revenue Changes to Adopted Estimates* table in this document.

Recommended revenues for FY 2002 are predicated upon a \$26.4 million decrease in collections over FY 2001, or growth of -0.4% percent. The Departmental Receipts contraction of \$19.8 million comprises the largest portion of the decrease. Much of the decrease in FY 2002 is due to anticipated losses of \$17.1 million in the Licenses and Fees component of Departmental Receipts. Personal Income Tax collections are also lower by \$30.3 million, but this decrease is more than offset by the increase in lottery receipts of \$38.5 million. This increase in lottery receipts is predicated on the Governor's proposal to increase the state's share of video lottery terminal (VLT) net income from 51% at Lincoln Park and 57% at Newport Grand Jai Alai to 60% at both facilities. The Governor's proposed change will result in an additional \$7.1 million in FY 2002.

Revenue losses in personal income will be overstated due to tax rate reductions and tax credits. The personal income tax rate was reduced on January 1, 2002 from 25.5 percent of federal taxable income to 25.0 percent of the same. This reduction in the personal income tax rate is expected to result in decreased revenues of approximately \$17.0 million in FY 2002. The increased Investment Tax Credit and Research and Development Tax Credits also continue to impact tax collections in FY 2002, as individuals and businesses continue to reap the benefits of an improved tax structure in Rhode Island. Personal income taxes are expected to comprise 34.6% of all general revenues collected in FY 2002.

The Sales Tax is expected to show gains in FY 2002 collections of \$13.2 million over FY 2001 collections. Sales taxes represent 28.4 percent of total general revenues in FY 2002. Although nationally consumer confidence has fallen, especially after the terrorist attacks of September 11th, Rhode Island sales tax collections have not eroded significantly during this time. The automobile industry's zero percent financing campaign during the fourth calendar quarter of 2001 was clearly beneficial in this regard. Anticipated collections in FY 2002 are \$725.8 million, reflecting a growth rate of 1.8 percent over FY 2001 collections.

Within the excise tax category, motor vehicle tax collections are expected to reach \$44.4 million in FY 2002, slightly less than FY 2001 collections. The Motor Fuel tax estimate of \$1.1 million is consistent with FY 2001 receipts. The revised FY 2002 Cigarette Tax estimate of \$78.6 million is a downward revision of \$3.9 million from the FY 2002 enacted budget. Both of these estimates reflect the 2001 Assembly's enactment of an increase in the cigarette tax from \$0.71 per pack to \$1.00 per pack effective July 1, 2001. The FY 2002 estimate for cigarette tax collections is an increase of \$18.5 million over FY 2001 collections.

General Revenues

Negative growth is expected in nearly all categories of general business taxes. FY 2002 Business Corporations taxes are expected to fall \$10.6 million below FY 2001 collections and Financial Institutions taxes are estimated to be \$10.1 million below FY 2001 collections. The primary reason for these sharp declines is the economic recession currently gripping the state economy. The Business Corporations Tax and the Financial Institutions Tax are expected to bring collections of \$50.0 million, and \$9.0 million, respectively. The Public Utilities Gross Earnings Tax is expected to garner \$89.4 million, an increase of \$7.3 million over FY 2001 collections. The Health Care Provider Tax is estimated to yield \$27.0 million a slight decrease from the \$27.3 million collected in FY 2001.

Inheritance and Gift Taxes are expected to yield \$4.4 million less in FY 2002 than in FY 2001, with estimated collections of \$22.5 million. This decline is due to the nature of the tax itself, which can be affected markedly by the passing of a single wealthy taxpayer. Racing and Athletic Taxes are expected to be up slightly from FY 2001 levels, totaling \$5.7 million, while Realty Transfer Taxes are expected to total \$2.5 million in FY 2002 on par with the amount collected in FY 2001.

In FY 2002, Departmental Receipts are estimated at \$242.0 million, a decrease of \$19.8 million from FY 2001 collections. Although the majority of this decline is due to a drop in Licenses and Fees, Fines and Penalties are estimated to fall by \$5.3 million from their FY 2001 values. Sales and Services are proposed to increase by approximately \$2.2 million in FY 2002 relative to FY 2001 collections. Of this \$2.2 million increase, \$1.2 million is attributable to the Governor's FY 2002 budget recommendations regarding Sales and Services. Although Miscellaneous Departmental Revenues are estimated to be flat year over year, this outcome is dependent on the adoption of the Governor's proposed FY 2002 revenue enhancements of \$3.1 million by the General Assembly.

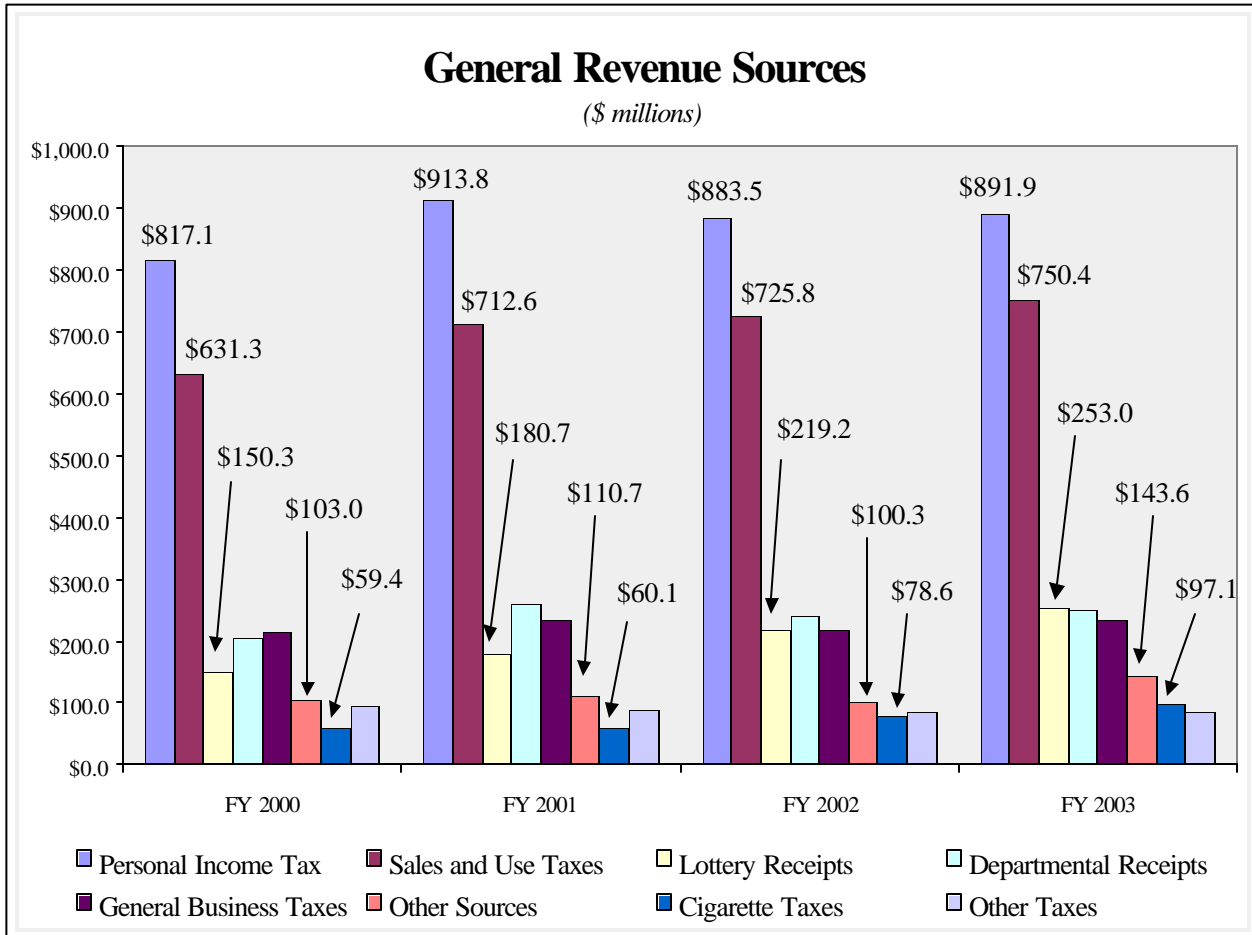
Other Miscellaneous Revenues are expected to total \$93.0 million in FY 2002, a decrease of \$4.1 million from FY 2001 collections. The key difference from FY 2001 collections is the decrease in the reallocation of DEPCO transfers from the sinking fund. In FY 2001, these transfers totaled \$28.2 million, while in FY 2002 they are estimated to be \$16.5 million, a decrease of 41.5%. This decrease in DEPCO transfers is offset in part by an increase in FY 2002 of \$8.7 million for the estimated value of the state's tobacco settlement revenues, compared to FY 2001 collections. The value for other miscellaneous revenues also assumes that the Governor's recommended revenue enhancements of \$3.7 million are incorporated into the final FY 2002 budget.

The chart below shows the sources of the general revenues for the period FY 2000 - FY 2003. The values of the two major sources of general revenues, personal income taxes and sales and excise taxes, are highlighted. In addition, the values of those categories for which the Governor's FY 2002 - FY 2003 budget recommends substantial changes are also shown.

The Governor's recommended FY 2003 general revenue estimate of \$2.705 billion reflects overall growth of 5.9 percent from FY 2002 revised levels. The largest source of FY 2003 general revenues is the personal income tax, with estimated receipts of \$891.9 million comprising 33.0 percent of the total. Meager income tax growth of 1.0 percent is anticipated. The rate of growth in income tax collections will be restrained by the final phase-in of the income tax relief enacted in 1997. The value of the personal income tax rate reduction enacted by the 1997 General Assembly will increase in FY 2003 by approximately \$11.1 million compared to FY 2002 levels. Adjusted for the rate reduction, the FY 2003 underlying income tax growth equals 2.2 percent.

General Revenues

Sales Tax collections are expected to total \$750.4 million in FY 2003. The FY 2003 estimate anticipates 3.4 percent annual growth, with the sales tax equaling 27.7 percent of total general revenues. The FY 2003 sales tax figure includes \$1.4 million in revenues associated with the Governor’s proposal to increase the state’s cigarette tax (see below).



Cigarette Tax collections are expected to rise sharply in FY 2003 upon adoption of the Governor’s recommendation to increase the tax on cigarettes by \$0.35 a pack from \$1.00 to \$1.35. Although this a sizeable increase, it would make Rhode Island’s cigarette tax only the second highest in the country. The higher cigarette tax is estimated to generate an additional \$21.0 million, with cigarette taxes equaling 3.6 percent of total general revenues in FY 2003. Other excise tax components are expected to remain consistent with FY 2002 levels.

General business taxes represent 8.6 percent of total general revenue collections in the budget year. Business Corporation Tax revenues are expected to yield \$59.6 million, an increase of 19.2 percent from FY 2002 levels. The increase assumes a recovery of the state economy’s from the current recession. Franchise and Insurance Taxes are expected to remain consistent with FY 2002 totals. The Public Utilities Gross Earnings Tax, however, is forecast to increase 4.8% in FY 2003, largely due to increased collections from telecommunications providers. Health Care Provider Taxes are forecast to be \$27.8

General Revenues

million in FY 2003, increasing in line with health care inflation. The Bank Deposits and Financial Institutions Taxes are also expected to generate revenues consistent with their FY 2002 levels.

Inheritance and Gift Taxes, Racing and Athletics Taxes, and Realty Transfer Taxes are expected to remain at or near FY 2002 levels. Anticipated collections are \$22.5 million, \$5.7 million, and \$2.5 million, respectively.

FY 2003 departmental revenues are expected to generate \$7.7 million more than in FY 2002. The Hospital Licensing Fee enacted by the 2000 General Assembly expires on June 30, 2002. The Governor recommends that the fee be continued for one year, and that the rate assessed be increased from 4.25% to 4.48%. The revenue estimate of \$60.0 million is included in FY 2003 general revenues. This is an increase of \$3.0 million from FY 2002 levels, reflecting the proposed rate increase. In addition, the Governor recommends increases in a variety of other fees. Primary among these are an increase in the E-911 wireline and wireless surcharge fee, an increase in the water surcharge fee, and increases in various business regulation and recreation fees. The total of these fee increases is \$6.1 million in FY 2003. Including the proposed changes, departmental revenues are expected to be \$249.8 million in FY 2003, or 9.2% of total general revenues.

The "Other Sources" component total of \$396.5 million in FY 2003 represents an increase of 24.1 percent, or \$77.1 million, compared to FY 2002. Most of the change occurs within "Other Miscellaneous Revenues." FY 2003 includes \$55.3 million from the Governor's proposed securitization of the state's tobacco Master Settlement Agreement payments for the 2004 - 2043 period. Details of this proposal and the reasoning underlying it are contained in the *Tobacco Master Settlement Agreement Revenues* section of this document. It is important to note that this \$55.3 million can only be used for eligible expenditures in order to maintain the tax-exempt status of the proposed bond offering. In addition, the Governor's proposal to alter the VLT net income allocation so that the state receives 60% of all future VLT net income is estimated to bring in \$24.3 million in FY 2003.

Finally, the Governor's FY 2003 budget recommends that the final \$0.0025 transfer of the gas tax to the Department of Transportation be delayed for one year. This will result in an increase to general revenues in FY 2003 of \$1,175,000, a \$25,000 increase over FY 2002.

Tobacco Master Settlement Agreement Revenues

The Governor recommends that additional resources be received through the acceleration of revenues from the Tobacco Master Settlement Agreement entered into in November 1998. At least eight states have securitized Tobacco revenues, in addition to transactions in nineteen counties and territories. More states are considering this option as they face difficult budget choices and assess the risk of the future revenue stream. The acceleration of revenues would result in a significant up front payment to the State and would transfer the risk associated with these receivables to a third party.

The risks associated with the Tobacco Master Settlement Agreement revenues are many and include consumption risk, industry risk, and litigation risk. Consumption risk involves the downward adjustments that are made to the State's tobacco settlement payments as a result of declines in U.S. cigarette consumption due to price increases, product competition, or any other factor. This consumption, or volume adjustment, is an amendment to the Master Settlement Agreement and thus is part of the base calculation that is made to determine a given year's tobacco settlement payment. In addition, the volume adjustment is cumulative over time, and, although the volume adjustment is estimated to be a smooth negative trend, it may in fact be quite volatile on a year-to-year basis.

Industry risk involves the rights of the original participating manufacturers (OPMs) as outlined in the Tobacco Master Settlement Agreement. Language in the Master Settlement Agreement allows the OPMs to contest the calculation of the tobacco settlement payment on an annual basis. For example, OPMs may dispute the amount they owe under the agreement based on the calculation of the volume adjustment. This occurred in December 2001 when Brown & Williamson disputed the U.S. Bureau of Alcohol, Tobacco, and Firearms sales figures and, as a result, \$190 million was deposited in an escrow account until the dispute is resolved. The impact on Rhode Island was immediate and significant as the State received approximately \$1.4 million less than anticipated on January 10, 2002. While it is expected that this dispute will be resolved by April 2002, this incident provides compelling evidence that the tobacco settlement revenues the State has incorporated into current and future budgets are at risk.

Litigation risk involves the risk associated with personal injury lawsuits brought by individuals against the tobacco manufacturers. The Master Settlement Agreement did not include a provision restricting the right of individuals to sue tobacco companies in state courts for damages based on the negative health impacts of cigarette consumption. As a result, it is estimated that the tobacco industry outstanding litigation caseload numbered 4,500 cases in 2001. Although the tobacco manufacturers have been quite successful in defending themselves in these lawsuits, the loss of a single case can result in a judgement of staggering amount against the industry. For example, a recent case in California, which the tobacco companies lost, resulted in damages assessed at over \$3 billion. Clearly, a successful judgement such as this one (damages were reduced to \$100 million on appeal), could impact the tobacco manufacturers' ability to make payments under the Master Settlement Agreement.

The tobacco securitization process would be similar to the securitization of any other receivables. The process would involve the sale of the State's right to receive future payments from the tobacco manufacturers under the terms of the Master Settlement Agreement. The asset would be sold to a quasi-public agency that would issue bonds to be repaid by the future revenues from the Tobacco Master Settlement Agreement. The Governor recommends that the General Assembly consider the use of an existing quasi-public agency which would create a subsidiary corporation authorized to issue 40 year tobacco bonds. Subjecting the payment of the bonds to a turbo amortization schedule would allow the State to begin receiving MSA tobacco settlement revenues again in approximately nineteen years.

Tobacco Master Settlement Agreement Revenues

In FY 2003, the Governor recommends that \$272 million of these proceeds be utilized to defease \$278 million of non-callable general obligation bonds that have not yet been refunded. This defeasance plan would yield an estimated debt service savings of \$43.9 million in FY 2003, and annual savings through FY 2012 totaling \$324.7 million. These savings are reflected in the debt service budgeted in the Department of Administration and in the Capital Budget. Although reflected as general revenue savings in the FY 2003 budget, a portion of the actual savings would be derived from gas tax funds. After execution of the defeasance, the allocation amount can be determined, and adjustments to the distribution of the gas tax will be recommended.

The Governor also recommends that \$55.3 million of the tobacco bond proceeds be used to fund eligible expenditures in the operating budget. While the amount is reflected as a general revenue receipt, it would need to be tracked and associated with specific tax-exempt eligible expenditures. Expenditures that would be given consideration by special tax counsel include capital expenditures and third party grant expenditures. The Governor further recommends that the State utilize funding in FY 2004 – FY 2009 to provide structural balance to the five year forecast.

All Sources

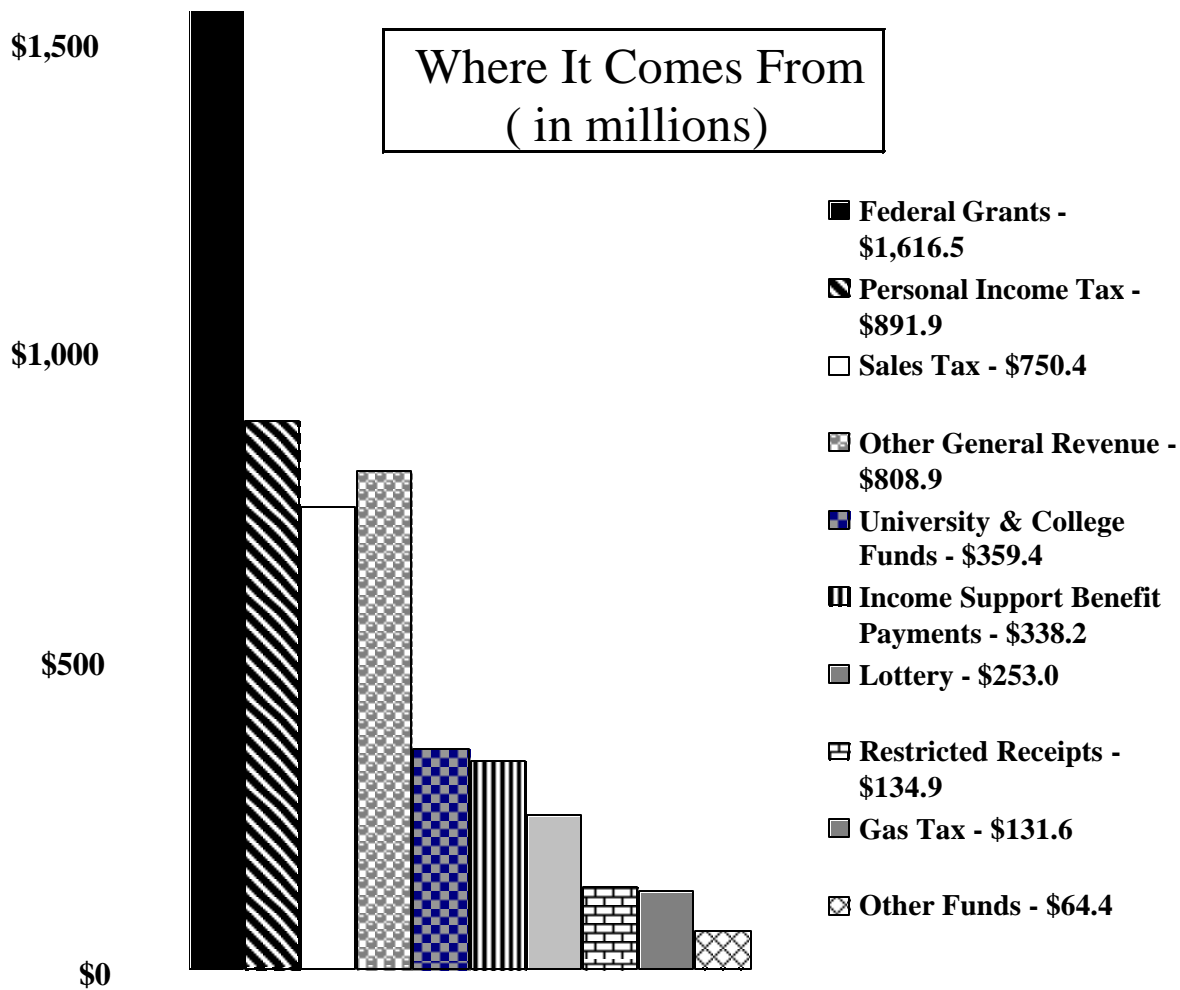
The total budget of \$5.344 billion includes all sources of funds from which state agencies make expenditures.

Federal funds represent 30.2 percent of all funds. Over 70.9 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales and Use Taxes combined represent 30.7 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 6.7 percent, and 6.3 percent of the total, respectively.

Remaining sources include: Other General Revenues (15.1 percent); Gas Tax Revenues (2.5 percent); Lottery Transfers (4.5 percent); Restricted Receipts (2.5 percent); and Other Funds (1.2 percent).



All Expenditures

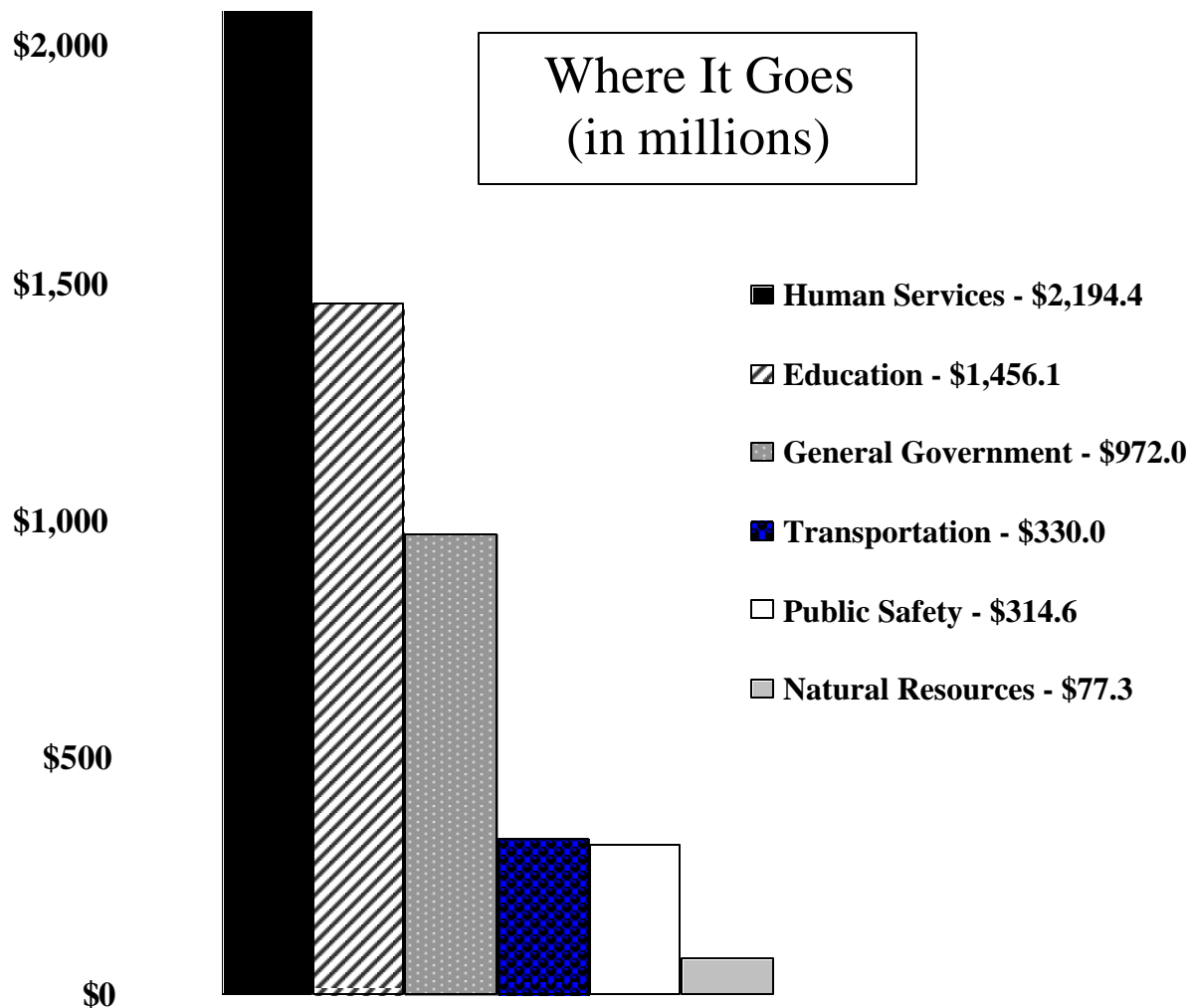
Approximately sixty-eight percent of all expenditures are for human services and education programs. The budgets for the human service agencies total \$2.194 billion, or forty-one percent of all expenditures. These programs constitute the state's safety net.

Education expenditures comprise over twenty-seven percent of total expenditures, or \$1.456 billion. Of this total, \$811 million represents funding for aid to local units of government. This is approximately fifty-six percent of all education expenditures, including higher education.

Approximately forty-two percent of the \$972 million expended for general government is for grants and benefits to individuals. Most of these expenditures are for employment and training services or programs, including unemployment compensation.

Transportation expenditures comprise six percent of the total budget and include funds for public transportation, as well as highway, road and bridge expenditures.

In total, expenditures from all funds are recommended to increase by 1.8 percent over the revised FY 2002 budget.



Expenditure Summary

FY 2002 Revised General Revenue Expenditures

Revised FY 2002 general revenue expenditures total \$2.625 billion and reflect a net reduction of \$25.9 million from the enacted budget. The net reduction in spending includes an addition of \$11.1 million of reappropriated balances from FY 2001, and a decrease of \$36.9 million in expenditures.

The largest changes in the FY 2002 revised budget are two reduction items within the Department of Administration. They relate to a freeze, at the \$3,500 level, of Motor Vehicle Excise Tax exemptions and municipal reimbursements, and a reallocation of \$16.5 million in general obligation debt service payments from general revenue to Rhode Island Capital Plan funds. These changes and other major changes in the supplemental budget are described below.

The Governor recommends the withdrawal of \$20.5 million from the Motor Vehicle Excise Tax Program. Each city and town began the seven-year phase out of the excise tax on motor vehicles and trailers with FY 2000 tax billings, consistent with Article 28 of the FY 1999 Appropriations Act. The state is required to reimburse each city, town and fire district for the revenues lost as a result of the tax phase-out. Current law requires that the state reimbursement for the exemptions granted to taxpayers in the next fiscal year, equal to \$5,000 in FY 2002. The FY 2002 enacted budget included \$97.2 million for this purpose. The Governor proposes to retain the exemption at the \$3,500 level, resulting in revised appropriations of \$76.7 million and a withdrawal of \$20.5 million from enacted appropriations. Fire districts would continue to receive full reimbursement as provided under current law. Revised estimates for FY 2002 reimbursements under current law would require estimated appropriations of \$109.8 million, or the addition of \$12.6 million from enacted levels, assuming current growth trends and an exemption level of \$5,000. The resulting cost avoidance from the Governor's proposal is estimated to total \$33.2 million.

The Governor recommends the withdrawal of \$5.0 million in enacted appropriations for the Housing Resources Commission/Neighborhood Opportunities Program (NOP). The FY 2002 Appropriations Act included \$5.0 million for the first phase of a planned multi-year commitment to affordable housing. Due to fiscal constraints on the state in FY 2002 and FY 2003, the Governor is recommending replacement of these general revenue funds by proceeds of a RIHMFC bond. The RIHMFC will issue debt, secured by an agreement with the state for payment of the debt service over a ten-year period. An estimated \$11.6 million (including related issuance costs and reserves) will be borrowed for the NOP and will be disbursed in FY 2002 (\$5.0 million) and FY 2003 (\$5.0 million). Due to the timing of the issue, debt service payments will not be required in FY 2002, allowing withdrawal of the current \$5.0 million appropriation. Debt service in FY 2003 is estimated at approximately \$325,000.

The Governor recommends the withdrawal of \$4.3 million for debt service costs on the Providence Convention Center lease. The supplemental budget recognizes savings on the Convention Center Authority lease of \$4.3 million, from refunding savings of \$4.7 million less \$339,645 in costs incurred for the National Governors' Association conference in August. In November, the Convention Center Authority refinanced the 1993 Series A bonds outstanding in the amount of \$91.9 million by issuing a synthetic fixed rate obligation. The Authority issued variable rate debt and simultaneously entered into a swap arrangement which essentially provided for a fixed rate for the Authority. The coupon rate on the swap is 3.924%; the "all-in" rate, which takes into account all ongoing costs, is 4.25%. The coupon on the old debt was 5.71%. The total present value savings are \$8.4 million, and represent over eight percent of the bonds refunded.

The Governor recommends a withdrawal of \$16.5 million in general revenue appropriations for general obligation debt service costs. The legislation and constitutional amendment establishing the RICAP fund

Expenditure Summary

authorize the use of these funds for capital projects, the payment of debt service, or the retirement of debt.

The FY 2002 enacted budget for the RICAP fund allocated \$49.4 million for capital projects and \$15.0 million for debt service. The Governor recommends withdrawing and/or deferring the funding for a number of projects make an additional \$16.5 million available for debt service. This allows \$16.5 million of general revenue funding enacted for debt service to be withdrawn.

The Governor recommends a delay in the construction or renovation of a Legislative Office Building. The supplemental budget recommends the deferral and reallocation of reappropriated general revenue funds designated for the legislative office building in FY 2002 totaling \$4.0 million to RICAP funds in FY 2004.

The Governor recommends an increase of \$1.8 million for the Rhode Island Pharmaceutical Assistance to the Elderly program in order to finance estimated program expenditures. RIPAE is a co-pay program covering 60%, 30% or 15% of the cost of prescription drugs for approved medical conditions, depending on income.

The Governor recommends \$3.1 million for employee contract settlements relating to caseload overages in the Department of Children, Youth and Families (DCYF). The Governor also recommends the addition of \$3.2 million for Purchase of Service Placements for DCYF. The FY 2002 average number of purchase of service (POS) slots through November is 351; the enacted budget finances 224 placements. The Governor recommends a supplemental appropriation of \$3.2 million above the enacted budget of \$12.9 million to finance 325 placements in FY 2002. The director of DCYF has placed a moratorium on all new POS placements in order to achieve this estimated level.

The Governor recommends the addition of \$12.1 million from enacted levels for Medicaid services within the Department of Human Services, pursuant to adopted consensus caseload conference estimates. Of this amount, \$3.5 million represents a recording of costs associated with pass-through of reimbursements to local education authorities for special education expenditures, and is not a net cost to the State.

The Governor recommends the addition of \$2.3 million for Cash Assistance services within the Department of Human Services, pursuant to adopted consensus caseload conference. Additional funding requirements for SSI and FIP benefits are offset by savings for ChildCare slots.

The Governor recommends the elimination of the Weatherization Bonus Grants. The supplemental budget act includes an article eliminating an annual payment of \$100 in March of each year to families on FIP cash assistance. The enacted estimate for the benefit was \$1,579,000; the Governor recommends no funding for this program.

The Governor recommends the use of \$2.0 million in Job Development Funds for expenditure by the Department of Labor and Training for training activities for DHS Family Independence Program clients. These funds will replace the current payment to DLT of federal TANF block grant funds for this purpose, and will allow \$2.0 million in increased offsets of cash assistance costs at DHS to the block grant.

The Governor recommends an increase in school construction aid to local school districts of \$2.4 million above enacted FY 2002 levels. The increase is necessitated by current reimbursement requirements.

The Governor recommends a decrease of \$6.2 million in state contributions to teacher retirement for FY 2002. Most of the change is attributable to a reduction of the retirement rate since the enactment of the FY 2002 budget, and to recognition of a revised teacher salary base using actual FY 2001 data.

Expenditure Summary

The Governor recommends a reduction in overtime costs relating to custody of federal Immigration and Naturalization Service (INS) detainees. The enacted budget assumed that Rhode Island would receive revenue for housing approximately 142 INS detainees. The Department of Corrections estimates that it will be able to accommodate 164 detainees. The Governor recommends a reduction of \$614,725 in overtime expenditures funded by general revenue, by reallocation to INS funds. The Governor also recommends the use of \$875,087 in restricted receipt resources from unexpended FY 2001 INS funds to reduce general revenue expenditures. The total general revenue reduction is \$1.5 million.

The Governor recommends a general revenue reduction of \$1.5 million related to the State Criminal Alien Assistance Program. The Department of Corrections receives federal funds from the U.S. Department of Justice for the housing of undocumented aliens. The enacted budget, reflecting FY 2001 experience, included \$1.6 million in general revenue funds for this program. The supplemental recommendation reflects additional general revenue offsets of \$1.5 to an increased federal grant award for a federal funds total of \$3.2 million.

The Governor recommends an addition of \$828,412 to general revenue funds for the State Police for anticipated costs of providing increased security at the T.F. Green Airport. These costs will be reimbursed by the Rhode Island Airport Corporation, and are included the state's revenue estimates.

FY 2003 Expenditures from All Funds

All funds expenditures for FY 2003 are \$5.344 billion. Fifty percent this total, at \$2.668 billion, is general revenue funds, \$1.616 billion, or 30.2 percent, is from federal funds, \$924.1 million, or 17.3 percent, is from other sources, and \$134.9 million, or 2.5 percent, is from restricted or dedicated fee funds.

On a functional basis, the largest share of expenditures is in the Human Service area, which comprise \$2.194 billion, or 41.1 percent, of the total budget. Spending for Education is \$1.456 billion, which comprises 27.2 percent of all spending, and expenditures for General Government, including all state debt service, is \$972.0 million, or 18.2 percent. Public Safety, Natural Resources, and Transportation expenditures comprise the balance of the total, at \$721.9 million, or 13.5 percent of the total budget.

Expenditures are also recorded on a categorical basis. On this basis, the largest share of the budget finances grants and benefits, and equals \$2.331 billion, or 43.6 percent of the total. Personnel expenditures of 24.1 percent, or \$1.290 billion, and local aid expenditures, which are 18.4 percent, or \$982.6 million of the total budget, are the next largest categories. Expenditures for operations total \$358.6 million, or 6.7 percent. The balance of spending is required to finance capital expenditures of \$382.6 million, or 7.2 percent of the total.

FY 2003 General Revenue Expenditures

Expenditure recommendations from general revenue total \$2.668 billion for FY 2003. By function, spending by Human Services agencies comprises the largest share with expenditures totaling \$1.028 billion, or 38.5 percent of the budget. Spending for Education programs, total \$928.8 million, or 34.8 percent, closely follow Human Services expenditures. General revenue spending for General Government and Public Safety are recommended at \$412.8 million, or 15.5 percent, and \$263.6 million, or 9.9 percent, respectively. Expenditures from general revenue for Natural Resources total \$36.1 million, or 1.3 percent of total spending. Transportation expenditures are financed from dedicated gasoline taxes and are not included in general revenue recommendations.

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

Expenditure Summary

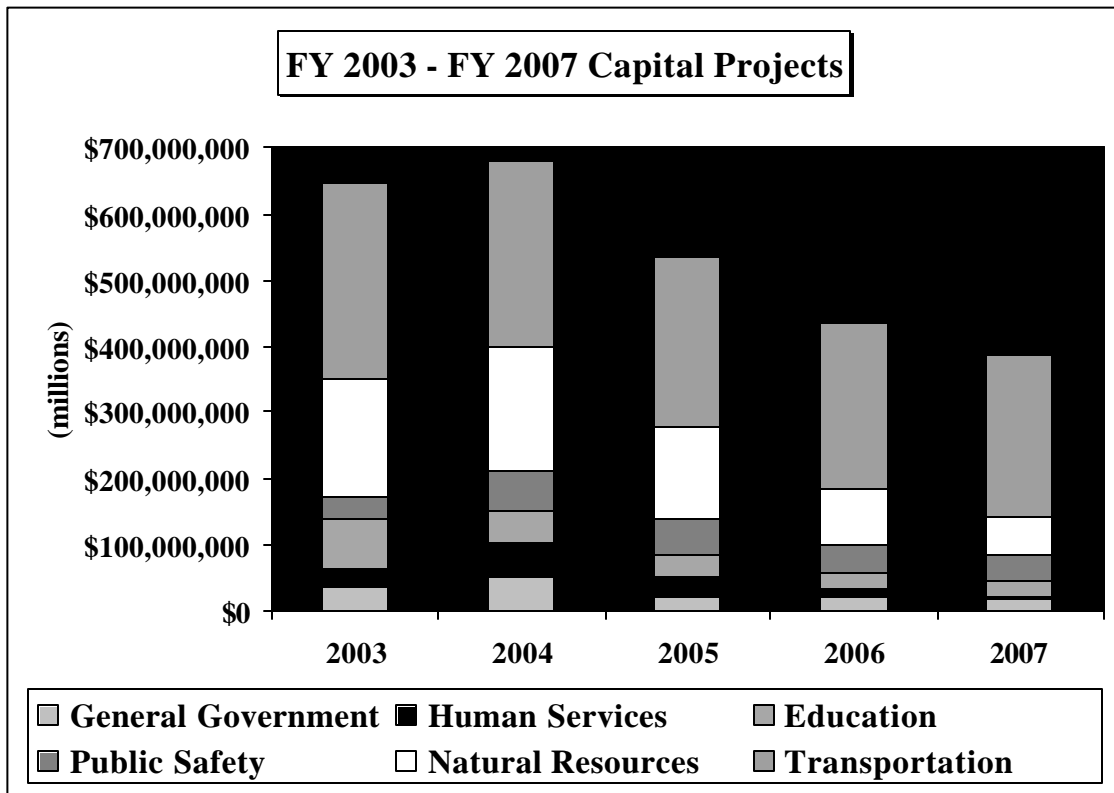
benefits. Local aid totals \$876.2 million, or 32.8 percent of the total budget. Grants and benefits total \$851.3 million, or 31.9 percent. Personnel expenditures of \$712.1 million comprise 26.7 percent of the budget. Operations total \$161.9 million, or 6.1 percent of the budget. Capital expenditures total \$67.5 million, or 2.5 percent of the total budget.

Capital Budget

Capital Budget Overview

The Governor's FY 2003 Capital Budget and FY 2003 – FY 2007 Capital Improvement Plan are presented in detail in a separate document. The following provides a brief summary of the one-year capital budget and the five-year capital improvement plan.

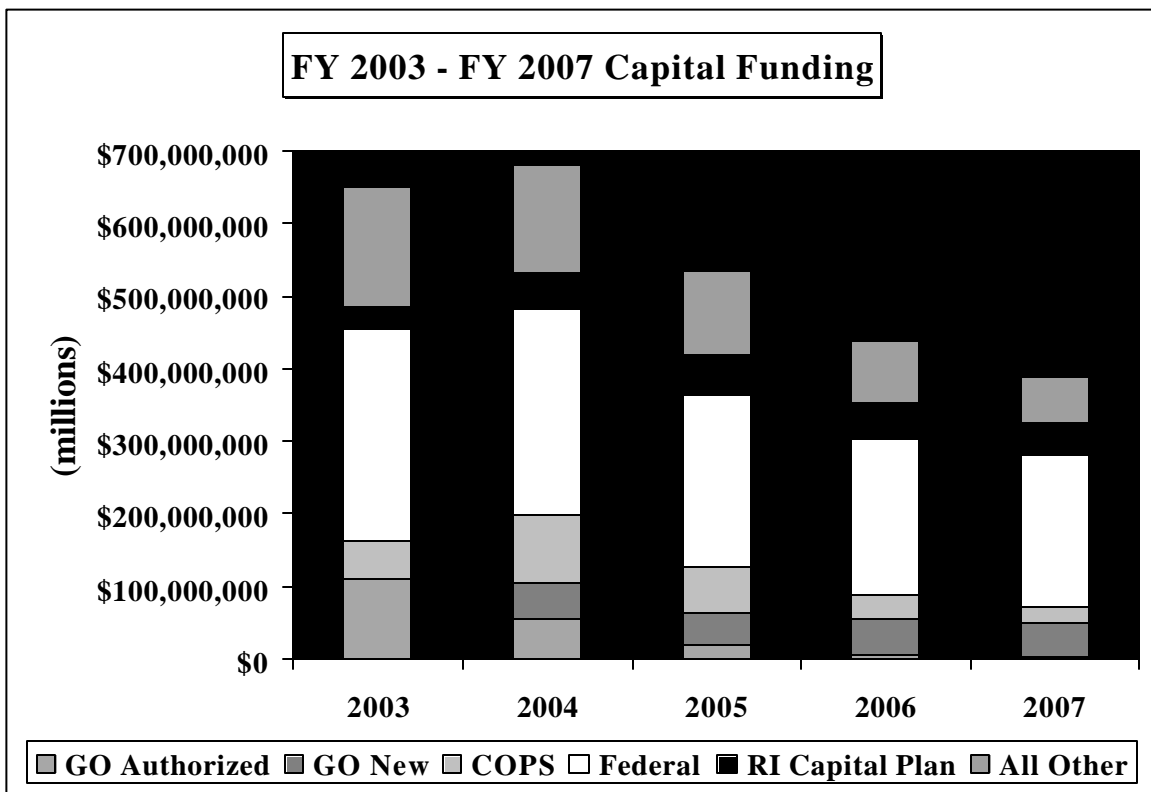
The FY 2003 capital budget includes proposed expenditures of \$648.7 million, of which Transportation projects constitute 46.3 percent, Natural Resources projects represent 27.5 percent, Education projects represent 11.3 percent and General Government and Economic Development projects constitute 5.3 percent. Over the five-year planning period Transportation and Natural Resources total over \$1.987 billion, or 73.9 percent of capital investments.



Over the five year period, federal funds of \$1.231 billion will finance approximately 45.8 percent of the planned capital projects; general obligation bonds will finance \$385.7 million, or 14.3 percent, with the remaining \$1.107 billion, or 39.9 percent, from other sources, including certificates of participation and the Rhode Island Capital Plan Fund.

The major source of state financing for capital projects is general obligation bonding. As of June 30, 2001, there were \$853.5 million in outstanding general obligation bonds. Over the five-year planning period, the recommended capital improvement plan provides for the issuance of \$181.4 million of authorized debt and the issuance of \$190.9 million from new bond referenda to be submitted for voter approval at the November 2002 and 2004 elections.

Capital Budget



This capital plan addresses the Governor's perseverance to "Rebuild Rhode Island" by targeting resources to the infrastructure needs in the state. During the initial phases of the Governor's plan, the cornerstone of this rebuilding was provided by general obligation bonds and long-term leases, with few capital projects completed on a "pay-as-you-go" basis. The Governor recommends the continued investment in infrastructure by dedication of current gas taxes to transportation purposes and a "pay-as-you-go" system of funding capital needs. In order to maintain state-owned property, ensure the safety of those who use these buildings and preserve the value of the properties, the Governor recommends \$29.2 million in FY 2003 from current revenues for asset protection projects. This reflects the sixth year of this multi-year plan, which will result in dedication of over \$228.3 million in the next five years to infrastructure needs.

The Governor's plan incorporates the issuance of all bonds approved by the voters in November 1998 and 2000 and recommends new referenda in November 2002 and 2004 to continue the state's capital program.

The Governor's plan continues the significant investment in Public Higher Education by including the expenditure of \$21.0 million of bonds approved in 1998 to upgrade academic and administrative facilities, and the expenditure of \$74.4 million of bonds approved in 1996 for infrastructure and upgrading of the three institutions' data and telecommunications systems. In November 2000, the voters of the state approved a referenda authorizing the expenditure of \$37.0 million for dormitory renovations at the University of Rhode Island and Rhode Island College, and the construction of a new Community College of Rhode Island campus in Newport. These projects are fully programmed in the Governor's five-year plan.

Open space continues to be a high priority for the Governor. The capital improvement plan includes the issuance of the \$34.0 million Environmental Management bonds authorized in November 2000. These funds will be used over a multi-year period to preserve open space, protect ground water supplies, and

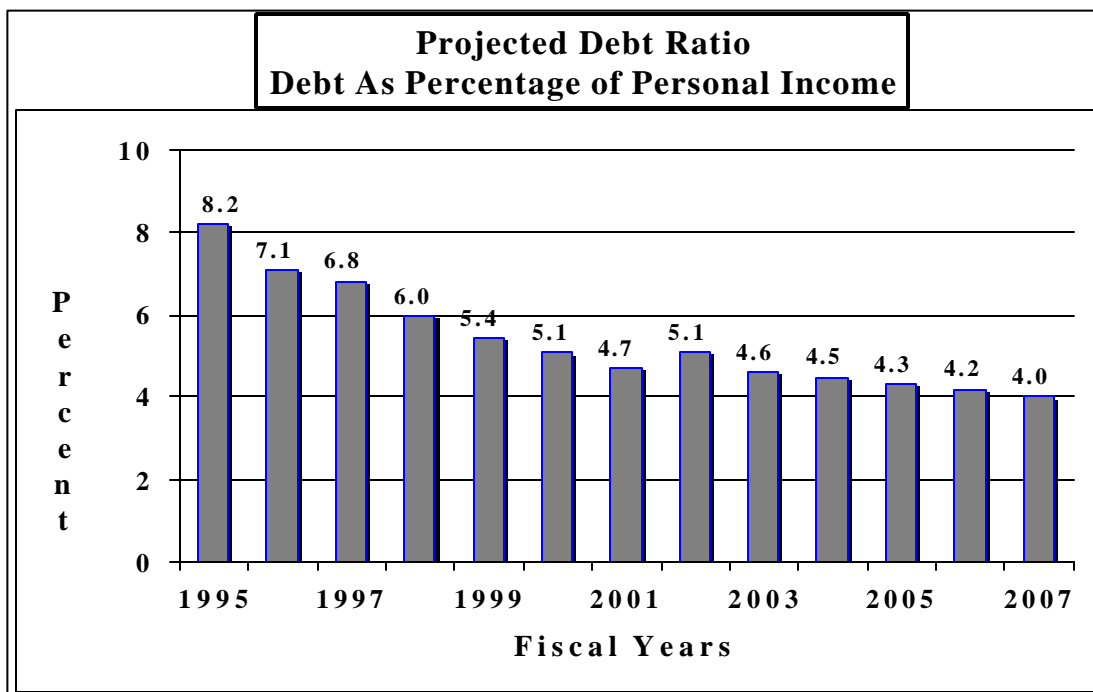
Capital Budget

develop and improve public recreational facilities. The \$15.0 million referendum for open space preservation and bike path development approved in 1998 is also programmed to be fully issued over the planning period.

The capital plan also includes \$72.0 million of expenditures from general obligation bonds for investment at the Quonset Point/Davisville Industrial Park and for the Freight Rail Improvement Project to create an economic growth site for intermodal transportation and industrial development. Bond referenda are proposed for 2002 and 2004 of \$11.0 million each to continue the work of developing the Industrial Park.

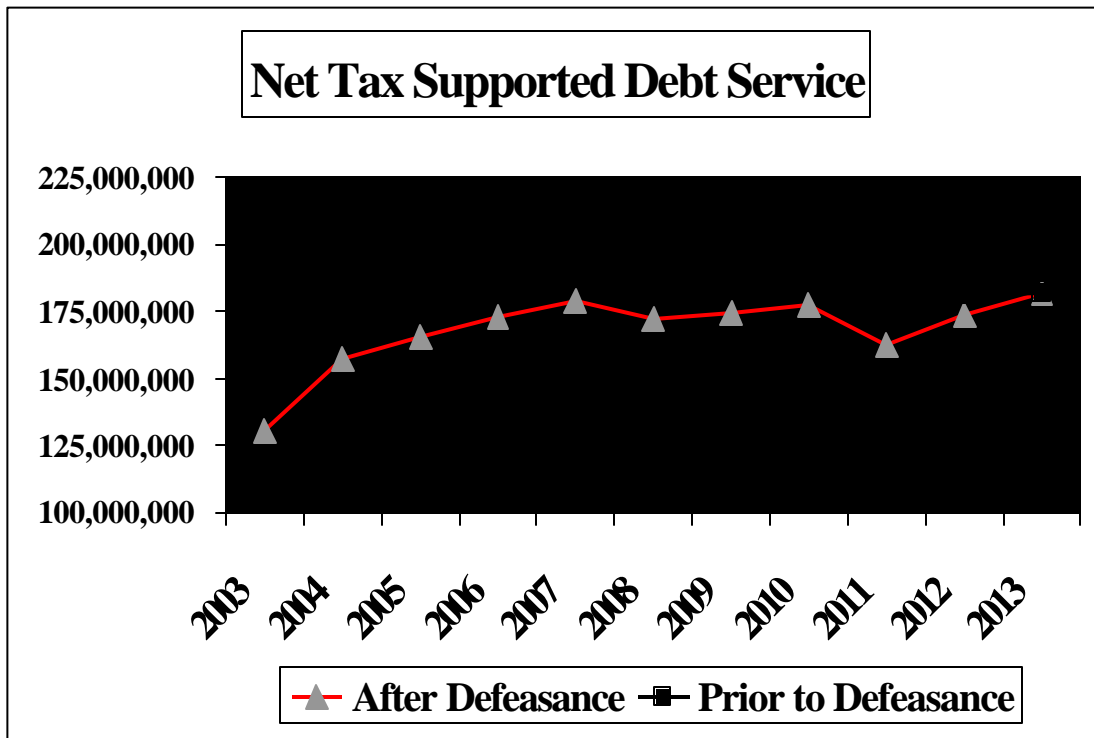
Transportation continues to comprise a significant portion of the state's debt issuance requirements, reflecting \$165.9 million over the five-year period. To ensure that gasoline taxes fully support the transportation needs of the state, the Governor recommends that the state continue to shift its gas tax resources to transportation. Under the Governor's proposed revision to this multi-year plan, all gas tax currently reverting to the General Fund will be dedicated to transportation purposes by FY 2004. Consequently, the Department of Transportation and the Rhode Island Public Transit Authority will be able to substantially address the state's public transit and infrastructure needs. Additional road and bridge rehabilitation and construction projects will be financed on a "pay-as-you-go" basis, decreasing reliance on bond issuance to match available federal funds, and ultimately reducing rising transportation debt service costs.

Recognizing the concern over the state's relatively high debt level, the Governor recommends, in his FY 2003 - 2007 plan for capital improvements, that the state maintain its efforts to reduce its reliance on tax supported bonds for financing. The Governor's proposed capital plan would reduce net tax supported debt as a percentage of personal income from the high of 8.5 percent in FY 1994 to 3.99 percent by FY 2007. This improved debt ratio will be achieved despite significant investments in Rhode Island's infrastructure and natural resource preservation.



Capital Budget

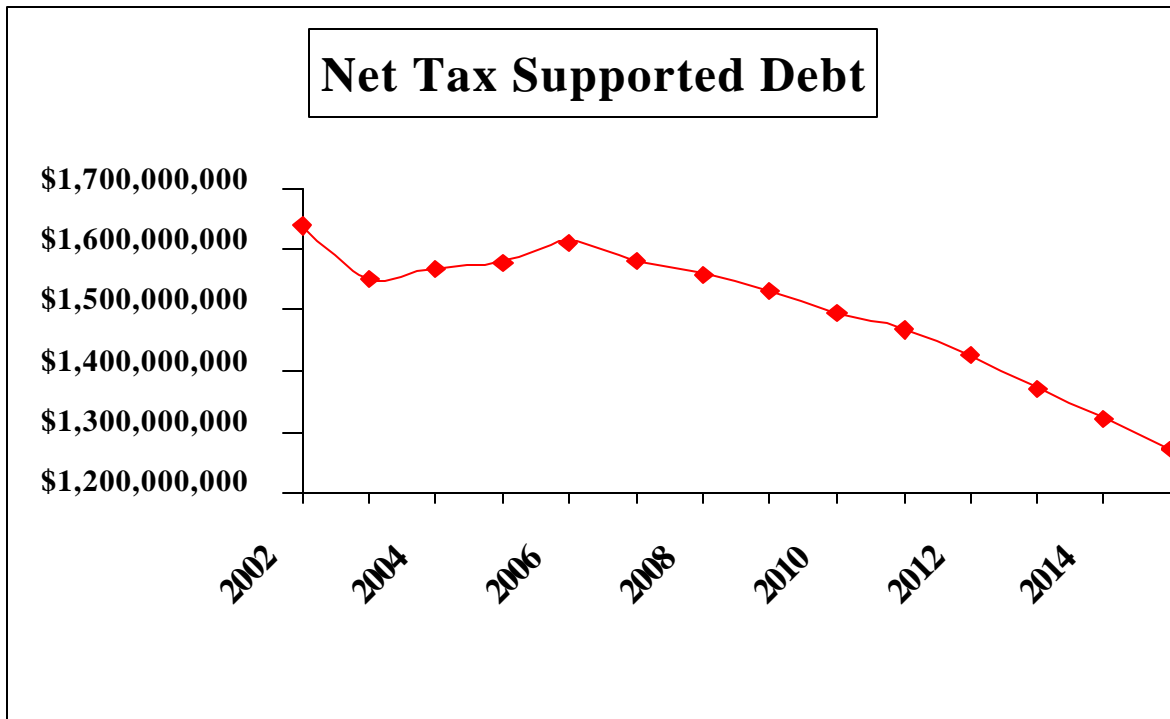
The Governor's recommended Capital Budget and Operating Budget reflect an enhanced plan for debt reduction using approximately \$272.2 million of resources from the proceeds of the proposed tobacco securitization bonds to defease \$278.1 million of general obligation debt. This proposed refunding of outstanding general obligation debt, will result in a significant reduction in the State's net tax supported debt position. This decrease in the Rhode Island's net tax supported debt is due to the fact that the tobacco revenue bonds will not be a liability of the State. The use of these accelerated tobacco settlement resources will advance the trend of reducing net tax supported debt beyond that which had been displayed in previous Capital Budgets. It would also result in \$43.9 million of debt service savings in FY 2003, plus additional savings over the next ten years, providing budget relief of \$324.7 million during that period.



The State's net tax supported debt position is projected to be \$1.795 billion at the end of FY 2003 without recognizing this defeasance. With this recommendation, the position is reduced to \$1.551 billion. This is an important factor in the State's credit review and it is expected that this recommendation will improve the state's debt ratios through FY 2012.

Net tax supported debt is projected to be \$1.580 billion by FY 2007. This would be a reduction of almost \$320.0 million from the FY 1994 high of \$1.9 billion. From FY 2003 to FY 2007 \$594.4 million of new tax supported debt will be issued, while \$652.2 million of outstanding and new debt will be defeased or retired.

Capital Budget



The capital improvement plan contains recommendations for \$100.0 million of general obligation bonds to be issued for FY 2003 projects, \$101.9 million for FY 2004 projects, \$64.8 million for FY 2005, and \$55.1 million for FY 2005 (debt service projections assume issuance of \$70.0 million in FY 2005 and \$70.0 million per year thereafter). The plan also reflects obligations for a new Kent County Courthouse at \$51.8 million, a new Juvenile Training School at \$57.8 million, and pursuit of the Department of Corrections Master Plan totaling \$120.8 million, and \$25 million for affordable housing programs over the five year planning horizon.

The Governor recommends total general obligation debt service of \$78.5 million in FY 2003, reflecting the existing debt service appropriations on outstanding bonds, plus \$2.6 million of estimated interest on bonds to be issued for FY 2003 projects. Total FY 2003 general obligation bond issuance is expected to be \$100.0 million, issued at a fixed rate. Fixed rate interest is estimated at 4.5 percent. Variable rate interest is estimated at 3.5 percent.

The Governor recommends debt service funding of \$66.2 million for other obligations, including \$20.4 million for Rhode Island Refunding Bond Authority (formerly RIPBA) obligations, \$20.4 million for the Convention Center obligation, \$14.4 million for certificates of participation and long-term leases, \$5.0 million for Higher Education non-general obligation debt, and \$5.4 million for performance-based obligations. A detailed description of these obligations can be found in the capital budget document.

General Government

Summary

General Government includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. It includes: most *elected officials*, including the Governor, Lieutenant Governor, General Treasurer, and the Legislature; *administrative agencies*, including the Department of Administration, the Department of Labor and Training, and the Board of Elections; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,588.0 FTE positions in FY 2002 and 2,587.6 FTE positions in FY 2003 within general government agencies.

The FY 2002 revised budget for General Government agencies totals \$991.9 million, including \$425.9 million in general revenue, \$84.0 million in federal funds, \$47.8 million in restricted receipts, and \$434.2 million in other funds. The revised budget from all fund sources for General Government agencies is \$18.7 million greater than the FY 2002 enacted budget.

The \$40.4 million reduction in general revenue expenditures from the enacted level is comprised of several elements. The major reduction in general revenue funding occurs in the Department of Administration, with a general revenue reduction of \$44.1 million. The largest component of the general revenue reduction in FY 2002 is attributable to the Motor Vehicle Excise Tax Phase-out program, which the Governor recommends at \$76.7 million, or \$20.5 million less than the FY 2002 enacted budget. General revenue funded debt service savings of \$22.3 million are recommended in FY 2002, including \$16.5 million of debt service reallocated to the Rhode Island Capital Plan Fund, and \$4.3 million from refinancing of Convention Center Authority debt. The general revenue budget for the Legislature increases by \$3.5 million from the enacted level due to the reappropriation of unexpended funding.

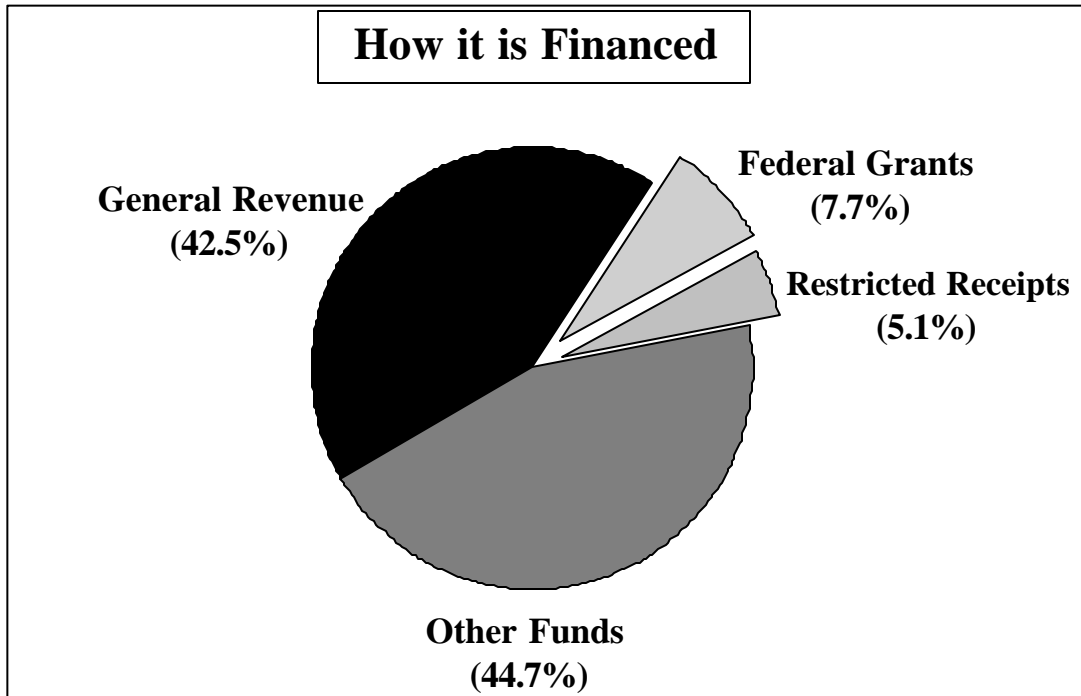
Most of the change in the revised FY 2002 budget for federal funds is attributable to increases in the Department of Labor and Training. The Workforce Development Service programs, including \$3.2 million for the Welfare to Work program (resulting from unexpended appropriations from FY 2001), and \$3.3 million for the Workforce Investment program, compared to the FY 2002 enacted level. Other revisions include additional federal funds for the Office of Municipal Affairs within the Department of Administration Community Development Block Grants.

Changes to restricted receipts in FY 2002 include financing the Rapid Job Entry program, within the Department of Labor and Training, with Job Development Fund restricted receipts, and the use of Real Estate Recovery Funds for administrative expenses within the Department of Business Regulation.

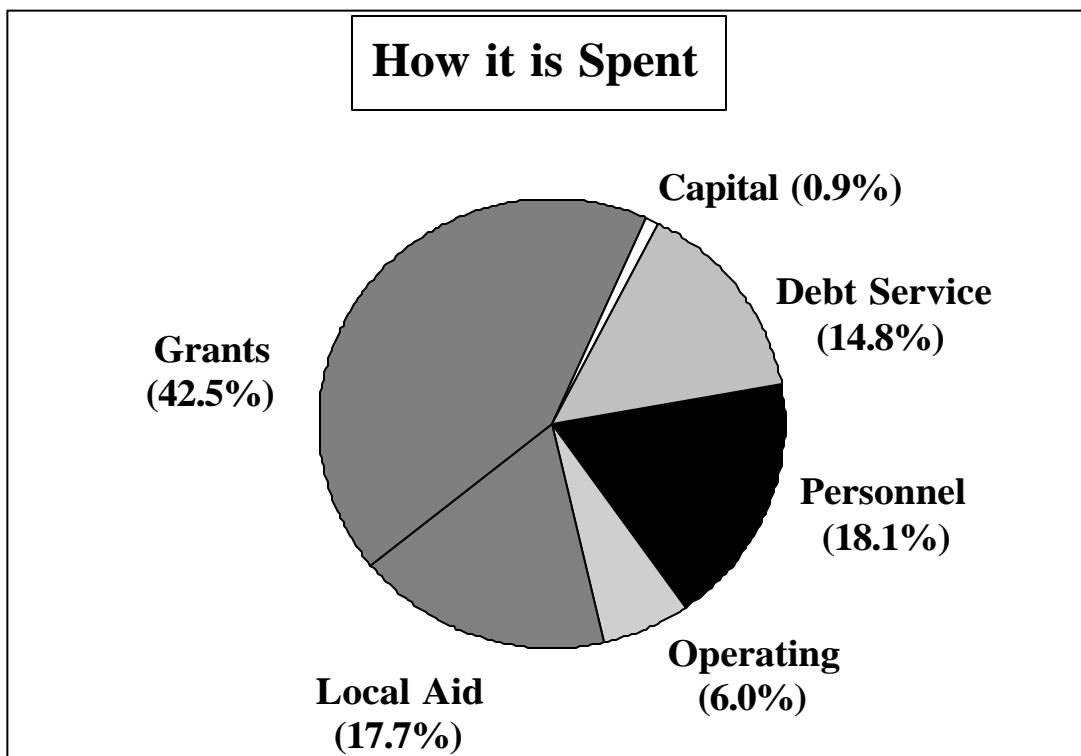
The increase in other fund expenditures from the enacted budget records the reallocation of debt service expenditures to the Rhode Island Capital Plan Fund (RICAP) in FY 2002, an increase of \$16.5 million from the enacted level. Adjustments to other funds in FY 2002 also recognizes greater than anticipated expenditures for Temporary Disability Insurance and Unemployment Insurance benefit payments within the Department of Labor and Training.

For FY 2003, the Governor recommends expenditures of \$972.0 million for General Government programs. The programs are financed with \$412.8 million of general revenue, \$74.9 million of federal funds, \$49.8 million of restricted receipts, and \$434.5 million of other funds. The total budget for General Government agencies in FY 2003 is approximately 2.1 percent less than the revised FY 2002 level.

General Government



Of \$972.0 million recommended for FY 2003, \$413.0 million is for grants and benefits, \$176.3 million for personnel, \$171.7 million for local aid, \$152.4 million for capital, and \$58.6 million for operating.



General Government

The general revenue funding for General Government agencies in FY 2003 declines by \$13.1 million from the FY 2002 revised level. There are several departments with significant adjustments from the FY 2002 revised level.

The Department of Administration has the most significant adjustments totaling a decrease of \$14.0 million. This decrease is comprised of a net change of \$28.5 million in debt service. This is primarily comprised of \$43.9 million of debt service savings that would result from the defeasance of general obligation bonds through the securitization of Tobacco Master Settlement revenues. In FY 2003, increased funding is included for the Motor Vehicle Excise Tax Phase-out at the \$3,500 exemption level (\$9.9 million), General Revenue Sharing (\$4.7 million), and Library Construction Aid (\$0.3 million). The Slater Centers for Excellence program is level funded at \$3.0 million, continuing the Governor's commitment to this economic development initiative. Also within the Department of Administration, the Governor recommends continuing contracted administrative support for the incentive-based Medicaid Revenue Maximization project.

Other general revenue changes are included in the FY 2003 recommendation. The recommendation for the Legislature decreases by \$4.4 million from the FY 2002 revised level, reflecting the one-time nature of the reappropriation in FY 2002, and the downsizing of the General Assembly in FY 2003. Since FY 2003 includes a statewide general election, which also includes several contests for federal offices, the recommendation for FY 2003 includes significant cyclical increases for the Secretary of State and Board of Elections totaling \$4.2 million.

In FY 2003, federal funding for General Government agencies decreased by approximately \$9.1 million for the FY 2002 revised level. The change results from a \$3.1 million reduction in the Department of Administration, a reduction of \$5.8 million in the Department of Labor and Training, and several incremental adjustments in other departments and agencies. The reduction within the Department of Administration is for the Community Development Block Grant program, while the reduction in the Department of Labor and Training occurs from the termination of the Welfare to Work and Workforce Investment programs.

The only significant change with regard to restricted receipt expenditures in FY 2003 occurs within the Department of Labor and Training. The \$1.9 million increase in restricted receipt expenditures is primarily due to an increase for the Human Resource Investment Council as well as increased use of the Tardy Fund and workers' compensation related programs.

For FY 2003, both the Departments of Administration and Labor and Training have major changes in other fund expenditures from the FY 2002 revised level. The Department of Administration change in other funds is attributable to two programs, General and Debt Service. Rhode Island Capital Plan Fund projects are reduced by \$4.8 million from the FY 2002 revised level in the General program. The budget recommendation also includes reduced funding for debt service expenditures of \$8.5 million, which primarily reflects the redirection of expenditures from RICAP to general revenue for debt service. The Department of Labor and Training changes result from increased benefit payments.

General Government

Department of Administration

The Governor recommends revised appropriations of \$499.9 million in FY 2002 for the Department of Administration. This includes \$360.7 million in general revenue, \$39.2 million in federal funds, \$7.9 million in restricted receipts, and \$92.1 million in other funds.

The revised FY 2002 budget is \$26.2 million less than the enacted budget. This is comprised of a reduction in general revenue appropriations of \$44.1 million, an increase in federal funds of \$731,765, a reduction in restricted receipts of \$9,076, and an increase in other funds of \$17.1 million.

The largest component of the general revenue reduction in FY 2002 is attributable to the Motor Vehicle Excise Tax Phase-out program. The FY 2002 enacted budget included an appropriation of \$97.2 million for this program. The recommendation would modify payments made to communities for FY 2002 by providing reimbursement to cities and towns that reflects the reduction actually experienced by taxpayers during the current year. In the current year, taxpayers will receive an exemption against motor vehicle excise taxes in the amount of \$3,500. Current law requires that the state provide an amount that would reimburse cities and towns for an exemption equal to \$5,000. This amount, however, is considered an advance payment to cities and towns, since the taxpayer would not receive the \$5,000 exemption until next year. The recommendation to finance only the \$3,500 exemption and to place reimbursement on a current basis would require an appropriation of \$76.7 million, which results in savings from the enacted funding level of \$20.5 million in FY 2002.

Included in the FY 2002 revised budget is increased funding for personnel and operating costs within the several programs of the department. The funding changes are for unrealized turnover and operating savings, and will more accurately represent projected expenditures. The FY 2002 revised budget also includes \$467,783 for one percent of an employee cost of living adjustment, which was not financed in the FY 2002 enacted budget.

General revenue savings of \$22.3 million in debt service-related costs are included in the revised FY 2002 recommendation. These savings are attributable to a number of factors, including a shift of debt service expenditures to RICAP funding totaling \$16.5 million, a reduction in the Convention Center Authority lease payment of \$4.3 million, and an \$888,474 reduction in job rent credits for Fidelity Investments based upon projected employment levels.

General revenue savings of \$5.0 million are attributable to an alternative-financing plan for the Neighborhood Opportunities Program Initiative and \$340,000 for the Travelers Aid Project. The Governor recommends these programs be financed from bonds issued by the RI Housing and Mortgage Finance Corporation. The debt service obligations will be financed by the state subject to annual appropriations.

Other major additions in the supplemental recommendation include: reappropriations totaling \$841,659 within the Accounts and Control, Purchasing, Central Services, and General programs for the RISAIL project, Energy Office Grants and the Contingency Fund; \$107,000 for the costs associated with operation of the state helicopter; \$672,008 for the retiree health subsidy; and \$547,226 for Weatherization Grants.

The Sheriffs program is now included in the totals for the Department of Administration. This change occurred in the FY 2002 enacted budget when the Sheriffs of the Several Counties and the State Marshals were merged into one unit.

General Government

The majority of the increase in federal funds for FY 2002 is in the Municipal Affairs and Registry of Motor Vehicles programs. The increase in the Office of Municipal Affairs is for Community Development Block Grants, while the change in the Registry of Motor Vehicle results from increased funding for drivers training manuals. Other additions and reductions result from actual grant awards varying from estimated funding levels in several department programs.

The majority of the \$17.1 million increase in other funds is attributable to one program in the department, Debt Service. There is a \$16.6 million increase in funding for debt service financed from the Rhode Island Capital Plan Fund. The budget recommendation reallocates funding for debt service from general revenue appropriations to RICAP in FY 2002. Additional increases in other funds include the reappropriation of FY 2001 RICAP funding for various ongoing capital projects.

The Governor recommends total expenditures in FY 2003 of \$469.5 million for the Department of Administration. This includes \$346.7 million in general revenue, \$36.1 million in federal funds, \$7.9 million in restricted receipts, and \$78.8 million in other funds. Overall, this represents a reduction of \$30.5 million, or 6.5 percent, from the FY 2002 revised budget. General revenue funds decrease \$14.0 million, federal funds decrease \$3.1 million, restricted receipts increase \$41,711, and other funds decrease \$13.3 million.

The Governor recommends financing the Motor Vehicle Excise Tax Phase-out program at \$86.5 million in FY 2003. This is an increase of \$9.9 million from the FY 2002 revised funding level, and will provide for payments to each city and town at the fiscal year 2002 exemption level of \$3,500, with additions for the Consumer Price Index and tax roll growth.

The FY 2003 budget includes increases in some aid to local communities and proposes to level fund certain other aid. The General Revenue Sharing program will continue to distribute 2.4 percent of total state tax revenue for the second preceding year (e.g. FY 2001 for the FY 2003 budget). This percentage was scheduled to increase annually until it reached 4.7 percent in FY 2009, in order to compensate communities for the phase-out of the wholesale and retail inventory tax over the same period; however, the Governor proposes to delay the scheduled FY 2003 increase to 2.7 percent by one year. Despite this delay, funding for this program will still increase by \$4.7 million above the FY 2002 funding level to \$48.3 million. The Payment-in-Lieu-of-Taxes (PILOT) program is recommended for level funding in FY 2003 at the FY 2002 enacted level of \$18.1 million. State Library Resource Sharing Aid is recommended to remain at FY 2002 enacted level of \$6.3 million. Library Construction Aid, however, would increase by \$286,000 to \$2.3 million to fully finance outstanding commitments. The recommendation for the Municipal Police and Fire Incentive Pay program is level funded, at a total of \$1.1 million. The Governor proposes an amendment to Public Service Corporation Tax statutes to assess property involved at a weighted average tax rate for all municipalities, rather than a statewide average rate, as in current statute. This will more closely reflect the collections which local communities would have collected, and will yield additional tax collections which are distributed to municipalities. Although the revenues from this tax flow through the state, they are not appropriated and thus are not reflected in the state budget. It is anticipated that this legislative change will result in additional aid to local communities exceeding \$6.7 million. Overall, state aid to local communities, excluding education aid, increases by \$15.1 million, or 9.7 percent, from FY 2002 revised funding levels. Including the estimated public service corporation tax distributions, aid to local communities is expected to increase \$21.8 million or 12.6 percent.

Included within the recommendation for the Department of Administration is the continuation of funding for the Slater Centers of Excellence program at \$3.0 million. The Governor also recommends continuing

General Government

the appropriation for the state commitment to the support of the Economic Policy Council (EPC). The business community matches these state funds to support the operations of the EPC.

The FY 2003 budget continues to provide \$50,000 for a grant to the City of Providence for on-going operating expenses at the Fox Point Hurricane Barrier. This is in support of a FY 2000 grant of \$500,000 for one time capital repairs at the Hurricane Barrier, which were based on an assessment by the Army Corps of Engineers.

The Governor recommends \$370,000 to continue funding the incentive-based Medicaid Revenue Maximization Project. Working in conjunction with the Departments of Elementary and Secondary Education and Human Services, the Department of Administration has engaged the University of Massachusetts Medical School, Center for Health Care Financing, to assist Rhode Island in obtaining reimbursement for administrative costs associated with school-based medical services. It is estimated that reimbursement of these costs will generate in excess of \$5.6 million in additional funding for elementary and secondary schools during fiscal years 2002 and 2003.

The FY 2003 budget continues to consolidate debt service payments in the Department of Administration, as required by law. General revenue funded debt service decreases from \$93.7 million in the revised FY 2002 budget to \$65.2 million in the FY 2003 recommendation. This decrease is the net result of several adjustments, including: a \$7.7 million increase in general revenue funded debt service due to a reduction in the amount of RICAP funds used for this purpose; a \$454,750 increase for debt service on the obligations for the Neighborhood Opportunities Program affordable housing and Traveler's Aid project to be issued by the RI Housing and Mortgage Finance Corporation; a \$5.3 million increase for outstanding and projected General Obligation debt service for FY 2003; a \$1.7 million increase for the Convention Center lease due to the front loaded refunding savings in FY 2002; and a \$43.9 million reduction in debt service anticipated due to the defeasance of outstanding general obligation debt with proceeds from the securitization of future tobacco settlement revenues. The recommendation will finance \$1.7 million for payments on behalf of Fidelity Investments in accordance with an incentive-based agreement with the company. The recommendation will continue to finance a level amount of \$3.7 million for estimated payments to the Providence Place developers under the Mall Act, which is linked to the sales tax generated at the mall.

FY 2003 funding for the core programs within the Department of Administration is comparable to FY 2002 levels, adjusted for longevity and other general personnel costs. The recommendation also includes funding for a cost of living adjustment for state employees.

Federal funding decreases by \$3.1 million from the FY 2002 revised budget. This reduction is primarily attributable to the Community Development Block Grant within the Office of Municipal Affairs.

Restricted receipts decrease by \$41,711 from the revised FY 2002 budget. This incremental change is most significant in the Central Services program. There is a reduction of approximately \$100,000 in interest earnings for energy overcharge accounts.

In the FY 2003 recommended budget, other funds decrease \$13.3 million from the revised level. The majority of the change in other funds is attributable to two programs, General and Debt Service. There is a \$4.8 million reduction in funding for Rhode Island Capital Plan Fund projects. The budget recommendation also includes reduced funding for debt service expenditures of \$8.5 million, which primarily reflects the redirection of expenditures from RICAP to general revenue for debt service.

General Government

For FY 2003, the Governor recommends a total of 1,350.0 full time equivalent (FTE) positions, which is the total included in the FY 2002 enacted budget.

Department of Business Regulation

The Governor recommends a revised FY 2002 budget of \$9.4 million, including \$8.7 million in general revenue and \$728,109 in restricted receipts. The general revenue revised budget is a decrease of \$210,147 from the enacted level. The revised budget includes adjustments for employee compensation and fringe benefits rates, and reductions for utility savings and turnover, plus savings of \$148,327 from a reallocation of real estate program administrative expenses to restricted receipts. A budget act article is included for this last item.

The Governor recommends total expenditures of \$10.3 million for the Department of Business regulation in FY 2003. This includes \$9.7 million from general revenue and \$645,987 from restricted receipts. The FY 2003 budget is an increase of \$1.0 million in general revenue from the FY 2002 revised level. The FY 2003 recommended budget includes a departmental general revenue fee and expenditure increase of \$559,000 to implement standardized business regulations as required by the federal Gramm-Leach-Bliley Act. An article in the FY 2002 Supplemental Budget Act establishes the fee structure to generate these revenues in order to support the increased appropriations in FY 2003. The department's current staff and activities are fully financed; the Governor's recommendation recognizes savings in utility costs and in restrained out-of-state-travel, from limits on staff education and information processing services, and in recognition of a continued hiring freeze. The Governor recommends a total of 111.0 FTE positions in FY 2002 and FY 2003.

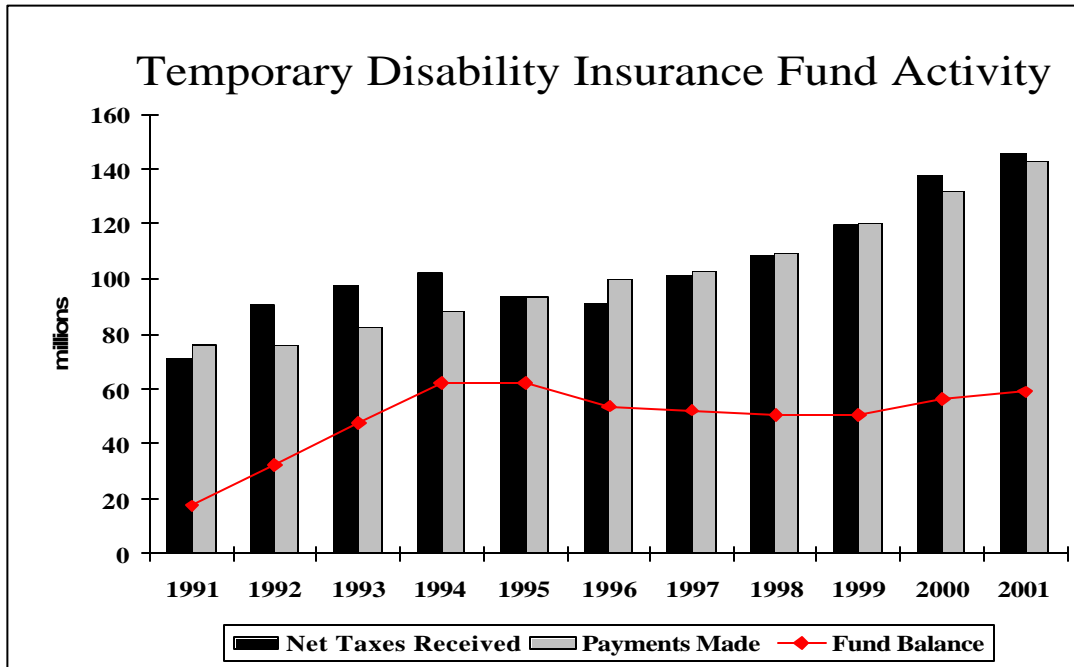
Department of Labor and Training

The Governor recommends expenditures of \$403.0 million in the FY 2002 revised budget, including \$7.2 million in general revenue, \$43.0 million in federal funds, \$22.7 million in restricted receipts, and \$330.1 million in other funds. The revised budget is \$41.5 million greater than the enacted budget of \$361.5 million. The majority of the increase is in other funds (\$36.5 million), followed by federal funds (\$4.3 million), restricted receipts (\$407,623), and general revenue (\$284,146). The additional \$284,146 of general revenues recommended in FY 2002 includes \$79,187 for underfunded utility and other operating costs; \$131,667 for underfunded personnel costs; \$44,492 for Police and Fire Relief benefit payments; and \$30,516 for statewide adjustments, including the retirement rate change, fringe benefit assessment rate change, and unfunded COLA. The increase in other fund expenditures is associated with greater than anticipated Unemployment Insurance Benefit payments of \$26.5 million and Temporary Disability Insurance benefit payments of \$10.0 million. Changes in federal funding includes increases for the Welfare to Work (\$3.2 million) and Workforce Investment Act (\$3.3 million) programs, which are partially offset by reductions in expenditures for the Rapid Job Entry (\$1.9 million) and the Unemployment Insurance (\$692,703) programs. For FY 2002 and FY 2003, the Governor recommends financing the Rapid Job Entry program using Job Development Fund restricted receipt funds in lieu of Temporary Assistance for Need Family (TANF) federal funds. The TANF funds previously allocated to the Department of Labor and Training are now included in the Department of Human Services (DHS) accounts, and will result in reduced general revenue appropriation requirements in DHS.

By category of expenditure, the FY 2002 revised budget includes an increase for grants and benefits of \$43.5 million. This increase is partially offset by reductions of \$1.4 million for operating (due to an operating transfer to the Department of Administration for Unemployment Insurance payments) and \$602,669 for personnel. The increase in expenditures for grants and benefits is primarily due to increased

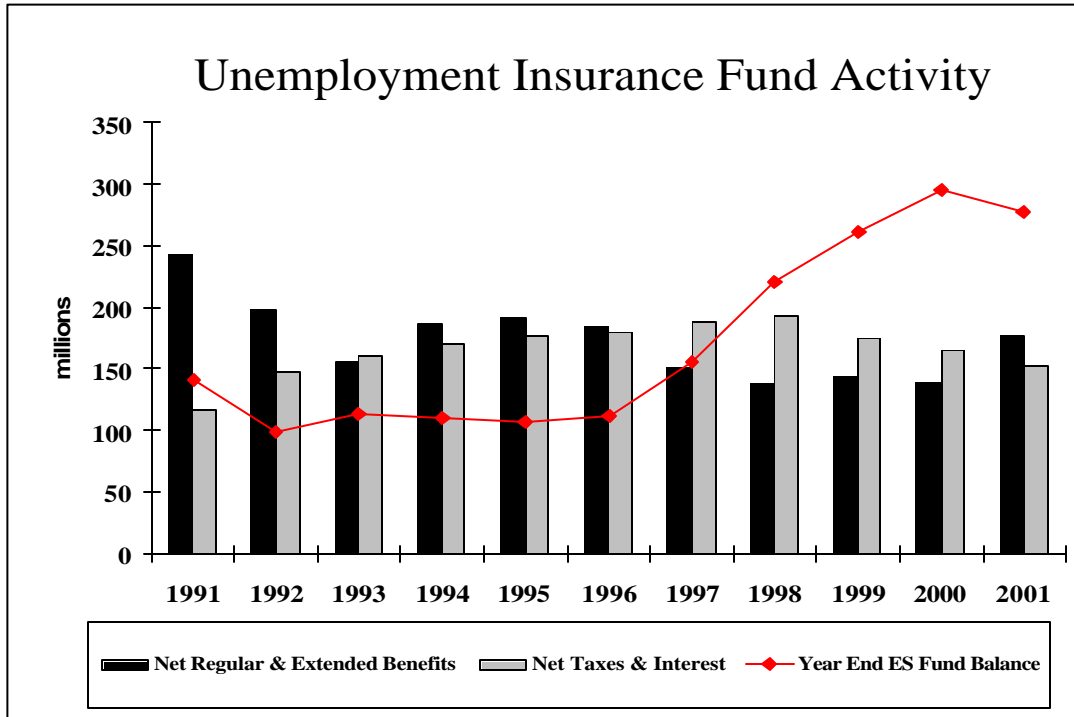
General Government

Unemployment Insurance Benefit payments and Temporary Disability Insurance benefit payments. The increase in Unemployment Insurance Benefit payments is associated with rising unemployment in Rhode Island. The recent fund balance trends for both of these trust funds are shown in the graphs below.



In FY 2003, the Governor recommends expenditures of \$415.0 million, including \$7.7 million in general revenue, \$37.1 million in federal funds, \$24.6 million in restricted receipts, and \$345.6 million in other funds. In the aggregate, FY 2003 expenditures are \$12.0 million greater than the FY 2002 revised budget. Other funds expenditures increase \$15.5 million, for Temporary Disability Insurance Fund and Unemployment Insurance Fund benefit payments. Over the same period, restricted receipt expenditures increase by \$1.9 million, general revenue expenditures increase by \$424,367, and federal funds decrease by \$5.8 million. The reductions in federal funding are primarily in the Workforce Development Services program (\$5.4 million), and are associated with the end of discretionary grants and reductions in program support. The largest discretionary grant program ending in FY 2003 is Welfare to Work, a reduction of \$2.6 million. Other reductions are in the Workforce Investment Act program (\$2.7 million), and the Unemployment Insurance program (\$447,729). The \$1.9 million increase in restricted receipt expenditures includes \$1.1 million in the Human Resource Investment Council, as well as increased use of Tardy Fund monies and workers' compensation related programs. The general revenue funding recommendation for FY 2003 includes an increase for two elevator inspectors and one boiler inspector. The Governor recommends this funding to ensure that the Department adequately inspects elevator and boiler equipment as mandated by Rhode Island General Laws.

General Government



For FY 2003, the Governor recommends an FTE authorization of 558.0 FTE positions, which is the same number of FTE positions recommended in the FY 2002 revised budget.

Legislature

The FY 2002 revised budget for the Legislature totals \$29.1 million, including \$28.4 million of general revenue and \$758,832 of restricted receipts. This reflects an increase of \$3.5 million from the enacted budget due to the reappropriation of unexpended general revenue appropriations in FY 2001. The FY 2001 general revenue ending balance totaled \$7.5 million. \$4.0 million of this balance was appropriated in FY 2001 for planning and construction costs for a new office building for the General Assembly. The Governor's recommendation defers this funding to FY 2004 for expenditure from the Rhode Island Capital Plan Fund, and reduces the FY 2002 reappropriation accordingly. The recommendation will provide funds dedicated to the establishment of an office building.

The FY 2003 budget is \$24.7 million, of which \$23.9 million is from general revenue, and \$809,639 is from restricted receipts. The general revenue budget for FY 2003 exhibits a decrease of \$4.5 million, reflecting the net impact of the one-time nature of the reappropriation in FY 2002, and increases for an employee cost of living adjustment and other benefits. Additionally, the Legislative budget reflects appropriate reductions for the downsizing of the House and Senate membership. The Governor recommends 280 FTE positions in FY 2003 which is the same number of FTE positions recommended for FY 2002.

General Government

Lieutenant Governor

The FY 2002 budget recommendation for the Lieutenant Governor includes general revenue expenditures of \$760,149 in FY 2002, a reduction of \$4,779 from the enacted budget level. This funding level fully supports the operations of the Lieutenant Governor including 10.0 FTE positions.

The Governor recommends general revenue expenditures of \$642,592 for FY 2003, a decrease of \$117,557 from the FY 2002 revised recommendation. The Lieutenant Governor, one of five elected general officers of the state, fulfills the responsibilities of Governor when required by the constitution and presides over the Senate and Grand Committee. Effective 2003, the Senate will elect its president who will also preside over its Grand Committee. The FY 2003 recommendation reflects this change in responsibility.

General Treasurer

The Governor recommends a revised FY 2002 budget of \$29.6 million for the Office of the General Treasurer. The revised budget is composed of \$5.1 million in general revenue, \$1.7 million in federal funds, \$10.8 million in restricted receipts, and \$12.0 million in other funds. The general revenue budget of \$5.1 million is \$51,649 greater than the enacted budget. This is attributable to an increase in the cost of the leased property at 40 Fountain Street and administrative expenses associated with bond financings.

The Governor recommends total expenditures of \$27.1 million for the General Treasurer in FY 2003, including \$4.6 million in general revenue, \$1.6 million in federal funds, \$10.8 million in restricted receipts, and \$10.1 million in other funds. The programs within the Office of the General Treasurer include the following: General Treasury; the Rhode Island Refunding Bond Authority, including obligations of the abolished Rhode Island Public Buildings Authority; the State Retirement System; the Unclaimed Property Program; and the Violent Crimes Compensation Program.

The reduction in general revenue from FY 2002 to FY 2003 is a net figure representing an increase for the state employee cost of living adjustment, the associated benefit costs, and a decrease of \$700,000 relating to the Crime Victim Compensation Program. The recommendation of \$1.5 million in FY 2003 for the Crime Victim Compensation program represents the last installment of general revenue to pay down the accumulated liability in this fund. It is anticipated that, in future fiscal years, the available federal and restricted receipt funding sources will be sufficient to finance actual expenses.

The Governor recommends 87.5 FTE positions in the FY 2003 budget, which is the same number recommended in the revised FY 2002 budget.

Boards for Design Professionals

For FY 2002, the Governor recommends expenditures of \$362,790, comprised entirely of general revenue, for the Boards for Design Professionals. The increase from the enacted budget is \$12,515.

In FY 2003, total recommended expenditures are \$395,614, an increase of nine percent from the FY 2002 revised budget, primarily related to personnel obligations. The Boards for Design Professionals is a consolidated program consisting of the Board of Registration of Professional Engineers, the Board of Registration for Professional Land Surveyors, the Board of Examination and Registration of Architects, and the Board of Examiners of Landscape Architects.

The Governor recommends 4.0 FTE positions in FY 2002 and FY 2003.

General Government

Board of Elections

For FY 2002, the Governor recommends a revised budget of \$2.5 million to finance board operations, local elections and the implementation of the Electronic Campaign Finance Tracking System. The operating budget is \$30,730 greater than the FY 2002 enacted budget. The increase reflects additional expenditures for implementation of the Campaign Finance Tracking System and special elections, which were not included in the enacted budget.

The FY 2003 budget recommendation of \$5.5 million finances the operating requirements of the Board of Elections, including \$3.3 million for the Matching Public Funds program related to the 2002 general election cycle and the operation of the Campaign Finance Tracking and Reporting System. This system is part of an ongoing effort to improve the efficiency of board operations. The new system will provide for electronic submission of required reports, in addition to significantly improving the tracking, auditing, and reporting functions of the board. The operating budget includes full and part-time personnel costs, as well as leased equipment and vendor payments for the optical scan ballot system. A total of 22.3 FTE positions are recommended for the board in FY 2002 and FY 2003.

Rhode Island Ethics Commission

The Governor recommends revised FY 2002 expenditures of \$904,934. The agency is financed entirely from general revenue. This revised level of expenditures is \$57,507 greater than the enacted authorization. The change consists primarily of payroll savings of \$106,173 resulting from vacancy savings and \$168,000 in reappropriated funds from FY 2001 for contractual legal services.

In FY 2003, the Governor recommends a budget of \$851,875 consisting entirely of general revenue. This funding is \$53,118 less than the revised FY 2002 level primarily due to the net impact of the one-time nature of the reappropriation in FY 2002 and additions for an employee cost of living adjustment and other benefits.

The Governor recommends 10 FTE positions in the FY 2003, the same number as recommended in the FY 2002.

Office of the Governor

The Governor recommends general revenue expenditures of \$5.6 million in FY 2002 for the Office of the Governor, a decrease of \$70,612 from the enacted budget level. The funding level supports the operations of the office including 50.0 FTE positions.

The Governor recommends general revenue expenditures of \$5.8 million for FY 2003, an increase of \$219,386. The FY 2003 recommendation supports the agency operations, including the funding of 49.6 FTE positions.

Public Utilities Commission

For FY 2002, the Governor recommends total expenditures of \$5.5 million for the Public Utilities Commission. This funding is comprised of \$710,793 in general revenue, \$61,538 in federal funds, and \$4.7 million in restricted receipts. The general revenue decrease of \$20,447 from the enacted level is due primarily to a reallocation of general revenue payroll costs of \$20,000 to restricted receipts funding sources. There is a corresponding increase in restricted receipts expenditures recommended by the Governor. For federal funding sources, the Governor recommends no change to the enacted funding level.

General Government

In FY 2003, the Governor recommends total expenditures of \$5.7 million, consisting of \$731,581 in general revenue, \$66,610 in federal funds, and \$4.9 million in restricted receipts. This funding level, as recommended by the Governor, reflects an increase of \$215,998 from the Governor's FY 2002 revised recommendations for all sources of funding and consists of the following increases: \$20,778 in general revenue, \$5,072 in federal funds, and \$190,138 in restricted receipts. These increases reflect FY 2003 current service cost adjustments for employee compensation and fringe benefits. Current service costs for FY 2003 are fully funded at the level recommended by the Governor.

The Governor recommends 44.0 FTE positions in FY 2002 and FY 2003.

Rhode Island Commission on Women

The Governor recommends a revised FY 2002 budget for the Rhode Island Commission on Women of \$139,670, composed entirely of general revenue expenditures. This is an increase of \$530 from the FY 2002 enacted budget and reflects adjustments to personnel costs. The FY 2002 budget recommendation contains funding for the Woman of the Year banquet, offset with general revenue generated by ticket sales to the event.

In FY 2003, the Governor recommends a general revenue budget of \$147,056. This is a \$7,386 increase from the revised FY 2002 budget, and includes adjustments to salaries and statewide benefit categories. Continued financing is provided for the Woman of the Year banquet in FY 2003.

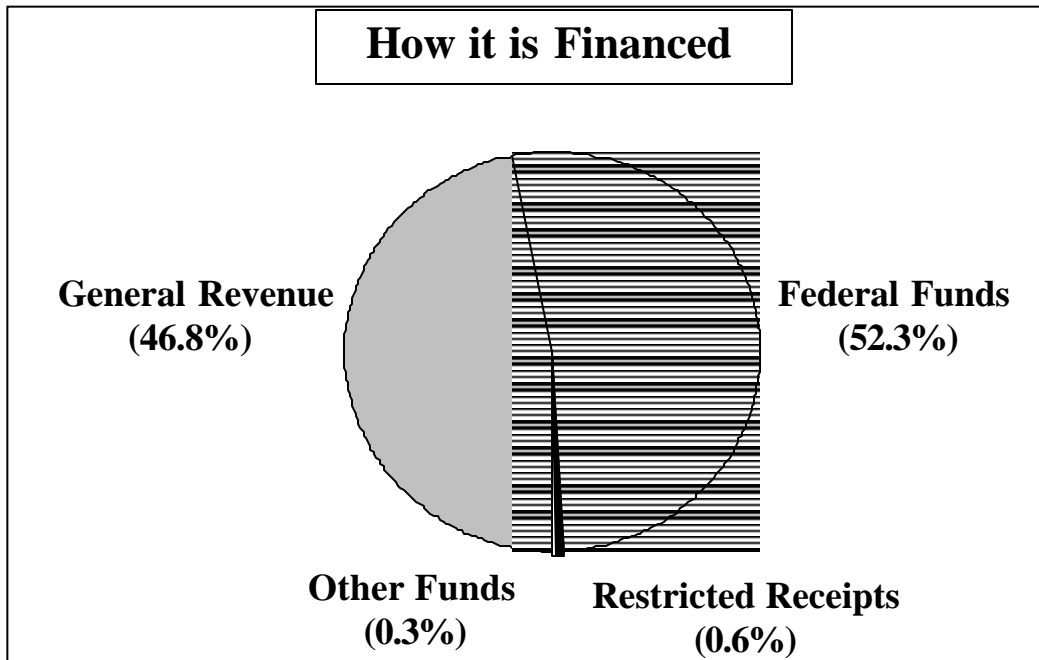
The Governor recommends 2.0 FTE positions in FY 2002 and FY 2003.

Human Services

Summary

The Human Services function of state government spans a broad range of activities including, but not limited to, prevention, treatment, and rehabilitation services.

On a program basis, the Governor's FY 2003 budget finances current service costs for the state's elderly, children, juvenile, disabled and medically needy. The Governor's FY 2003 budget continues to support cash and medical assistance programs while maintaining services to veterans, the blind, and visually-impaired. The chart below depicts the source of funding for the Governor's FY 2003 recommendation for the human service agencies and departments.



The Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The Governor's proposed funding level of \$2.2 billion protects services for the state's most vulnerable populations, including the elderly, children and families, medically needy, mentally ill, developmentally disabled, deaf and hard of hearing, and the physically disabled. The social and economic needs of clients continue to be met through the services provided by the Departments of: Children, Youth, and Families; Elderly Affairs; Health; Human Services; and Mental Health, Retardation, and Hospitals. The dual role of advocacy and education continues to be provided by agencies including the Commissions on: the Deaf and Hard of Hearing; Human Rights; and, Disabilities, and the Offices of the Child Advocate and the Mental Health Advocate.

The Governor remains committed to preventing child abuse and neglect, intervening for and on behalf of abused and neglected children and youths, and rehabilitating delinquent youths through education and training.

Human Services

The Governor recommends total general revenue funding of \$1.028 billion, an increase of \$12.6 million from the FY 2002 revised budget. This includes increases of \$6.1 million in the Department of Human Services, \$3.5 million in the Department of Mental Health, Retardation and Hospitals, \$1.6 million in the Department of Elderly Affairs and \$1.6 million in the Department of Children, Youth and Families. Changes in the Department of Human Services include: revised caseload conference estimates; revisions in the federal Medicaid matching rate; elimination of a scheduled implementation of a child care eligibility expansion from 225 to 250 percent of the federal poverty limit; an increase in work participation requirements; elimination of food stamp benefits for some resident aliens; and, elimination of a weatherization cash assistance bonus payment. The Governor also recommends continuation of uncompensated care payments to community hospitals; this program expires in current law, and will require a statutory change. Reductions to Medical Benefits expenditures from the levels adopted by the caseload conference include: enrolling foster care adoptive children and children currently enrolled on SSI in the Rite Care managed care program; changes in the structure of the State's managed care plan; and a restructuring of the pharmacy benefit program for Medicaid enrollees. These items are discussed in greater detail in the Department of Human Services section of this document.

Within the Department of Mental Health, Retardation and Hospitals, the Governor proposes funding to support the cost of increasing caseloads in the Developmental Disability program. The Governor also recommends cost of living adjustments for not-for-profit provider agencies in the Developmental Disability, Mental Health and Substance Abuse service systems, and increases for the utilization of pharmaceuticals in the Eleanor Slater Hospital and the Community Medication Assistance Program (CMAP).

The Governor recommends a general revenue increase of approximately \$1.7 million in FY 2003, compared to FY 2002 revised levels, for the Department of Children, Youth and Families. This increase is a net figure and represents increases for residential placements, not-for-profit provider rate increases and a reduction in Children's Intensive Services for non-Medicaid eligible children.

Within the Department of Health, the Governor recommends total funding of \$92.3 million, including \$34.0 in general revenues. Department programs have been financed at current service levels with the exception of a \$460,000 reduction to the Cancer Council grant. The Governor recommends fee increases in the Health Facilities Licensure and Health Plan Data areas to support current oversight activities.

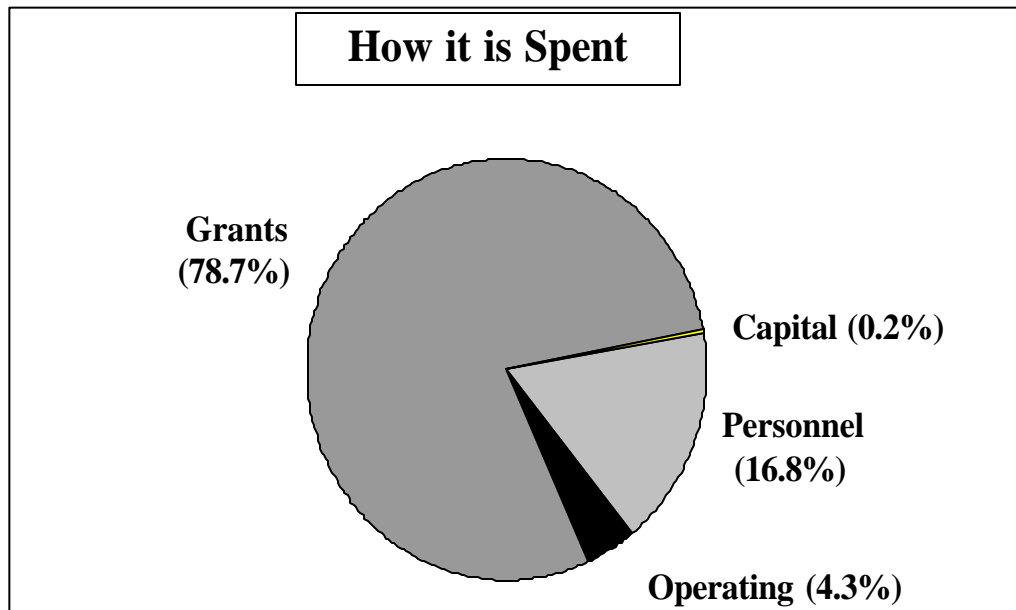
The Governor proposes total FY 2003 expenditures of \$41.1 million for the Department of Elderly Affairs, including \$27.2 million general revenues, an increase of \$1.7 million above the FY 2002 recommended level. The increase primarily reflects adjustments for the RIPAE program and employee cost of living and fringe benefit adjustments.

The Governor proposes total human services expenditures of \$2.194 billion, consisting of \$1.028 billion in general revenue, \$1.146 billion in federal funds, \$13.8 million in restricted receipts, and \$6.7 million in other funds. The total constitutes 41.1 percent of the total proposed expenditures for the state. Social services block grants and cash and medical assistance program funds constitute the major sources of federal funding.

The chart below depicts the financing sources of the proposed funding level of \$2.194 billion for human services programs. Whenever feasible, the Governor's plan leverages state resources with federal resources. For FY 2003, the state anticipates distributing \$79.6 million in state and federal resources to hospitals serving low income persons under the Disproportionate Share Program.

Human Services

The Governor's FY 2003 proposed level of expenditures 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 is also included. Personnel, which includes purchased services, accounts for \$369.1 million, or 16.8 percent, of all expenditures programmed for human services. Other operating expenditures are funded at \$94.2 million, or 4.3 percent of proposed total human services expenditures, with capital projects slated for \$4.1 million, or 0.2 percent. Finally, grants and benefits expenditures of \$1.727 billion account for the largest outflow of identified resources, reflecting 78.7 percent of the total human services function budget. The chart below shows the outflows of all resources by category of expenditure for the human services function.



Included in proposed FY 2003 grants and benefits expenditures are: \$963.8 million for medical assistance payments; \$68.5 million for child care benefits for qualified families; \$170.2 million for services to the developmentally disabled, \$58.0 million for services to the mentally ill, \$13.3 million for the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program; \$85.1 million for cash assistance grants for an estimated 44,000 individuals in the Family Independence Program; \$30.7 million in funding for an anticipated caseload of 30,050 individuals in the Supplemental Security Income (SSI) program; and \$2.3 million to assist qualified individuals in the General Public Assistance (GPA) program.

Human Services

Department of Children, Youth and Families

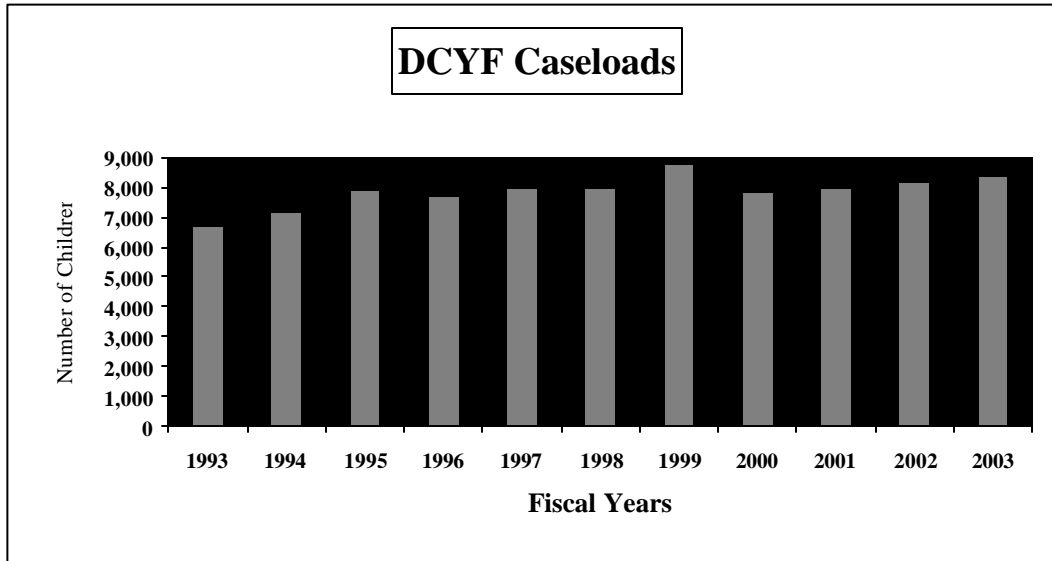
The Governor recommends total expenditures of \$227.9 million for the revised FY 2002 budget, including \$137.3 million of general revenue, \$88.8 million of federal funds, \$1.5 million in restricted receipts, and \$282,923 of other funds. The Governor's revised budget includes a net increase of \$4.3 million in general revenue expenditures. The major items requiring increased funding include: \$3.2 million for purchase of service placements; \$110,047 for parent aide services; \$3.1 million for a contract settlement with unionized employees, which includes a retroactive payment related to caseload overages and stipend increases; and, \$190,200 for hospital care costs not eligible for Medicaid reimbursement. Due to a change in federal regulation, general revenue funding is required to finance a portion of the costs for contracted programs previously financed with SSI restricted receipts. Additionally, changes to Title IV-E of the Social Security Act reduce the amount of federal funding available to finance expenditures for RICHIST, the department's management information system. General revenue is recommended to replace this shortfall. The FY 2002 revised budget contains reappropriations for a construction grant to Harmony Hill School and the FY 2001 balance from the Higher Education Opportunity Incentive Grant program.

The Governor recommends total expenditures of \$232.8 million in FY 2003 for the Department of Children, Youth and Families, including \$138.9 million of general revenue, \$92.4 million of federal funds, and \$1.5 million of restricted receipts. The recommended FY 2003 general revenue budget increases by \$1.6 million above the revised FY 2002 budget. The Governor's commitment to children is reflected in financing for the annualized cost of 110 residential placement slots to be created in FY 2002, and 28 new residential placements in FY 2003. These new in-state programs are part of an effort to reduce the number of out-of-state purchase of service residential placements, decrease unnecessary stays in high-end psychiatric programs, and to enhance community-based care. Also included in the FY 2003 budget is \$653,240 for a three-percent provider rate increase to be used directly for employee compensation. The increases are offset in part by a reduction of \$1.1 million for Children's Intensive Services (CIS) for non-Medicaid eligible children. The reduction is the result of increased client eligibility for Rite Care health services, and from increased third-party participation, as required in a proposed statutory revision. This revision requires that health insurers finance the first \$5,000 of CIS for covered dependent children. Project Reach, a program supporting community based mental health services for children, is fully financed in FY 2003. The Governor is committed to continuing mental health services for an estimated 2,800 children serviced through this program. Higher Education Incentive Grants are level funded at \$200,000 per R.I.G.L. 42-72.8.

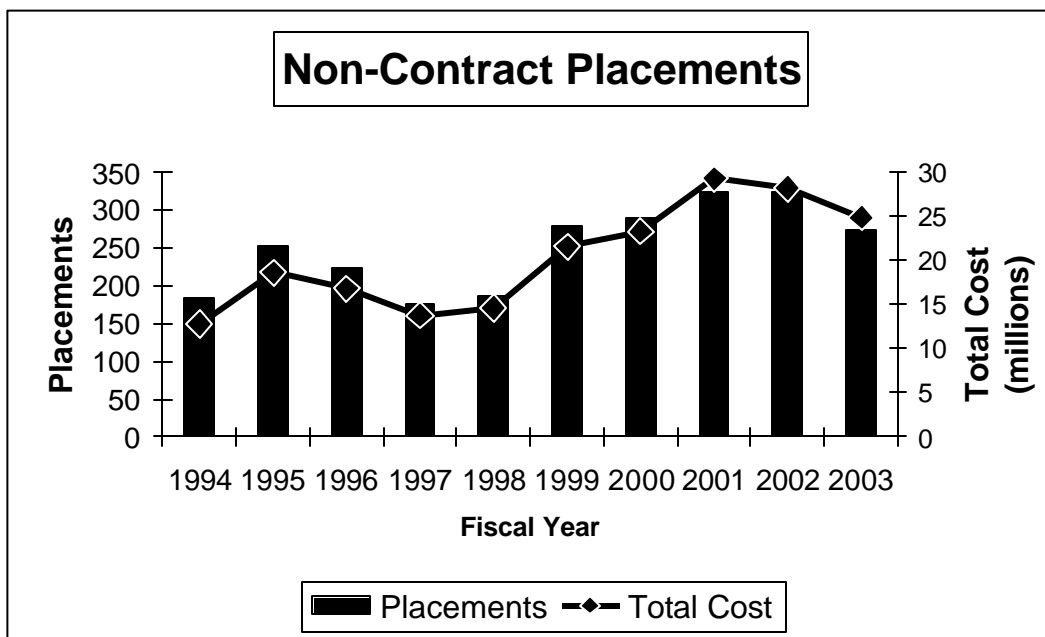
The Governor's Capital Improvement Plan includes \$60.0 million for the construction of a new 214-bed Training School at the Pastore Center. The project is intended to replace the existing training school, address overcrowding issues, and to comply with a Federal Court consent decree. The new facility will house detained and adjudicated male and female residents and provide equitable opportunities for residents to participate in programming. Architectural design is scheduled to begin in FY 2002. The project will be financed through the issuance of certificates of participation, previously approved by the Legislature, and with funding available from a letter of credit from the sale of the Sockanosset property in Cranston to a private developer.

The Governor recommends 868.9 FTE positions for the agency in both the revised FY 2002 and FY 2003 budgets, a reduction of 7.0 FTE positions from the FY 2002 enacted level. In July 2001, the department, in collaboration with Rhode Island College, formed the Child Welfare Institute. The Institute provides pre-service, in-service, and professional development training to DCYF employees and providers. Existing staff positions were transferred from DCYF to Rhode Island College.

Human Services



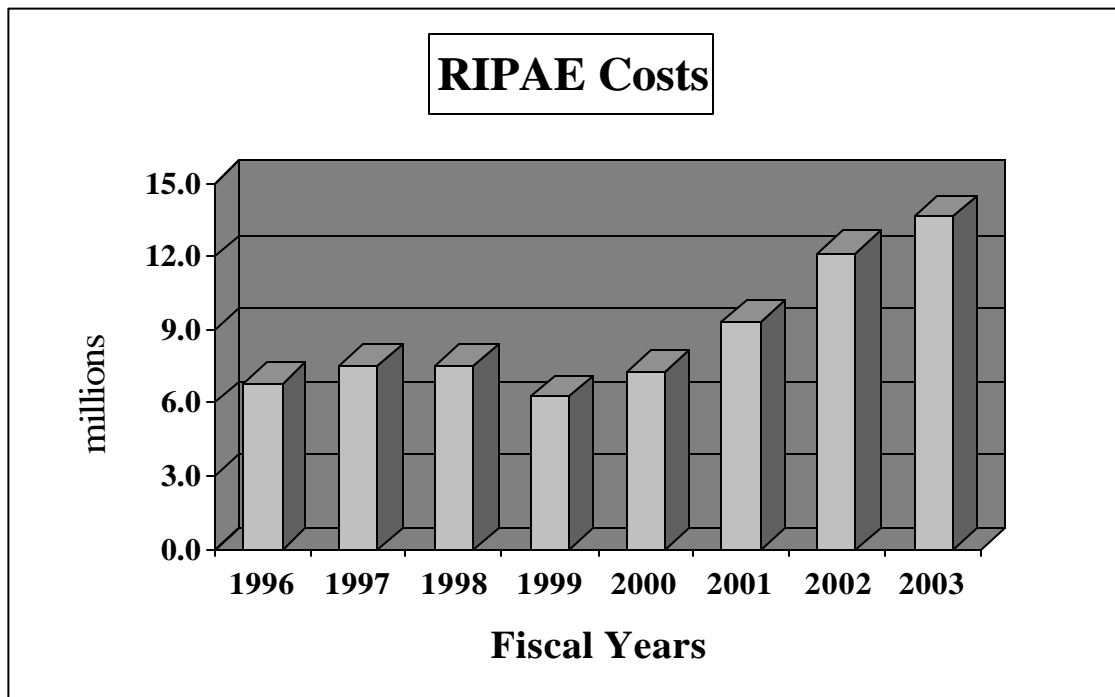
Department caseloads are projected at 8,194 for FY 2002, and 8,407 in FY 2003. The Governor's budget recommendation includes 325 purchase of service placements in FY 2002, and 275 placements in FY 2003. The reduction in the number of non-contract placements for FY 2003 assumes that continued utilization review and increased in-state capacity will result in children moving through the child welfare system more rapidly and appropriately. Purchase of service placements are tailored to the needs of each child, and are purchased by the department on an individual, as needed basis. The chart below displays the historical utilization data and revised FY 2002 and FY 2003 levels of purchase of service placements, with associated costs.



Human Services

Department of Elderly Affairs

The Governor recommends a revised budget for FY 2002 for the Department of Elderly Affairs of \$39.5 million. Expenditures are comprised of \$4.5 million in gas tax receipts, \$25.5 million in general revenue, and \$9.5 million in federal funds. This revised funding level is an increase of \$2.4 million from the FY 2002 enacted budget. Federal funding increases by \$867,604. The general revenue budget recommendation represents an increase of \$1.8 million from the enacted level. This increase primarily results from additional benefit costs of \$1.6 million related to the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, after recognizing savings of \$171,420 from the implementation of a HCFA Maximum Allowable Cost (MAC) List for RIPAE drugs. Other increases include \$270,093 for personnel, \$255,763 for Transportation programs, and \$160,000 for Nurse Case Management. These increases are offset by reductions of \$245,621 for Home and Community Care, and \$283,896 for Adult Day Care; the estimated requirement to finance current caseloads is less than enacted levels. The department's revised federal budget includes additional funding of \$364,076 for Medicaid eligible costs. New grant funding of \$559,775 is also provided for the National Family Caregiver Support Project. Gas tax funding is reduced by \$205,463 to reflect a change in the yield of the state gasoline tax, as determined by the November Revenue Estimating Conference, and a negative balance forward from FY 2001.



For FY 2003, the Governor recommends total expenditures of \$41.1 million, consisting of \$4.7 million in gas tax receipts, \$27.2 million in general revenue, and \$9.2 million in federal funds. The recommended total is \$1.5 million, or 3.8 percent, greater than the FY 2002 revised budget. Agency programs designed to improve the quality of life for Rhode Island's senior citizens are fully funded in FY 2003. These activities include senior center grants, home and community care, adult day care, transportation, nurse case management, protective services, and RIPAE. For FY 2003, the recommendation for the RIPAE program totals \$13.3 million. This represents an increase of \$1.4 million, or 12.0 percent, from FY 2002 revised

Human Services

budget levels including \$411,408 of savings from implementation of the HCFA Maximum Allowable Cost (MAC) List. The Governor recommends 60.6 FTE positions in FY 2002 and FY 2003.

Department of Health

The Governor recommends total expenditures of \$92.1 million in the FY 2002 revised budget, including \$34.4 million in general revenue, \$49.4 million in federal funds, \$8.1 million in restricted receipts and \$269,597 in other funds. This represents an increase of \$4.4 million from the FY 2002 enacted budget.

General revenue increases by \$417,533 from the FY 2002 enacted budget. Specific programmatic increases include the following: \$460,000 for Early Intervention; \$150,000 for Health Laboratory personnel; \$211,234 for the Neighborhood Health Plan of Rhode Island (to properly record costs previously treated as expenditure credits); and changes related to an employee cost of living adjustment. There are also several reductions included in the FY 2002 recommended budget including \$127,375 for anticipated turnover within the Environmental Health program, and reductions in employee fringe benefit costs. The Governor recommends containment of state costs for the Early Intervention program through Article 12 in the Supplemental Appropriation Act, which would require insurance providers to pay the first \$5,000 of eligible services.

Federal funds increase by \$2.3 million in the FY 2002 revised budget. New or increased grants have been awarded in the areas of Family Planning, newborn hearing loss, and immunization. Federal funding is essential to completing the mission of the Department of Health, and every possible effort is made to maximize this funding source. Restricted receipt funds increase by \$1.7 million, which results from new or increased funding for revenues and foundation grants, as well as unexpended resources from FY 2001. Principal among these increases are two grants from the Robert Wood Johnson Foundation within the Family Health program, funding for the KidsNet database, and the Medicaid match for meningitis vaccine. In FY 2002, other funds increase \$40,000 from the FY 2002 enacted level.

For FY 2003, the Governor recommends total expenditures of \$92.3 million for the Department of Health. This includes \$34.0 million from general revenues, \$50.0 million from federal funds, \$8.2 million from restricted receipts, and \$211,528 from other funds. This is a net increase of \$202,177 from the FY 2002 revised budget, which is comprised of reductions in general revenue and other funds and increases in federal funds and restricted receipts.

The FY 2003 recommended general revenue budget is structured to finance the current service operations of the Department of Health. To that end, there are no significant programmatic reductions within the department. The Governor recommends a reduction of \$460,000 in funding for the Cancer Council, reflecting the need to constrain costs. The Governor also recommends the elimination of funding for School Based Health Centers, a saving of \$525,000 from the FY 2002 enacted level. This funding supports seven school-based centers, in four school districts, at a funding level of \$75,000 per center. These centers were historically funded through a private grant from the Robert Wood Johnson Foundation; this funding source expired in August of 2001.

The Governor's recommendation includes \$276,403 for the Neighborhood Health Plan of Rhode Island; as in the FY 2002 recommendation, this funding is offset by a corresponding general revenue receipt. This will record actual expenditures for the department more accurately than the previous use of expenditure credits.

The Governor recommends increases in fees for Health Facilities Licensure and Health Plan Data in FY 2003. These fees will finance the oversight activities currently provided by the department in these areas, which are not adequately supported.

Human Services

The only significant increase in federal funding for FY 2003 occurs in the Health Laboratories program. The program received new funding for Biomonitoring from the federal government, which will permit the department to develop a statewide plan for dealing with biohazards within Rhode Island.

The major issues with regard to restricted receipt funding in FY 2003 mirror those in the FY 2002 budget recommendation. The Robert Wood Johnson Foundation grants for the KidsNet database and meningitis vaccine, which total \$260,000 in FY 2002, and are zero in FY 2003. The total funding involved is \$260,000.

The budget recommendations for both FY 2002 and FY 2003 include full time equivalent positions totaling 477.1 for the Department of Health. This total is identical to that included in the FY 2002 enacted budget.

Department of Human Services

The Governor recommends revised appropriations of \$1.333 billion for FY 2002, including \$598.3 million of general revenues, \$730.3 million of federal funds, and \$4.7 million of restricted receipts and other funds. This represents an increase of \$36.7 million, on an all funds basis, from the enacted budget. The revised budget for FY 2002 includes an increase of \$10.6 million in general revenue expenditures, an increase of \$25.4 million in federal funds, and an increase of \$728,989 in restricted and other funds. The primary reason for the increase is the addition of \$23.6 million for revised Medical Benefit expenditure estimates, adopted by the November 2001 caseload estimating conference, including \$12.1 million in general revenue funds.

Cash assistance appropriations, pursuant to caseload conference estimates, increase by \$5.3 million; however, additional federal resources, primarily from the under expenditure of prior year block grant funds, have been recognized, resulting in a net general revenue addition of \$2.3 million for cash assistance caseloads. The largest components of change, in adopted cash assistance caseloads from general revenue funds, are the addition of \$599,662 for the Supplemental Security Income (SSI) program, the addition of \$1.9 million in Family Independence Program (FIP) cash benefits, and savings of \$377,866 for child care slots. The all funds increase of \$4.6 million for FIP benefits and the reduction of \$58,533 for child care costs reflect the impacts on adopted estimates of reduced employment opportunities in the current economy. The Governor's Supplemental Budget Act includes revisions to statute to eliminate the state-funded weatherization bonus payment to FIP families due for payment in March, 2002, the savings from the enacted level is \$1.7 million. The Supplemental Budget Act also includes a statutory revision to redirect \$2.0 million in expenditures for training of FIP clients, at the Department of Labor and Training, from the federal TANF block grant to the Job Development Fund. This change will allow the TANF block grant to finance an additional \$2.0 million of FIP cash assistance payments, therefore general revenue funds are reduced accordingly. Allocations for federal food stamp benefits are increasing by \$5.3 million, to \$64.2 million, also due to trends in increased caseloads. This entitlement is totally financed from federal sources, and is not included in caseload conference estimates.

The revised FY 2002 budget proposal for general revenues includes an increase of \$380,388 for estimated costs not included in the enacted budget for a negotiated state employee cost of living allowance, and savings of \$247,164 for various statewide adjustments to employee benefit costs. The Governor's recommendation also includes the addition of \$250,000 for Emergency Housing Assistance vouchers financed by a grant from the Rhode Island Housing Mortgage Finance Agency and recorded as general revenue expenditures. The remaining additions for general revenue totals \$385,888, and are for various operating expenditures. The most notable of these is for the addition of \$583,715 for operations of the Veterans' Home, where increased acuity levels for the aging population require enhanced levels of care.

Human Services

Also included is an adjustment of \$223,326 for implementation costs for information systems required by the federal Health Insurance Portability and Privacy Act, offset by net savings from cost allocations to various federal sources.

For FY 2003, the Governor recommends total expenditures of \$1.383 billion for the Department of Human Services. This total includes \$604.4 million from general revenue, \$774.4 million from federal funds, \$290,000 from Rhode Island Capital Plan funds, and \$4.0 million from restricted receipts. The agency budget continues to finance: cash and medical assistance programs at caseload conference consensus values; training and support services for family assistance programs; continued services to veterans, the blind and visually impaired, and other assisted populations. Seventy percent of the agency's expenditures are for medical benefits payments.

The Governor's budget recommendations for both FY 2002 and FY 2003 includes full funding for the operation of the Rhode Island Veterans' Home and the Rhode Island Veterans' Cemetery, including \$3.5 million for capital improvements in FY 2002, and \$1.4 million in FY 2003. General revenue additions for Veterans' Affairs in FY 2003 total \$1.1 million, from FY 2002 revised levels of \$14.1 million.

In FY 2003, current payment standards are maintained for clients receiving cash payments under the Family Independence Program. After reaching a peak caseload of 64,000 persons in 1994, the number of persons receiving cash assistance continues to decline. The November 2001 consensus caseload conference estimated that 45,850 persons would receive Family Independence Program cash assistance in FY 2002, a four- percent decrease from FY 2001, declining to 44,000 persons in FY 2003, also a reduction of four percent. This decline reflects the goal of supporting families and placing clients into unsubsidized employment. Correspondingly, continuing investments are required in childcare, medical assistance, education, and training and employment programs. Consensus caseload conference estimates project 11,864 childcare slots in FY 2002, an increase of 0.6 percent from FY 2001 actual experience, and 12,192 slots in FY 2003, an additional increase of 2.8 percent.

Consensus caseload conference estimates for cash assistance payments in FY 2003 are reduced by \$704,688, compared to revised FY 2002 levels, reflecting continued reductions in FIP cash assistance payments of \$3.9 million, offset by increased SSI estimates of \$1.8 million and increased estimates for child care slots of \$1.5 million. The associated general revenue costs decrease by \$1.1 million for FIP cash assistance and increase by \$1.7 million for child-care, and by the entire \$1.8 million for SSI.

The Governor's recommended FY 2003 Budget includes a statutory revision and a reduction of \$1.3 million in general revenue funds, and 290 child care slots, by eliminating the scheduled implementation of an eligibility expansion from 225 percent to 250 percent of the federal poverty limit. This expansion is contained in current law, and is scheduled for implementation on July 1, 2002; its costs are included in the caseload conference estimates. The FY 2003 appropriations act includes a statutory revision increasing work participation requirements for certain single parent families receiving FIP cash assistance; savings of \$772,109 in FY 2003 are estimated. The FY 2003 appropriations act includes a statutory revision eliminating state only food stamp benefits for certain aliens resident in Rhode Island before September, 1996, with a general revenue savings of \$1.2 million; preliminary federal budget proposals would restore this benefit from federal sources, effective October 1, 2002. The FY 2003 budget also includes general revenue reductions of \$1.7 million from the elimination of weatherization payments, and \$2.0 million from the use of Job Development funds, as proposed in the FY 2002 Supplemental Budget Act. The recommended budget includes no funding for citizenship participation programs, a reduction of \$100,000 from FY 2002 funding levels.

Human Services

The Governor's budget recommendations for FY 2002 and FY 2003 also recognize departmental revenue increases in the Department of Administration from elimination of the payment of a portion of child support collections to FIP clients, effective March 1, 2002. The payments of \$50 per month to eligible households are sundry disbursements and reduce the amount of collections recorded as revenues.

The Supplemental Security Income caseload historically has increased on a continuous basis. The adopted caseload conference estimates are 29,032 recipients in FY 2002, and 30,050 in FY 2003, and compare to actual cases of 28,050 in FY 2001. The 3.5 percent growth rate results from a continued growth in the disabled component and a slight decline in the state's elderly population. The General Public Assistance Program will be maintained in FY 2003, providing limited cash assistance to eligible persons and a medical program of restricted scope. The caseload conference estimate is 387 persons in FY 2002, and 390 persons in FY 2003.

Medical assistance programs are maintained in FY 2003. The Governor recommends Medical Benefits appropriations as adopted by the Caseload Estimating Conference, with the following revisions necessary to manage the growth in state costs:

- Reinstating uncompensated care payments to community hospitals as per current practice, requiring the addition of \$75.7 million, including \$33.8 million in general revenues. The current authorizing statutes expire annually; therefore the conference did not adopt FY 2003 estimates. This item requires a statutory change, and is included as an article to the recommended Budget.
- Enrolling foster care adoptive children in Rite Care health plans results in net savings of \$950,000, including \$430,635 in general revenue funds.
- Assigning the responsibility for inpatient behavioral health services, for enrolled foster care children, to Rite Care health plans results in net savings of \$700,000, including \$317,366 general revenue funds.
- Enrolling children on SSI in Rite Care health plans results in net savings of \$4.6 million, including \$2.1 million general revenue funds.
- Managed care savings of \$400,000, including \$181,352 general revenue funds, from eliminating retroactive eligibility payments for all new enrollees.
- Managed care savings of \$1.2 million, including \$544,056 general revenue funds, from restructuring reimbursement rates for neonatal intensive care services.
- Managed care savings of \$2.0 million, including \$906,670 general revenue funds, by assigning Rite Care health plans responsibility for the full continuum of behavioral medical services, including Children's' Intensive Services.
- Managed care savings of \$200,000, in general revenue funds, from canceling expanded subsidies of medical insurance for employees of child care providers; this expansion is contained in current law, and was included in conference estimates. This item requires a statutory change, and is included as an article to the recommended Budget.
- Savings of \$6.6 million, including \$3.0 million general revenue funds, from restructuring the pharmacy benefit programs for all Medicaid enrollees.

The adopted and recommended amounts for Medical Benefits recognize the savings resulting from an adjustment to federal Medicaid matching rates. Based on revised income and census data, the State share has decreased by approximately four percent. The Governor's recommendation reflects savings in Department of Human Services recommendations of approximately \$19.0 million due to state share reductions.

Human Services

Basic medical services provided through the Rhode Island Medical Assistance Program will continue for; families receiving SSI benefits; children in foster care; Medicare beneficiaries having limited income and resources; pregnant women, parents and children with low income including mothers and children denied federal assistance due to their immigration status; and, persons meeting the criteria for the Categorically Needy Program. An inflation adjustment for nursing home reimbursements for eligible clients is included in the recommendation, pending an actual value from the National Nursing Price Index in May 2002. Rhode Island's Medical Assistance Program will continue to provide services in all mandatory categories as well as optional categories including dental, optometry, hospice, podiatry, ambulance and prescription services. The recommended FY 2003 budget includes no funding for statutory grants to visiting nurses associations, a reduction of \$600,000 from FY 2002 levels.

With the exceptions of Veterans' Affairs and entitlement payments, including Medicaid, general revenue additions, from FY 2002 to FY 2003, for the department total \$1.5 million. Changes in employee costs due to cost of living adjustments and medical benefits account for \$1.0 million of this amount. The FTE position recommendation for both fiscal years is unchanged at 1139.9.

Department of Mental Health, Retardation and Hospitals

The Governor recommends total FY 2002 expenditures of \$421.4 million for the Department of Mental Health, Retardation and Hospitals, including \$217.4 million of general revenue, \$202.2 million in federal funds, \$1.7 million in other funds and \$65,000 in restricted receipts. An increase of \$1.3 million in general revenue funds from the enacted level includes the reappropriation from FY 2001 of funds related to the Piravano Trust in the amount of \$260,990, and \$159,215 for a federal Synar compliance penalty within the Division of Substance Abuse. The supplemental funding also includes: \$1.6 million for utility related expenditures and repairs at the Central Power Plant; \$842,668 for pharmaceuticals in the Eleanor Slater Hospital; a reduction of \$1.4 million in Developmental Disability grant based services; and \$718,821 in turnover reductions. A reduction to enacted levels for Developmental Disability grant based services is due to lower than anticipated expenditures in FY 2001, and a re-basing of the FY 2002 enacted budget.

During the summer of 2001, the Power Plant experienced an outage due to the failure of a feedwater pump. The failure prevented the generation of steam, which is used for both Air Conditioning and Heating, until temporary boilers could be installed. The Governor's recommendation includes the transfer of \$509,312 appropriated to the Department of Corrections for sewer fees to the Department of Mental Health, Retardation and Hospitals. The majority of the utility related expenditures and the responsibility for the utility infrastructure of the Pastore Center Campus are now the responsibility of the Department of Mental Health, Retardation and Hospitals.

The Governor's FY 2003 recommendation totals \$441.7 million, including \$220.9 million of general revenues, \$219.3 million of federal funds, \$1.5 million of Rhode Island Capital Plan Funds and \$65,000 of restricted receipts. The general revenue portion of the budget reflects an increase of approximately \$3.4 million, or 1.6 percent, from the FY 2002 revised level. Reappropriations of \$420,205 and supplemental funding of \$1,070,645 for Power Plant repairs and utility costs in FY 2002 are not repeated in FY 2003. The net change from FY 2002 to FY 2003 is distorted because approximately \$6.8 million of general revenue Medicaid costs can be reassigned to federal funds as a result of the change in the Federal Matching Assistance Percentage rate (FMAP). The Governor's general revenue recommendation includes; \$2.9 million for a three- percent rate increase for provider agencies; \$4.0 million for Developmental Disability caseload costs, and \$207,214 in pharmaceutical cost increases. The FY 2003 recommendation includes a 4.5 percent state employee cost of living adjustment, medical benefit

Human Services

increases and other related personnel adjustments. The recommendation of the Governor provides for 2,138.0 FTE positions for FY 2002 and FY 2003.

Within the Eleanor Slater Hospital, compliance with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), Medicare, Medicaid, and Department of Health requirements continues to be major priorities. The Eleanor Slater Hospital is surveyed by JCAHO every three years with the next survey occurring in the fall of 2002. Correspondingly, facility repairs and upgrades and campus-wide utility improvements are continuing. Funding for such projects is accomplished from a combination of sources including general revenue, federal funds, Rhode Island Capital Plan Fund and Certificates of Participation.

Within the Division of Developmental Disabilities, the department is continuing to pursue the CHOICES initiative. The initiative includes components to provide individualized funding plans so that clients can exercise some freedom of choice in the location and type of supports which they will receive. The project is collaboration with the Department of Human Services, and will include significant modifications to the state's Medicaid Management Information System.

As part of a plan to integrate the service systems within MHRH, to deal with clients who have co-occurring disorders of Substance Abuse and Mental Health, the department is working toward the creation of a Behavioral Health Care Program. This program will help shape the future delivery of services to insure that clients with both mental health and substance abuse issues are diagnosed and treated appropriately. Although the program structure and the associated financing of Integrated Mental Health Services and Substance Abuse are currently separate, the service systems and financing will be merged over the next several years.

The department has landlord responsibilities at the John O. Pastore Center, specifically related to utilities. In December 2000, Certificates of Participation were issued to rehabilitate the aging Central Power Plant facility. The cost of this project is estimated at \$30.0 million. The project commenced during calendar year 2001, with groundbreaking to occur in the spring of 2002. Upon completion, the project will provide dependable long-term electrical and steam generation capacity for the entire Pastore Center complex. When combined with the planned repairs and renovations to the distribution system, it represents a significant step in stabilizing the utility infrastructure of the complex.

Child Advocate

The Governor recommends total expenditures of \$881,655 for FY 2002. This consists of \$522,465 in general revenue and \$359,190 in federal funds. The revised funding level is \$15,787 greater than the enacted level, reflecting a \$700 decrease in general revenue and a \$16,487 increase in federal funds.

For FY 2003, the Governor recommends total expenditures of \$919,381 including \$560,191 in general revenue and \$359,190 in federal funds to fully finance the current services of the agency. The Governor recommends 13.0 FTE positions for FY 2002 and FY 2003.

Commission on the Deaf and Hard of Hearing

The Governor recommends general revenue expenditures of \$196,450 in FY 2002. This reflects a decrease of \$61,440 from the enacted level. The decrease from the enacted level includes a reduction of \$64,985 in salaries and benefits due to vacancy savings, an increase of \$11,000 in consultant services, and a decrease of \$7,455 for operating expenses.

Human Services

The Governor recommends total expenditures of \$274,374 in FY 2003 to fully finance current costs for the personnel and operating requirements of the commission. The commission is entirely funded by general revenue. The Governor recommends a total of 3.0 FTE positions, for the commission, for FY 2003.

Rhode Island Developmental Disabilities Council

The Governor recommends revised FY 2002 total expenditures of \$420,477, all of which is derived from a federal grant from the Administration on Developmental Disabilities within the United States Department of Health and Human Services. This revised level of funding is \$11,493 higher than the agency's enacted authorization and reflects increased grant funding to local not-for-profit entities who advocate for, and on behalf of, persons with developmental disabilities.

For FY 2003, the Governor recommends total expenditures of \$421,433, consisting entirely of federal funds. This level of funding, which is \$956 higher than the FY 2002 revised recommendation, reflects current service cost adjustments for employee medical benefits. FY 2003 current service costs are fully financed at the funding levels recommended by the Governor. The Governor recommends 3.0 FTE positions for FY 2002 and FY 2003.

Governor's Commission on Disabilities

The Governor recommends revised total expenditures of \$366,748 for FY 2002. This consists of \$303,844 in general revenue, \$25,272 in federal funds, and \$37,632 in restricted receipts. This revised funding level is \$32,135 higher than the enacted level, reflecting a decrease of \$1,188 in general revenue, a decrease of \$2,909 in federal funds, and an increase of \$36,232 in restricted receipts. The increase in restricted funding sources is due to a \$100,000 grant award from the Rhode Island Human Resource Investment Council (RIHRIC). This four-year grant is expected to terminate in FY 2005. A \$3,000 grant from the National Organization on Disabilities was awarded in recognition of the State of Rhode Island's efforts at ensuring that voters with disabilities had equal access to the electoral process.

For FY 2003, the Governor recommends total expenditures of \$431,190, including \$328,970 in general revenue, \$31,642 in federal funds, and \$70,578 in restricted receipts. Compared to FY 2002 revised levels, this is an increase of \$25,126 in general revenue, \$6,370 in federal funds, and \$32,946 in restricted receipts. The increase in restricted receipts is related to the RIHRIC grant award. The increase in general revenue reflects FY 2003 current service requirements for employee compensation and fringe benefits, in addition to operating related adjustments. The Governor recommends 4.6 FTE positions in FY 2002 and FY 2003.

Rhode Island Commission for Human Rights

The Governor's revised FY 2002 budget totals \$1.1 million and consists of \$727,462 in general revenue and \$416,177 in federal funds. This revised level of funding is \$65,103 less than the level enacted by the Legislature, and reflects decreases of \$55,103 in general revenue and \$10,000 in federal expenditures. The Governor's FY 2002 general revenue revisions include savings of \$28,362 for rental of property and \$23,010 for staff vacancy savings.

For FY 2003, the Governor recommends total expenditures of \$1.2 million, which is comprised of \$789,812 in general revenue and \$408,828 in federal funds. This level of funding is \$55,001 greater than the FY 2002 revised funding recommendation. The increase reflects annualized operating adjustments

Human Services

and employee compensation and fringe benefit costs. The Governor recommends 17.0 FTE positions in FY 2002 and FY 2003.

Office of the Mental Health Advocate

The Governor recommends total FY 2002 general revenue expenditures of \$283,031, reflecting a decrease of \$11,847 from the enacted level. The decrease is primarily attributable to experienced vacancy savings greater than the level anticipated in the enacted budget.

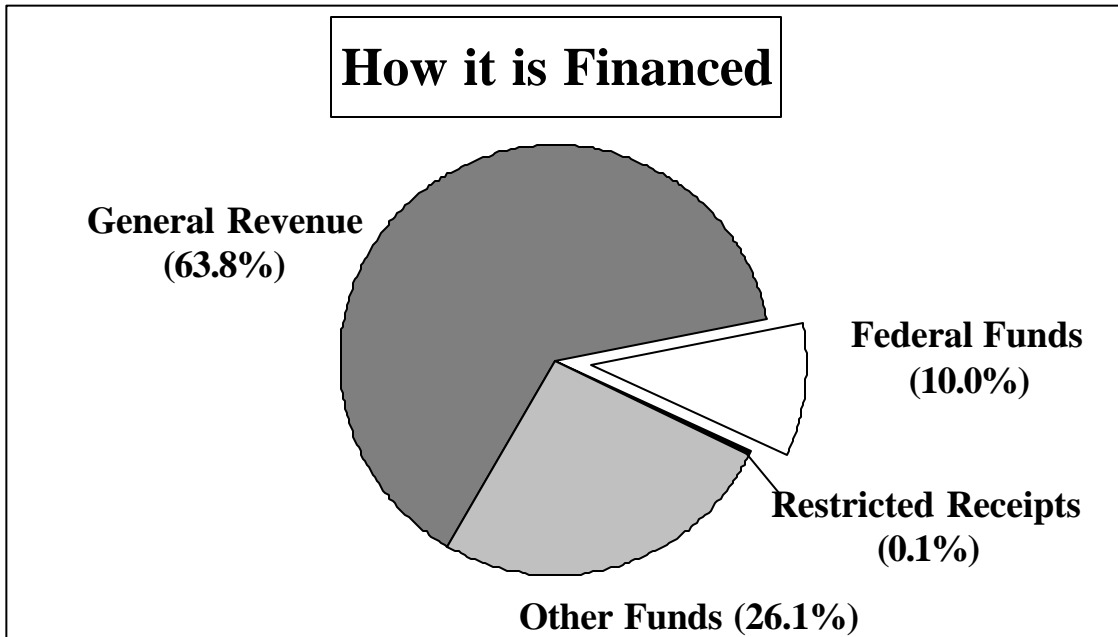
The Governor recommends total FY 2003 general revenue expenditures of \$304,432, reflecting full funding for agency current service costs. The Governor recommends a total of 4.0 FTE positions for this agency.

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, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority.

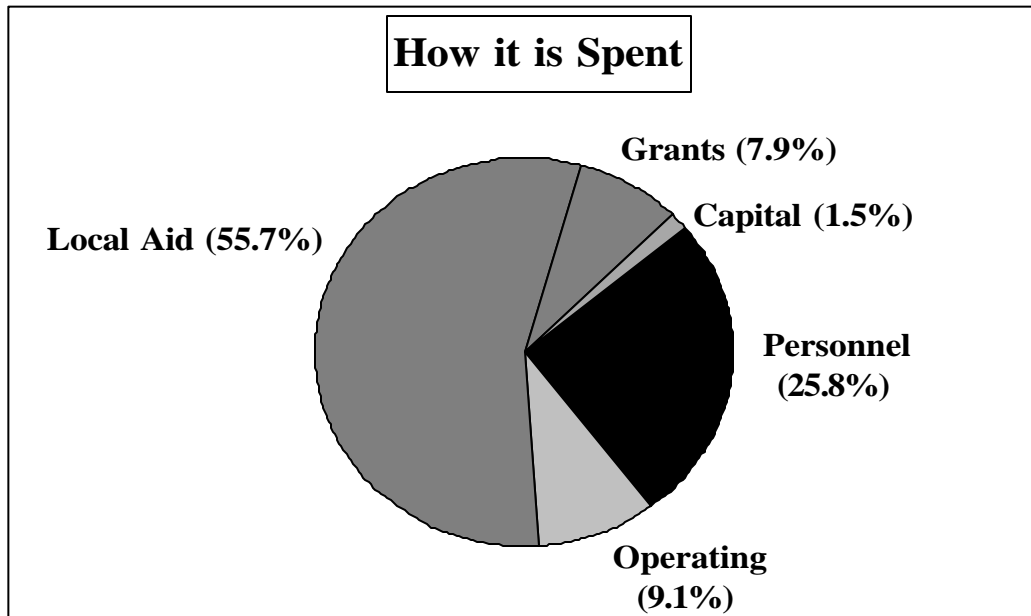
Two boards govern the major part of Education activities in Rhode Island. The Board of Regents, with the advice of the Commissioner of education, establishes policy with respect to the operations of the Department of Elementary and Secondary Education, state education aid programs, the School for the Deaf, the Davies Career and Technical School, the Metropolitan Career and Technical School, and the Central Falls School District. The Board of Governors for Higher Education, with the advice of the Commissioner of Higher Education, establishes policy with respect to operations at the three state institutions of higher education.



The Governor recommends total expenditures of \$1.456 billion for Education in FY 2003, including \$928.8 million from general revenue, \$145.8 million from federal funds, \$1.6 million from restricted receipts, and \$379.9 million from other funds.

In the Education function of state government, other funds consist of: Rhode Island Capital Plan Funds, Institutional Revenues, Sponsored Research Programs, Scholarships and Fellowships, Auxiliary Enterprises in Public Higher Education, and the Corporation for Public Broadcasting Grant to the Rhode Island Telecommunications Authority.

Education



The Governor's recommendation for Education for FY 2003 includes an increase of \$35.6 million in general revenues from FY 2002 revised levels. This amount is 81.0 percent of the entire FY 2003 increase in general revenues included in the \$2.669 billion budget. The recommendation includes increased general revenue financing for Public Higher Education that is 4.0 percent above the Governor's FY 2002 revised budget. The Governor's recommendation provides for a 4.1 percent increase for Elementary and Secondary Education, including an increase of \$20.6 million, or 3.4 percent in local education aid. This continues the Governor's emphasis on the education of the children of Rhode Island. Aid to Local Units of Government accounts for 55.7 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 34.9 percent of education expenditures, with most of these expenditures occurring in Public Higher Education. The remaining 9.4 percent is for grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$841.9 million in expenditures from all funds for the Department of Elementary and Secondary Education, of which \$706.4 million is general revenue expenditures, \$133.8 million is federal grants, \$1.2 million is restricted receipt funds, and \$487,458 is other fund expenditures. This recommendation represents changes to the enacted budget decreasing general revenue expenditure by \$4.5 million, increasing federal expenditures by \$20.2 million, increasing restricted receipt expenditures by \$552,957, and decreases in other fund expenditures by \$815,225.

The revised FY 2002 general revenue recommendation includes two large changes, an increase for School Construction Aid of \$2.4 million, reflecting updated claims information, and a decrease of \$6.2 million in state retirement contributions for teachers, reflecting a change in retirement rates and an update of the teacher payroll base. Other general revenue changes include increased personnel vacancy savings of \$350,205, including \$101,002 in the School for the Deaf, \$204,818 in Davies Career and Technical School, and \$44,385 in agency program operations. Grant expenditures for the School for the Deaf have been reduced by \$250,900, reflecting the aging out of a vision care client.

The Governor recommends \$871.4 million in expenditures from all funds for the Department of Elementary and Secondary Education in FY 2003. Of this total, \$735.5 million is from general revenue, \$133.9 million is from federal funds, \$1.1 million is restricted receipts, and \$1.0 million is from other funds.

This financing level represents an increase in general revenue expenditures of \$29.1 million from the revised FY 2002 level, an increase of \$115,709 in federal expenditures, a decrease of \$177,955 in restricted expenditures, and an increase of \$535,788 in other fund expenditures.

Education aid to local government totals \$705.5 million in all funds for FY 2003. This represents a net increase of \$27.3 million, or 4.0 percent above the comparable revised FY 2002 budget. Federal IDEA funds are available and included in both in the revised FY 2002 budget, \$2.5 million, and in the FY 2003 recommendation, \$2.0 million. Teacher retirement obligations total \$38.4 million in FY 2003, an increase of \$7.8 million from revised levels. This is attributable to a higher projected teacher salary base and a higher contribution rate than in FY 2002. Retired teacher health subsidy costs are increased to \$491,455 in FY 2002 are not reflected in FY 2003, based upon the Governor's recommended change in the statute. Education aid includes school construction aid of \$33.2 million for both FY 2002 and FY 2003.

The general revenue increase of \$20.6 million in all other education aid represents a 3.4 percent increase from the revised FY 2002 budget. This recommendation also reflects a change in the education aid distribution. For FY 2003, financing of the Central Falls School District, and the Metropolitan Career and Technical School are included directly within the education aid program. The increases noted above assume both schools are included in aid to provide comparable increase values.

The Governor's FY 2003 budget recommendation includes the Metropolitan Career and Technical School in the education aid distribution tables, in the Appropriation Act within the Education Aid program, and in the education aid discussion. The Central Falls School District, already in the local education aid distribution tables, is also reflected directly within the Education Aid program. The increases in aid occur in Student Equity, \$5.0 million; Core Instructional Equity, \$315,971; Targeted Aid, \$10.2 million; Group Home funding, \$435,000; Full-day Kindergarten, \$933,500; Charter School Aid, \$4.0 million; and, General Local Aid, \$3.0 million. Of the increase in General Local Aid, \$1.2 million is attributed to Central Falls. The increase for Central Falls represents a 3.5 percent increase from the FY 2002 levels. The Governor's budget also contains reductions in some category areas. These are: Vocational Education, \$245,500; Progressive Support and Intervention, \$2.7 million; the Gates Foundation match, \$664,000;

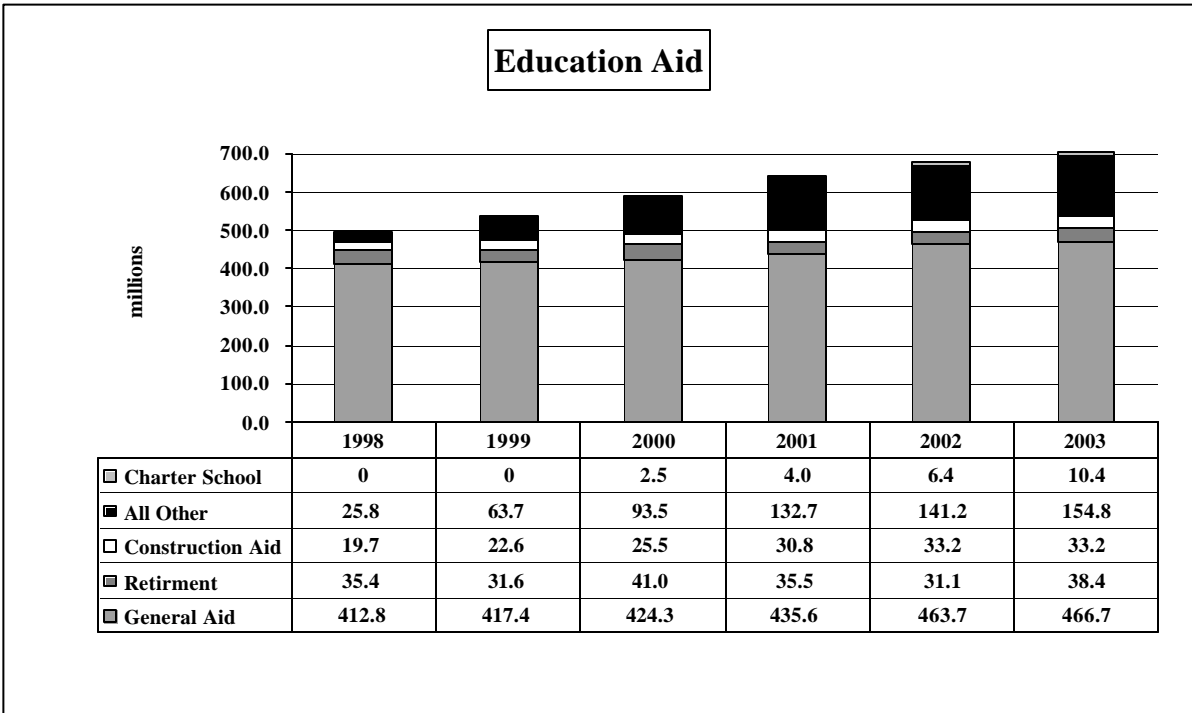
Education

Textbook Expansion, \$320,000; and, the Professional Development funds set-aside for use by the Department of Elementary and Secondary Education, \$435,000.

The Governor recommends all communities receive a guaranteed minimum increase of 1.0 percent in education aid. It should be noted that education aid in the amounts of \$2.0 million of the Progressive Support and Intervention Fund, \$120,000 of the Professional Development Fund, \$658,635 for On-site Visits, and \$100,000 for the Hasbro Children’s Hospital are not distributed by formula.

The education aid tables do not reflect the state funds recommended for the Davies Career and Technical School, or the School for the Deaf. These expenditures totaling \$11.0 million for Davies Career and Technical School and \$5.6 million for School for the Deaf in FY 2003, however, do benefit local communities, as the state contributes 100 percent of student costs, and should be recognized in any discussion of state aid to education.

The state has fully implemented a new initiative, enacted during the 2000 legislative session, to increase claiming by local education authorities of federal Medicaid funds for special education programs. Prior to FY 2001, school systems received Medicaid payments through Department of Human Services accounts for their direct costs in providing certain services for special education students. The Departments of Elementary and Secondary Education, Human Services and Administration are cooperating to generate increased reimbursements for these services by expanding the classes of services eligible for reimbursement, by broadening the criteria for student eligibility, and by assisting the local authorities in improving their reimbursement methodologies. These changes will increase local reimbursements. More significantly, Medicaid revenues were being realized for the first time in FY 2001 for the administrative costs associated with the operation of local special education programs.



Education

The Department of Administration is financing all of the additional administrative tasks necessary to establish, document, and maintain administrative claiming for the local authorities; new administrative revenues for the local authorities are estimated to exceed \$5.7 million in both FY 2002 and FY 2003.

In FY 2003, the Governor recommends \$3.2 million for the Metropolitan Career and Technical School. Located in Providence, this innovative secondary school is designed to prepare Rhode Island's students for the challenges of the 21st century. The school's programs are housed at the Shepard Building downtown, and in the West End of Providence. Land acquisition for an additional large school site has been completed, and construction has commenced to establish four additional facilities. It is projected that one of the new buildings will be open for the 2002-2003 school year. These funds are now reflected directly within the Education Aid program and in its tables.

In FY 2003, the Governor recommends \$11.0 million in general revenue for the Davies Career and Technical School and \$5.6 million for the Rhode Island School for the Deaf. The FY 2003 recommendation reflects constrained personnel spending that allows both schools to maintain current programs.

The Governor recommends \$15.4 million in general revenue for the agency's program operations. This is an increase of \$191,212 from the FY 2002 revised levels recommended by the Governor. This continues to constrain personnel spending, reduces grant expenditures, and also eliminates state financing of Child Opportunity Zones (COZ's).

The Governor recommends 345.2 FTE positions in FY 2002 and FY 2003.

Public Higher Education

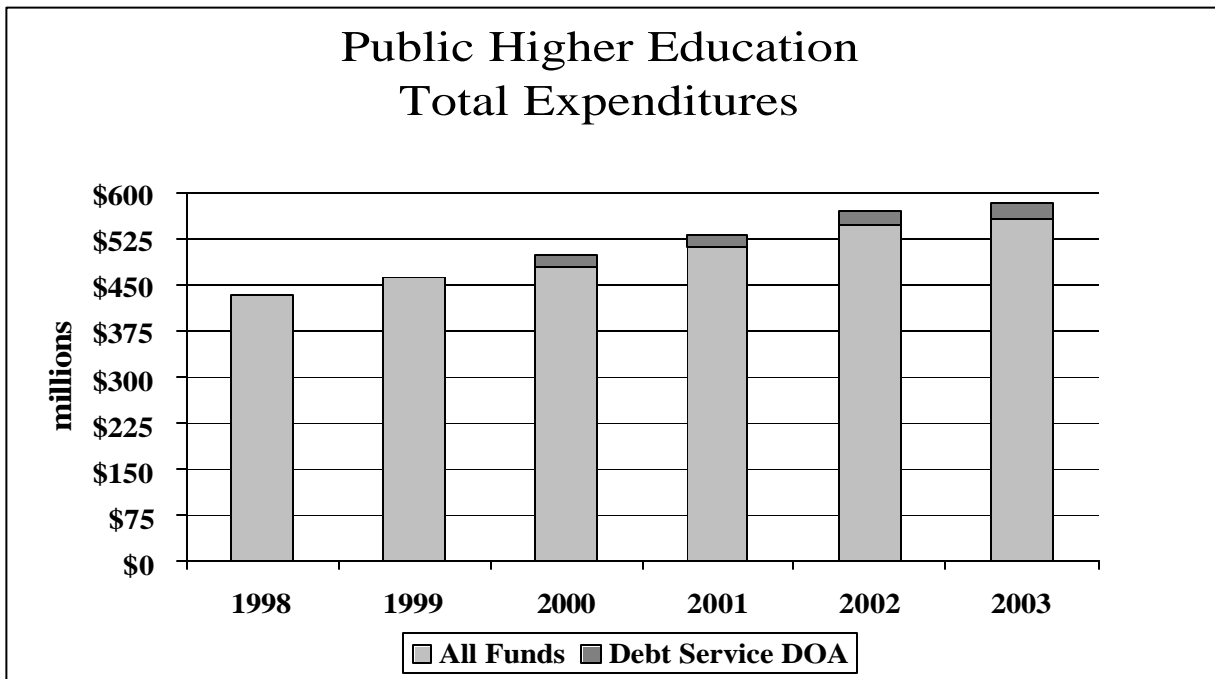
The Governor recommends total expenditures of \$546.2 million for Public Higher Education in the FY 2002 revised budget, of which \$174.5 million is from general revenue, \$2.3 million is from federal funds, and \$369.4 million is from other funds. This represents an increase in total expenditures of \$12.9 million, comprised of \$280,646 in federal funds, \$13.1 million in other funds, and a decrease of \$420,278 for medical benefits in general revenue.

For FY 2003, the Governor recommends total expenditures of \$558.5 million for Public Higher Education, including \$181.4 million in general revenue, \$2.4 million in federal funds, and \$374.7 million in other funds. Other funds include tuition revenues, which are projected to grow by \$5.3 million, or 1.4 percent. The general revenue recommendation includes additions for personnel current services of \$6.2 million and for operating current services of \$1.4 million, with a decrease in education aid of \$0.7 million, for a net increase of \$6.9 million, or 4.0 percent, from the revised FY 2002 level.

Pursuant to current law, both the FY 2002 revised budget and the FY 2003 recommended budget include debt service expenditures within the Department of Administration benefiting Public Higher Education. Recognizing \$18.2 million debt service in FY 2002 and \$19.3 million in FY 2003, including \$4.6 million of costs relative to the Providence campus of URI, state financed expenditures in FY 2003 for Higher Education increase by \$8.1 million, or 4.6 percent.

The Governor's recommendation for FY 2002 and FY 2003 includes 3,589.9 FTE positions. This represents an increase of 7.0 positions above the FY 2002 enacted level, to staff the Rhode Island Child Welfare Institute, transferred from the Department of Children, Youth, and Families, at Rhode Island College.

Education

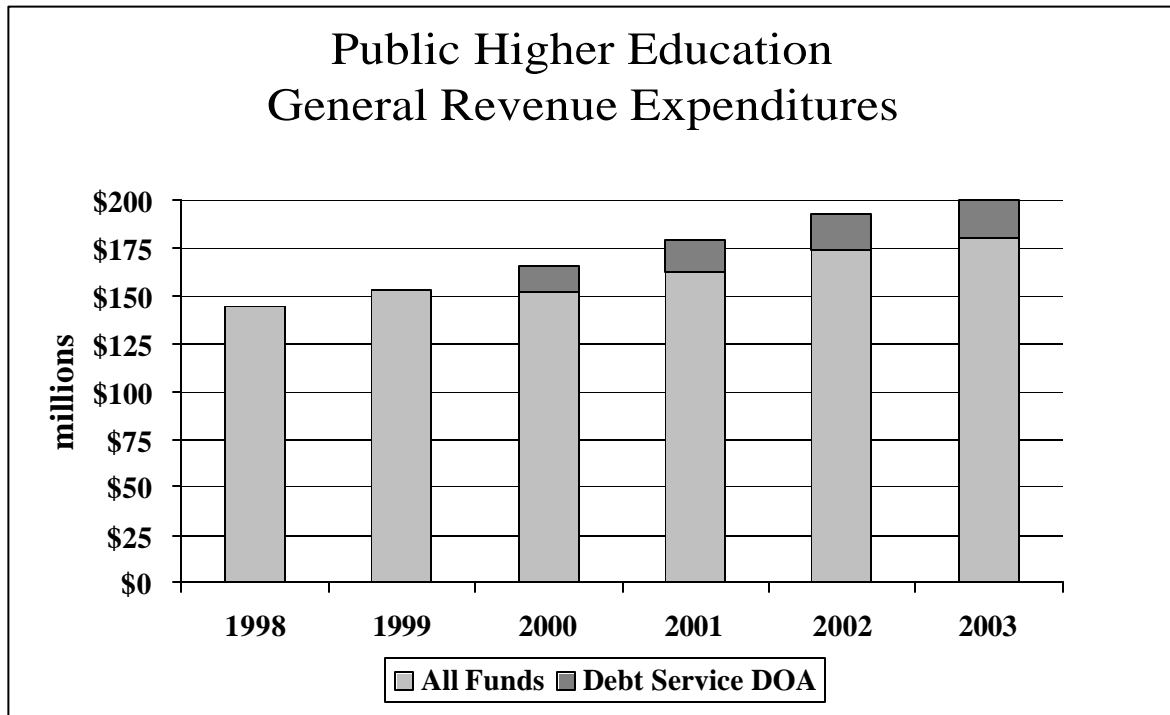


The budgets recommended by the Governor for Public Higher Education in FY 2002 and FY 2003 clearly demonstrate the value this administration places on Public Higher Education. In order to ameliorate the effects of the severe budget reductions experienced by Public Higher Education during the first half of the 1990s, the budgets proposed by the Governor for FY 1996 through FY 2003 have exhibited significantly increased state support.

The Children's Crusade program is dedicated to providing quality educational enrichment programs and scholarship assistance to disadvantaged youths during their elementary and secondary school years, using a combination of public and private funds. New federal grant awards will provide funds for an early awareness program for college study at \$1.9 million in both FY 2002 and in FY 2003. The Governor recommends continued general revenue support for the Rhode Island Children's Crusade at \$1.8 million for FY 2002 and FY 2003.

The Governor recommends 3,925.3 FTE positions in FY 2002 and 4,032.6 FTE positions in FY 2003. This includes sponsored research positions exempt from the FTE cap.

Education



Rhode Island Council on the Arts

The Governor’s revised FY 2002 budget for the Rhode Island Council on the Arts is \$3.1 million, including \$2.3 million in general revenue, \$596,641 in federal funds, and \$255,340 in restricted receipts. This results in a net increase of \$46,915 from the enacted budget. A general revenue reduction of \$1,271 reflects adjustments to employee fringe benefit rates. The revised figures include an increase of \$48,186 for federal grant awards and restricted receipts.

For FY 2003, the Governor recommends \$3.1 million, including \$2.3 million general revenue, \$616,021 of federal funds, and \$200,000 in restricted receipts. This increase of \$1,406 from the revised FY 2002 budget includes general revenue additions of \$37,366. The general revenue change includes \$21,331 for increased requirements for personnel costs, and a total of \$906,500 for discretionary arts, a change of \$18,797. Staffing authorizations are unchanged in each year at 6.0 FTE positions.

The Governor recommends 6.0 FTE positions in FY 2002 and FY 2003.

Rhode Island Atomic Energy Commission

The Governor recommends total expenditures of \$1.5 million in the FY 2002 revised budget. Total expenditures consist of general revenue expenditures of \$644,995, federal funds of \$703,000, and other funds of \$151,137. The total is \$104,788 less than the enacted level, including decreases of \$4,461 in general revenue, \$50,000 in federal funds, and \$50,327 in Rhode Island Capital Plan funds.

For FY 2003, the Governor recommends total expenditures of \$1.6 million. This is comprised of \$655,951 in general revenue, \$825,947 in federal funds, and \$144,876 in other funds. The increase in general

Education

revenue from FY 2002 revised levels is \$10,956 and is primarily for personnel costs and insurance. 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 Governor's budget will enable the RIAEC to explore further commercial uses for the RINSC, including new technology involved in cancer research.

The Governor recommends 8.6 FTE positions in FY 2002 and FY 2003.

Rhode Island Higher Education Assistance Authority

The Governor recommends revised expenditures of \$15.3 million in FY 2002, including \$7.4 million in general revenue, \$7.0 million in federal grants, and \$896,709 in other funds. The recommendation includes an increase of \$667,303 in other funds from FY 2002 enacted for scholarship aid, direct marketing, and contract services. The Governor recommends \$500,000 of funds from the Tuition Savings Program (CollegeBoundfund contract) be made available to supplement state funds provided for scholarship aid.

For FY 2003, the Governor recommends total funding of \$17.4 million, including general revenue of \$6.8 million, federal funds of \$7.2 million, and \$3.3 million in other funds. This recommendation includes a reduction in general revenues of \$590,979 from the revised FY 2002 level. The recommendation includes a reduction of \$500,000 in scholarship funds. The Governor's recommendation increases scholarship aid from other funds by \$2.0 million from FY 2002 revised levels in the Tuition Savings Program. These funds are derived from provisions in the contract with Alliance Capital which manages the Rhode Island 529 Tuition Savings Plan. The plan, which is marketed nationally, has experienced magnificent success. To encourage savings for college, the Governor is recommending tax preferred treatment of the first \$1,000 contributed annually to a Collegeboundfund account.

The Governor recommends 46.6 FTE positions in FY 2002 and FY 2003.

Historical Preservation and Heritage Commission

The Governor recommends revised total expenditures of \$1.6 million in FY 2002 for the Rhode Island Historical Preservation and Heritage Commission. The total consists of \$784,059 in general revenue, \$534,534 in federal funds, and \$327,504 in restricted receipts. The revised recommendation is \$22,538 greater than the FY 2002 enacted total.

For FY 2003, the Governor recommends total expenditures of \$1.7 million, of which \$870,542 is general revenue, \$534,534 is federal funds, and \$336,464 is restricted receipts. This represents an increase of \$95,443 from the FY 2002 revised level. The recommended increase would finance operating expenditures at Eisenhower House in Newport, as well as current service personnel requirements for the commission staff.

The Governor recommends 17.6 FTE positions in FY 2002 and FY 2003.

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Rhode Island Public Telecommunications Authority

The Governor recommends revised FY 2002 total expenditures of \$2.1 million, consisting of \$567,123 in grant financing from the Corporation for Public Broadcasting, \$350,000 in federal financing, and state general revenue financing of \$1.2 million. General revenue expenditures decrease by \$157,176, reflecting adjustments for personnel and operating costs. This also reflects the reduction of \$936,568 in Rhode Island Capital Plan funds for equipment conversion to digital transmission capabilities.

For FY 2003, the Governor recommends total financing of \$2.3 million, including \$1.3 million in general revenue, \$350,000 in federal grants, and \$707,325 from the Corporation for Public Broadcasting. No state financing is included for the conversion to digital television.

The Governor recommends 22.0 FTE positions in FY 2002 and FY 2003.

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 twelve agencies providing public safety services to the state include the following: the Department of Corrections; Attorney General; the Judiciary; the Military Staff; Rhode Island Justice Commission; State Police; E-911 Emergency Telephone System; Fire Safety Code Board of Appeal and Review; State Fire Marshal; Municipal Police Training Academy; Office of the Public Defender; and, the Commission on Judicial Tenure and Discipline. The Marshals, previously part of the Department of Corrections, and the Sheriff's of Several Counties have been transferred to the General Government function and are now part of the Department of Administration.

The revised general revenue budget recommended for FY 2002 is \$255.6 million, or 0.5 percent greater than enacted levels. The Governor's FY 2002 recommendation provides funding to continue renovations at the Garrahy Judicial Complex and provides \$600,000 for security enhancements for the Judicial Department. Within the Department of Corrections, general revenue is reduced due to additional federal funds provided through the State Criminal Alien Assistance program. The FY 2002 revised budget for the Department of Corrections finances an arbitration award for counselors who are members of the Rhode Island Brotherhood of Correctional Officers (RIBCO) at the ACI and the new Women's Transitional Housing Program located in Exeter. Federal grants finance continued Hate Crimes training at the Municipal Police Training Academy, and the State Fire Marshal will procure a bomb van, two bomb suits, and related accessories with a Byrne grant through the Rhode Island Justice Commission.

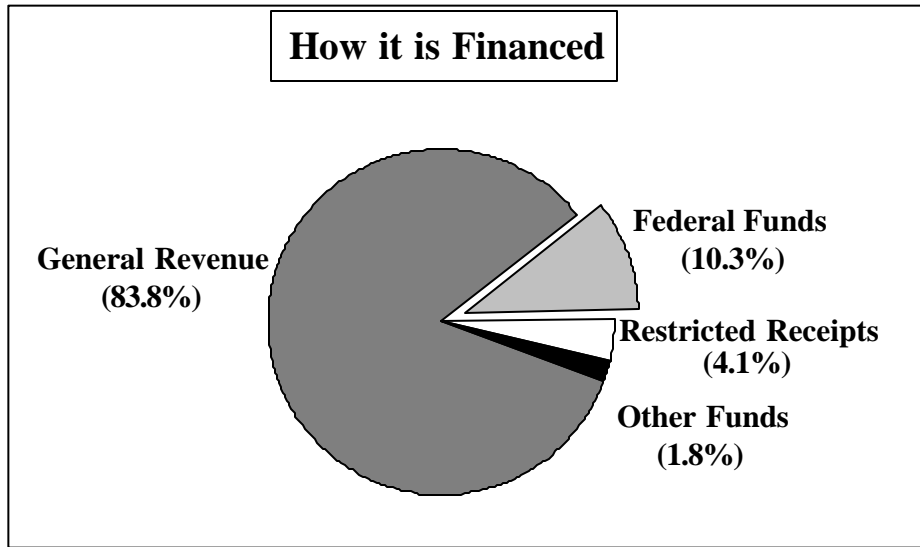
The Governor recommends \$314.6 million in FY 2003 for public safety programs. Of this amount, \$263.6 million is from general revenue, \$32.3 million is from federal funds, \$12.9 million is from restricted receipts, and \$5.8 million is from other funds. The recommended FY 2003 budget for Public Safety includes the addition of 6.4 FTE positions above the FY 2002 revised level. The increase, all within the Department of Corrections, will provide enhanced probation and parole services to target high-risk offenders.

In addition to financing on-going services, the Governor's recommended FY 2003 budget for Public Safety includes funding for continued geographic information system (GIS) database development and the second of four retroactive compensation payments to correctional union members in the Department of Corrections. In an effort to enhance probation and parole supervision provided within the Community Corrections program in the Department of Corrections, the Governor recommends \$500,000 in the last quarter of the FY 2003 for two programs. One enhancement will be the establishment of a community-based intensive supervision probation unit in Providence. The other enhancement will allow for the expansion of the intensive supervision program for sex offenders beyond Providence, Cranston, and Johnston to the entire state. To continue the in-service training program within the Municipal Police Training Academy, \$23,000 of general revenue is provided in FY 2003, replacing federal funds no longer available to the Academy.

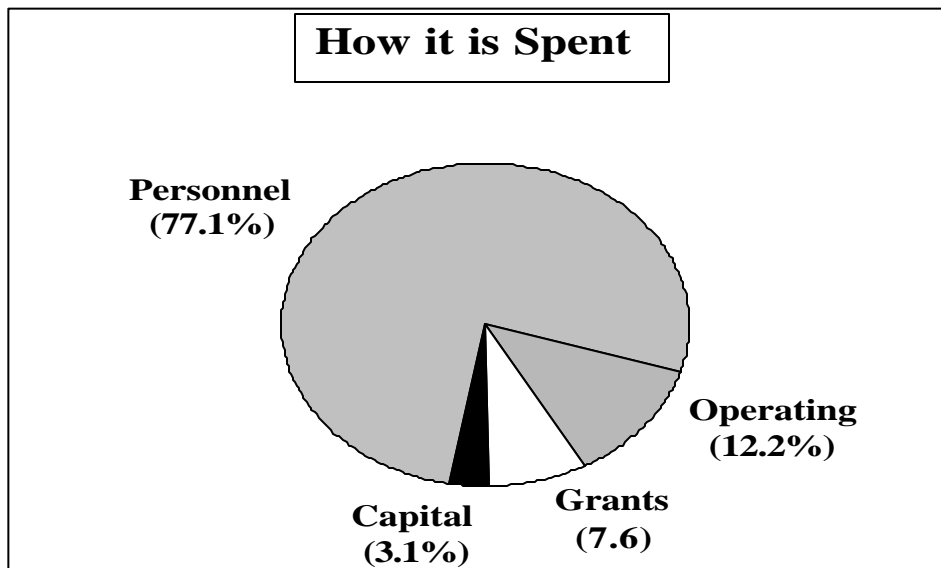
The largest share of funding within the Public Safety function is for the Department of Corrections, representing 48.3 percent of the total. Because the Adult Correctional Institutions, which include seven secure facilities, operate twenty-four hours per day, the department must provide continuous supervision of approximately 3,400 inmates. Additionally, the Community Corrections program supervises more than 30,000 community-based offenders per year. Twenty-three percent of expenditures for Public Safety are within the Judiciary, supporting six courts statewide. The State Police require 13.5 percent of Public

Public Safety

Safety funds. The other nine public safety agencies receive the remaining 15.8 percent of the funding in this function.



State operations, including personnel and other operating costs, total \$280.7 million, or 89.3 percent of total expenditures. Other areas of expenditure include \$9.9 million for capital improvements and \$24.0 million for assistance, grants, and benefits.



Public Safety

Attorney General

The Governor recommends revised appropriations for the Attorney General of \$17.1 million in FY 2002, including \$15.0 million from general revenue, \$1.6 million from federal funds, and \$580,101 from restricted receipts. General revenue funding is \$151,490 above the enacted budget. Additional funds include the reappropriation of FY 2001 balances of \$122,000 for a Racial Profiling Study, \$50,000 of expansion funding for the Witness Protection Program, and \$74,572 for personnel increases. The Governor recommends a staffing level of 229.0 FTE positions, which is unchanged from the enacted budget.

For FY 2003, the Governor recommends total expenditures of \$18.0 million. Of this amount, \$15.7 million is financed from general revenue, \$1.6 million is from federal funding, and \$631,440 is from restricted receipts. The recommended total is 5.0 percent greater than the FY 2002 revised budget of \$17.1 million. The increase is primarily due to personnel requirements and mandated software upgrades.

Department of Corrections

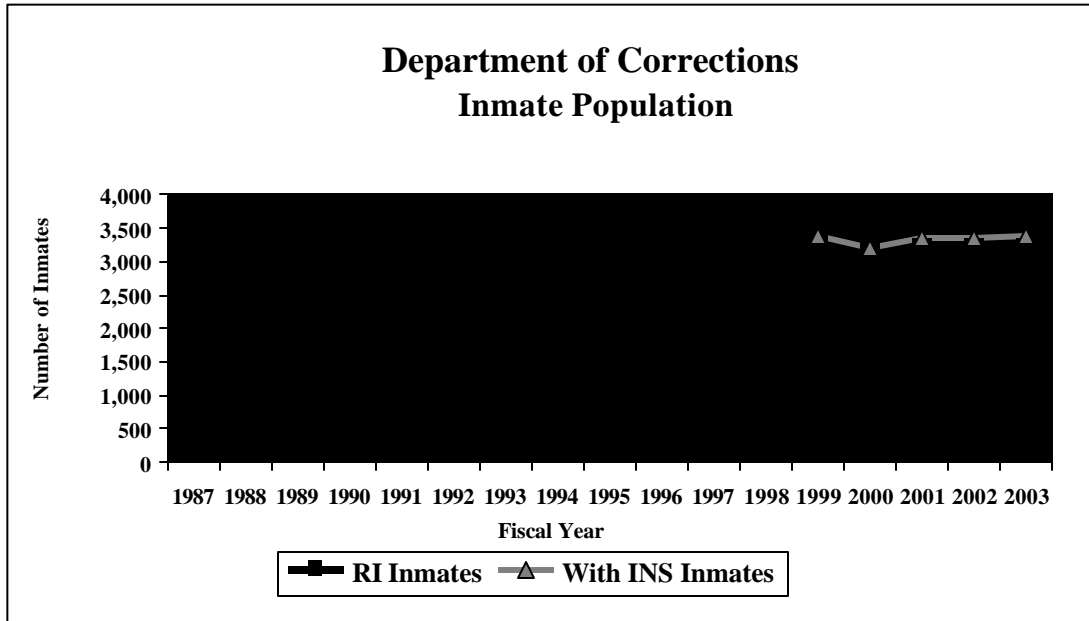
For the FY 2002 revised budget, the Governor recommends total expenditures of \$148.9 million. This includes \$129.9 million in general revenue, \$7.8 million in federal funds, \$5.7 million in other funds, and \$5.4 million from restricted receipts. The FY 2002 revised general revenue budget is \$1.6 million less than the enacted level. The revised budget includes the following: \$6.0 million for a retroactive payment to the Rhode Island Brotherhood of Correctional Officers (RIBCO); \$381,568 in additional funding for retroactive payments to RIBCO retirees and deceased members; \$257,944 in additional funding for RIBCO counselor positions; \$1.4 million in increased overtime for RIBCO employees, partially offset by a delay in the implementation of in-service training; funds for one correctional officer training class; and, employee compensation and fringe benefits rate adjustments. The budget transfers \$509,312 for sewer use charges to the Department of Mental Health, Rehabilitation and Hospitals. The FY 2002 revised budget provides \$798,250 in additional funding to reflect the delay in the outsourcing of the inmate commissary, as well as \$93,903 in additional funds for Correctional Industries work crews for increased activity at Waterplace Park. The budget increases by \$1.6 million in federal funds for the housing of criminal alien inmates, and increases restricted receipts to reflect both an increase in revenues of \$614,725 from additional federal detainees and the carry forward of \$875,000 in unspent FY 2001 receipts from the Immigration and Naturalization Service. The revised budget also includes a general revenue reappropriation of \$100,000 for the women's transitional housing program.

The \$1.2 million increase in federal funds is attributable primarily to the State Criminal Alien Assistance program. Rhode Island's share of this formula-based grant has increased \$1.6 million for a total FY 2002 expenditure of \$3.2 million to offset general revenue expenditures. Department of Justice funds of \$187,000 are carried forward from FY 2001 to complete the J-Link Imaging System. Federal Crime Bill expenditures have been reduced by \$600,000 due to delays in the Reintegration Center project. The \$1.5 million increase in restricted receipts from the enacted budget is due to an increased number of Immigration and Naturalization Services detainees housed at the ACI. The enacted budget assumed 142 detainees versus 164 in the revised budget. In addition, the Governor recommends the use of carry forward revenue from FY 2001 to reduce general revenue expenditures. The \$1.3 million increase in other funds is due to the carry forward of unspent FY 2001 Rhode Island Capital Plan funds for various renovation and repair projects, offset by project delays and rescheduling.

The FY 2002 revised budget supports an average inmate population of 3,370, a reduction from the enacted level of 3,348. As with the institutional population, the community-based offender population continues to rise. The revised budget supports probation and parole services, the home confinement

Public Safety

program, intensive community supervision of domestic violence and sex offenders in certain geographic areas, and includes funding for a new Risk Assessment Unit and the start-up of a transitional housing program for women.

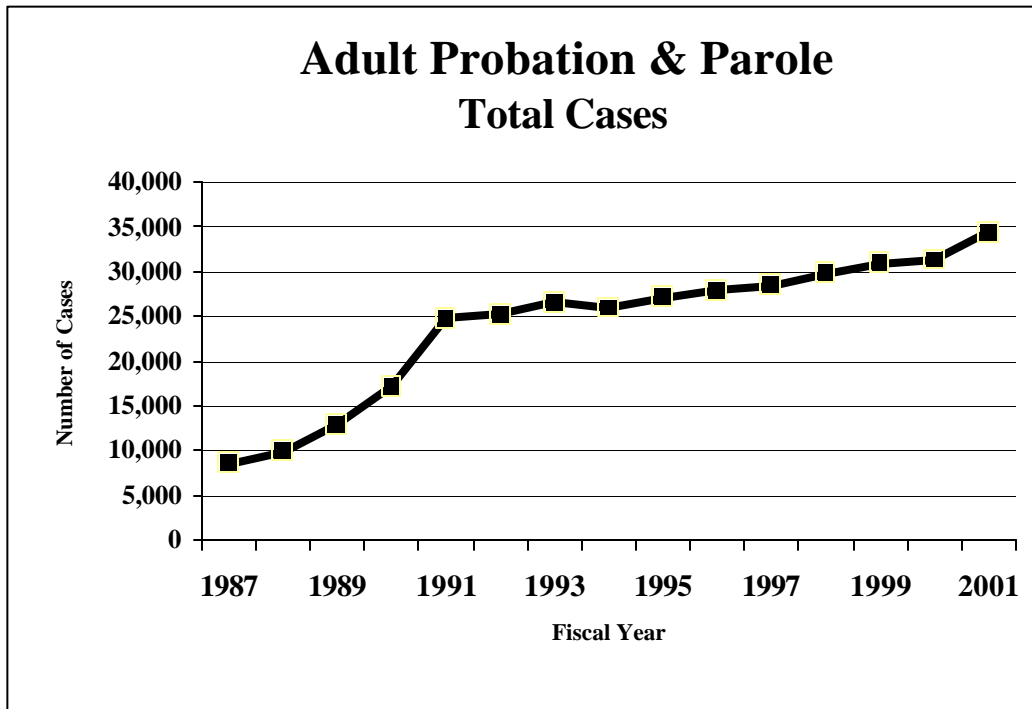


For the FY 2003 budget, the Governor recommends \$151.6 million in total expenditures for the Department of Corrections. This consists of \$133.7 million in general revenue, \$10.6 million in federal funds, \$5.1 million in restricted receipts, and \$2.2 million in other funds.

The FY 2003 recommended general revenue budget represents a 2.9 percent increase from the FY 2002 revised level. The \$3.8 million increase finances the following items: \$230,000 for the annualization of in-service training costs; a \$4.1 million cost of living adjustment for all employees; \$1.6 million for medical benefits; and, \$1.4 million for retirement costs. The FY 2003 recommended budget supports an inmate population of 3,393, representing an increase in the number of Immigration and Naturalization Service detainees from 164 in FY 2002 to 187 in FY 2003. The recommendation includes additional funding for population-related operating costs reflecting the increased caseload. These increases are partially offset by revenue generated from housing additional federal detainees and reductions discussed below.

The FY 2003 budget also includes \$500,000, or one quarter-year funding for an enhanced adult probation and parole program. This initiative would expand the intensive supervision of sex offenders beyond the Providence/Cranston/Johnston area to the entire state. The expanded Sex Offender Supervision unit, with 12 new FTE positions, will supervise offenders based on the level of risk to the community, offer closer monitoring of offenders through increased use of polygraph testing, provide closer contact and coordination with law enforcement and local treatment agencies, and enable the department to maintain a 1 to 30 caseload ratio as utilized in other jurisdictions. The initiative would also provide for the establishment of a special community-based probation unit in Providence. The six FTE unit will target supervision to those offenders requiring the closest scrutiny, particularly the 2,069 offenders in Providence who were convicted of violent offenses.

Public Safety



In order to continue operations in times of constrained resource availability, the department has taken temporary steps to reduce staffing requirements and shift populations in two facilities. At the Intake Service Center, the awaiting trial population and staff are shifted on a day-to-day basis to minimize overtime requirements. At the Maximum Security facility, population shifts allow for the temporary closure of one housing module. For FY 2003, the department will close two modules at the Donald Price Medium Security facility, realizing overtime savings from the reduction of four posts. The action will require transfers of population into Maximum and Minimum Security, and the placement of some minimum security inmates into home confinement. To adjust for the resulting caseload increase, the department has added one additional community confinement counselor FTE position. The department has also committed to a more efficient process of filling existing posts, and has eliminated a pre-service class for correctional officers. The total net savings is \$2.1 million.

To date, Rhode Island has received \$15.0 million in federal Violent Offender Incarceration – Truth-In-Sentencing (VOI-TIS) funds. A portion of the grant can be used for drug treatment and administrative costs, but the funds are primarily for expansion of bed capacity for violent offenders. Federal VOI-TIS funding has been used for expansion of bed space at the women's facilities and a renovation of Medium Security facilities. Preparation has begun for the renovation of a building at the Pastore Center to be used as a Reintegration Center, which will add 150 new beds for sentenced males. The Center will house inmates who are within six months of release, but who have not qualified for lower custody status. Intensive evaluation and services will be provided to residents to facilitate their reintegration into community life. The department plans to open the Reintegration Center in July 2004. The FY 2003 budget for VOI-TIS is \$6.1 million, \$2.8 million above the FY 2002 revised level.

The Department also utilized VOI-TIS funds to finance a Siting and Construction Options Study. This study provided an in-depth analysis of offender populations and trends, offering critical guidance for

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future new construction and facility renovations. While the overall inmate population does not currently exceed capacity, of particular concern are the populations at the men's Maximum Security facility and Medium Security facilities, and in the women's secure facility. All have been near capacity for a number of years. Bed space availability in other facilities cannot be used to alleviate overcrowding in the above-mentioned facilities, as they are not designed to hold inmates classified to different security levels. The Siting and Construction Options Study has allowed the department to develop a comprehensive ten-year plan that considers the various sub-populations, overall population forecasts, efficiency and effectiveness of existing facilities, and future construction needs. In addition to the impact of the population, the age and design of the facilities at the ACI are factors in planning for capital development.

In order to provide necessary repairs and renovations to the department's aging facilities, and to address state match requirements for federally funded expansion projects, the FY 2003 budget includes \$2.2 million in Rhode Island Capital Plan funds. Funding is recommended in FY 2003 for the following: Reintegration Center state match; general renovations to Maximum Security; fire safety code improvements to all facilities; Food Plant roof repair; and, window replacement and bathroom renovations in the women's facilities. Rhode Island Capital Plan funding is reduced by \$1.6 million from the FY 2002 revised budget level due to the rephasing of several projects, including security camera installation and roof and masonry renovations to the women's facilities.

As a result of recommendations in the Siting and Construction Options study, the Governor recommends four major capacity enhancement projects for financing from certificates of participation or, alternately, through the RI Refunding Bond Authority. The projects are a Segregation Unit expansion at Moran Medium Security, a High Security Center addition, an expansion of the Maximum Security facility, and the construction of four community corrections centers.

The Prison Industries program will continue to provide landscaping and grounds maintenance services for the Capitol Hill offices and Waterplace Park, requiring increased general revenues of \$92,000 in both FY 2002 and FY 2003. All other operations are supported by customer agencies and include a variety of services and products such as printing, sign making, cleaning supplies, license plate production, office workstation production and installation, moving and painting services for state, municipal, and charitable organizations, highway litter crews, and graffiti removal crews. The Central Distribution Center Internal Service Fund will now finance debt service payments for the State Warehouse facility, which cost has been previously financed by general revenue appropriations.

The Governor recommends 1,550.6 FTE positions in FY 2002 and 1,557.0 in FY 2003.

Judiciary

The Governor recommends a revised FY 2002 budget of \$72.4 million, including \$59.6 million in general revenue, \$2.9 million federal funds, \$6.4 million in restricted receipts, and \$3.5 million in other funds. The revised general revenue budget is \$1.0 million greater than the enacted level of \$58.6 million. Major general revenue increases in the FY 2002 budget include: a reappropriation of \$895,871 for Justice Link; \$600,000 for security enhancements to courthouses; a net amount of \$289,363 for employee compensation and fringe benefit costs, including unachieved turnover savings. These increases are partially offset by reductions in several categories, including \$499,029 for computer software and hardware; \$235,421 for purchased services, including temporary clerical staff; and, \$97,289 for a energy

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pricing changes. The recommended expenditures from federal funds in the revised budget are \$792,669 greater than enacted levels. Most of the increase is due to a new \$447,271 Family Court grant to reduce truancy and a new \$119,850 Superior Court grant to implement a Drug Court. The recommended expenditures from other funds in the revised budget are \$1.4 million above the enacted level, recognizing Rhode Island Capital Plan balance from FY 2001. Other fund reappropriations include \$940,000 for the Garrahy Judicial Complex renovation project, \$322,630 for the Garrahy roof repair project, and \$129,739 for the Licht interior and exterior refurbishment project. The Governor's FY 2002 revised budget shifts the Central Registry from the Supreme Court to Superior Court, as requested by the Judicial Department.

In FY 2003, the Governor recommends expenditures of \$71.2 million, including \$61.4 million from general revenue, \$2.8 million from federal funds, \$6.7 million from restricted receipts, and \$225,000 from other funds. The recommended general revenue budget in FY 2003 is \$1.7 million greater than the FY 2002 revised budget. Significant changes include an increase of \$3.1 million for payroll, and decreases of \$805,812 for operating costs and \$600,000 for capital improvements. The reduction in capital improvements is associated with one-time expenditures in FY 2002 for security enhancements to courthouses. The \$3.2 million reduction in other fund expenditures is due to the completion of courthouse renovation projects financed from the Rhode Island Capital Plan Fund.

The Governor recommends an authorized staffing level of 707.0 FTE positions in the Judicial Department for both FY 2002 and FY 2003. Between FY 1999 and FY 2002, the General Assembly increased the Department's authorized staffing level from 666.0 to 707.0 FTE positions.

Military Staff

In the FY 2002 revised budget, the Governor recommends total expenditures for the Military Staff of \$13.1 million, including \$2.6 million general revenues, \$9.9 million in federal funds, \$441,146 other funds, and \$110,704 of restricted receipts. The FY 2002 revised budget is 4.9 percent greater than the enacted budget, and consists of increases of \$346,232 in general revenue and \$705,216 in federal and restricted funds, and a reduction of \$431,490 in other funds. The increase in federal funds relates primarily to an increased grant award for a third site for Operation Forward March, a welfare-to-work program. The reduction in other funds is due to completion of the Department of Transportation-financed Rails-to-Trails bike path construction project. The reduction also reflects the deferral of construction for certain projects (Benefit Street Armory, U.S. Property and Finance Office and Schofield Armory Rehabilitation) to FY 2003 and FY 2004. Project work in FY 2002 will instead concentrate on architectural and engineering design. The reduction is offset by the addition of Rhode Island Capital Plan funds of \$54,000 for the repair of the fire-damaged Warren Armory.

The revised general revenue appropriation of \$2.6 million is 15.5 percent greater than the FY 2002 enacted budget, including an addition of \$285,000 for the activation of guardsmen to provide security at T.F. Green Airport, to be reimbursed by the Airport Corporation. Additional funding is provided for the following: \$20,000 for a state-mandated recycling study, \$31,000 for Warren Armory building repairs, \$14,000 for heating fuel, and \$10,000 for firing squads at veteran's funerals. The budget also includes salary and employee benefit adjustments, \$43,700 for a payroll adjustment in the Emergency Management Agency reflecting increased state match requirements, and \$30,000 in increased funding for EMA overtime in response to the September 11th crisis. Reductions in the FY 2002 revised budget include \$50,000 from the Distributed Technology Training program. A \$41,000 reduction is recommended for various operating costs.

Public Safety

In the FY 2003 budget, the Governor recommends total expenditures of \$13.8 million for Military Staff programs, including \$2.3 million from general revenue, \$10.7 million from federal funds, \$122,629 from restricted receipts, and \$691,110 from other funds. Compared to the revised FY 2002 budget, general revenue expenditures are reduced by \$246,402, federal funds increase by \$713,731, and Rhode Island Capital Plan funds increase by \$249,964.

The FY 2003 recommended budget recognizes the end of airport activation and other one-time expenditures, and adds \$46,000 in general revenue to finance staff compensation and fringe benefit adjustments. The FY 2003 general revenue budget also includes \$67,500 for various expenditures related to January 2003 inauguration ceremonies. The Governor continues to recommend \$50,000 in general revenue to establish the Distributed Technology Training program. The Governor recommends Rhode Island Capital Plan funds for repair projects at the Warren, Bristol, Benefit Street, and Schofield armories, as well as matching funds for design work for a new capital repair project at North Smithfield.

The Governor recommends 94.0 FTE positions in FY 2002 and FY 2003.

E-911 Emergency Telephone System

The Governor recommends general revenue expenditures of \$3.8 million in the FY 2002 revised budget for the E-911 Emergency Telephone System. This amount is \$182,955 greater than the FY 2002 enacted budget of \$3.6 million. The significant changes to the agency's budget include increases of \$100,145 for overtime, \$45,000 for consultant services, and \$33,574 for operating costs. The revised budget continues to provide \$500,000 for the development of a geographic information system (GIS) database. The GIS database will include the following: coordinate locations of buildings served by wireline telephones, road centerlines, fire hydrants, public places, and driveway access points; street addresses; road names; and, other pertinent information. Development of the GIS database will allow E-911 to implement Phase II of the FCC-mandated upgrade of E-911 equipment. The upgrade requires public safety answering points (PSAPs) to locate callers within certain distance and accuracy parameters. The data collected for the GIS database project will be shared with numerous public agencies, including the Rhode Island Department of Transportation, the Rhode Island Emergency Management Agency, and local municipalities.

For FY 2003, the Governor recommends expenditures of \$4.0 million from general revenue, including \$3.5 million for personnel and \$543,506 for operating expenditures. The FY 2003 budget is \$183,461 greater than the FY 2002 revised budget due to an increase of \$228,239 in payroll costs, offset by reductions in purchased services and operating costs. The Governor recommends expenditures of \$500,000 in FY 2003 to continue the GIS database development project. For FY 2003, the Governor also recommends that staffing remain at 48.6 FTE positions.

Fire Safety Code Board of Appeal and Review

For FY 2002, the Governor recommends revised general revenue appropriations of \$207,013, a reduction of \$3,103 from FY 2002 enacted levels. The change reflects the net value of adjustments for employee compensation and fringe benefit costs.

The Governor recommends general revenue of \$230,412 for FY 2003, an increase of 11.3 percent from the FY 2002 revised budget. The recommendation fully finances current operations of the board, including additional duties regarding review of building rehabilitation plans effective July 1, 2001. The Governor recommends 3.0 FTE positions in FY 2002 and FY 2003.

State Fire Marshal

Public Safety

The Governor recommends revised FY 2002 funds for the State Fire Marshal of \$1.6 million, including \$1.3 million in general revenue and \$260,989 in federal funds. The general revenue recommendation represents an increase of \$20,490 above FY 2002 enacted levels, attributable to adjustments for employee compensation and fringe benefit costs, injury-on-duty medical benefits, unachieved turnover, and operating costs. Increased federal ceilings recognize grant awards for Hazardous Materials and Terrorism Preparedness Training, and new Byrne grant allocations from the Rhode Island Justice Commission for a new bomb squad vehicle, bomb suits, and accessories.

The Governor recommends total expenditures of \$1.5 million in FY 2003, including \$1.4 million general revenue and \$101,172 federal funds. The recommended general revenues fully finance agency current services, including injury-on-duty and employee medical benefits, with savings for utility rates and out-of-state travel. The Governor recommends 21.5 FTE positions in FY 2002 and FY 2003.

Commission on Judicial Tenure and Discipline

The Governor recommends total expenditures of \$109,214 in the FY 2002 revised budget. This amount is \$9,691 above the FY 2002 enacted budget. The changes include an increase of \$10,000 for legal costs, partially offset by a reduction of \$309 for payroll and operating costs.

For FY 2003, the Governor recommends expenditures of \$113,361 from general revenue, which is \$4,147 greater than the FY 2002 revised budget. The Governor's recommendation fully finances the Commission's operations, including funding for the one full-time staff assistant.

Rhode Island Justice Commission

The Governor recommends total expenditures of \$5.5 million for FY 2002, including \$177,252 in general revenue, \$5.3 million in federal funds, and \$90,000 in restricted receipts. The Governor's revised FY 2002 general revenue recommendation is \$458 below the enacted budget due to various statewide adjustments. The revised federal ceiling recommended by the Governor is \$474,150 above the enacted level, reflecting the agency's estimate of its current service requirements to fully implement the terms and conditions of its federal justice grants in FY 2002. Restricted receipt funding is increased by \$90,000, reflecting interest proceeds from the agency's Juvenile Justice and Accountability Incentive Block Grant awards.

In FY 2003, the Governor recommends total expenditures of \$5.3 million, including \$174,689 in general revenue, \$5.0 million in federal funds, and \$90,000 in restricted receipts. This level of funding reflects a decrease from the Governor's revised FY 2002 budget of \$2,563 in general revenue and \$227,267 in federal funds. The Governor recommends 9.0 FTE positions in FY 2002 and FY 2003.

Municipal Police Training Academy

The Governor recommends a revised FY 2002 budget of \$437,246, including \$370,831 of general revenue. The general revenue increase of \$48,683 above the enacted budget includes \$49,920 for the purchase of a Heartcode Automated External Defibrillator system and statewide personnel adjustments. The agency's revised federal funding of \$66,415 will finance the Academy's in-service training program and provide \$16,415 for hate crimes training.

Public Safety

The Governor recommends total expenditures of \$363,212 for the Academy in FY 2003, consisting entirely of general revenue. The elimination of federal funding in FY 2003 is due to the expiration of all federal grants, including the Byrne grant for in-service training. A general revenue appropriation of \$23,000 is recommended in FY 2003 to finance the continuation of in-service training. The 2.1 percent general revenue reduction from the FY 2002 revised level is attributable to the one-time purchase of the Heartcode defibrillator system in FY 2002. The Governor recommends 4.0 FTE positions in FY 2002 and FY 2003.

State Police

The Governor recommends \$44.4 million in expenditures from all funds for the State Police for FY 2002. This represents a \$3.3 million increase from the enacted budget, of which \$847,503 is for general revenue expenditures, \$2.4 million is in federal financing, \$64,195 is in restricted receipt expenditures, and \$15,082 is in other funds. The largest component of the general revenue increase is for projected overtime costs for security at the T. F. Green Airport. The \$828,412 for this purpose will be reimbursed by the Airport Corporation. The Governor recommends \$106,000 for the cost of uniform material inventory. Also included are reductions in pension costs of \$162,500, and reductions in the vehicle purchase program of \$164,943.

The Governor recommends \$42.2 million in expenditures from all funds for the State Police for FY 2003. This represents a decrease of \$2.2 million from the revised levels recommended by the Governor. The net reduction includes increases in general revenue expenditures of \$325,205, and reductions of \$2.0 million in federal funds, \$134,992 in restricted receipt expenditures, and \$378,627 in other funds. The general revenue expenditure increase consists of personnel costs of \$489,098 and a reduction in operating costs of \$582,247; the general revenue change in FY 2003 is primarily attributable to the elimination of vehicle purchases of \$740,000, and increased pension costs of \$418,354.

The Governor recommends 267.0 FTE positions in FY 2002 and FY 2003.

Office of the Public Defender

The Governor recommends total expenditures of \$6.1 million in the FY 2002 revised budget for the Public Defender, including \$5.6 million in general revenue and \$502,669 in federal funds. The general revenue recommendation is \$17,499 less than the FY 2002 enacted level and consists of various statewide adjustments and anticipated vacancy savings in FY 2002. Federal funds are increased by \$189,263, due primarily to federal Byrne grant funds of \$167,735 made available through the Rhode Island Justice Commission.

The Governor recommends total expenditures of \$6.2 million in FY 2003, including \$5.9 million in general revenue and \$356,414 in federal funds. The FY 2003 recommendation is \$170,236 greater than the Governor's FY 2002 revised recommendation. The Governor recommends 79.5 FTE positions in FY 2002 and FY 2003.

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management, the State Water Resources Board and the Coastal Resources Management Council. The Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are quasi-public agencies created by the state. While the operations of these quasi-public agencies are separate from the state and not included in the state budget, certain debt service for general obligation bonds issued to finance capital projects through these agencies are appropriated in the state budget within the Department of Administration.

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, Rhode Island Capital Plan funds, federal funds and restricted receipts. Capital program activities include: acquisition and development of state recreational and open space lands; municipal and non-profit grant programs for recreational and open space acquisition and development; 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, regulates air quality, and monitors the disposal of solid and hazardous wastes.

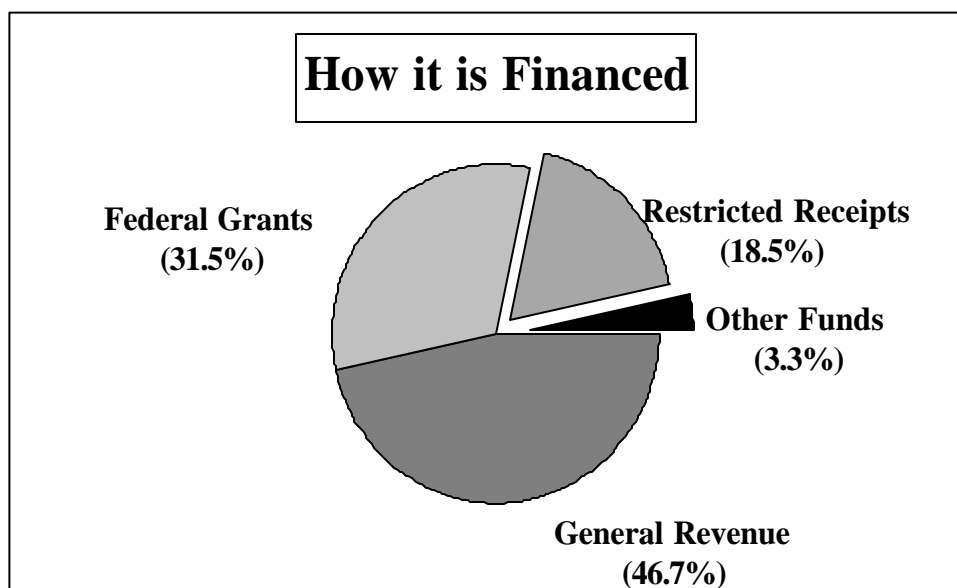
The Coastal Resource Management Council preserves, protects, regulates, develops, and seeks to restore the coastal resources of the state. The council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, environmental scientists and marine resource specialists. 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, develops amendments, and enforces violations of the Rhode Island Coastal Resources Management Plan 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 coordination of all dredging activities and will work in cooperation with the Army Corps of Engineers on the Providence River dredging project beginning in FY 2003. The council also conducts public outreach and public communication campaigns on its programs and activities, and coordinates its programs with other government agencies.

The State Water Resources Board is a water supply planning and development agency responsible for promoting the protection of developed and undeveloped drinking water supplies for the thirty-four municipal water supply systems located in the state. The board also regulates water supply transmission lines connecting water supply systems. The board manages the Big River Management Area, a water supply reservation. The board is composed of thirteen members, including six public members appointed by the Governor. One is a member of the House of Representatives appointed by the Speaker of the House; one member is from the Senate, appointed by the Majority Leader of the Senate. The five remaining members are the Director of the Department of Environmental Management, the Director of the Economic Development Corporation, the Director of the Department of Health, the Director of the Department of Administration, and the Chairman of the Joint Committee on Water Resources, all of whom serve ex-officio.

Natural Resources

The Governor recommends total expenditures of \$77.3 million for natural resource agencies in FY 2003. This amount is an increase of 2.1 percent from the revised FY 2002 level of \$75.6 million. Fiscal year 2003 funding consists of \$36.1 million in general revenue, \$24.4 million in federal grants, \$14.3 million in restricted receipt revenues, and \$2.5 million in other funds. Of the expenditures recommended in FY 2003 for natural resource agencies, \$73.1 million, or 94.6 percent, is for the Department of Environmental Management, \$2.8 million, or 3.6 percent is for the Coastal Resources Management Council, and \$1.4 million, or 1.8 percent is for the State Water Resources Board

The recommended FY 2003 general revenue appropriation for the natural resource function is 5.6 percent, or \$1.9 million greater than the revised FY 2002 budget. The increase is primarily in the Department of Environmental Management from the addition of \$1.0 million to finance the cleanup of the Rose Hill landfill in South Kingstown with match from federal Superfund grants. General revenues in FY 2003 for the State Water Resources Board increase by less than one percent, or \$9,359, from FY 2002 revised budget levels. The net increase results from salary and benefit increases offset by operating decreases. In FY 2003, general revenues at the Coastal Resources Management Council decrease by 4.0 percent, or \$55,144 over revised FY 2002 levels, primarily due to the completion of non-recurring projects.



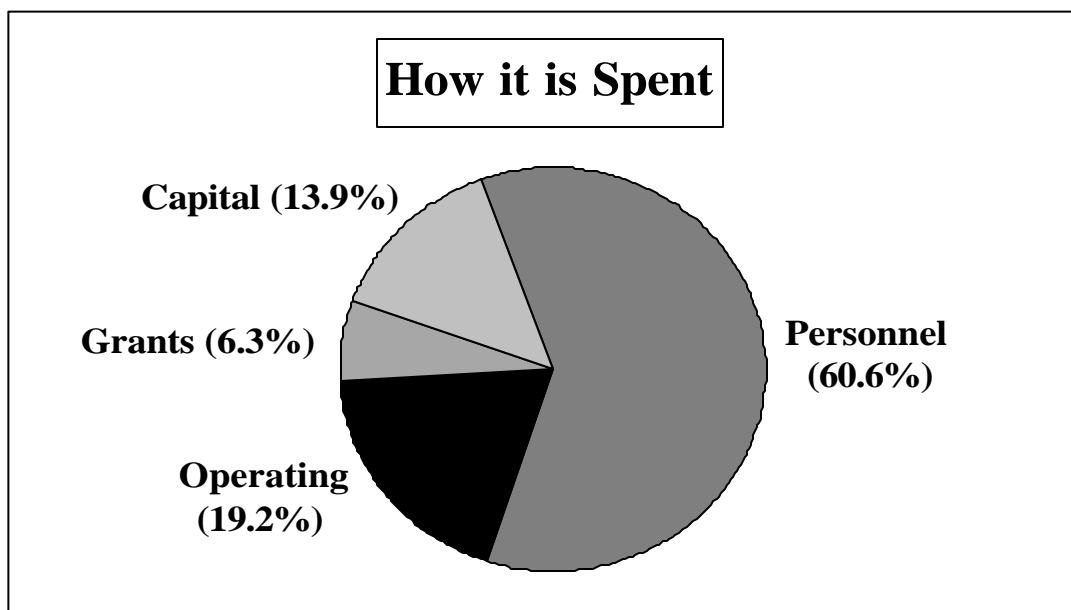
Federal funds for natural resource agencies are expected to decrease by 1.3 percent between the FY 2002 revised and the FY 2003 recommended budgets. Federal Funds are recommended at \$24.7 million in the revised FY 2002, and \$24.4 million in the recommended FY 2003 budget. The decrease in federal expenditures of \$409,327 in the Coastal Resources Management Council reflects the current grant level in the coastal program. Federal fund ceilings in the Department of Environmental Management remain consistent with anticipated use and historical budgeted levels.

Restricted receipt expenditures occur solely in the Department of Environmental Management and are expected to increase from \$11.6 million in the revised FY 2002 budget to \$14.3 million recommended for FY 2003. The net increase of \$2.7 million, or 23.4 percent, largely reflects the budgeted use of available funds in the Oil Spill and Prevention Administration Reserve for the Providence River dredging project. The \$5.4 million recommendation in FY 2003 provides a portion of the up-front state match required for federal Army Corps of Engineers funds based on the Corp's estimate of project cost and is in compliance

Natural Resources

with its cost share policies. In FY 2004, the remaining state match requirement of \$3.6 million will be required. Beneficial reuse of the dredged material and other modifications will allow the state match estimate of \$9.0 million to accurately reflect the ultimate state match cost. Penalty and fee increases planned by the department to enhance personnel expenditure offsets in FY 2003 also contribute to the restricted receipt expenditure increase. Reductions in restricted receipt expenditure reflect the completion of one-time funding for the Goddard Park Horse Barn project in FY 2003. Indirect cost recovery accounts are expected to remain at current levels.

Other funds expenditures for natural resources total \$2.5 million in the FY 2003 recommended budget, a decrease of \$2.7 million, or 51.9 percent, from FY 2002 revised levels. Other funds finance capital improvements and asset protection projects financed with the Rhode Island Capital Plan Fund. The Governor's recommended budget defers projects from the FY 2002-2006 Rhode Island Capital Plan due to fiscal constraints on the state. The FY 2003-2007 Rhode Island Capital Plan includes a revised project schedule. Two plans contemplated by the State Water Resources Board totaling \$700,000 are also postponed and the board is seeking federal funds to finance these projects. Projects that will continue in FY 2003 include the South Coast restoration project and Allin's Cove habitat restoration by the Coastal Resources Management Council, and The Big River Management Plan and Water Acquisition Plan in the State Water Resources Board. In the Department of Environmental Management, Rhode Island Capital Plan Funds will finance assessment and phased reconstruction of state-owned dams, the initiation of the restoration of Fort Adams in Newport, and phased rehabilitation to state-owned piers at Galilee in Narragansett.



Of the \$77.3 million recommended for natural resources for FY 2003, personnel is budgeted at \$46.8 million, or 60.6 percent, operating at \$14.8 million, or 19.2 percent, capital improvements at \$10.7 million, or 13.9 percent, and \$4.8 million, or 6.3 percent, for assistance, grants, and benefits.

Natural Resources

Department of Environmental Management

The Governor recommends revised appropriations of \$71.5 million in FY 2002 for the Department of Environmental Management. This includes \$31.6 million in general revenue, \$23.1 million in federal funds, \$11.5 million in restricted receipts, and \$5.1 million in other funds. The department's revised general revenue appropriation is \$469,387, or 1.5 percent, greater than the FY 2002 enacted budget. General revenue appropriations in the Policy and Administration program increase by \$690,889 from the enacted level, primarily due to the reappropriation of \$623,257 in general revenue for the Permit Streamlining project. An increase of \$266,997 for property tax liability on the department's headquarters building lease is offset by a reduction of \$127,989 in the division of Criminal Investigation due to an increase in personnel offsets to restricted accounts, and to turnover. General revenues in the Natural Resource Program increase by \$11,377 including the addition of \$135,600 for host community beach fee revenue sharing and \$37,873 for seasonal personnel adjustments in the Parks division. The increases are offset by reductions in the Fish & Wildlife programs, due to increased personnel offsets to federal and restricted accounts, and to increased turnover. The recommendation for the Parks division in FY 2002 includes holiday and overtime savings, and increases to operating costs. In the Environmental Protection program, general revenues decrease by \$232,879 from the enacted level, in part due to increased offsets to federal accounts in the Waste Management program and to a decrease in consultant service costs in Water Resources. Enhanced turnover savings and operating adjustments are recognized in most programs in the department in FY 2002.

The Governor's revised FY 2002 budget recommendation for federal grant ceilings is greater than the enacted amount by \$972,961. Increases include: \$499,902 in the North American Wetlands grant ceiling; \$300,000 in the Boating Infrastructure Grant; \$266,753 in the federal Water Pollution Control program; and \$110,607 additional for the Leaking Underground Storage Tank program. Restricted Receipt expenditures in the Governor's revised FY 2002 budget are \$159,718 less than enacted amounts. A reduction of \$734,469 in consulting and operating expenditures from the Oil Spill Prevention and Administration Reserve fund will reserve funds for the state share of dredging expenses for the Providence River beginning in FY 2003. In the Environmental Response Fund and the Water and Air Protection Program, increased expenditures in the total amount of \$296,548 are included for new and increased personnel offsets from the waste division. Other funds in the revised FY 2002 budget are \$1.4 million less than the enacted level, attributable to the postponement of Rhode Island Capital Plan projects into later fiscal years.

For FY 2003, the Governor recommends appropriations of \$73.0 million for the department. Of this amount, \$33.6 million is financed from general revenues, \$23.21 million is from federal grants, \$14.3 million is financed from restricted receipts and \$1.9 million is from other funds. Recommended general revenue appropriations are \$1.9 million greater than the FY 2002 recommended level; federal expenditures are \$86,299 greater than the FY 2002 level; restricted receipts are \$2.7 million greater than the FY 2002 level; and other funds in FY 2003 are \$3.1 million less than the revised FY 2002 budget.

General revenues in the Policy and Administration program increase by a net \$85,581 attributable to scheduled increases in employee compensation and fringe benefit costs and expenditure contraction as the permit streamlining project nears completion. In the Natural Resources program, \$407,439 is added in FY 2003 in the parks division for insurance, automobile lease requirements and other adjustments to personnel and benefit categories. In the Enforcement division, \$158,085 is added for expected staffing levels and associated benefit requirements. In the Environmental Protection program, \$1.0 million as state match to federal Superfund financing is recommended to initiate the cleanup of the closed landfill at

Natural Resources

Rose Hill in South Kingstown. Personnel, benefits and operating adjustments in the Water Resources division contribute to an increase of \$139,947 over the recommended FY 2002 level.

Federal funds in the Policy and Administration program increase by a total of \$459,636 attributable to an increased grant award and expected implementation of Bureau of Outdoor Recreation funds. In the Natural Resources division, federal funds decrease by a net \$279,213 reflecting decrease award or completion of programs in Interjurisdictional Fisheries Management, Fish Hatchery Operations, and the Boating Infrastructure grant, offset by increases to Estuarine Reserve Construction, and the Fish and Wildlife Construction Program. In the Environmental Protection program, federal funds decrease by a net \$94,124 attributable to decreases in performance partnership grants, particulate matter air monitoring grants and Superfund grants. Decreases are offset by increases in the Water Pollution Control federal grant and the National Pollution Discharge Elimination grant.

Restricted receipts in the Policy and Administration program increase by a net \$1.9 million from the FY 2002 recommended level, largely attributable to the use of the Oil Spill Prevention and Administration Reserve as state match to federal funds for dredging the Providence River, and by an increase in the Natural Heritage Revolving Fund allotment. Restricted receipts in the Natural Resource program increase by a net \$143,350, largely attributable to proposed fee increases for freshwater fishing and hunting licenses, offset by reductions in anticipated shellfish and marine license receipts. In Environmental Protection, proposed restricted receipt expenditures are \$90,612 greater than the FY 2002 recommendation, and reflect increased personnel offsets to the Environmental Response fund and the Water and Air Protection program.

Other funds in all programs decrease by \$3.1 million to a total of \$1.9 million in FY 2003 and reflect the postponement of Rhode Island Capital Plan construction projects from FY 2002 to FY 2004 and beyond. Projects recommended in FY 2003 include the Fort Adams Restoration project, Galilee pier reconstruction, and state-owned dam rehabilitation. The Governor recommends 585.5 FTE positions in FY 2002 and in FY 2003.

Coastal Resources Management Council

In the revised FY 2002 budget, the Governor recommends appropriations for the Coastal Resources Management Council of \$3.0 million. This includes \$1.4 million of general revenue and \$1.6 million of federal funds. The council's current service operations are fully financed. The recommendation includes \$30,000 in general revenue for the performance of an in-water dredged disposal site study reappropriated from FY 2001. Salaries and benefits decrease by \$33,696, reflecting full financing for the cost of living increase, technical adjustments for retirement and medical services, and postponement of filling one deputy director position. To redesign the Agency's permit database, \$170,000 is recommended reflecting an Agency-initiated reduction of \$48,700 from the enacted budget estimate. The net general revenue decrease from the enacted budget is \$45,940. Federal funds increase by \$544,542, reflecting \$39,960 in unexpended FY 2001 grants to develop a coastal habitat restoration system, and a \$505,582 increase in operating expenditures for program operations.

In the FY 2003 budget, the Governor recommends appropriations of \$2.8 million. Of this amount, \$1.3 million is financed with general revenue, \$1.2 million is financed from federal funds, and \$317,000 from other funds. General revenue funds decrease by \$55,144 compared to FY 2002 revised levels, reflecting a scheduled employee cost of living increase and other statewide benefit adjustments, and offset by the completion of non-recurring items for permit database and one legislative grant. Federal funds decrease

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by \$409,327, reflecting the current grant level in the Coastal Zone Management Program and the completion of the coastal habitat restoration system grant.

The Governor recommends an expenditure deferral in Rhode Island Capital Plan funds from FY 2002 to the beginning of FY 2003. The Governor recommends appropriations in FY 2003 of \$172,000 for the coastal habitat restoration at Allin's Cove in Barrington. The Governor also recommends an initial expenditure of \$145,000 in Rhode Island Capital Plan funds in FY 2003 for the South Coast Restoration program to dredge breachways and tidal deltas for habitat restoration, beach replenishment, and fish restoration efforts. The FTE position level for the council is unchanged at 30.0 for both FY 2002 and FY 2003.

State Water Resources Board

The Governor recommends revised expenditures for the Water Resources Board of \$1.2 million for FY 2002, a reduction of \$628,908 from enacted levels. The reduction consists of an increase in personnel and operating of \$71,754 in general revenue and a reduction of \$700,662 in projects financed with the Rhode Island Capital Plan Fund. The Rhode Island Capital Plan Fund reductions include \$400,000 for the Water Allocation Plan and \$300,000 for the Supplemental Water Supplies Identification/Development Plan. The board is exploring the use of federal funding made available to the Department of Health, Drinking Water Quality Division to finance some portion of these projects, pending satisfaction of federal eligibility requirements.

The Governor recommends FY 2003 expenditures of \$1.4 million, an increase of \$141,288, or 11.6 percent, from revised FY 2002 levels. General revenue expenditures are budgeted at \$1.1 million. Other funds of \$255,000 in FY 2003 include an increase in Rhode Island Capital Plan funds of \$131,929 over the revised FY 2002 level. The Big River Management Area project will continue in FY 2003 with financing of \$80,000 and the Water Allocation Plan will be partially financed at \$175,000. The Governor recommends 9.0 FTE positions in FY 2002 and in FY 2003.

Transportation

Summary

Transportation includes road and bridge construction and maintenance, mass transit, and planning activities of the Department of Transportation. In FY 1994, the state established the Intermodal Surface Transportation Fund (ISTF), to establish financing of 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 a stable revenue stream capable of financing the projects on a pay-as-you-go basis.

The Intermodal Surface Transportation Fund is supported by the state's twenty-eight cent gasoline tax. Tax receipts finance operating and debt service expenditures of the Department of Transportation (DOT), as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Elderly Affairs (DEA).

Beginning in FY 1998, the Governor began a process of addressing the state's neglected infrastructure needs by recommending the dedication of increased gasoline tax revenues to the Department of Transportation. Legislation was enacted increasing the department's share of the total tax in FY 1998 by two cents, bringing the department's allotment to sixteen cents, and reducing transfers to general revenue receipts to eight cents. For FY 1999 and beyond, the department was to receive an additional one cent each year until fiscal year 2006, when the general fund would no longer receive gasoline tax revenues.

In FY 1999, the Governor continued efforts to aggressively address the infrastructure needs of the state by increasing the DOT allocation of gas taxes by one and one half cents rather than one cent, as required by statute at the time. The Governor also increased the level of the gas tax allocation to the Rhode Island Public Transit Authority from three cents to five cents. This increase equated to an additional \$9.0 million per year for public mass transit operations. This plan would result in all gas tax proceeds being fully dedicated to transportation functions in FY 2004.

As part of the enacted FY 2000 budget, the plan was again amended by reducing the scheduled addition of one cent allocation of gas tax to DOT by one half cent in FY 2000 and increasing the RIPTA share by the same amount. In FY 2001, the portion of gas tax dedicated to DOT increased to 19.5 cents, as scheduled prior to the FY 2000 revision. The one half cent increase to RIPTA will continue permanently, and was offset by a decrease in the amount of gas tax originally scheduled for transfer to the general fund. The amended allocation plan would result in all gasoline tax revenue being dedicated to transportation functions by FY 2003.

The gasoline tax allocation plan was again amended in the enacted FY 2001 budget. The plan was altered to increase the RIPTA share of revenue by one fourth of one cent, for a new allocation level of 5.75 cents. The increase was offset by a corresponding decrease in gas tax revenue dedicated to the general fund. All gas tax proceeds would still be dedicated by FY 2003, but the DOT share that year would increase by 0.75 of a cent, as opposed to one full cent as originally planned.

As part of the enacted FY 2002 budget, the allocation plan for the disbursement of gasoline tax revenue was further revised in order to increase funding dedicated to RIPTA. Of the remaining 0.75 cent of gas tax not being directed to transportation-related functions, an additional half-cent of this amount was transferred to the authority. This change would leave one fourth of one cent for transfer to DOT in FY 2003. The amended plan provided additional operating funds to RIPTA of approximately \$2.35 million in FY 2002. This increase for the authority was offset by a corresponding decrease in tax receipts previously planned for transfer to the general fund.

Transportation

Due to statewide budget constraints in FY 2003, the Governor recommends that planned allocation of the remaining one fourth of one cent of gas tax scheduled for FY 2003 be delayed until FY 2004. Consequently, this amendment to the disbursement plan provides \$1.2 million in revenue to the general fund in FY 2003.

The Federal Highway Administration (FHWA), under the authority of the FY 1992 - FY 1998 Intermodal Surface Transportation Efficiency Act (ISTEA), provided approximately \$100.0 million annually in Highway Trust Funds to Rhode Island, which the state matched at an average of twenty percent of the total project cost. In June 1998, the President signed into law the Transportation Equity Act for the 21st Century (TEA-21). The act authorizes funds for highway, highway safety, transit and other surface transportation for the following six years. Under this program, Rhode Island is expected to receive an average of \$180.0 million per year. TEA-21 builds on the initiatives established through ISTEA. The act combines the improvements in current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth. All projects not eligible for federal funds are financed with general obligation debt and gas tax proceeds.

The DOT Highway Improvement Program (HIP) includes highway and intermodal projects that utilize federal funds administered by the FHWA, and highway transportation infrastructure projects financed by state funds (gas tax and bonds). The HIP implements DOT's capital program as is 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 six-year period from federal highway funds. The Federal Highway Administration requires that all projects utilizing federal funds shall appear in an approved TIP. The TIP is 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-six member public body, known as the Transportation Advisory Committee (TAC), using criteria based on five major categories: mobility and benefits; cost effectiveness; economic development impact; environmental impact; and agreement with local and state goals and plans. 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 staff, conducts a solicitation and evaluation of Congestion Mitigation and Air Quality (CMAQ) proposals. A TAC subcommittee reviews new bicycle/pedestrian projects, and a DOT advisory committee solicits and evaluates application for funds earmarked in TEA21 for Transportation Enhancement activities.

The DOT Highway Improvement Program and Transportation Improvement Program emphasize the Governor's priorities for maintaining Rhode Island's existing transportation infrastructure before initiating large scale projects. After years of under-investment in preventive maintenance, the focus has shifted to addressing the deteriorated state of the transportation system infrastructure.

Transportation

Current Law Gas Tax Allocation

<u>Recipient</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
DOT	16.0	17.5	18.0	19.5	20.5	20.5	20.75
RIPTA	3.0	5.0	5.5	5.75	6.25	6.25	6.25
General Fund	8.0	4.5	3.5	1.75	0.25	0.25	0.0
DEA	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total:	28.0	28.0	28.0	28.0	28.0	28.0	28.0

Establishing this type of funding mechanism to address the state's highway infrastructure needs permits more road and bridge rehabilitation and construction projects to be financed on a "pay-as-you-go basis," thus reducing outyear requirements for bond funding and increased debt service costs.

For the FY 2002 revised budget, the department will experience a reduction in available operating revenue as a result of a decrease in the estimated per cent yield of the state's gasoline tax as determined by the November 2001 Consensus Revenue Estimating Conference. The estimated yield has been revised from the enacted figure of \$4.7 million per cent to \$4.6 million per cent. The decrease results in a loss of revenue to DOT of \$2.1 million, and a reduction to RIPTA of \$625,000.

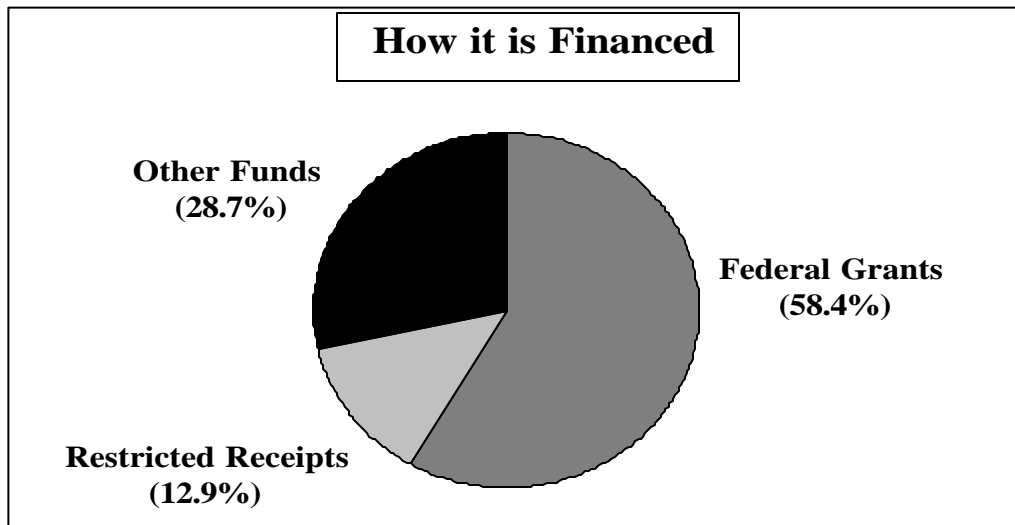
The Department's FY 2002 revised budget for federal funds decreases by \$7.1 million compared to the enacted level. This reduction reflects revisions to the DOT's TEA-21 funding allocation from federal apportionment limitations that are based on prior year federal gas tax collections.

The department's FY 2002 revised budget for restricted receipt revenue totals \$25.0 million, which is \$36.3 million below the enacted level. This reduction reflects revised schedules from bond funds for planning and construction costs related to the Freight Rail Improvement Program.

For FY 2003, the total amount of gas tax estimated for the ISTF is \$125.7 million, including \$96.4 million for the Department of Transportation and \$29.4 million allocated to RIPTA. Fund resources are reduced by projected transfers to the Department of Administration to finance transportation related debt service. After transfers from DOT and RIPTA of \$41.3 million and \$920,703, respectively, net gas tax resources are projected to be \$55.1 million for DOT, and \$28.5 million for RIPTA.

In FY 2003, recommended expenditures for transportation activities total \$330.0 million. The chart below illustrates the sources of financing for these expenditures.

Transportation

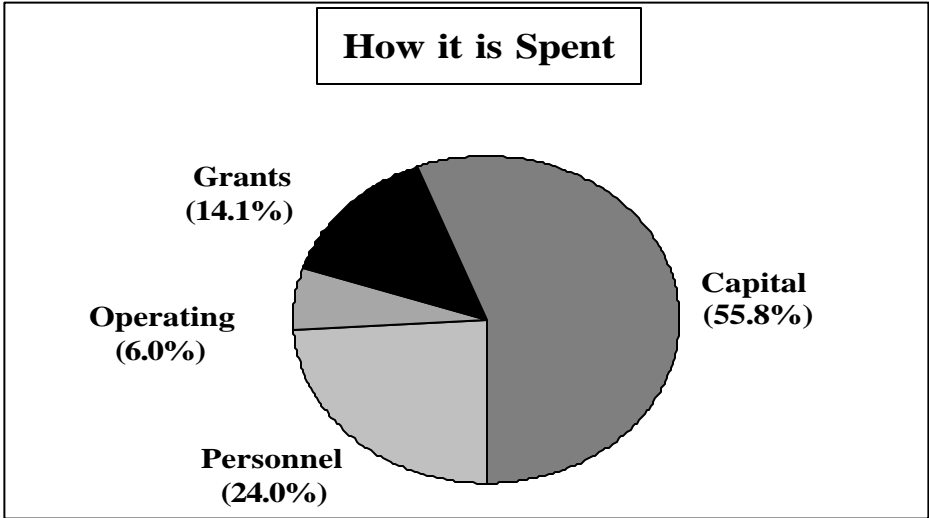


Other/Gasoline Tax Funds total 28.7 percent or \$94.8 million of the expenditures for the Transportation function in FY 2003. Of this total, \$43.2 million in gasoline tax revenue supports transportation operations, \$23.1 million supports personnel costs, and \$28.5 million provides operating assistance for RIPTA. In FY 2003, federal funding of \$192.8 million equates to 58.4 percent of total transportation budget. Federal Highway Safety funds totaling \$4.3 million support grants to municipalities and other activities that promote highway safety programs. Restricted receipts totaling \$42.5 million represent costs associated with the ongoing Freight Rail Improvement Project (FRIP).

The DOT federal budget for FY 2003 is \$32.4 or 14.4 percent below the FY 2002 revised level. This change results primarily from a change in the manner by which Federal Transit Administration (FTA) funding is appropriated to the state. Beginning in FY 2003, most of the federal funds allocated to Rhode Island for mass transit purposes will be appropriated directly to RIPTA. Previously, these funds flowed through DOT accounts.

Categorically, personnel and contractual service expenditures financed from federal funds, gasoline tax, and restricted receipts total \$79.3 million which is 24.0 percent of the overall budget. Operating expenditures are \$19.9 million (6.0 percent) and grants and benefits, which include funds for RIPTA operations, comprise \$46.7 million (14.1 percent) of the total budget. Capital improvement spending of \$184.2 million makes up the largest portion of transportation expenditures. Spending on infrastructure maintenance, refurbishing, design and constructions comprises 55.8 percent of transportation-related spending in FY 2003.

Transportation



In FY 2003, the department will continue to emphasize road and bridge rehabilitation and construction, support of mass transit services, and planning for both highway and mass transit operations. These efforts are undertaken through the department’s two major infrastructure programs; Maintenance and Engineering.

Through the Maintenance Program, the department dedicates funds to the preservation of road and bridge assets. These activities include pavement resurfacing, crack sealing, pothole repair, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program. The recommended Maintenance budget for FY 2003 is \$39.6 million, an increase of \$4.3 million, or 12.3 percent, from FY 2002.

In FY 2003, DOT will begin construction of a new maintenance facility in Warwick. This facility, which will replace the current Providence facility, is estimated to cost \$6.8 million. Of this total, \$3.8 million is funded through gas tax revenue and other funds within the department, and \$3.0 million will be provided through the Narragansett Bay Commission’s (NBC) Combined Sewer Overflow project (CSO). Through an agreement between the two organizations, DOT property holdings in Providence would be transferred over to the NBC. The DOT Calvery Street maintenance facility is located on this property. The NBC requires this land for the development of the CSO project. In turn, NBC will provide DOT with \$3.0 million that will be dedicated to the construction of the replacement maintenance facility. Of the \$3.8 million that DOT will contribute to this project, \$2.2 million results from a deferring a principal payment on DOT’s gas tax funded variable rate debt. This payment will be amortized over the remaining years of the debt, which has a maturity date of August 2019. The remaining costs will be funded from gas tax proceeds (\$1.1 million) and outdoor advertising revenues (\$0.5 million)

The Engineering program, which totals \$281.0 million in FY 2003, funds personnel in public works, real estate, research and technology, construction, design, materials, and intermodal planning sections. RIPTA’s portion of the state gasoline tax, totaling \$28.5 million, is appropriated within this subprogram. Total spending for Engineering consists of \$50.0 million in gasoline tax/other revenue, federal appropriations of \$188.5 million, and restricted receipt revenue expenditures of \$42.5 million. The recommended budget for restricted receipt revenues reflects anticipated spending from bond funds for planning and construction costs of the Freight Rail Improvement Project.

Transportation

Included in the Engineering program is \$8.0 million in estimated revenue from the sale and/or lease of DOT owned properties. This revenue, along with \$30.0 million in general obligation bond funds, is utilized to satisfy matching requirements to federal funds provided under TEA-21. Also reflected in the Engineering program is RIPTA's share of revenue (\$28.5 million) generated from the state gasoline tax.

An essential part of the Infrastructure program is the Highway Improvement Program. This program, mandated through the TEA-21 legislation, outlines the short and long-term transportation infrastructure projects that the state will undertake.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$29.4 million to the Rhode Island Public Transit Authority is financed from a 6.25-cent allocation of the gasoline tax. One cent of the gas tax that is not included in the Department of Transportation budget supports the efforts of the Department of Elderly Affairs. This funding is intended to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA for the providing of support to elderly fares and financing statewide compliance costs associated with Americans with Disabilities Act requirements.

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

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

The five year projection includes tables which present anticipated revenues and expenditures during the five fiscal years ending in June 2007. Tables which detail planning values are also included. The planning values reflect policy assumptions as well as economic and demographic forecasts.

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

The economic outlook presents the greatest risk to the forecast. The economic forecast was developed by the principals of the November 2001 Revenue Estimating Conference with input from the consulting economists at Economy.com and DEI-WEFA and respective staff. The forecast anticipates a mild recession in late FY 2002 and early FY 2003 and a steady recovery over the late FY 2003 through FY 2007 period. This forecast truly serves as a “best guess” as to the future path of the economy since no formal economic model was employed by the conferees in arriving at its forecast. A detailed analysis of the conferees near-term economic forecast of recession as it compares to the previous recession is contained in *The Economy* section of this document.

Another risk to the forecast is attributable to tax law changes that have been implemented and external fiscal changes. It is necessary to calculate the direct, as well as indirect, effects of such a change on the economic outlook. For example, the Investment Tax Credit and Research and Development Tax Credit were increased with the objective of attracting and retaining competitive industries in Rhode Island. In forecasting the impact of these tax law changes, it is necessary to estimate the direct revenue loss attributable to the increased tax credit, as well as the secondary effects, such as increased employment and personal income levels. Measuring behavioral responses to tax law changes is a difficult task. These include decisions of businesses to relocate to or remain in Rhode Island, as well as individual responses, such as changes in spending or savings patterns resulting from changing levels of disposable income. Clearly, any change in current tax laws, including the rollback or repeal of previously enacted tax rate reductions, can have a negative effect on anticipated revenue collections. Past experience has indicated that raising taxes as a means for addressing a budget deficit may actually make the economic situation worse than it would be otherwise.

The revenues in the five-year forecast include two sizable adjustments. First, beginning in FY 2003, the Governor’s proposed increase in the state’s cigarette tax contributes some \$20.0 million in revenues to this tax item over the forecast period. Clearly any changes in the smoking behavior of individuals could erode this revenue stream faster than is assumed in the five-year forecast. Second, the Governor’s proposed securitization of the state’s tobacco settlement payments adds significant revenues in FY 2003 – FY 2007 but takes these revenues away in later years. This acceleration of the receipt of tobacco settlement payments allows the state to ride out the current recession without engaging in fiscal policies that would exacerbate the current downturn.

Due to the grave budget situation the State currently faces, the Governor’s FY 2003 budget does not contain any major tax relief measures that would have a significant impact in the later years of the five-year projection. For the same reason, it contains few major new program initiatives or spending increases.

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The Governor's budget does, however, address the state's high debt burden and proposes to use the accelerated tobacco settlement payments to defease \$278 million of non-callable general obligation debt that has not been previously refunded. By undertaking this debt reduction plan, the Governor's budget will lower not only the state's debt-to-personal income ratio, but also will yield substantial savings on debt expenditures in the latter years of the five-year projection.

The five-year projection delays the continued dedication of gas tax to transportation purposes. For fiscal year 2003, one-quarter of one cent (0.0025) of the gas tax is proposed to remain in general revenue. For FY 2004 and beyond, all gas tax revenues will be dedicated to transportation funding.

Beginning in fiscal year 2000, income on bond proceeds were no longer included in general revenue. Instead, the income was to be dedicated to a sinking fund used to defease outstanding debt, pursuant to legislation enacted by the 1998 General Assembly. In the FY 2003 budget, the Governor recommends that income on bond proceeds once again be included in the general fund, as was the case in fiscal years 2001 and 2002.

Expenditure side risks must also be addressed within the five-year projection. The greatest expenditure side risk relates to the current economic downturn, which could significantly increase cash assistance caseloads while shrinking the revenue base compared to current estimates. Federal policy changes also significantly impact funding for grant programs such as Medicaid. In addition, demographic shifts such as the aging of the baby-boomer population will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon.

Another major risk is inflation, which drives the cost component of most programs. Medical inflation is particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. Other expenditure side risks include changes in employee contracts, correctional policy, education aid, other local aid, and debt control.

The five-year projection anticipates average annual revenue growth of approximately 2.3 percent beyond the budget year, based upon the Economy.com forecast for the Rhode Island economy. The forecasts used here do not assume any significant downward swings in the economy. Personal income is forecast to grow at an annual rate of 4.1 percent, employment at 1.1 percent, and wage and salary disbursements at 4.8 percent. These variables and other assumptions are shown in the tables that follow.

Expenditures are estimated to increase at an annual rate of 5.3 percent from the FY 2003 base to FY 2007. Inflation, as measured by the CPI, is expected to grow at an annual rate of 2.2 percent. A number of factors are responsible for the rate of growth above inflation.

The largest factor in overall spending growth is anticipated to occur in the category of local aid. Expenditures for aid to local governments are expected to expand by more than \$187.0 million, largely reflecting growth of \$103.9 million for education aid over the forecast period. Percentage growth in this area is projected to average 5.0 percent and reflects long-term policies in several key programs (see Local Aid discussion below).

Demand for services in the areas of Managed Care and other Medicaid, Developmental Disabilities pharmaceuticals for the elderly, and child welfare and behavioral services are all anticipated to contribute to growth exceeding the rate of inflation over the five-year interval. Average increases of 5.1 percent are forecast in the grants and benefits category as a result of expected increases in both caseloads and utilization. Underlying assumptions may be found in the planning values table.

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Debt service expenditures are also anticipated to exceed rates of inflation, averaging 20.4 percent as compared to forecasted inflation of 2.2 percent over the forecast period. This unusual rate of increase reflects a shift of approximately \$24.0 million from RICAP to general revenue funding in fiscal 2004 and new debt service costs associated with the financing of the new juvenile training school, Kent County Courthouse, affordable housing initiatives, Garrahy Courthouse parking garage, and correctional facilities improvements.

Pressures to enhance educational services as well as programs for the more vulnerable segments of the population are predicted to result in expenditure growth which outpaces revenue generation. By fiscal year 2007, it is estimated that expenditures will exceed revenues by \$375.9 million.

Personnel and Other Operations

This analysis assumes that salary and fringe benefits costs for existing staff will reflect both the rate of inflation with respect to cost of living adjustments and on-going increases for steps and longevity. In addition, personnel costs reflect health insurance coverage costs that are expected to significantly exceed the overall rate of inflation. As also shown in the expenditure tables, additional staffing is assumed to be required due to estimated caseload growth in the Department of Children, Youth and Families and Department of Corrections. This increases the overall personnel requirements to finance these additional staffing needs. Contract negotiations are not assumed to alter other statewide staffing requirements during the five-year horizon.

Caseloads in the Department of Children, Youth and Families are projected to grow 10.8 percent through the forecast period. When combined with cost inflation, this growth increases personnel and operating expenditures by \$10.2 million and payments for provider services by \$17.2 million during the FY 2003 - FY 2007 period. The projections are based upon an analysis of actual caseload growth trends since FY 1992.

Caseload growth translates directly into increased costs for supporting services, and both contracted and purchase-of-service placements.

Projections of inmate growth for the Department of Corrections are also a key determinant in projecting statewide staffing needs. Although the inmate population grew at an average rate of 2.5 percent per year from FY 1990 to FY 2001 overall, growth slowed after 1996 to 1.3 percent per year. The population is expected to continue to grow, but at the latter (slower) rate. Prison population is forecast to increase from 3,370 inmates in FY 2002 to 3,563 inmates in FY 2007. This reflects growth of 5.4 percent over the five-year period, or approximately 43 additional inmates per year. The estimate is based upon national and state prison population trends and includes INS detainees. The Bureau of Justice Statistics' Bulletin, "Prisoners in 2000", reports that nationally the prison growth rate continues to decrease, with the prison population rising at the lowest rate, 1.3 percent, since 1979.

The slower growth of the population within the institutions should allow for the opportunity to explore programs and alternatives to address the growing community-based offender population, consisting of those under the supervision of the probation, parole, and home confinement programs. The number of adult probationers and parolees serviced has increased an average of 7.1 percent per year since FY 1990. According to the Bureau of Justice Statistics' report on Probation and Parole in 1998, Rhode Island has the fourth highest rate of probation supervision per capita in the nation. The most recent annual report from the Criminal Justice Institute shows that Rhode Island has the highest probation caseload in the country, 1:311 (Criminal Justice Institute's 2000 Corrections Yearbook). Additionally, Rhode Island's home confinement population grew 76.1 percent between FY 1995 and FY 2001.

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The slower overall growth rates in institutional corrections are masking trends among the subsections of the offender population, including female offenders. Nationally, since 1990, the female inmate population has increased at a higher rate than male inmates. In Rhode Island, the female population has grown 32.7 percent since FY 1995.

The Department has taken a number of steps to address bed space shortages in the women's facilities. Currently, a wing in the Dix Facility is being renovated to provide an additional 45 beds for low to medium security female offenders. The project is being financed with \$401,940 received through the federal Violent Offender Incarceration – Truth in Sentencing Act (VOI-TIS) and a state match of ten percent. The second phase of the project, which includes related improvements not eligible for VOI-TIS funding, is being financed with \$589,000 in Rhode Island Capital Plan funds. Design work for the project has begun, with construction for Phase II scheduled for FY 2004.

The Department is beginning the renovation of an additional building at the Pastore Center for use as a Reintegration Center beginning in July 2004. The \$9.2 million renovation, also funded primarily with VOI-TIS funds, will add 150 new beds for male inmates. The Center will house inmates who are within six months of release, but who have not qualified for lower custody status. Intensive evaluation and services will be provided to residents in an effort to successfully reintegrate them into community life.

To date, Rhode Island has received \$14.97 million in VOI-TIS funding. Most of these funds are restricted to construction or expansion of facilities to increase bed capacity for violent offenders. All funds must be expended by September 30, 2005. Besides the aforementioned renovation of a wing in the Women's Dix facility, a portion of the funds has been used to renovate two areas of the Medium Security Donald Price facility. Additionally, the Department utilized the funds to conduct a Siting and Construction Options Study. This study provided an in-depth analysis of offender populations and trends, offering critical guidance for future new construction and facility renovations.

Exploration of construction and programming options is crucial even with the anticipated slower growth of the inmate population. In 1979, there were 730 inmates at the ACI. The inmate population in fiscal year 2001 was 3,348, representing growth of three hundred fifty-nine percent over the twenty year period. Assuming the forecasted growth trend continues, the inmate population is anticipated to approach the current operational capacity within the next ten years. Of particular concern are the populations held in the Maximum Security facility, the Price and Moran medium security facilities, and the women's McDonald facility. All have been approaching capacity and have been for a number of years. Bed space availability in other facilities cannot be used to alleviate overcrowding in the above-mentioned facilities, as they are not designed to hold inmates classified to different security levels.

The Siting and Construction Options Study has allowed the department to develop a comprehensive ten-year plan that considers the various sub-populations, overall population forecasts, efficiency and effectiveness of existing facilities, and future construction needs for both institutional and community-based facilities. In addition to the impact of the forecasted population, the age and design of the facilities at the ACI are factors in planning for capital development.

In accordance with the Options Study, the department currently contemplates five capacity expansion projects:

- A 24-bed expansion of the Segregation Unit at the Moran Medium Security facility.

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- A 192-bed addition to the High Security Center will allow the conversion of the Maximum Security facility to accommodate medium security inmates.
- A 360-bed expansion of the Maximum Security facility; (as in the High Security expansion, this project will allow the conversion of the Maximum Security facility to accommodate medium security inmates).
- The construction of four Community Corrections Centers. One center would be at the Pastore Center; it and three others would eliminate the need for additional institutional bed space.
- Renovations at the Dix facility that will allow for expanded bed space for low and medium security women inmates

Grants and Benefits

Grants and Benefits are projected to increase by 5.1 percent annually, largely reflecting expanding prices and utilization for medical care as well as policy assumptions impacting long term care.

The forecast for Department of Human Services grants and benefits is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program and the Rhode Island Family Independence Program (FIP) will meet their stated objectives during the forecast period, and that federal block grants and Medicaid matching grants will continue at current levels.

Eligibility standards for TANF/FIP cash assistance are maintained at current levels throughout the forecast period, but assumptions for economic influences are that caseloads will drop by approximately 6.1 percent annually. More influential effects of welfare reform are forecast from caseload reductions starting in FY 2002. In June, 2002, the first clients will reach the end of a new five-year eligibility period. Beginning in May 1997, each new client certification included a job development plan and a limitation on benefits for parents of five years, per federal mandate. By June, 2003, approximately twenty-four percent of clients enrolled before May 1997 will also reach the five year limitation, corresponding to job development plan completions during FY 1998. Adult clients reaching the time limit can be removed from cash assistance. Federal provisions require the state to achieve eighty percent closure of these adult clients; children in such households will continue to receive cash assistance. The forecast assumes that twenty percent of parents will receive exemption waivers, and that an additional twenty percent will remain on cash assistance as a supplement to wage earnings, Due to maintenance of effort requirements for general revenue support, savings accrue to the federal block grant account.

Savings in cash assistance will be offset by substantial additions in child care payments, which continue even after entry of cash assistance clients to unsubsidized employment. Child care slots are assumed to increase annually through the forecast period, and include adjustments for increased utilization by clients exhausting cash assistance. A three percent market rate adjustment is assumed in mid-FY 2004 and mid FY-2006. These effects are reflected in the tables. However, the full impact of additions to child care costs is not represented in the net general revenue costs. It is assumed that, as in the past, TANF federal block grant funds can be reallocated to finance child care costs. The continuous expansion of child care caseloads results in an increase in general revenue costs through FY 2005, with substantial offsets to the block grant, resulting from the cash assistance caseload declines noted above, beginning in FY 2004. By FY 2007, cash assistance savings are estimated to reduce general revenue expenditures for child care by \$34.2 million. This amount, along with cash assistance expenditures and other eligible support costs, is still greater than the required maintenance of effort from general revenue funds to qualify the state for continued TANF block grant eligibility. The net result is that total annual general revenue expenditures for

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cash assistance and child care increase less than \$2.5 million between any two years during the forecast period.

SSI caseloads will increase marginally, as the elderly population is forecast to decrease over the five year period. This effect partially offsets continued increases in the disabled population. Annual cost of living adjustments of 3.5 percent are assumed.

Medicaid costs are assumed to reflect changes in service delivery systems, such as reduced institutional care and greater participation in independent living and treatment arrangements. Based upon population trend data, marginal decreases in long-term care caseloads are projected. Transition of caseloads, however, is anticipated in long-term care service delivery. For each of the forecast years, it is assumed that 1.2 percent of nursing home placements will be diverted to home health care programs, at a sixty percent savings for each case. For an additional 1.8 percent of placements, diversion to other long-term care alternative programs is assumed, at twenty five percent savings for each case. Nursing home costs are forecast to inflate by 3.1 percent annually. Home health costs are forecast to rise by 3.6 percent annually.

All other Medicaid costs, except managed care, are estimated to increase by 9.7 percent annually. This category assumes a continuation of uncompensated care payments to community hospitals in each year. The managed care forecast assumes that costs will increase in line with HCFA assumptions regarding expenditure for private health insurance (See Planning Values Table). All general revenue Medicaid costs contract by 2.1 percent in FY 2004, to recognize the annualization of a reduction in the federal participation rate effective October, 2002.

The forecasted expenditures, within the Developmental Disability system, of \$83.7 million in FY 2004 to \$99.8 million in FY 2007, indicate an average growth rate of approximately 6.1 percent. Although the growth in expenditures, in this program, has been relatively stable over the last two to three year period there are several factors which could significantly affect the expenditures during the forecast period. These include greater public awareness of the availability and therefore the utilization of services, the aging of caregivers and the aging of the existing population. The aging of the caregivers places a significant burden on the residential portion of this program. Clients who were cared for by their parents often require residential placement when the parents are no longer able to care for them. The age of the existing client population will also have an effect on the future cost of care. As with the general population in society, the baby boom is reaching retirement age, and many clients are facing diseases and or complications associated with aging in addition to their existing disability. This can increase both the nature and quantity of services required to maintain a client's quality of life. Public awareness activities, sponsored by both the department and by consumers of service, have and will continue to lead to greater utilization, at the earliest possible age, of the full range of services for which clients are eligible.

Local Aid

Local aid expenditures include education aid, aid to local libraries, the PILOT program, Aid to Distressed Communities, Police and Fire Incentive payments, the Motor Vehicle Excise Tax Reimbursement, General Revenue Sharing and the Property Reevaluation program. As noted above, the single biggest factor driving expenditure growth is aid to local units of government. Within this component, only one area of spending is not expected to exceed inflation. In percentage terms, the largest driving force behind expenditure growth is accounted for by the General Revenue Sharing program. Average increases of over 14 percent are anticipated, reflecting the commitment under current law to increase the share of state tax revenues to communities from 2.0 percent in fiscal 2001 to 3.7 percent by fiscal 2007. In dollar terms, this translates

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into additional state expenditures of close to \$34.0 million.

Payments for the Motor Vehicle Tax Reimbursement program are anticipated to add \$40.4 million to expenditure requirements by FY 2007. This reflects the growth in reimbursements due to the CPI adjustment as applied to local tax rates by community and to the Governor's proposal to also reimburse communities for growth in the local tax rolls, while freezing the exemption amount at \$3,500.

In dollar terms, the largest expenditure increase will be in aid to local governments for educational purposes. This component is expected to display average growth of 3.5 percent, and reflects the Governor's commitment to improve and support local education agencies. Total additional requirements are forecast to equal \$103.9 million by fiscal year 2007.

Capital

Recognizing that there continues to be a concern over the state's relatively high debt levels, the Governor's FY 2003 – FY 2007 Capital Improvement Plan supports the effort to reduce its reliance on tax supported bonds for financing. The Governor's proposed plan would reduce net tax supported debt as a percent of personal income from 8.5 percent in 1994 to 3.99 percent by 2007. This will be achieved by targeting current resources to the infrastructure needs of the state and the pursuit of an aggressive debt reduction plan. The use of Rhode Island Capital Plan Funds for capital projects statewide, the continued dedication of existing gas tax resources to Transportation for investments in the state's infrastructure, and the use of proceeds from the securitization of Tobacco Master Settlement revenues for defeasance will reduce the outyear burden of deferred maintenance costs and high debt service costs. In FY 2002 and FY 2003, the budget recommendations to defer some capital projects will provide budgetary relief of \$16.5 million in FY 2002 and \$23.8 million in FY 2003, but result in a structural imbalance in FY 2004 when those funds are redirected to capital projects rather than debt service. Similarly, the deferral of transfer of the last .25 cents of the gas tax from the General Fund to DOT provides \$1.175 million of relief to the General Fund, but results in less resources in the General Fund in 2004 when the schedule is resumed. By 2004, all gas tax will be dedicated to transportation, and all Rhode Island Capital Funds will be for capital projects, rather than debt service.

The projection of debt service costs reflected updated debt service projections as included in the FY 2003 – FY 2007 Capital Improvement Plan. The plan calls for the issuance of general obligation bonds in FY 2003 through FY 2006 of \$100 million, \$102 million, and \$70 million thereafter. It is assumed that interest on the general obligation bonds issued will be 4.5 percent for twenty year fixed rate debt, and 3.5 percent for outstanding variable rate debt.

The projected general revenue requirements for debt service is dependent upon the allocation of debt service costs to other sources of funds. The projection assumes that Rhode Island Capital Plan funding for debt service will decline from \$31.5 million in FY 2002 to \$23.8 million in FY 2003. In FY 2004, no debt service will be funded from the Rhode Island Capital Plan funds. Disbursements of \$29.2 million, \$54.1 million, \$54.5 million, \$55.8 million and \$57.0 million over FY 2003 to FY 2007 are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five year report as operating costs.

It is assumed that the Department of Transportation funded by gas tax revenues in FY 2003 through FY 2007 will total \$41.2 million, \$45.2 million, \$45.1 million, \$47.3 million, and \$48.4 million respectively. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2003 through FY 2007 will total \$.9 million, \$1.0 million, \$1.0 million, \$1.1 million, and \$1.2 million

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respectively. This is based upon the issuance of bonds consistent with the FY 2003 - FY 2006 capital budget. Actual net costs from gas tax will be less due to the savings from defeasance which were assumed to be all general revenues. It reflects the issuance of \$31.0 million, \$32.3 million, and \$30.0 million thereafter in FY 2003 to FY 2006 for the Department of Transportation. It reflects issuance of \$0.84 million in FY 2003, and \$1.1 million, \$.85 million, \$.85 million and \$.85 million in FY 2003 to FY 2007 for the Rhode Island Public Transit Authority.

Obligations for McCoy Stadium are estimated at 3.5 percent, reflecting an average estimate of the variable rate interest costs to be paid on the balance of this debt. Interest for the Rhode Island Housing and Mortgage Finance Corporation obligations payable by the State for the Neighborhood Opportunities Program (providing \$5 million per year 2002 – 2006) and Traveler's Aid (providing \$2.5 million in FY 2002) range from 4.5 percent to 5.4 percent. Interest on the Garrahy Courthouse Parking Garage (\$15 million) is assumed at 7.0 percent due to the uncertainty concerning the ability to issue tax-exempt debt for this project. Obligations arising from the Kent County Courthouse (\$51.8 million) and the Juvenile Training School (\$57.8 million) are assumed to be financed by general revenues, and interest is assumed at 4.5 percent.

The obligations arising from the performance based on contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2003 forecast includes \$1,680,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2004 the forecast includes \$2.5 million for Fidelity, zero, and \$3.7 million for the Providence Place Mall. In FY 2005 and thereafter, it assumes all three obligations are funded at the maximum level of \$2.5 million, .3 million and \$3.7 million, respectively.

Debt Reduction

The projections assume pursuit of a debt reduction plan from proceeds from the securitization of Tobacco Master Settlement revenues. It assumes that \$278 million of general obligation bonds are defeased by early July 2002, resulting in savings of \$43.9 million in FY 2003, \$39.4 million in FY 2004, \$38.6 million in FY 2005, \$37.8 million in FY 2006, and \$33.1 million in FY 2007. All savings are assumed to be general revenue, and are based upon selected maturities of general obligation bonds. The actual defeasance in July 2002 will affect some DOT gas tax funded bonds, and this allocation would have to be adjusted.

As shown in Appendix A of the Capital Budget document, the defeasance improves the state's debt position as general obligation bonds are refunded by bonds not considered part of the State's net tax supported debt.

Other

It is assumed that there will be no cost associated with the issuance of tax anticipation notes.

The projection also assumes that disbursements for capital projects from general revenues would be \$2.2 million in FY 2003 and \$2.9 million thereafter.

General Revenue Outyear Estimates

	FY 2004	FY 2005	FY 2006	FY 2007
Personal Income Tax	\$930,700,000	\$968,900,000	\$1,007,800,000	\$1,039,700,000
General Business Taxes:				
Business Corporations	64,700,000	68,100,000	71,700,000	75,500,000
Franchise	8,000,000	8,200,000	8,400,000	8,600,000
Public Utilities	95,300,000	97,400,000	99,800,000	102,200,000
Financial Institutions	9,200,000	9,400,000	9,600,000	9,800,000
Insurance Companies	34,900,000	35,700,000	36,500,000	37,400,000
Bank Deposits	900,000	1,000,000	1,000,000	1,000,000
Health Care Provider	28,700,000	29,600,000	30,500,000	31,500,000
General Business Taxes	\$241,700,000	\$249,400,000	\$257,500,000	\$266,000,000
Sales and Use Taxes:				
Sales and Use	785,300,000	819,000,000	852,700,000	887,800,000
Motor Vehicle	45,700,000	46,300,000	47,000,000	47,700,000
Motor Fuel	1,100,000	1,100,000	1,100,000	1,100,000
Cigarettes	95,000,000	93,000,000	91,000,000	89,000,000
Alcohol	9,800,000	10,000,000	10,200,000	10,500,000
Controlled Substances	-	-	-	-
Sales and Use Taxes	\$936,900,000	\$969,400,000	\$1,002,000,000	\$1,036,100,000
Other Taxes:				
Inheritance and Gift	22,900,000	23,400,000	24,000,000	24,500,000
Racing and Athletics	5,700,000	5,700,000	5,700,000	5,700,000
Realty Transfer Tax	2,600,000	2,700,000	2,800,000	2,800,000
Other Taxes	\$31,200,000	\$31,800,000	\$32,500,000	\$33,000,000
Total Taxes	\$2,140,500,000	\$2,219,500,000	\$2,299,800,000	\$2,374,800,000
Departmental Receipts				
Licenses and Fees	147,600,000	149,400,000	151,600,000	153,700,000
Fines and Penalties	20,800,000	21,300,000	21,800,000	22,400,000
Sales and Services	30,300,000	31,200,000	32,200,000	33,200,000
Miscellaneous	54,900,000	56,200,000	57,700,000	59,200,000
Total Departmental Receipts	\$253,600,000	\$258,100,000	\$263,300,000	\$268,500,000
Taxes and Departmentals	\$2,394,100,000	\$2,477,600,000	\$2,563,100,000	\$2,643,300,000
Other Sources				
Gas Tax Transfers	-	-	-	-
Other Miscellaneous	96,800,000	72,100,000	47,900,000	32,700,000
Lottery Commission Receipts	257,300,000	262,900,000	269,500,000	276,000,000
Unclaimed Property	7,600,000	7,600,000	7,600,000	7,400,000
Other Sources	\$361,700,000	\$342,600,000	\$325,000,000	\$316,100,000
Total General Revenues	\$2,755,800,000	\$2,820,200,000	\$2,888,100,000	\$2,959,400,000

General Revenue Outyear Estimates

	FY 2004	FY 2005	FY 2006	FY 2007
Personal Income Tax	4.4%	4.1%	4.0%	3.2%
General Business Taxes:				
Business Corporations	8.6%	5.1%	5.3%	5.3%
Franchise	1.7%	2.2%	2.5%	2.4%
Public Utilities	1.7%	2.2%	2.5%	2.4%
Financial Institutions	1.7%	2.2%	2.5%	2.4%
Insurance Companies	1.7%	2.2%	2.5%	2.4%
Bank Deposits	1.7%	2.2%	2.5%	2.4%
Health Care Provider	3.2%	3.2%	3.2%	3.2%
General Business Taxes	3.6%	3.1%	3.3%	3.3%
Sales and Use Taxes:				
Sales and Use	4.7%	4.3%	4.1%	4.1%
Motor Vehicle	1.7%	1.5%	1.5%	1.4%
Motor Fuel	0.9%	1.4%	1.0%	0.8%
Cigarettes	-2.2%	-2.2%	-2.2%	-2.2%
Alcohol	1.7%	2.2%	2.5%	2.4%
Controlled Substances				
Sales and Use Taxes	3.7%	3.5%	3.4%	3.4%
Other Taxes:				
Inheritance and Gift	1.7%	2.2%	2.5%	2.4%
Racing and Athletics	-	-	-	-
Realty Transfer Tax	1.7%	2.2%	2.5%	2.4%
Other Taxes	1.4%	1.8%	2.1%	2.0%
Total Taxes	4.0%	3.7%	3.6%	3.3%
Departmental Receipts				
Licenses and Fees	1.0%	1.2%	1.4%	1.4%
Fines and Penalties	1.7%	2.2%	2.5%	2.4%
Sales and Services	5.5%	3.0%	3.2%	3.1%
Miscellaneous	0.8%	2.5%	2.7%	2.6%
Total Departmental Receipts	1.5%	1.8%	2.0%	1.9%
Taxes and Departmentals	3.7%	3.5%	3.5%	3.1%
Other Sources				
Gas Tax Transfers	-	-	-	-
Other Miscellaneous	-28.0%	-25.6%	-33.6%	-31.6%
Lottery Commission Receipts	1.7%	2.2%	2.5%	2.4%
Unclaimed Property	-	-	-	-
Other Sources	-8.8%	-5.3%	-5.1%	-2.7%
Total General Revenues	1.9%	2.3%	2.4%	2.5%

General Revenue Outyear Expenditure Estimates

	FY 2004	FY 2005	FY 2006	FY 2007
State Operations				
Personnel	\$762,033,993	\$783,143,679	\$818,693,079	\$856,366,969
Other State Operations	164,700,000	168,300,000	172,500,000	176,600,000
DCYF Caseload Growth	1,300,000	2,700,000	4,100,000	5,700,000
DOC Inmate Growth	1,500,000	3,100,000	4,800,000	6,600,000
Subtotal	\$929,533,993	\$957,243,679	\$1,000,093,079	\$1,045,266,969
Grants and Benefits				
DCYF Services	\$86,000,000	\$90,200,000	\$94,800,000	\$99,600,000
TANF Cash/Child Care/MOE	70,600,000	73,100,000	72,800,000	73,000,000
SSI Cash	32,900,000	35,300,000	37,900,000	40,600,000
Home Health Care-DEA	3,600,000	3,700,000	3,800,000	3,900,000
Nursing Home Care	114,800,000	113,800,000	112,900,000	112,000,000
MHRH MR\DD	83,700,000	88,900,000	94,200,000	99,800,000
Other Medicaid	183,500,000	201,200,000	220,800,000	242,200,000
RIPAE	14,500,000	15,700,000	17,100,000	18,500,000
Managed Care	160,500,000	173,500,000	185,900,000	197,600,000
Other Grants and Benefits	140,000,000	143,100,000	146,700,000	150,200,000
Subtotal	\$890,100,000	\$938,500,000	\$986,900,000	\$1,037,400,000
Local Aid				
Education Aid	729,300,000	754,800,000	781,200,000	808,500,000
General Revenue Sharing	53,800,000	61,800,000	72,800,000	82,100,000
Motor Vehicle Tax Reimbursements	95,300,000	104,800,000	115,400,000	126,900,000
PILOT	20,200,000	21,300,000	22,500,000	23,700,000
Distressed Communities	7,600,000	7,700,000	7,800,000	7,800,000
Library Aid	9,600,000	10,300,000	10,900,000	11,600,000
Property Revaluation Prgm	2,000,000	1,600,000	2,100,000	1,600,000
Police/Fire Incentive Payments	1,200,000	1,300,000	1,500,000	1,600,000
Subtotal	\$919,000,000	\$963,600,000	\$1,014,200,000	\$1,063,800,000
Capital				
<i>Debt Service</i>				
General Obligation	\$43,791,045	\$46,624,829	49,983,381	\$52,779,307
Refunding Bond Authority	19,053,432	19,302,977	19,304,830	19,303,497
COPS/Other Leases	24,512,604	26,796,229	28,633,166	30,234,749
Convention Center	16,751,303	18,083,101	18,088,663	18,092,918
Performance Based	6,168,526	6,461,305	6,340,220	6,340,388
<i>Capital Improvements</i>				
Other Projects	2,900,000	2,900,000	2,900,000	2,900,000
Subtotal	\$113,176,910	\$120,168,441	\$125,250,260	\$129,650,859
	110,276,910	117,268,441	122,350,260	126,750,859
Total	\$2,851,810,903	\$2,979,512,120	\$3,126,443,339	\$3,276,117,828

General Revenue Outyear Planning Values

Estimates and Growth	FY 2004	FY 2005	FY 2006	FY 2007
Personal Income (billions) [1]	\$35.2	\$36.7	\$38.1	\$39.6
<i>Change</i>	4.5%	4.1%	4.0%	3.8%
Nonfarm Employment (thousands) [1]	483.6	488.5	491.9	495.3
<i>Change</i>	2.0%	1.0%	0.7%	0.7%
Personal Income Tax				
Wages and Salaries [1]	5.2%	4.8%	4.6%	4.6%
Taxable Nonwage [2]	4.1%	3.8%	3.5%	3.4%
Elasticity [3]	1.0	1.0	1.0	1.0
Business Corporation Tax [4]	8.9%	5.2%	5.4%	5.4%
Provider Tax				
		Medical Inflation [11]		
Sales Tax				
Wages and Salaries [1]	5.2%	4.8%	4.6%	4.6%
Elasticity [3]	0.9	0.9	0.9	0.9
Gasoline Tax				
Real Consumption [5]	0.9%	1.5%	1.0%	0.8%
Other Taxes and Departmentals	1.7%	2.2%	2.5%	2.4%
CPI-U (U.S.) [1]	1.7%	2.2%	2.5%	2.4%
Salaries and Fringe Benefits	3.0%	CPI	CPI	CPI
Corrections Population, Including INS Detainees	3,435	3,477	3,520	3,563
<i>Change</i>	1.2%	1.2%	1.2%	1.2%
Children in State Care	8,625	8,850	9,080	9,316
Caseload Change [3]	2.6%	2.6%	2.6%	2.6%
FIP Caseloads [3]	38,005	32,083	29,599	27,245
<i>Change</i>	-13.6%	-15.6%	-7.7%	-8.0%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2004	FY 2005	FY 2006	FY 2007
SSI Caseload [3]				
Caseload Change	3.6%	3.6%	3.7%	3.8%
Percent Disabled	79.5%	80.4%	81.3%	82.1%
Estimated Disabled	24,753	25,941	27,186	28,491
Disabled Growth	4.8%	4.8%	4.8%	4.8%
Percent Elderly	20.5%	19.6%	18.7%	17.9%
Estimated Elderly	6,366	6,309	6,259	6,209
Growth Elderly [6]	-1.0%	-0.9%	-0.8%	-0.8%
Home Health Care				
Price Inflation [7]	3.6%	3.6%	3.6%	3.6%
Nursing Home Care				
Price Inflation [8]	3.1%	3.1%	3.1%	3.1%
Other Medicaid				
Estimated Costs [9]	8.3%	8.5%	8.7%	8.7%
RIPAE				
Caseloads	36,327	36,047	35,770	35,483
Caseload Change [3]	-0.9%	-0.8%	-0.8%	-0.8%
Price Inflation [10]	4.0%	4.0%	4.0%	4.0%
Managed Care				
Estimated Costs [12]	9.1%	8.1%	7.2%	6.3%
Education Aid				
	3.5%	3.5%	3.5%	3.5%

[1] November 2001 Revenue Estimating Conference Consensus Economic Forecast.

[2] [1] and Economy.com Fiscal Year Forecast of the Rhode Island Economy, December 2001.

[3] State of Rhode Island Budget Office Estimate.

[4] Economy.com Calendar Year Forecast of the U.S. Economy, December 2001, Corporate Profits Before Tax.

[5] Economy.com Calendar Year Forecast of the U.S. Economy, December 2001, Nondurables: Gasoline and Oil.

[6] Economy.com Fiscal Year Forecast of the Rhode Island Economy, December 2001.

[7] DRI/WEFA Health Care Cost Review, Third Quarter 2001, Table 6.4 (Calendar Year 1993=1.000, %MOVAVG).

[8] DRI/WEFA Health Care Cost Review, Third Quarter 2001, Table 6.6 (Calendar Year 1993=1.000, %MOVAVG).

[9] HCFA (CMS) National Health Expenditures released March 2001, Estimated Increase for Medicaid Expenditures

[10] DRI/WEFA Health Care Cost Review, Third Quarter 2001, Table 5.1 (1992=1.000, %MOVAVG)

[11] DRI/WEFA Health Care Cost Review, Third Quarter 2001, Tables 6.2 (1992=1.000, %MOVAVG) and 6.5 (Calendar Year 1992=1.000, %MOVAVG).

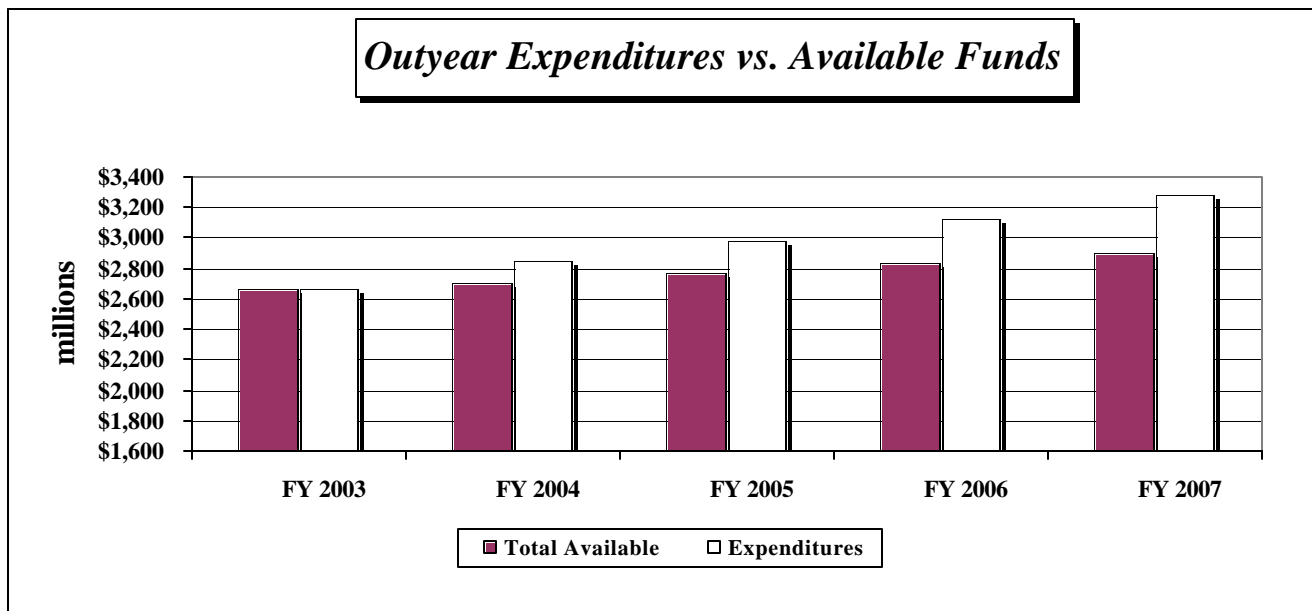
[12] HCFA (CMS) National Health Expenditures released March 2001, Estimated Increase for Private Health Insurance Expenditures

General Revenue Outyear Estimates FY 2003 - FY 2007

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Opening Surplus	\$18.2	\$0.2	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	2,308.8	2,394.1	2,477.6	2,563.1	2,643.3
Other Sources	396.6	361.7	342.6	325.0	316.1
Budget Stabilization Fund	(54.5)	(55.1)	(56.4)	(57.8)	(59.2)
Total Available	2,669.2	2,700.9	2,763.8	2,830.3	2,900.2
Minus Expenditures	2,668.9	2,851.8	2,979.5	3,126.4	3,276.1
Equals Ending Balance	\$0.2	(\$150.9)	(\$215.7)	(\$296.1)	(\$375.9)
<i>Operating Surplus or Deficit</i>	<i>(\$18.0)</i>	<i>(\$151.1)</i>	<i>(\$215.7)</i>	<i>(\$296.1)</i>	<i>(\$375.9)</i>

Rhode Island Capital Fund

Budget Stabilization Balance	\$81.7	\$82.7	\$84.6	\$86.6	\$88.8
Capital Fund Balance	0.1	0.0	0.0	0.0	0.0
<i>Debt Service Disbursements</i>	<i>23.8</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Capital Projects Disbursements</i>	<i>29.2</i>	<i>54.1</i>	<i>54.5</i>	<i>55.8</i>	<i>57.0</i>
<i>Total Disbursements</i>	<i>\$53.0</i>	<i>\$54.1</i>	<i>\$54.5</i>	<i>\$55.8</i>	<i>\$57.0</i>



General Revenue Budget Surplus Statement

	FY2000 Audited	FY2001 Unaudited	FY2002 Revised	FY2003 Recommended
Surplus				
Opening Surplus	\$ 98,299,618	\$ 91,921,860	\$ 132,091,272	\$ 18,226,594
Reappropriated Surplus	16,123,307	21,738,956	11,056,417	-
Subtotal	114,422,925	113,660,816	143,147,689	18,226,594
General Taxes	1,817,779,236	2,011,997,149	2,056,900,000	2,036,630,000
Revenue estimators' revision	-	-	(64,670,000)	-
Changes to adopted estimates	-	-	-	22,416,812
Subtotal	1,817,779,236	2,011,997,149	1,992,230,000	2,059,046,812
Departmental Revenues	207,399,225	262,071,835	237,349,911	179,700,000
Revenue estimators' revision	-	-	50,089	-
Changes to adopted estimates	-	-	4,614,005	70,166,368
Subtotal	207,399,225	262,071,835	242,014,005	249,866,368
Other Sources				
Gas Tax Transfers	14,937,694	8,538,413	1,175,000	-
Rev Estimators' revision-Gas Tax	-	-	(25,000)	-
Changes to adopted estimates	-	-	-	1,175,000
Other Miscellaneous	83,412,911	97,422,661	86,932,219	64,704,000
Rev Estimators' revision-Miscellaneous	-	-	2,357,781	-
Changes to adopted estimates	-	-	3,707,689	69,873,040
Lottery	150,283,635	180,743,897	188,300,000	228,700,000
Revenue Estimators' revision-Lottery	-	-	23,700,000	-
Changes to adopted estimates	-	-	7,173,418	24,262,887
Unclaimed Property	3,520,488	4,460,535	3,300,000	7,800,000
Revenue Estimators' revision-Unclaim	-	-	2,900,000	-
Subtotal	252,154,728	291,165,506	319,521,107	396,514,927
Total Revenues	\$ 2,277,333,189	\$ 2,565,234,490	\$ 2,553,765,112	\$ 2,705,428,107
Budget Stabilization	(47,512,656)	(53,143,127)	(53,717,128)	(54,473,095)
Total Available	\$ 2,344,243,458	\$ 2,625,752,179	\$ 2,643,195,673	\$ 2,669,181,607
Actual/Enacted Expenditures	\$ 2,230,582,642	\$ 2,482,604,490	\$ 2,650,768,180	\$ 2,668,931,824
Reappropriations	-	-	11,056,417	-
Recommended changes to appropriati	-	-	(36,855,518)	-
Total Expenditures	\$ 2,230,582,642	\$ 2,482,604,490	\$ 2,624,969,079	\$ 2,668,931,824
Free Surplus	\$ 91,921,860	\$ 132,091,272	\$ 18,226,594	\$ 249,783
Reappropriations	21,738,956	11,056,417	-	-
Total Ending Balances	\$ 113,660,816	\$ 143,147,689	\$ 18,226,594	\$ 249,783
Budget Reserve and Cash Stabilization Account	\$ 71,268,984	\$ 79,714,691	\$ 80,575,692	\$ 81,709,641

Expenditures From All Funds

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
General Government				
Administration*	\$468,395,380	\$470,310,503	\$ 499,957,381	\$ 469,495,295
Business Regulation	8,070,472	8,604,346	9,379,534	10,337,091
Labor and Training	342,259,825	354,106,068	403,041,497	415,023,909
Legislature	22,945,560	25,336,781	29,148,217	24,736,400
Lieutenant Governor	685,387	696,440	760,149	642,592
Secretary of State	4,562,464	5,663,544	5,012,690	6,323,669
General Treasurer	26,304,551	30,729,876	29,688,940	27,082,213
Boards for Design Professionals	340,377	357,428	362,790	395,614
Board of Elections	2,055,786	2,260,980	2,480,787	5,477,850
Rhode Island Ethics Commission	726,788	628,053	904,934	851,875
Governor's Office	3,787,150	4,013,707	5,611,165	5,830,551
Public Utilities Commission	3,913,105	4,429,026	5,455,843	5,671,841
Rhode Island Commission on Women	122,479	132,775	139,670	147,056
Subtotal - General Government	\$ 884,169,324	\$ 907,269,527	\$ 991,943,597	\$ 972,015,956
Human Services				
Children, Youth, and Families	\$192,605,366	\$209,117,240	\$ 227,862,189	\$ 232,764,533
Elderly Affairs	31,909,639	35,855,123	39,540,437	41,056,439
Health	77,094,624	83,030,889	92,119,300	92,321,477
Human Services	1,065,347,377	1,238,142,838	1,333,283,294	1,383,081,485
Mental Health, Retardation, & Hospitals	374,523,803	388,901,359	421,377,631	441,664,415
Office of the Child Advocate	784,215	886,636	881,655	919,381
Commission on Deaf & Hard of Hearing	230,478	233,790	196,450	274,374
RI Developmental Disabilities Council	436,352	408,971	420,477	421,433
Governor's Commission on Disabilities	278,686	327,828	366,748	431,190
Commission for Human Rights	875,760	1,061,926	1,143,639	1,198,640
Office of the Mental Health Advocate	232,528	233,966	283,031	304,432
Subtotal - Human Services	\$1,744,318,828	\$1,958,200,566	\$ 2,117,474,851	\$ 2,194,437,799
Education				
Elementary and Secondary	\$711,114,910	\$771,607,229	\$ 841,907,090	\$ 871,433,805
Higher Education - Board of Governors	479,953,224	510,730,446	546,201,197	558,457,421
RI Council on the Arts	1,523,744	1,935,602	3,134,381	3,135,787
RI Atomic Energy Commission	735,261	867,039	1,499,132	1,626,774
Higher Education Assistance Authority	11,665,072	12,418,667	15,295,141	17,376,410
Historical Preservation and Heritage Comr	2,478,737	1,732,018	1,646,097	1,741,540
Public Telecommunications Authority	1,532,325	1,705,517	2,117,951	2,307,991
Subtotal - Education	\$1,209,003,273	\$1,300,996,518	\$ 1,411,800,989	\$ 1,456,079,728

Expenditures From All Funds

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
Public Safety				
Attorney General	\$15,137,028	\$15,875,699	\$ 17,106,370	\$ 17,959,274
Corrections	121,911,711	134,359,147	148,863,860	151,649,786
Judicial	61,083,015	64,133,462	72,436,603	71,195,227
Military Staff	8,923,348	9,060,016	13,080,646	13,809,864
E-911 Emergency Telephone System	3,265,079	3,566,286	3,818,474	4,001,935
Fire Safety Code Board of Appeal & Review	164,708	170,027	207,013	230,412
State Fire Marshal	1,342,698	1,441,527	1,590,604	1,500,964
Commission on Judicial Tenure & Discipline	109,158	110,287	109,214	113,361
Rhode Island Justice Commission	4,037,348	4,983,113	5,531,504	5,301,674
Municipal Police Training Academy	606,959	476,870	437,246	363,212
State Police	37,724,490	40,745,720	44,399,599	42,189,782
Office Of Public Defender	5,105,813	5,456,929	6,070,378	6,240,614
Sheriffs of Several Counties*	8,261,430	8,591,158	-	-
Subtotal - Public Safety	\$ 267,672,785	\$ 288,970,241	\$ 313,651,511	\$ 314,556,105
Natural Resources				
Environmental Management	\$ 52,776,569	\$ 60,452,063	\$ 71,468,595	\$ 73,061,347
Coastal Resources Management Council	1,852,751	2,184,927	2,991,977	2,844,506
Water Resources Board	1,495,013	1,712,638	1,216,456	1,357,744
Subtotal - Natural Resources	\$ 56,124,333	\$ 64,349,628	\$ 75,677,028	\$ 77,263,597
Transportation				
Transportation	\$ 264,588,266	\$ 319,990,241	\$ 339,732,704	\$ 330,040,505
Subtotal - Transportation	\$ 264,588,266	\$ 319,990,241	\$ 339,732,704	\$ 330,040,505
Total	\$ 4,425,876,809	\$ 4,839,776,721	\$ 5,250,280,680	\$ 5,344,393,690

*The Sheriffs of the Several Counties were merged with the State Marshals and moved under the authority of the Department of Administration.

Expenditures from General Revenues

	FY 2000 Audited	FY2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
General Government				
Administration*	\$ 306,734,524	\$ 352,962,253	\$ 360,735,094	\$ 346,713,533
Business Regulation	7,829,950	8,308,629	8,651,425	9,691,104
Labor and Training	6,693,891	7,300,425	7,245,239	7,669,606
Legislature	22,015,951	24,351,032	28,389,385	23,926,761
Lieutenant Governor	685,387	696,440	760,149	642,592
Secretary of State	4,422,428	5,490,469	4,798,954	6,125,601
General Treasurer	4,767,465	4,901,629	5,124,102	4,618,459
Boards for Design Professionals	340,377	357,428	362,790	395,614
Board of Elections	2,055,786	2,260,980	2,480,787	5,477,850
Rhode Island Ethics Commission	726,788	628,053	904,934	851,875
Governor's Office	3,728,678	4,013,751	5,611,165	5,830,551
Public Utilities Commission	742,169	734,122	710,793	731,581
Rhode Island Commission on Women	121,997	132,775	139,670	147,056
Subtotal - General Government	\$ 360,865,391	\$ 412,137,986	\$ 425,914,487	\$ 412,822,183
Human Services				
Children, Youth, and Families	\$ 116,591,191	\$ 126,828,091	\$ 137,286,366	\$ 138,930,303
Elderly Affairs	19,555,225	22,463,072	25,518,546	27,177,576
Health	29,131,192	31,669,378	34,405,256	33,987,568
Human Services	462,889,549	549,292,921	598,327,224	604,379,601
Mental Health, Retardation, & Hospitals	196,424,224	205,993,804	217,427,906	220,877,423
Office of the Child Advocate	425,938	526,339	522,465	560,191
Commission on Deaf & Hard of Hearing	230,478	233,790	196,450	274,374
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	268,701	292,977	303,844	328,970
Commission for Human Rights	686,150	749,221	727,462	789,812
Office of the Mental Health Advocate	232,528	233,966	283,031	304,432
Subtotal - Human Services	\$ 826,435,176	\$ 938,283,559	\$ 1,014,998,550	\$ 1,027,610,250
Education				
Elementary and Secondary	\$ 616,011,053	\$ 669,158,489	\$ 706,423,050	\$ 735,476,223
Higher Education - Board of Governors	152,110,006	162,750,040	174,473,598	181,415,754
RI Council on the Arts	972,210	1,463,887	2,282,400	2,319,766
RI Atomic Energy Commission	576,744	629,357	644,995	655,951
Higher Education Assistance Authority	7,611,009	7,538,171	7,434,082	6,843,103
Historical Preservation and Heritage Commissio	1,755,721	910,220	784,059	870,542
Public Telecommunications Authority	1,028,823	1,243,915	1,200,828	1,250,666
Subtotal - Education	\$ 780,065,566	\$ 843,694,079	\$ 893,243,012	\$ 928,832,005

Expenditures from General Revenues

	FY 2000 Audited	FY2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
Public Safety				
Attorney General	\$ 12,952,277	\$ 14,307,795	\$ 14,967,090	\$ 15,679,563
Corrections	116,328,001	125,725,438	129,911,796	133,741,194
Judicial	51,713,328	55,804,452	59,676,119	61,405,047
Military Staff	2,245,775	2,620,057	2,579,331	2,332,929
E-911 Emergency Telephone System	-	3,213,003	3,818,474	4,001,935
Fire Safety Code Board of Appeal & Review	164,708	170,027	207,013	230,412
State Fire Marshal	1,248,143	1,306,700	1,329,615	1,399,792
Commission on Judicial Tenure and Discipline	109,158	110,287	109,214	113,361
Rhode Island Justice Commission	184,855	180,185	177,252	174,689
Municipal Police Training Academy	546,468	426,616	370,831	363,212
State Police	32,458,939	36,480,855	37,958,495	38,283,700
Office Of Public Defender	4,862,356	5,247,635	5,567,709	5,884,200
Sheriffs of Several Counties*	8,261,430	8,591,158	-	-
Subtotal - Public Safety	\$ 231,075,438	\$ 254,184,208	\$ 256,672,939	\$ 263,610,034
Natural Resources				
Environmental Management	\$ 30,288,364	\$ 32,228,212	\$ 31,654,901	\$ 33,617,947
Coastal Resources Management Council	937,344	1,114,228	1,391,805	1,336,661
Water Resources Board	915,363	962,218	1,093,385	1,102,744
Subtotal - Natural Resources	\$ 32,141,071	\$ 34,304,658	\$ 34,140,091	\$ 36,057,352
Transportation				
Transportation	-	-	-	-
Subtotal - Transportation	-	-	-	-
Total	\$ 2,230,582,642	\$ 2,482,604,490	\$ 2,624,969,079	\$ 2,668,931,824

**The Sheriffs of the Several Counties were merged with the State Marshals and moved under the authority of the Department of Administration.

Expenditures from Federal Funds

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
General Government				
Administration	\$ 27,294,882	\$ 37,267,720	\$ 39,244,082	\$ 36,113,316
Business Regulation	-	-	-	-
Labor and Training	44,430,719	36,853,984	42,978,779	37,147,421
Legislature	-	-	-	-
Lieutenant Governor	-	-	-	-
Secretary of State	-	31,262	24,041	-
General Treasurer	1,514,331	1,465,570	1,714,229	1,568,190
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	58,472	(44)	-	-
Public Utilities Commission	57,819	54,845	61,538	66,610
Rhode Island Commission on Women	482	-	-	-
Subtotal - General Government	\$ 73,356,705	\$ 75,673,337	\$ 84,022,669	\$ 74,895,537
Human Services				
Children, Youth, and Families	\$ 74,581,226	\$ 80,732,390	\$ 88,762,897	\$ 92,374,230
Elderly Affairs	7,504,008	8,620,246	9,527,354	9,178,863
Health	42,223,447	44,416,573	49,384,611	49,956,057
Human Services	598,987,451	685,423,389	730,306,073	774,365,152
Mental Health, Retardation, & Hospitals	176,829,884	182,359,072	202,190,699	219,271,992
Office of the Child Advocate	354,686	360,297	359,190	359,190
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	436,352	408,971	420,477	421,433
Governor's Commission on Disabilities	6,607	27,690	25,272	31,642
Commission for Human Rights	189,610	312,705	416,177	408,828
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 901,113,271	\$ 1,002,661,333	\$ 1,081,392,750	\$ 1,146,367,387
Education				
Elementary and Secondary	\$ 93,803,298	\$ 101,150,290	\$ 133,754,431	\$ 133,870,140
Higher Education - Board of Governors	1,022,304	1,704,160	2,320,764	2,362,281
RI Council on the Arts	553,464	475,015	596,641	616,021
RI Atomic Energy Commission	1,635	59,992	703,000	825,947
Higher Education Assistance Authority	3,970,919	4,635,552	6,964,350	7,231,142
Historical Preservation and Heritage Commissi	570,147	553,955	534,534	534,534
Public Telecommunications Authority	-	2,424	350,000	350,000
Subtotal - Education	\$ 99,921,767	\$ 108,581,388	\$ 145,223,720	\$ 145,790,065

Expenditures from Federal Funds

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
Public Safety				
Attorney General	\$ 1,522,014	\$ 999,534	\$ 1,559,179	\$ 1,648,271
Corrections	3,632,681	2,935,921	7,838,590	10,593,276
Judicial	4,443,475	2,116,326	2,871,479	2,821,148
Military Staff	5,842,256	6,179,898	9,949,465	10,663,196
E-911 Emergency Telephone System	-	-	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	94,555	134,827	260,989	101,172
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	3,840,098	4,802,928	5,264,252	5,036,985
Municipal Police Training Academy	60,491	50,254	66,415	-
State Police	1,355,115	1,196,116	3,101,896	1,080,493
Office Of Public Defender	243,457	209,294	502,669	356,414
Sheriffs of Several Counties	-	-	-	-
Subtotal - Public Safety	\$ 21,034,142	\$ 18,625,098	\$ 31,414,934	\$ 32,300,955
Natural Resources				
Environmental Management	\$ 11,073,984	\$ 11,588,264	\$ 23,105,956	\$ 23,192,255
Coastal Resources Management Council	915,407	1,070,699	1,600,172	1,190,845
Water Resources Board	-	-	-	-
Subtotal - Natural Resources	\$ 11,989,391	\$ 12,658,963	\$ 24,706,128	\$ 24,383,100
Transportation				
Transportation	\$ 175,454,955	\$ 210,770,330	\$ 225,174,404	\$ 192,779,157
Subtotal - Transportation	\$ 175,454,955	\$ 210,770,330	\$ 225,174,404	\$ 192,779,157
Total	\$ 1,282,870,231	\$ 1,428,970,449	\$ 1,591,934,605	\$ 1,616,516,201

Expenditures From Restricted Receipts

	FY 2000 Audited	FY2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
General Government				
Administration	\$ 60,030,564	\$ 8,136,681	\$ 7,930,186	\$ 7,888,475
Business Regulation	240,522	295,717	728,109	645,987
Labor and Training	17,395,871	19,536,096	22,682,778	24,591,788
Legislature	929,609	985,749	758,832	809,639
Lieutenant Governor	-	-	-	-
Secretary of State	140,036	141,813	189,695	198,068
General Treasurer	16,779,202	14,520,942	10,830,592	10,808,677
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	3,113,117	3,640,059	4,683,512	4,873,650
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 98,628,921	\$ 47,257,057	\$ 47,803,704	\$ 49,816,284
Human Services				
Children, Youth, and Families	\$ 1,329,895	\$ 1,540,682	\$ 1,530,003	\$ 1,460,000
Elderly Affairs	-	-	-	-
Health	5,722,083	6,828,084	8,059,836	8,166,324
Human Services	2,797,981	3,421,725	4,645,424	4,046,732
Mental Health, Retardation, & Hospitals	50,000	55,000	65,000	65,000
Office of the Child Advocate	3,591	-	-	-
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	3,378	7,161	37,632	70,578
Commission for Human Rights	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 9,906,928	\$ 11,852,652	\$ 14,337,895	\$ 13,808,634
Education				
Elementary and Secondary	\$ 861,773	\$ 603,921	\$ 1,242,151	\$ 1,064,196
Higher Education - Board of Governors	-	-	-	-
RI Council on the Arts	(1,930)	(3,300)	255,340	200,000
RI Atomic Energy Commission	-	-	-	-
Higher Education Assistance Authority	-	99,800	-	-
Historical Preservation and Heritage Commissi	152,869	119,943	327,504	336,464
Public Telecommunications Authority	-	13,572	-	-
Subtotal - Education	\$ 1,012,712	\$ 833,936	\$ 1,824,995	\$ 1,600,660

Expenditures From Restricted Receipts

	FY 2000 Audited	FY2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
Public Safety				
Attorney General	\$ 662,737	\$ 568,370	\$ 580,101	\$ 631,440
Corrections	475,074	3,361,490	5,367,287	5,119,124
Judicial	4,863,986	5,544,455	6,425,530	6,744,032
Military Staff	1,645	47,079	110,704	122,629
E-911 Emergency Telephone System	3,265,079	353,283	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	-	-	-	-
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	12,395	-	90,000	90,000
Municipal Police Training Academy	-	-	-	-
State Police	1,561,551	771,322	281,992	147,000
Office Of Public Defender	-	-	-	-
Sheriffs of Several Counties	-	-	-	-
Subtotal - Public Safety	\$ 10,842,467	\$ 10,645,999	\$ 12,855,614	\$ 12,854,225
Natural Resources				
Environmental Management	\$ 8,241,125	\$ 10,569,635	\$ 11,584,348	\$ 14,300,448
Coastal Resources Management Council	-	-	-	-
Water Resources Board	16,402	-	-	-
Subtotal - Natural Resources	\$ 8,257,527	\$ 10,569,635	\$ 11,584,348	\$ 14,300,448
Transportation				
Transportation	\$ 15,342,890	\$ 14,369,519	\$ 25,006,000	\$ 42,506,000
Subtotal - Transportation	\$ 15,342,890	\$ 14,369,519	\$ 25,006,000	\$ 42,506,000
Total	\$ 143,991,445	\$ 95,528,798	\$ 113,412,556	\$ 134,886,251

Expenditures From Other Funds

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
General Government				
Administration	\$ 74,335,410	\$ 71,943,849	\$ 92,048,019	\$ 78,779,971
Business Regulation	-	-	-	-
Labor and Training	273,739,344	290,415,563	330,134,701	345,615,094
Legislature	-	-	-	-
Lieutenant Governor	-	-	-	-
Secretary of State	-	-	-	-
General Treasurer	3,243,553	9,841,735	12,020,017	10,086,887
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	-	-	-	-
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 351,318,307	\$ 372,201,147	\$ 434,202,737	\$ 434,481,952
Human Services				
Children, Youth, and Families	\$ 103,054	\$ 16,077	\$ 282,923	\$ -
Elderly Affairs	4,850,406	4,771,805	4,494,537	4,700,000
Health	17,902	116,854	269,597	211,528
Human Services	672,396	4,803	4,573	290,000
Mental Health, Retardation, & Hospitals	1,219,695	493,483	1,694,026	1,450,000
Office of the Child Advocate	-	-	-	-
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	-	-	-	-
Commission for Human Rights	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 6,863,453	\$ 5,403,022	\$ 6,745,656	\$ 6,651,528
Education				
Elementary and Secondary	\$ 438,786	\$ 694,529	\$ 487,458	\$ 1,023,246
Higher Education - Board of Governors	326,820,914	346,276,246	369,406,835	374,679,386
RI Council on the Arts	-	-	-	-
RI Atomic Energy Commission	156,882	177,690	151,137	144,876
Higher Education Assistance Authority	83,144	145,144	896,709	3,302,165
Historical Preservation and Heritage Commiss	-	147,900	-	-
Public Telecommunications Authority	503,502	445,606	567,123	707,325
Subtotal - Education	\$ 328,003,228	\$ 347,887,115	\$ 371,509,262	\$ 379,856,998

Expenditures From Other Funds

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommend
Public Safety				
Attorney General	\$ -	\$ -	\$ -	-
Corrections	1,475,955	2,336,298	5,746,187	2,196,192
Judicial	62,226	668,229	3,463,475	225,000
Military Staff	833,672	212,982	441,146	691,110
E-911 Emergency Telephone System	-	-	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	-	-	-	-
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	-	-	-	-
Municipal Police Training Academy	-	-	-	-
State Police	2,348,885	2,297,427	3,057,216	2,678,589
Office Of Public Defender	-	-	-	-
Sheriffs of Several Counties	-	-	-	-
Subtotal - Public Safety	\$ 4,720,738	\$ 5,514,936	\$ 12,708,024	\$ 5,790,891
Natural Resources				
Environmental Management	\$ 3,173,096	\$ 6,065,952	\$ 5,123,390	\$ 1,950,697
Coastal Resources Management Council	-	-	-	317,000
Water Resources Board	563,248	750,420	123,071	255,000
Subtotal - Natural Resources	\$ 3,736,344	\$ 6,816,372	\$ 5,246,461	\$ 2,522,697
Transportation				
Transportation	\$ 73,790,421	\$ 94,850,392	\$ 89,552,300	\$ 94,755,348
Subtotal - Transportation	\$ 73,790,421	\$ 94,850,392	\$ 89,552,300	\$ 94,755,348
Total	\$ 768,432,491	\$ 832,672,984	\$ 919,964,440	\$ 924,059,414

Full-Time Equivalent Positions

	FY 2000	FY 2001	FY 2002 Revised	FY 2003
General Government				
Administration	1,135.0	1,137.0	1,350.0	1,350.0
Business Regulation	110.0	111.0	111.0	111.0
Labor & Training	600.0	561.0	558.0	558.0
Legislature	260.0	280.0	280.0	280.0
Lieutenant Governor	10.0	10.0	10.0	10.0
Secretary of State	57.2	57.2	59.2	59.2
General Treasurer	86.5	87.5	87.5	87.5
Boards for Design Professionals	4.0	4.0	4.0	4.0
Board Of Elections	21.3	21.3	22.3	22.3
Rhode Island Ethics Commission	10.0	10.0	10.0	10.0
Office of the Governor	50.0	50.0	50.0	49.6
Public Utilities Commission	42.0	44.0	44.0	44.0
Rhode Island Commission on Women	2.0	2.0	2.0	2.0
Subtotal - General Government	2,388.0	2,375.0	2,588.0	2,587.6
Human Services				
Children, Youth, and Families	875.9	875.9	868.9	868.9
Elderly Affairs	61.6	60.6	60.6	60.6
Health	463.6	476.1	477.1	477.1
Human Services	1,142.9	1,142.9	1,139.9	1,139.9
Mental Health, Retardation, & Hospitals	2,138.0	2,138.0	2,138.0	2,138.0
Office of the Child Advocate	13.0	13.0	13.0	13.0
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0
RI Developmental Disabilities Council	3.0	3.0	3.0	3.0
Governor's Commission on Disabilities	4.3	4.6	4.6	4.6
Commission for Human Rights	15.0	15.0	17.0	17.0
Office of the Mental Health Advocate	3.3	3.3	4.3	4.0
Subtotal - Human Services	4,723.6	4,735.4	4,729.4	4,729.1
Education				
Elementary and Secondary	344.1	343.2	345.2	345.2
Higher Education - Board of Governors*	3,850.0	3,578.9	3,589.9	3,589.9
RI State Council On The Arts	6.0	6.0	6.0	6.0
RI Atomic Energy Commission	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	46.6	46.6	46.6	46.6
Historical Preservation and Heritage Commission	17.6	17.6	17.6	17.6
Public Telecommunications Authority	22.0	22.0	22.0	22.0
Subtotal - Education	4,294.9	4,022.9	4,035.9	4,035.9

Full-Time Equivalent Positions

	FY 2000	FY 2001	FY 2002 Revised	FY 2003
Public Safety				
Attorney General	227.0	228.0	229.0	229.0
Corrections	1,608.0	1,596.6	1,550.6	1,557.0
Judicial	682.4	700.0	707.0	707.0
Military Staff	95.0	94.0	94.0	94.0
E-911	47.6	47.6	48.6	48.6
Fire Safety Code Board of Appeal and Review	2.0	2.0	3.0	3.0
RI State Fire Marshal	21.5	21.5	21.5	21.5
Commission on Judicial Tenure and Discipline	1.0	1.0	1.0	1.0
Rhode Island Justice Commission	9.0	9.0	9.0	9.0
Municipal Police Training Academy	4.0	4.0	4.0	4.0
State Police	254.0	266.0	267.0	267.0
Office of the Public Defender	75.5	75.5	79.5	79.5
Sheriffs of Several Counties	167.0	167.0	-	-
Subtotal - Public Safety	3,194.0	3,212.2	3,014.2	3,020.6
Natural Resources				
Environmental Management	570.5	584.5	585.5	585.5
Coastal Resources Management Council	28.0	28.0	30.0	30.0
Water Resources Board	9.0	9.0	9.0	9.0
Subtotal - Natural Resources	607.5	621.5	624.5	624.5
Transportation				
Transportation	864.3	864.3	864.3	864.3
Subtotal - Transportation	864.3	864.3	864.3	864.3
Total	16,072.3	15,831.3	15,856.3	15,862.0
*Higher Education Exempt Sponsored Research	-	330.4	335.4	442.7
Total	16,072.3	16,161.7	16,191.7	16,304.7
*Higher Education Total with Exempt Positions	3,850.0	3,909.3	3,925.3	4,032.6

General Revenues as Recommended

	FY 2000 Audited	FY 2001 Unaudited	FY 2002 Revised	FY 2003 Recommended
Personal Income Tax	\$817,079,620	\$913,805,718	\$883,500,000	\$891,919,000
General Business Taxes				
Business Corporations	67,995,553	60,629,245	50,000,000	59,600,000
Franchise	7,746,246	8,174,570	7,900,000	7,900,000
Public Utilities Gross Earnings	73,011,717	82,112,494	89,400,000	93,700,000
Financial Institutions	7,683,012	19,105,691	9,000,000	9,000,000
Insurance Companies	31,324,916	37,448,382	34,300,000	34,300,000
Bank Deposits	947,979	959,329	930,000	930,000
Health Care Provider Assessmen	24,641,523	27,319,481	27,000,000	27,800,000
Sales and Use Taxes				
Sales and Use	631,304,598	712,637,699	725,800,000	750,371,819
Motor Vehicle	43,689,813	44,440,641	44,400,000	44,900,000
Motor Fuel	641,041	1,151,584	1,100,000	1,100,000
Cigarettes	59,392,252	60,067,612	78,600,000	97,125,993
Alcohol	9,209,855	9,203,780	9,600,000	9,600,000
Controlled Substances	165	4	-	-
Other Taxes				
Inheritance and Gift	35,563,398	26,912,400	22,500,000	22,500,000
Racing and Athletics	5,374,515	5,472,515	5,700,000	5,700,000
Realty Transfer	2,173,033	2,556,006	2,500,000	2,600,000
Total Taxes	1,817,779,236	2,011,997,149	1,992,230,000	2,059,046,812
Departmental Receipts				
Licenses and Fees	108,899,760	154,795,259	137,367,131	146,221,811
Fines and Penalties	27,946,627	25,312,503	20,500,000	20,500,000
Sales and Services	33,386,484	24,990,439	27,062,901	28,719,489
Miscellaneous	37,166,354	57,295,182	57,083,973	54,425,068
Total Departmental Receipts	207,399,225	262,393,383	242,014,005	249,866,368
Taxes and Departmentals	2,025,178,461	2,274,390,532	2,234,244,005	2,308,913,180
Other Sources				
Gas Tax Transfer	14,937,694	8,538,413	1,150,000	1,175,000
Other Miscellaneous	83,412,911	97,101,113	92,997,689	134,577,040
Lottery	150,283,635	180,743,897	219,173,418	252,962,887
Unclaimed Property	3,520,488	4,460,535	6,200,000	7,800,000
Other Sources	252,154,728	290,843,958	319,521,107	396,514,927
Total General Revenues	\$2,277,333,189	\$2,565,234,490	\$2,553,765,112	\$2,705,428,107

General Revenue Changes to Adopted Estimates

FY 2002

Departmental Revenues

Licenses and Fees

Health Plan Data Fee	25,000
Fees at State Beaches	140,881
Fees at State Camping Facilities	145,000
Goddard Park Golf Course Fees	56,250

Subtotal: Licenses and Fees **\$367,131**

Miscellaneous Departmental Revenues

Refund of Tax Withheld on MSA Tobacco Settlement Payments	356,613
Weatherization Energy Grants	547,226
Expense Reimbursement for Harvard Pilgrim Bankruptcy	704,669
Corrections Commissary	482,000
RIPAE Pharmaceutical Manufacturers Rebates	537,463
Special Education Administration	206,002
RIHMFC Emergency Housing Grant	250,000

Subtotal: Miscellaneous Departmental Revenues **\$3,083,973**

Sales and Services

Child Support Enforcement Parent Distribution	666,667
Reimbursement for T.F. Green Airport Security	285,000
Neighborhood Health Plan Immunizations Reimbursement	211,234

Subtotal: Sales and Services **\$1,162,901**

Subtotal: All Departmental Revenues **\$4,614,005**

Other Sources

Reallocation of Video Lottery Net Terminal Income Revenue	7,173,418
Transfer of Sinking Fund Revenues to the General Fund	518,189
FY 2001 MHRH Medicaid Billing Audit Adjustment	2,689,500
DEPCO Reallocation of Proceeds	500,000

Subtotal: Other Sources **\$10,881,107**

Total FY 2002 General Revenue Adjustments **\$15,495,112**

General Revenue Changes to Adopted Estimates

FY 2003

Taxes

Income Tax Deduction for CollegeBoundfund Contributions	(81,000)
Cigarette Tax Increase	21,025,993
Sales Tax Revenues from Cigarette Tax Increase	1,471,819

Subtotal: Taxes **\$22,416,812**

Departmental Revenues

Licenses and Fees

E-911 Wireless and Wireline Surcharge Fee	1,836,446
Securities Exam Fee	10,000
Liquor Certificate of Compliance Fee	110,000
Insurance Producer Fee	610,000
Loan Broker License Fee	87,090
Health Facility Licensure Fees	560,000
Health Plan Data Fee	100,000
Hospital Licensing Fee	59,994,356
Workforce Regulation and Safety Fees	517,373
Water Surcharge Fee	1,050,000
Fees at State Beaches	441,546
Fees at State Camping Facilities	580,000
Goddard Park Golf Course Fees	225,000

Subtotal: Licenses and Fees **\$66,121,811**

Sales and Services

Child Support Enforcement Parent Distribution	1,850,000
Disproportionate Share Revenues for Slater Hospital	93,086
Neighborhood Health Plan Immunizations Reimbursement	276,403

Subtotal: Sales and Services **\$2,219,489**

Miscellaneous Departmental Revenues

RIPAE Pharmaceutical Manufacturers Rebates	1,004,271
Hospital Settlements	694,455
Special Education Administration	126,342

Subtotal: Miscellaneous Departmental Revenues **\$1,825,068**

Subtotal: All Departmental Revenues **\$70,166,368**

General Revenue Changes to Adopted Estimates

FY 2003

Other Sources

Reallocation of Video Lottery Net Terminal Income Revenue	24,262,887
Resource Recovery Transfer	4,000,000
Bond Capital Interest Earnings	6,400,000
Transfer of Sinking Fund Revenues to the General Fund	173,040
DEPCO Reallocation of Proceeds	4,000,000
Securitization of MSA Tobacco Settlement Revenues	55,300,000
Postponement of Reallocation of \$0.0025 of Gas Tax	1,175,000

Subtotal: Other Sources **\$95,310,927**

Total FY 2003 General Revenue Adjustments **\$187,894,107**

Changes to FY 2002 Enacted General Revenue Budget

	FY2002 Enacted	FY2002 Revised	Difference
Surplus			
Opening Surplus*	131,084,595	132,091,272	1,006,677
Reappropriated Surplus	-	11,056,417	11,056,417
Subtotal	131,084,595	143,147,689	12,063,094
General Taxes			
Revenue estimators' revision	-	(64,670,000)	(64,670,000)
Subtotal	2,056,900,000	1,992,230,000	(64,670,000)
Departmental Revenues			
Revenue estimators' revision	-	50,089	50,089
Proposed Changes to Adopted Estimates	-	4,614,005	4,614,005
Subtotal	237,349,911	242,014,005	4,664,094
Other Sources			
Gas Tax Transfers	1,175,000	1,175,000	-
Rev Estimators' revision-Gas Tax	-	(25,000)	(25,000)
Other Miscellaneous	86,932,219	86,932,219	-
Rev Estimators' revision-Miscellaneous	-	2,357,781	2,357,781
Proposed Changes to Adopted Estimates	-	3,707,689	3,707,689
Lottery	188,300,000	188,300,000	-
Revenue Estimators' revision-Lottery	-	23,700,000	23,700,000
Proposed Changes to Adopted Estimates	-	7,173,418	7,173,418
Unclaimed Property	3,300,000	3,300,000	-
Revenue Estimators' revision-Unclaimed	-	2,900,000	2,900,000
Subtotal	279,707,219	319,521,107	39,813,888
Total Revenues	2,573,957,130	2,553,765,112	(20,192,018)
Budget Stabilization	(54,100,834)	(53,717,128)	383,706
Total Available	2,650,940,890	2,643,195,673	(7,745,218)
Actual/Enacted Expenditures			
Reappropriations	-	11,056,417	11,056,417
Projected over/under expenditure	-	(36,855,518)	(36,855,518)
Total Expenditures	2,650,768,180	2,624,969,079	(25,799,101)
Free Surplus	172,710	18,226,594	18,053,883
Reappropriations	-	-	-
Total Ending Balances	172,710	18,226,594	18,053,883
Budget Reserve and Cash			
Stabilization Account	81,151,252	80,575,692	(575,560)

* Includes anticipated audit adjustments.

Changes to FY 2002 Enacted Revenues

	Enacted	Estimators	Governor	Total
Personal Income Tax	941,400,000	(57,900,000)	-	883,500,000
General Business Taxes				
Business Corporations	64,000,000	(14,000,000)	-	50,000,000
Franchise	7,900,000	-	-	7,900,000
Public Utilities Gross Earnings	80,900,000	8,500,000	-	89,400,000
Financial Institutions	5,000,000	4,000,000	-	9,000,000
Insurance Companies	31,300,000	3,000,000	-	34,300,000
Bank Deposits	900,000	30,000	-	930,000
Health Care Provider Assessment	26,600,000	400,000	-	27,000,000
Sales and Use Taxes				
Sales and Use	731,800,000	(6,000,000)	-	725,800,000
Motor Vehicle	44,000,000	400,000	-	44,400,000
Motor Fuel	900,000	200,000	-	1,100,000
Cigarettes	82,500,000	(3,900,000)	-	78,600,000
Alcohol	9,400,000	200,000	-	9,600,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	22,500,000	-	-	22,500,000
Racing and Athletics	5,400,000	300,000	-	5,700,000
Realty Transfer	2,400,000	100,000	-	2,500,000
Total Taxes	2,056,900,000	(64,670,000)	-	1,992,230,000
Departmental Receipts				
Licenses and Fees	134,223,001	2,776,999	367,131	137,367,131
Fines and Penalties	23,000,000	(2,500,000)	-	20,500,000
Sales and Services	25,032,910	867,090	1,162,901	27,062,901
Miscellaneous	55,094,000	(1,094,000)	3,083,973	57,083,973
Total Departmental Receipts	237,349,911	50,089	4,614,005	242,014,005
Taxes and Departmentals	2,294,249,911	(64,619,911)	4,614,005	2,234,244,005
Other Sources				
Gas Tax Transfer	1,175,000	(25,000)	-	1,150,000
Other Miscellaneous	86,932,219	2,357,781	3,707,689	92,997,689
Lottery	188,300,000	23,700,000	7,173,418	219,173,418
Unclaimed Property	3,300,000	2,900,000	-	6,200,000
Other Sources	279,707,219	28,932,781	10,881,107	319,521,107
Total General Revenues	2,573,957,130	(35,687,130)	15,495,112	2,553,765,112

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
<u>General Government</u>				
Administration				
Central Management	1,835,080			
Unfunded 1% employee COLA			14,674	
Retirement Rate Change			(17,976)	
Fringe benefit assessment			8,749	
Statewide Medical Benefits			(6,392)	
Personnel			69,499	
	1,835,080	-	68,554	1,903,634
Accounts & Control	6,746,970			
FMIS		65,407		
Unfunded 1% employee COLA			18,995	
Retirement Rate Change			(22,999)	
Fringe benefit assessment			11,194	
Statewide Medical Benefits			(9,579)	
Personnel			128,862	
Information Processing			(73,285)	
Retiree Health Subsidy			672,008	
	6,746,970	65,407	725,196	7,537,573
Budgeting	2,106,537			
Unfunded 1% employee COLA			16,218	
Retirement Rate Change			(19,936)	
Fringe benefit assessment			9,696	
Statewide Medical Benefits			(5,243)	
Operating			(4,736)	
Personnel			(1,244)	
	2,106,537	-	(5,245)	2,101,292
Municipal Affairs	1,236,447			
Unfunded 1% employee COLA			9,344	
Retirement Rate Change			(11,454)	
Fringe benefit assessment			5,575	
Statewide Medical Benefits			(3,157)	
Personnel			(100,873)	
	1,236,447		(100,565)	1,135,882

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Purchasing	2,101,214			-
BuySpeed - Reappropriation		217,433		
Unfunded 1% employee COLA			15,922	
Retirement Rate Change			(19,468)	
Fringe benefit assessment			7,973	
Statewide Medical Benefits			(7,351)	
Personnel			(158,321)	
Operating			7,848	
	2,101,214	217,433	(153,397)	2,165,250
Auditing	1,509,967			
Unfunded 1% employee COLA			12,370	
Retirement Rate Change			(15,172)	
Fringe benefit assessment			7,384	
Statewide Medical Benefits			(4,160)	
Personnel			31,295	
	1,509,967	-	31,717	1,541,684
Human Resources	6,480,675			
Unfunded 1% employee COLA			40,955	
Retirement Rate Change			(50,279)	
Fringe benefit assessment			24,798	
Statewide Medical Benefits			(18,777)	
Personnel			305,387	
Operating			10,000	
Purchased Services			(1,643)	
	6,480,675	-	310,441	6,791,116
Personnel Appeal Board	131,263			
Unfunded 1% employee COLA			885	
Retirement Rate Change			(1,090)	
Fringe benefit assessment			1,661	
Statewide Medical Benefits			(111)	
Personnel			(20,141)	
	131,263	-	(18,796)	112,467
Taxation	14,814,080			
Unfunded 1% employee COLA			97,274	
Retirement Rate Change			(115,621)	
Fringe benefit assessment			62,679	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Statewide Medical Benefits			(46,706)	
Personnel			719,273	
IFTA			166,800	
Postage			118,150	
Record Center			31,600	
Printing and Binding			100,000	
	14,814,080	-	1,133,449	15,947,529
Registry	14,293,639			
Unfunded 1% employee COLA			76,460	
Retirement Rate Change			(88,792)	
Fringe benefit assessment			43,217	
Statewide Medical Benefits			(42,086)	
Statewide Utility			(6,142)	
Personnel and OT			(16,187)	
Operating			71,754	
Dues and Subscriptions			126,000	
Printing and Binding			110,000	
Commercial Driver's License Project			84,531	
	14,293,639	-	358,755	14,652,394
Child Support	3,193,389			
Unfunded 1% employee COLA			15,045	
Retirement Rate Change			(18,366)	
Fringe benefit assessment			8,923	
Statewide Medical Benefits			(7,257)	
Statewide Utility			(5,306)	
Personnel			(13,178)	
	3,193,389	-	(20,139)	3,173,250
Central Services	12,292,955			
Energy Office Grants		287,774		
Unfunded 1% employee COLA			60,273	
Retirement Rate Change			(72,425)	
Fringe benefit assessment			35,249	
Statewide Medical Benefits			(31,449)	
Statewide Utility			(246,469)	
Personnel			(9,590)	
Property Management - Personnel			125,398	
Property Management - Operating			(111,787)	
Property Management - Loan Repayments			12,086	
Building Commission - Personnel			20,192	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Building Commission - Operating			24,916	
State Energy Office - Personnel			3,331	
State Energy Office - Grants			547,226	
Capitol Police OT			54,012	
Manton Avenue Rent			327,541	
State Helicopter			107,000	
	12,292,955	287,774	845,504	13,426,233
Office of Library & Information Services	2,606,304			
Unfunded 1% employee COLA			20,670	
Retirement Rate Change			(25,360)	
Fringe benefit assessment			11,726	
Statewide Medical Benefits			(8,476)	
Personnel			(63,541)	
Operating			24,633	
	2,606,304	-	(40,348)	2,565,956
General	207,246,524			
Contingency Fund		271,045		
Unfunded 1% employee COLA			1,696	
Retirement Rate Change			(2,078)	
Fringe benefit assessment			1,011	
Statewide Medical Benefits			(1,237)	
Personnel			(629)	
Library Construction Aid			(234,245)	
Housing Resources Commission			(5,000,000)	
Distressed Communities Relief Fund			100,000	
Motor Vehicle Excise Tax			(20,538,335)	
Property Revaluation			46,700	
	207,246,524	271,045	(25,627,117)	181,890,452
Debt Service Payments	115,958,757			
General Obligation Bonds			427,946	
CCA - Providence Foundation Grant			(340,000)	
Fidelity Job Rent Credits			(888,474)	
McCoy Stadium Variable Rate			(91,825)	
COPS - Center General			1,973	
Eliminate Sinking Fund			(154,432)	
Shift Debt Service to RICAP			(16,500,000)	
Allocate COPS Balances to Debt Service			(100,913)	
Shift PBA Costs to DOC Rotary Fund			(306,380)	
CCA - Lease Payment			(4,310,355)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
	115,958,757	-	(22,262,460)	93,696,297
Sheriffs	12,246,353			
Unfunded 1% employee COLA			67,002	
Retirement Rate Change			(103,416)	
Fringe benefit assessment			39,064	
Statewide Medical Benefits			(52,095)	
Personnel			(102,823)	
	12,246,353	-	(152,268)	12,094,085
Total	404,800,154	841,659	(44,906,719)	360,735,094
Business Regulation				
Central Management	1,433,701			
Unfunded 1% employee COLA			9,938	
Retirement Rate Change			(12,210)	
Fringe benefit assessment			5,944	
Personnel			70,883	
Operating			1,576	
Employee Medical Costs			(3,533)	
Utility Rate Changes			(1,023)	
	1,433,701	-	71,575	1,505,276
Banking Regulation	1,469,676			
Unfunded 1% employee COLA			11,235	
Retirement Rate Change			(13,778)	
Fringe benefit assessment			6,706	
Personnel			(114,308)	
Operating			512	
Employee Medical Costs			(3,542)	
Utility Rate Changes			(1,366)	
	1,469,676	-	(114,541)	1,355,135
Securities Regulation	664,764			
Unfunded 1% employee COLA			4,487	
Retirement Rate Change			(5,500)	
Fringe benefit assessment			2,676	
Personnel			(10,822)	
Operating			(8,006)	
Employee Medical Costs			(2,040)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Utility Rate Changes	664,764	-	(708) (19,913)	644,851

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Commercial Licensing and Regulation	916,007			
Unfunded 1% employee COLA			6,093	
Retirement Rate Change			(7,470)	
Fringe benefit assessment			3,637	
Personnel			98,683	
Operating			3,269	
Real Estate Reallocation			(148,327)	
Employee Medical Costs			(2,804)	
Utility Rate Changes			(1,558)	
	916,007	-	(48,477)	867,530
Racing and Athletics	684,934			
Unfunded 1% employee COLA			5,315	
Retirement Rate Change			(6,538)	
Fringe benefit assessment			3,182	
Personnel			(15,814)	
Operating			(1,466)	
Employee Medical Costs			(1,517)	
Utility Rate Changes			(535)	
	684,934	-	(17,373)	667,561
Insurance Regulation	3,503,038			
Unfunded 1% employee COLA			25,488	
Retirement Rate Change			(31,252)	
Fringe benefit assessment			15,213	
Personnel			(47,008)	
Operating			(23,836)	
Employee Medical Costs			(10,503)	
Utility Rate Changes			(2,159)	
	3,503,038	-	(74,057)	3,428,981
Board of Accountancy	189,452			
Unfunded 1% employee COLA			678	
Retirement Rate Change			(830)	
Fringe benefit assessment			404	
Personnel			(4,202)	
Operating			(2,992)	
Employee Medical Costs			(419)	
	189,452		(7,361)	182,091
Total	8,861,572	-	(210,147)	8,651,425

Labor and Training

Central Management	279,999			
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Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Unfunded 1% employee COLA			1,964	
Payroll			90,000	
Purchased Services			6,288	
Utility expenses			7,473	
School Arbitration			1,430	
Retirement Rate Change			(2,407)	
Statewide Medical Benefits			(1,196)	
Statewide Utilities			1,176	
Fringe benefit assessment			1,171	
	279,999		105,899	385,898
Workforce Regulation and Safety	3,687,515			
Unfunded 1% employee COLA			25,752	
Payroll			15,236	
Utility/other operating expenses			71,723	
Purchased Services			10,424	
Grants and Benefits			5,987	
Retirement Rate Change			(31,553)	
Statewide Medical Benefits			(12,978)	
Statewide Utilities			12,894	
Fringe benefit assessment			15,872	
	3,687,515	-	113,357	3,800,872
Income Support	2,654,310			
Unfunded 1% employee COLA			514	
Police and Fire Relief Benefit Paymnts			44,492	
Personnel			2,719	
Retirement Rate Change			(630)	
Statewide Medical Benefits			(308)	
Statewide Utilities			(9)	
Fringe benefit assessment			306	
	2,654,310	-	47,084	2,701,394
Labor Relations Board	339,269			
Unfunded 1% employee COLA			2,286	
Utilities/other operating expenses			9,219	
Personnel			7,000	
Retirement Rate Change			(2,814)	
Statewide Medical Benefits			(1,000)	
Statewide Utilities			(408)	
Fringe benefit assessment			3,523	
	339,269	-	17,806	357,075

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Total	6,961,093	-	284,146	7,245,239
Legislature				
Legislature	24,886,849			
Reappropriation - General		3,502,536		
Legislative Office Building		4,000,000	(4,000,000)	
Unfunded 1% employee COLA			145,052	
Retirement Rate Change			(150,595)	
Statewide Medical Adjustment			(110,879)	
Statewide Utility Adjustment			(2,752)	
Fringe benefit assessment			87,613	
Reallocate Statewide Savings			31,561	
Total	24,886,849	7,502,536	(4,000,000)	28,389,385
Office of the Lieutenant Governor				
Lt. Governor's Office - General	764,928			
Personnel Reduction			(4,666)	
Unfunded 1% employee COLA			5,919	
Retirement Rate Change			(7,296)	
Employee Medical Costs			(2,171)	
Fringe benefit assessment			3,435	
Total	764,928	-	(4,779)	760,149
Secretary of State				
Administration	1,165,919			
Unfunded 1% employee COLA			7,547	
Advertising - Rules and Regulations			25,000	
Salary and Fringe Benefits			(8,669)	
Medical Benefits			(2,714)	
Retirement Rate Change			(9,251)	
Fringe benefit assessment			4,503	
	1,165,919	-	16,416	1,182,335
Corporations	1,676,980			
Unfunded 1% employee COLA			8,740	
Salary and Fringe Benefits			10,963	
Medical Benefits			(6,080)	
Retirement Rate Change			(11,364)	
Utility Rate Change			(209)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Fringe benefit assessment			5,215	
	1,676,980	-	7,265	1,684,245
State Archives	281,015			
Unfunded 1% employee COLA			817	
Salary and Fringe Benefits			-218	
Medical Benefits			-477	
Retirement Rate Change			-1,002	
Utility Rate Change			-1,103	
Fringe benefit assessment			488	
	281,015	-	(1,495)	279,520
Elections	467,857			
Unfunded 1% employee COLA			1,681	
Salary and Fringe Benefits			(1,162)	
Medical Benefits			(925)	
Retirement Rate Change			(2,060)	
Utility Rate Change			(69)	
Fringe benefit assessment			1,003	
	467,857	-	(1,532)	466,325
State Library	703,827			
Unfunded 1% employee COLA			1,737	
Salary and Fringe Benefits			1,690	
Medical Benefits			(720)	
Retirement Rate Change			(2,130)	
Fringe benefit assessment			1,036	
	703,827	-	1,613	705,440
Office of Public Information	480,928			
Unfunded 1% employee COLA			3,385	
Salary and Fringe Benefits			74	
Medical Benefits			(1,568)	
Operating			400	
Retirement Rate Change			(4,150)	
Fringe benefit assessment			2,020	
	480,928	-	161	481,089
Total	4,776,526	-	22,428	4,798,954

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Office of the General Treasurer				
Treasury	2,584,159			
Unfunded 1% employee COLA			15,740	
Salary & Fringe Benefits			5,372	
Medical Benefits			(7,493)	
Consultants			(55,057)	
Operating - Lease/Bond Transactions			110,398	
Retirement Rate Change			(19,306)	
Fringe benefit assessment			9,398	
	2,584,159	-	59,052	2,643,211
RI Refunding Bond Authority	67,827			
Unfunded 1% employee COLA			268	
Salary & Fringe Benefits			(8,516)	
Medical Benefits			(54)	
Consultants			(500)	
Operating - Lease/Bond Transactions			23,312	
Retirement Rate Change			(329)	
Fringe benefit assessment			160	
	67,827	-	14,341	82,168
Crime Victim Compensation Program	2,420,467			
Unfunded 1% employee COLA			1,561	
Salary & Fringe Benefits			(24,667)	
Medical Benefits			(755)	
Consultants			(1,000)	
Operating			4,148	
Retirement Rate Change			(1,902)	
Fringe benefit assessment			871	
	2,420,467	-	(21,744)	2,398,723
Total	5,072,453	-	51,649	5,124,102

Boards For Design Professionals

Boards For Design Professionals	350,275			
Increase Operating Expenditures			(2,429)	
Increase Personnel Expenditures			10,118	
Increase Central Info Tech Service			5,472	
Unfunded 1% employee COLA			1,520	
Retirement Rate Change			(1,810)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Statewide Medical Benefits			(1,237)	
Fringe benefit assessment			881	
Total	350,275	-	12,515	362,790
Board of Elections				
Board Of Elections	2,450,057			
Unfunded 1% employee COLA			7,693	
Salary and Fringe Benefits			(39,315)	
Medical benefits			(4,367)	
Operating			48,625	
Campaign Finance Information Serv.			25,000	
Grants and Benefits			(1,939)	
Retirement Rate Change			(9,558)	
Fringe benefit assessment			4,591	
Total	2,450,057	-	30,730	2,480,787
R I Ethics Commissions				
RI Ethics Commission	847,427			
Legal/Consulting Services		172,000	(4,000)	
Unfunded 1% employee COLA			5,371	
Retirement Rate Change			(6,586)	
Fringe benefit assessment			3,205	
Statewide Insurance			30	
Statewide Utility Adjustment			(3,097)	
Statewide Medical			5,166	
Payroll - Turnover			(106,173)	
HMO Bonus			910	
Contract clerical			(4,581)	
Rent, electricity and other operating			(4,738)	
Total	847,427	172,000	(114,493)	904,934
Office of the Governor				
Office Of Governor	5,681,777			
Personnel Reduction			(47,200)	
Operating Reduction			(20,265)	
Unfunded 1% employee COLA			28,515	
Retirement Rate Change			(38,205)	
Employee Medical Costs			(12,017)	
Fringe benefit assessment			18,560	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Total	5,681,777	-	(70,612)	5,611,165
Public Utilities Commission				
Public Utilities Commission	731,240			
Unfunded 1% employee COLA			2,973	
Retirement Rate Change			(3,639)	
Fringe benefit assessment			1,649	
Payroll			(17,081)	
Contract			9,418	
Other Operating			(13,320)	
Employees Medical Cost			(962)	
Utility Rate Change			515	
Total	731,240	-	(20,447)	710,793
Rhode Island Commission on Women				
Rhode Island Commission on Women	139,140			
Unfunded 1% employee COLA			1,036	
Retirement Rate Change			(1,271)	
Fringe benefit assessment			599	
Personnel			149	
Operating			127	
Employee Medical Costs			(110)	
Total	139,140	-	530	139,670
Subtotal General Government Function	466,323,491	8,516,195	(48,925,199)	425,914,487
<u>Human Services</u>				
Children, Youth, and Families				
Central Management	7,828,990			
Unfunded 1% employee COLA			36,543	
Retirement Rate Change			(43,169)	
Fringe benefit assessment			21,606	
Statewide Medical Adjustment			(6,630)	
Statewide Utility Adjustment			(33,936)	
Payroll			(76,166)	
Hiring Freeze			(136,139)	
Purchased Services			(81,337)	
Change in SACWIS Cost Allocation to Title IV-E			332,970	
Ten-Percent Reduction - MIS Consultants			(166,485)	
Correct Dept. Title IV-E Allocation for RICHIST			(108,215)	
Transfer Salaries to Purch. Svcs. For CWI Staff			246,916	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Additional Legal Services			10,000	
Operating			(193,714)	
Microsoft Office Upgrade			6,655	
Tax Escalator - Friendship Street			52,574	
Computer Software			17,500	
Master Lease Charges			5,882	
Grants & Benefits			74	
	7,828,990	-	(115,071)	7,713,919
Children's Behavioral Health	21,620,441			
Unfunded 1% employee COLA			6,916	
Retirement Rate Change			(8,417)	
Fringe benefit assessment			4,098	
Statewide Medical Adjustment			(2,974)	
Statewide Utility Adjustment			4,955	
Payroll			282,918	
Purchased Services			30,701	
Project Reach Purch Svcs-transfer to G&B			(87,500)	
Operating			4,628	
Tax Escalator - Friendship Street			5,285	
Project Reach Operating-transfer to G&B			(27,684)	
Grants & Benefits			1,412,382	
Training & Technical Assistance Contract			15,184	
Evaluation Contract			50,000	
Psychiatric Hospitalization			(9,040)	
Alternatives to Hospitalization - Initiatives			(1,019,575)	
Lincoln RCC			(275,540)	
RCC's 1 & 2 - per diem increase			33,285	
Hospital Placements - non-emergency - DHS			190,200	
CIS Svcs for Non-Medicaid Eligible			(784,004)	
	21,620,441	-	(174,182)	21,446,259
Juvenile Corrections	24,423,744			
Unfunded 1% employee COLA			149,224	
Retirement Rate Change			(163,222)	
Fringe benefit assessment			80,415	
Statewide Medical Adjustment			(61,736)	
Statewide Utility Adjustment			(32,925)	
Payroll			(257,517)	
Child Welfare Institute - 7.0 FTE Positions to RIC			(113,924)	
Workers Compensation			18,000	
Purchased Services			140,043	
Operating			(18,571)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Tax Escalator - Friendship Street			7,646	
Master Lease Charges			(3,141)	
OLIS Grant			5,859	
Grants & Benefits				
Specialized Teacher Training to Federal Funds			(50,000)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
RITS - Misc. Contracts			(54,792)	
Juvenile Probation Programs			195,436	
Gym Floor			21,000	
Capital			(5,000)	
	24,423,744	-	(143,205)	24,280,539
Child Welfare	79,012,484			
Harmony Hill Construction		250,000		
Unfunded 1% employee COLA			154,182	
Retirement Rate Change			(170,130)	
Fringe benefit assessment			85,632	
Statewide Medical Adjustment			(59,923)	
Statewide Utility Adjustment			38,433	
Payroll			(762,981)	
Child Welfare Institute - 7.0 FTE Positions to RIC			(202,611)	
Local 580 Settlement - Caseload Overage Pymt			1,958,618	
Local 580 Settlement - Stipends			1,104,976	
Purchased Services			(37,419)	
Parent Aide Services			110,047	
Medical Services & Counseling			53,982	
Police Security - Friendship Street			(184,897)	
Operating			87,866	
Master Lease Charges			3,865	
Tax Escalator - Friendship Street			84,615	
Grants & Benefits			60,316	
Reduced SSI Offset to Contracted Programs			339,824	
Change in Title IV-E Eligibility			439,531	
Purchase of Service Placements			3,193,380	
Board & Support			(646,472)	
Medicaid State Share			1,580,034	
POS Alternatives - Shift to Board & Support			(2,090,463)	
Day Care			(418,330)	
Delay Harmony Hill Legislative Grant			(250,000)	
Reduce Foster Parent Payroll by 9 Children			(92,637)	
	79,012,484	250,000	4,379,438	83,641,922
Higher Education Opportunity Incentive Grant	150,000			
Higher Ed. Incentive Grant		53,727		
Unfunded 1% employee COLA				
Fringe benefit assessment				
Total	150,000	53,727	-	203,727

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Total	133,035,659	303,727	3,946,980	137,286,366
Elderly Affairs				
Elderly Affairs	23,759,609			
Personnel			341,622	
Hiring Freeze			(71,529)	
Home and Community Care			(245,621)	
RIPAE Program			1,803,567	
Transportation			255,763	
Nutrition			(22,659)	
Adult Day Care			(283,896)	
Nurse Case Management			160,000	
Other Grants and operating			(2,717)	
MAC List RIPAE Drugs (Max. Allowable Costs)			(171,420)	
Unfunded 1% employee COLA			17,823	
Statewide Medical Benefits			(8,817)	
Statewide Utilities			(3,363)	
Statewide Insurance			348	
Retirement Rate Change			(20,794)	
Fringe benefit assessment			10,630	
Total	23,759,609	-	1,758,937	25,518,546
Health				
Central Management	2,909,284			
Unfunded 1% employee COLA			16,143	
Retirement Rate Change			(19,841)	
Fringe benefit assessment			9,657	
Consultants			(22,000)	
Miscellaneous Personnel			28,178	
Statewide Medical Benefits			(7,318)	
Capitol Police Cost Transfer			(45,000)	
Insurance			3,044	
	2,909,284		(37,137)	2,872,147
State Medical Examiner	1,678,857			
Unfunded 1% employee COLA			12,297	
Retirement Rate Change			(14,493)	
Fringe benefit assessment			7,053	
Statewide Medical Benefits			(3,828)	
Personnel			14,899	
Medical Services			(15,000)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Operating			(25,000)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Insurance			2,126	
	1,678,857	-	(21,946)	1,656,911
Family Health	8,715,477			
Unfunded 1% employee COLA			10,164	
Retirement Rate Change			(12,487)	
Fringe benefit assessment			6,076	
Statewide Medical Benefits			(4,560)	
Personnel			(14,862)	
Early Intervention			460,000	
Family Health Grants			(75,000)	
Increase Insurance			6,702	
	8,715,477	-	376,033	9,091,510
Health Services Regulation	4,668,220			
Unfunded 1% employee COLA			33,331	
Retirement Rate Change			(40,902)	
Statewide Medical Benefits			(14,882)	
Personnel			42,178	
Fringe benefit assessment			19,907	
	4,668,220	-	39,632	4,707,852
Environmental Health	4,157,352			
Unfunded 1% employee COLA			30,210	
Retirement Rate Change			(37,043)	
Fringe benefit assessment			18,027	
Statewide Medical Benefits			(13,784)	
Out of State Travel			(12,000)	
Operating			(15,000)	
Personnel			(89,327)	
	4,157,352	-	(118,917)	4,038,435
Health Laboratories	5,638,424			
Unfunded 1% employee COLA			33,130	
Retirement Rate Change			(40,263)	
Fringe benefit assessment			19,596	
Statewide Medical Benefits			(16,998)	
Statewide Utility			605	
Automotive Maintenance			(28,000)	
Medical Services			(83,000)	
Personnel Upgrades			106,535	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
NHPRI			211,234	
Unfunded Personnel			150,000	
	5,638,424	-	352,839	5,991,263
Disease Prevention and Control	6,220,109			
Unfunded 1% employee COLA			8,640	
Retirement Rate Change			(10,615)	
Fringe benefit assessment			5,167	
Statewide Medical Benefits			(3,652)	
Eliminate the Cancer Council Personnel			(153,333)	
Insurance			(26,085)	
			6,907	
	6,220,109	-	(172,971)	6,047,138
Total	33,987,723	-	417,533	34,405,256

Human Services

Central Management	7,089,388			
Unfunded 1% employee COLA			30,151	
Retirement Rate Change			(19,517)	
Fringe benefit assessment			18,176	
Statewide Medical Benefits			(5,977)	
Statewide Utilities Adjustment			(70)	
Offsets to indirect cost recoveries			(188,033)	
Cost allocation savings			(118,378)	
Increased Housing Assistance, RIHMFC Funds			250,000	
Hiring Freeze			(158,712)	
Operating and grants			17,105	
	7,089,388		(175,255)	6,914,133
Individual and Family Support	20,699,761			
Unfunded 1% employee COLA			162,216	
Retirement Rate Change			(110,934)	
Fringe benefit assessment			67,091	
Statewide Medical Benefits			(42,376)	
Statewide Utilities Adjustment			(3,243)	
Cost allocation savings			(549,811)	
Hiring Freeze			(171,939)	
Operating/ grants			107,888	
Home Health/ Personal Care			94,387	
Rehabilitation Services			55,695	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
	20,699,761	-	(391,026)	20,308,735
Veterans' Affairs	13,405,994			
Unfunded 1% employee COLA			114,556	
Retirement Rate Change			(90,036)	
Fringe benefit assessment			65,792	
Statewide Medical Benefits			(48,636)	
Statewide Utilities Adjustment			(18,626)	
Personnel			289,447	
Unachieved federal reimbursements			171,346	
Medical services			148,577	
Pharmaceuticals			63,480	
Operating			53,393	
Hiring Freeze			(7,166)	
	13,405,994	-	742,127	14,148,121
Health Care Quality, Financing and Purchasing	22,250,099			
Unfunded 1% employee COLA			73,465	
Retirement Rate Change			(90,313)	
Special Education Administration			206,002	
HIPPA Implementation Costs			223,326	
Statewide Medical Benefits			(34,390)	
Statewide Utilities Adjustment			19	
Fringe benefit assessment			43,956	
Revised cost allocations			116,736	
Hiring freeze			(93,553)	
Contract services			(27,249)	
Operating			(209,284)	
	22,250,099	-	208,715	22,458,814
Medical Benefits- Caseload Conference	419,070,691		12,129,309	
TAP Pharmaceutical Settlement			(95,356)	
	419,070,691	-	12,033,953	431,104,644
S.S.I. Program- Caseload Conference	28,267,437		599,662	
	28,267,437	-	599,662	28,867,099
Family Independence Program	71,609,279			
FIP Cash Assistance- Caseload Conference			1,865,951	
Offsets from use of HRIC funds for training			(2,000,000)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Child Care- Offset from Comprehensive Child Care savings			(445,674)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Child Care- Caseload Conference			(377,866)	
	71,609,279	-	(957,589)	70,651,690
State Funded Programs	5,372,489			
General Public Assistance- Caseload Conference			8,013	
Food Stamps for Immigrants- Caseload Conference			72,486	
Weatherization- Caseload Conference			83,500	
Eliminate weatherization bonus			(1,662,500)	
	5,372,489	-	(1,498,501)	3,873,988
Total	587,765,138	-	10,562,086	598,327,224
Mental Health, Retardation, & Hospitals				
Central Management	1,703,146			
Unfunded 1% employee COLA			13,849	
Salary & Fringe Benefits			270,542	
Medical benefits			(6,128)	
Purchased Services			(200)	
Retirement Rate Change			(16,978)	
Fringe benefit assessment			8,454	
	1,703,146	-	269,539	1,972,685
Hosp. & Community System Support	19,945,762			
Unfunded 1% employee COLA			77,323	
Salary & Fringe Benefits			(288,564)	
Medical benefits			(38,442)	
Operating/Utility/Power Plant Failure			1,070,645	
Sewer Bill transfer from Corrections			509,312	
Utility Rate Change			(179,590)	
Retirement Rate Change			(90,121)	
Grants & benefits			(9,846)	
Fringe benefit assessment			43,861	
Total	19,945,762	-	1,094,578	21,040,340
Services. for the Developmentally Disabled	98,548,866			
Pirovano Trust		260,990		
Unfunded 1% employee COLA			150,069	
Salary & Fringe Benefits			(342,675)	
Medical benefits			(65,032)	
Operating			(14,191)	
Utility Rate Change			(895)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Grants and Benefits			(1,344,295)	
Retirement Rate Change			(155,648)	
Fringe benefit assessment			75,755	
	98,548,866	260,990	(1,696,912)	97,112,944
Integrated Mental Health Services	30,347,627			
Unfunded 1% employee COLA			11,226	
Salary & Fringe Benefits			(134,806)	
Medical benefits			(3,323)	
Grants and Benefits			112,094	
Retirement Rate Change			(13,763)	
Fringe benefit assessment			6,699	
	30,347,627	-	(21,873)	30,325,754
Hosp. & Community Rehab. Services	50,523,558			
Unfunded 1% employee COLA			294,146	
Salary & Fringe Benefits			(190,247)	
Medical benefits			(134,044)	
Purchased Services			136,673	
Grants and Benefits			10,189	
Operating			187,688	
Hospital Licensing Tax			118,445	
Utility Rate Change			54,935	
Pharmaceuticals			842,668	
Retirement Rate Change			(314,183)	
Fringe benefit assessment			152,425	
	50,523,558	-	1,158,695	51,682,253
Substance Abuse	15,042,699			
Synar Penalty		159,215		
Unfunded 1% employee COLA			15,501	
Salary & Fringe Benefits			(32,071)	
Medical benefits			(5,865)	
Legal Settlement			100,000	
Operating			144,389	
Grants and Benefits			(120,183)	
Retirement Rate Change			(19,004)	
Fringe benefit assessment			9,249	
	15,042,699	159,215	92,016	15,293,930
Total	216,111,658	420,205	896,043	217,427,906
Office of the Child Advocate	523,165			

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Unfunded 1% employee COLA			3,140	
Retirement Rate Change			(1,523)	
Fringe benefit assessment			1,927	
Insurance			44	
Medical Benefits			1,303	
Personnel - Turnover			(3,544)	
Statewide Utility Adjustment			(2,047)	
Total	523,165	-	(700)	522,465
Commission on Deaf and Hard of Hearing	257,890			
Unfunded 1% employee COLA			1,352	
Retirement Rate Change			(1,659)	
Fringe benefit assessment			808	
Personnel - Unfilled positions			(53,960)	
Operating			(7,455)	
Employee Medical Costs			(526)	
Total	257,890	-	(61,440)	196,450
Governor's Commission on Disabilities	305,032			
Unfunded 1% employee COLA			(147)	
Retirement Rate Change			(2,859)	
Fringe benefit assessment			1,463	
Contract			1,350	
Employee Medical Costs			(995)	
Total	305,032	-	(1,188)	303,844
Commission for Human Rights	782,565			
Unfunded 1% employee COLA			5,398	
Retirement Rate Change			(6,618)	
Fringe benefit assessment			3,222	
Statewide Insurance			102	
Payroll - turnover			(23,010)	
Operating - rent			(28,362)	
Utility Rate Change			(3,017)	
Employees Medical Cost			(2,818)	
Total	782,565	-	(55,103)	727,462
Office of the Mental Health Advocate	294,878			
Unfunded 1% employee COLA			1,869	
Salary and Fringe Benefits			(16,514)	
Medical Benefits			(833)	
Consultant Services			3,858	
Operating			1,414	
Retirement Rate Change			(2,757)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Fringe benefit assessment			1,116	
Total	294,878	-	(11,847)	283,031
Subtotal Human Services Function	996,823,317	723,932	17,451,301	1,014,998,550
<u>Education</u>				
Elementary and Secondary Education				
State Aid	575,846,092			
	575,846,092	-	-	575,846,092
School Housing Aid	30,775,774			
Estimate of School Construct Costs			2,446,419	
	30,775,774	-	2,446,419	33,222,193
Teacher's Retirement	37,243,558			
Rate Change & Rebasing			(6,182,639)	
Change in Retiree Health Subsidy			82,743	
	37,243,558	-	(6,099,896)	31,143,662
RI School for the Deaf	5,681,452			
Unfunded 1% employee COLA			11,451	
Personnel Turnover			(101,002)	
Retirement Rate Change			(48,968)	
Fringe benefit assessment			23,702	
Employee Medical Costs			(18,035)	
Utility Rate Change			(40,588)	
Operating Reduction			(4,712)	
Grant Reduction			(250,900)	
	5,681,452	-	(429,052)	5,252,400
Central Falls School District	33,265,963			
	33,265,963	-	-	33,265,963
Davies Career & Technical School	10,611,621			
Unfunded 1% employee COLA			17,073	
Personnel Turnover			(204,818)	
Retirement Rate Change			(86,853)	
Fringe benefit assessment			41,328	
Employee Medical Costs			(32,526)	
Utility Rate Change			17,608	
Operating and Grant Reductions			(35,356)	
	10,611,621	-	(283,544)	10,328,077

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Met. Career & Tech. School	2,155,000			
	2,155,000	-	-	2,155,000
Program Operations	15,388,274			
Computerization of teacher Cert.		42,200		
Unfunded 1% employee COLA			57,122	
Personnel Turnover			(44,385)	
Retirement Rate Change			(66,393)	
Employee Medical Costs			(21,278)	
Fringe benefit assessment			34,205	
Operating Reductions			(101,364)	
Grant and Local Aid Reductions			(78,718)	
	15,388,274	42,200	(220,811)	15,209,663
Total	710,967,734	42,200	(4,586,884)	706,423,050
Higher Education	174,893,876			
Unfunded 1% employee COLA			127,757	
Retirement Rate Change			(261,868)	
Fringe benefit assessment			668,830	
Employee Medical Costs			(420,278)	
Reallocation of Budget Codes			(534,719)	
Total	174,893,876	-	(420,278)	174,473,598
RI Council On The Arts	2,283,671			
Unfunded 1% employee COLA			2,560	
Retirement Rate Change			(3,139)	
Fringe benefit assessment			1,527	
Medical Benefits			(1,197)	
Utility Rate Change			(74)	
Personnel			2,926	
Operating			3,000	
Grants			(6,874)	
Total	2,283,671	-	(1,271)	2,282,400
RI Atomic Energy Commission	649,456			
Atomic Energy Commission				
Unfunded 1% employee COLA			4,776	
Retirement Rate Change			(5,886)	
Fringe benefit assessment			2,865	
Insurance			15,001	
Medical Benefits			5,798	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Personnel - Turnover			(24,115)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Utility Rate Change			(2,900)	
Total	649,456	-	(4,461)	644,995
RI Higher Education Assistance Authority	7,436,377			
Unfunded 1% employee COLA			4,562	
Retirement Rate Change			(4,522)	
Fringe benefit assessment			2,681	
New England Higher Education Compact			(4,147)	
Personnel			11,167	
Operating			(9,741)	
Employee Medical Costs			(2,295)	
Total	7,436,377	-	(2,295)	7,434,082
RI Historical Preservation & Heritage Commission	751,369			
Unfunded 1% employee COLA			3,757	
Retirement Rate Change			(4,601)	
Statewide Utility Adjustment			(225)	
Statewide Insurance			3,843	
Statewide Medical Benefits			(1,722)	
Fringe Benefit Assessment			2,255	
Operating			26,201	
Personnel			(339)	
Grants			(2,979)	
Purchased Services			6,500	
Total	751,369	-	32,690	784,059
RI Public Telecommunications Authority	1,358,004			
Personnel Reduction			(55,517)	
Operating Change			(92,120)	
Unfunded 1% employee COLA			7,538	
Retirement Rate Change			(10,348)	
Employee Medical Costs			(3,039)	
Utility Rate Change			(8,162)	
Fringe benefit assessment			4,472	
Total	1,358,004	-	(157,176)	1,200,828
Subtotal Education Function	898,340,487	42,200	(5,139,675)	893,243,012

Public Safety

Attorney General

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Criminal	9,255,236			
Witness Protection Program			50,000	
Hiring Freeze			(28,327)	
Personnel			215,949	
Operating			(56,947)	
Unfunded 1% employee COLA			67,213	
Statewide Medical Benefits			(28,624)	
Statewide Utilities			(12,111)	
Statewide Insurance			5,081	
Retirement Rate Change			(82,384)	
Fringe benefit assessment			40,096	
	9,255,236	-	169,946	9,425,182
Civil	3,484,235			
Racial Profiling		122,000		
Racial Profiling Study			(74,850)	
Personnel			(109,182)	
Operating			39,131	
Unfunded 1% employee COLA			22,873	
Statewide Medical Benefits			(8,513)	
Statewide Utilities			(10,275)	
Statewide Insurance			993	
Retirement Rate Change			(28,035)	
Fringe benefit assessment			13,644	
	3,484,235	122,000	(154,214)	3,452,021
Bureau of Criminal Identification	605,696			
Lobby Security		8,700		
Personnel			(10,261)	
Operating			(7,189)	
Unfunded 1% employee COLA			4,353	
Statewide Medical Benefits			(1,233)	
Statewide Utilities			(548)	
Statewide Insurance			304	
Retirement Rate Change			(5,336)	
Fringe benefit assessment			2,598	
	605,696	8,700	(17,312)	597,084
General	1,470,433			
Personnel			6,393	
Operating			8,696	
Unfunded 1% employee COLA			11,519	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Statewide Medical Benefits			(4,697)	
Statewide Utilities			6,396	
Statewide Insurance			1,310	
Retirement Rate Change			(14,119)	
Fringe benefit assessment			6,872	
	1,470,433	-	22,370	1,492,803
Total	14,815,600	130,700	20,790	14,967,090
Corrections				
Central Management	9,509,765			
Unfunded 1% employee COLA			58,602	
Retirement Rate Change			(67,342)	
Fringe benefit assessment			32,563	
Employee Medical Costs			(23,396)	
Other Payroll			(339,516)	
Purchased Services			95,706	
Operating			(33,373)	
Grants			2,723	
	9,509,765	-	(274,033)	9,235,732
Parole Board	852,501			
Unfunded 1% employee COLA			5,460	
Retirement Rate Change			(6,692)	
Fringe benefit assessment			3,258	
Employee Medical Costs			(2,612)	
Counselor Arbitration Award			18,230	
Other Payroll			57,592	
Purchased Services			(222)	
Utility Rate Change			(232)	
Operating			(37,541)	
	852,501	-	37,241	889,742
Institutions Corrections	110,826,798			
Unfunded 1% employee COLA			730,203	
Retirement Rate Change			(639,621)	
Fringe benefit assessment			319,555	
RIBCO Retro			381,568	
Employee Medical Costs			(333,275)	
Counselor Arbitration Award			239,714	
Other Payroll			1,151,729	
Custody of U.S. Detainees			(1,489,812)	
State Criminal Alien Assistance			(1,567,959)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Correctional Industries Workcrew			93,903	
Other Purchased Services			(162,837)	
Commissary Privatization Delay			798,250	
Operating			(2,660)	
Masterlease for Vehicles			(314,620)	
Sewer Rate Charge to MHRH			(509,312)	
Utility Rate Change			(2,741)	
Grants			1,972	
Total	110,826,798	-	(1,305,943)	109,520,855
Community Corrections	10,298,473			
Transitional Housing - Women		100,000		
Unfunded 1% employee COLA			73,621	
Retirement Rate Change			(88,050)	
Fringe benefit assessment			42,788	
Employee Medical Costs			(33,354)	
Other Payroll			(123,761)	
Purchased Services			89,995	
Operating			(93,924)	
Utility Rate Change			(48)	
Grants			(273)	
Total	10,298,473	100,000	(133,006)	10,265,467
Total	131,487,537	100,000	(1,675,741)	129,911,796
Judiciary				
Supreme Court	19,215,503			
Unfunded 1% employee COLA			79,874	
Security Enhancements			600,000	
Payroll Surplus (turnover)			(51,205)	
Transfer Central Registry to Superior			(327,017)	
Fire/Security Protection Services			78,809	
Computer Technology Expenditures			(499,029)	
Operating			42,724	
Judicial Retirement			4,698	
Retirement Rate Change			(97,111)	
Statewide Medical Benefits			(33,475)	
Statewide Utilities			(97,289)	
Fringe benefit assessment			46,453	
Total	19,215,503	-	(252,568)	18,962,935
Justice Link	1,582,340			

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Justice Link Computerization		895,871		
Payroll			28,046	
Operating			(28,016)	
Unfunded 1% employee COLA			1,179	
Retirement Rate Change			(1,444)	
Statewide Medical Benefits			(729)	
Fringe benefit assessment			702	
	1,582,340	895,871	(262)	2,477,949
Superior Court	14,673,241			
Unfunded 1% employee COLA			100,361	
Transfer Central Registry to Superior			327,017	
Special Clerical Services			(57,230)	
Various Operating			16,000	
Judicial Pensions			92,473	
Retirement Rate Change			(90,161)	
Statewide Medical Benefits			(40,563)	
Fringe benefit assessment			58,929	
	14,673,241	-	406,826	15,080,067
Family Court	10,817,657			
Unfunded 1% employee COLA			77,103	
Payroll/Unrealized attrition			319,192	
Pur. Services (Special Clerical Serv)			(132,000)	
Judicial Pensions			(111,131)	
Retirement Rate Change			(89,432)	
Statewide Medical Benefits			(42,061)	
Operating			(269)	
Fringe benefit assessment			44,370	
	10,817,657	-	65,772	10,883,429
District Court	6,865,889			
Unfunded 1% employee COLA			46,503	
Payroll			69,340	
Pur. Services			(125,000)	
Judicial Pensions			(31,248)	
Retirement Rate Change			(36,659)	
Statewide Medical Benefits			(19,962)	
Fringe benefit assessment			26,806	
	6,865,889	-	(70,220)	6,795,669

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Traffic Tribunal	5,494,788			
Unfunded 1% employee COLA			35,839	
Judicial Pensions			(15,495)	
Operating			3,470	
Retirement Rate Change			(45,550)	
Statewide Medical Benefits			(17,952)	
Fringe benefit assessment			20,970	
	5,494,788	-	(18,718)	5,476,070
Total	58,649,418	895,871	130,830	59,676,119
Military Staff				
National Guard	1,834,212			
Payroll			(1,794)	
Unfunded 1% employee COLA			6,489	
Retirement Rate Change			(7,586)	
Fringe benefit assessment			4,102	
Firefighter's Overtime			(18,137)	
Employee Medical Cost			(3,855)	
Airport Security Reimbursement			285,000	
Purchased Services			40,898	
Firing Squads			10,951	
Distributed Technology/Training			(50,000)	
Operating-Electricity			(16,678)	
Utility Rate Change			(18,156)	
Operating-Heating Fuel			14,110	
Operating-Repairs (Warren Arm.)			31,000	
Other Operating			(9,896)	
Insurance Adjustment			3,587	
	1,834,212	-	270,035	2,104,247
Emergency Management	398,887			
Payroll (including QTR 1 proj. \$36K)			73,720	
Unfunded 1% employee COLA			2,874	
Retirement Rate Change			(3,525)	
Fringe benefit assessment			1,715	
Employee Medical Cost			(1,582)	
Operating			2,995	
	398,887	-	76,197	475,084

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Total	2,233,099	-	346,232	2,579,331
E-911 Emergency Telephone System				
E-911	3,635,519			
Unfunded 1% employee COLA			20,339	
Payroll - Unanticipated Overtime			107,809	
Technical Consultant			45,000	
Operating			35,712	
Retirement Rate Change			(24,474)	
Statewide Medical Benefits			(11,188)	
Statewide Utilities			(2,138)	
Fringe benefit assessment			11,895	
Total	3,635,519	-	182,955	3,818,474
Fire Safety Code Commission				
Fire Code Commission	210,116			
Unfunded 1% employee COLA			1,676	
Retirement Rate Change			(2,059)	
Fringe benefit assessment			1,002	
Personnel & Operating			2,918	
Medical Benefits			(6,640)	
Total	210,116	-	(3,103)	207,013
State Fire Marshal				
State Fire Marshal	1,309,125			
Unfunded 1% employee COLA			9,075	
Retirement Rate Change			(10,738)	
Fringe benefit assessment			5,225	
Personnel - Unachieved Turnover			20,752	
Medical Benefits			(35)	
Operating - Out of State Travel			(2,000)	
Utility Rate Change			(1,789)	
Total	1,309,125	-	20,490	1,329,615
Commission on Judicial Tenure and Discipline				
Commission on Judicial Tenure and Discipline	99,523			
Unfunded 1% employee COLA			663	
Payroll and Operating			(245)	
Legal Services			10,000	
Retirement Rate Change			(814)	
Statewide Medical Benefits			(309)	
Fringe benefit assessment			396	
Total	99,523	-	9,691	109,214

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Rhode Island Justice Commission				
Rhode Island Justice Commission	177,710			
Unfunded 1% employee COLA			1,017	
Retirement Rate Change			(1,247)	
Fringe benefit assessment			606	
Payroll cost shift			(6,553)	
LIUNA Contributions Reallocation			405	
Other Operating			3,697	
Grants - Neighborhood crime watch			2,000	
Employees Medical Cost			(383)	
Total	177,710	-	(458)	177,252
Municipal Police Training Academy				
Municipal Police Training Academy	322,148			
Unfunded 1% employee COLA			2,136	
Retirement Rate Change			(2,456)	
Fringe benefit assessment			1,220	
Statewide Medical Adjustment			(1,237)	
Heartcode AED System			49,920	
Personnel & Operating Adjustments			(900)	
Total	322,148	-	48,683	370,831
State Police				
State Police	37,110,992			
Overtime Costs-Airport Security			828,412	
Personnel Increases			4,872	
Tower Upgrades			59,500	
Auto maintenance Increase			30,000	
Uniform Materials			106,000	
Other Operating Increases			32,477	
Pension Adjustment			(162,500)	
Vehicle Replacement Program			(164,943)	
Unfunded 1% employee COLA			173,352	
Retirement Rate Change			(47,289)	
Employee Medical Costs			(69,517)	
Utility Rate Change			15,738	
Fringe benefit assessment			41,401	
Total	37,110,992	-	847,503	37,958,495
Office Of Public Defender				
Office Of Public Defender	5,585,208			
Unfunded 1% employee COLA			41,895	
Retirement Rate Change			(51,149)	
Fringe benefit assessment			28,609	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Statewide insurance			2,713	
Statewide medical			13,335	
Payroll - Turnover and reallocations			(165,968)	
LIUNA Contributions			13,009	
Contract - PRA and Intake services			73,809	
Operating - Rent			29,036	
Computer software			14,711	
Heat Escalator			4,100	
Employees Medical Cost			(18,269)	
Utility Rate Change			(3,330)	
Total	5,585,208	-	(17,499)	5,567,709
Subtotal Public Safety Function	255,635,995	1,126,571	(89,627)	256,672,939
<u>Natural Resources</u>				
Environmental Management				
Policy and Administration	7,540,431			
Permit Streamlining		623,257		
Unfunded 1% employee COLA			46,084	
Retirement Rate Change			(44,824)	
Fringe benefit assessment			33,463	
Overtime and Unachieved Turnover			(43,511)	
Hiring Freeze			(90,558)	
Property Taxes			288,038	
Operating Adjustments			(107,480)	
Employee Medical Costs			(14,283)	
Insurance Adjustment			703	
	7,540,431	623,257	67,632	8,231,320
Natural Resources	14,495,408			
Unfunded 1% employee COLA			74,010	
Retirement Rate Change			(77,375)	
Fringe benefit assessment			55,729	
Overtime and Unachieved Turnover			91,046	
Ground Maintenance at Parks & Coastal Areas			106,500	
Hiring Freeze			(84,883)	
Increased Payments to Host Beach Communities			135,600	
Operating Adjustments			(96,703)	
Employee Medical Costs			(35,462)	
Utility Rate Change			(71,274)	
Insurance Adjustment			64,189	
Vehicle Purchase to Lease payments			(150,000)	

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
	14,495,408	-	11,377	14,506,785
Environmental Protection	9,149,675			
Unfunded 1% employee COLA			82,258	
Retirement Rate Change			(80,495)	
Fringe benefit assessment			47,193	
Overtime			(48,782)	
Hiring Freeze			(146,879)	
Operating Adjustment			(56,505)	
Employee Medical Costs			(31,133)	
Insurance Adjustment			1,464	
	9,149,675	-	(232,879)	8,916,796
Total	31,185,514	623,257	(153,870)	31,654,901
Coastal Resources Management Council	1,437,745			
Unfunded 1% employee COLA			8,292	
Retirement Rate Change			(10,171)	
Fringe benefit assessment			2,949	
Employee Medical Cost			(3,685)	
Deputy Director postponement			(30,986)	
Purchased Services			1,861	
In-Water Dredged Disposal Site			30,000	
Operating			4,500	
Permit Data Base Revised Cost			(48,700)	
Total	1,437,745	-	(45,940)	1,391,805
State Water Resources Board	1,021,631			
Water Mgmt. Information System		24,262		
Increase for actual personnel costs			8,279	
Purchased services			10,093	
Operating costs			22,148	
Education grants in lieu of local taxes			7,854	
Unfunded 1% employee COLA			5,695	
Statewide Medical Benefits			(1,814)	
Statewide Utilities			(1,173)	
Retirement Rate Change			(6,992)	
Fringe benefit assessment			3,402	
Total	1,021,631	24,262	47,492	1,093,385
Subtotal Natural Resources	33,644,890	647,519	(152,318)	34,140,091

Changes to FY 2002 Enacted General Revenue Expenditures

	FY2002 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2002 Revised Budget
Statewide General Revenue Total	2,650,768,180	11,056,417	(36,855,518)	2,624,969,079

Changes to FY 2002 Enacted Transportation Expenditures

	FY2002 Enacted Appropriation	Carry Over From FY2001 Appropriations	Supplemental Changes	FY2002 Revised Budget
Transportation ISTEA Fund Changes				
Central Management	3,103,029			
Payroll			(100,892)	
Assessed Fringe Benefit			12,706	
Operating			6,224	
Grants			493	
Turnover			(92,708)	
Medical Benefit			(9,480)	
	3,103,029	-	(183,657)	2,919,372
Management & Budget	1,955,027			
Payroll			(64,589)	
Assessed Fringe Benefit			8,236	
Operating			(39,071)	
Grants			(1,000)	
Turnover			(48,672)	
Medical Benefit			(5,569)	
	1,955,027	-	(150,665)	1,804,362
Infrastructure-Maintenance	36,155,559			
Payroll			(215,677)	
Assessed Fringe Benefit			58,786	
Operating			48,928	
Grants			99	
Turnover			(389,125)	
Medical Benefit			(65,807)	
Utility Rate Change			(335,319)	
Winter Maintenance			100,000	
Overtime			100,000	
Master Lease Charges			(70,875)	
Decrease HIP			(100,000)	
	36,155,559	-	(868,990)	35,286,569
Infrastructure-Engineering	41,654,484			
Payroll			16,194	
Assessed Fringe Benefit			14,502	
Operating			125,133	
Grants			(12,398)	
RIPTA Share of Gas Tax Yield			(625,000)	
Medical Benefit			(8,877)	
Turnover			(118,990)	
Decrease HIP			(863,051)	
	41,654,484	-	(1,472,487)	40,181,997
Total Transportation Function	82,868,099	-	(2,675,799)	80,192,300

Changes to FY 2002 Enacted Transportation Expenditures

	FY2002 Enacted Appropriation	Carry Over From FY2001 Appropriations	Supplemental Changes	FY2002 Revised Budget
Gas tax budgeted in DOA-debt service	42,856,901		799	42,857,700
Total Gas Tax for Transportation	125,725,000	-	(2,675,000)	123,050,000

Changes are reflective of gas tax funding only. Excludes changes to anticipated revenue from land sales and usage of State Infrastructure Bank funds.

Formula Aid to Cities and Towns

The Governor's FY 2003 budget recommends formula aid to cities and towns totaling \$192.6 million. This represents a 12.6 percent, or \$21.6 million, increase from the FY 2002 level of funding. The tables on the following pages display FY 2002 and FY 2003 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.

General Revenue Sharing - Beginning in FY 1994, one percent of total state tax revenues from the second prior fiscal year was earmarked for general state aid to cities and towns. Beginning in FY 1999, this percentage is to increase annually until reaching 4.7 percent by FY 2009. These funds are distributed based on a legislated formula encompassing per-capita income and the taxes imposed by each city or town for public purposes, excluding amounts allocated to education expenses. The Governor proposes that the percentage be maintained at 2.4 percent rather than increasing to 2.7 percent in FY 2003. The scheduled increases would resume in FY 2004.

Payment in Lieu of Taxes - Legislation creating this program enables the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property which are exempted from taxation by state law. This includes property owned by nonprofit educational institutions, nonprofit hospitals, or any state owned hospital, veterans; facility, airport or correctional facility. Reimbursement is made for twenty-seven percent of all tax that would have been collected had the property been taxable, prorated by the amount appropriated for a given year.

Distressed Communities Relief Fund - This program provides state assistance to those Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempted from local taxation, but is subject to taxation by the state. Funds collected from this tax are distributed to cities and towns within the state on the basis of the ratio of the city or town population to the population of the State as a whole. The Governor proposes an increase in the tax collected, the revenue from which would be passed on to cities and towns.

State Library Aid - This program provides financial support for local public library services, and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, while other aid is disbursed to the individual cities and towns.

Motor Vehicle Excise Tax - Legislation enacted during the 1999 General Assembly provides for a phase-out of the local excise tax on motor vehicles and trailers. The Governor proposes to reimburse cities and towns for revenues lost as a result of providing a \$3,500 exemption on each vehicle in FY 2002 and thereafter.

Fiscal Year 2002 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Public Service Corporation Tax	State Library Aid	Motor Vehicle Excise Tax Reimbursement	FY 2002 Total State Aid
Barrington	231,566	65,820	-	267,973	237,475	1,602,825	2,405,658
Bristol	731,026	436,394	-	357,993	75,665	813,039	2,414,116
Burrillville	625,237	73,350	-	251,673	60,946	1,427,236	2,438,441
Central Falls	1,111,708	18,708	190,719	301,575	63,470	812,327	2,498,507
Charlestown	288,905	-	-	125,215	39,288	279,688	733,095
Coventry	839,881	-	-	536,423	131,074	1,551,183	3,058,561
Cranston	2,662,372	2,412,467	-	1,262,972	443,433	7,057,571	13,838,815
Cumberland	728,088	1,783	-	507,298	165,237	1,446,442	2,848,848
East Greenwich	135,703	2,603	-	206,297	70,894	770,344	1,185,841
East Providence	1,951,335	57,643	-	775,733	385,914	3,643,986	6,814,611
Exeter	109,759	-	-	96,313	8,495	508,106	722,673
Foster	177,660	246	-	68,097	37,500	424,906	708,409
Glocester	380,457	-	-	158,499	57,839	617,801	1,214,596
Hopkinton	297,181	-	-	124,849	40,759	409,150	871,939
Jamestown	156,214	4	-	89,574	49,972	237,093	532,857
Johnston	1,673,015	-	-	449,223	96,043	2,918,016	5,136,297
Lincoln	754,923	-	-	332,962	123,404	1,580,094	2,791,382
Little Compton	78,664	-	-	57,246	22,962	154,598	313,470
Middletown	663,651	-	-	276,178	106,997	652,927	1,699,753
Narragansett	633,147	-	-	260,675	79,475	699,962	1,673,259
Newport	1,411,682	532,584	-	421,819	225,716	1,085,349	3,677,150
New Shoreham	52,695	-	-	16,092	44,317	45,772	158,876
North Kingstown	722,666	4,466	-	419,445	198,407	1,560,009	2,904,994
North Providence	1,651,907	124,644	-	516,396	146,798	2,810,936	5,250,681
North Smithfield	435,971	59,275	-	169,174	48,674	1,100,278	1,813,372
Pawtucket	3,542,240	271,309	1,375,341	1,162,420	289,425	5,821,667	12,462,403
Portsmouth	435,826	-	-	273,230	85,219	889,862	1,684,137
Providence	10,131,124	12,440,263	4,490,689	2,766,209	666,407	13,763,586	44,258,279
Richmond	135,409	427	-	115,066	24,792	398,350	674,044
Scituate	300,960	-	-	164,490	64,244	783,894	1,313,588
Smithfield	987,476	438,670	-	328,421	162,396	1,921,718	3,838,681
South Kingstown	841,666	128,041	-	444,858	125,838	1,124,271	2,664,674
Tiverton	433,378	-	-	243,134	58,697	715,605	1,450,814
Warren	376,255	-	-	180,996	43,788	618,303	1,219,342
Warwick	3,651,953	765,020	-	1,367,156	495,872	7,965,605	14,245,606
Westerly	428,315	127,115	-	365,911	83,061	1,588,568	2,592,969
West Greenwich	126,631	-	-	81,018	21,264	274,799	503,712
West Warwick	1,168,310	-	745,392	471,306	147,234	1,786,217	4,318,459
Woonsocket	2,556,473	173,241	697,859	688,676	175,177	2,955,309	7,246,735
Subtotal	43,621,430	18,134,070	7,500,000	16,702,587	5,404,167	74,817,387	166,179,642
Statewide Reference Library Resource Grant (Providence)					880,110		880,110
Library Construction Reimbursement					2,046,424		2,046,424
Motor Vehicle Excise Tax Reimbursement - Fire Districts						1,847,174	1,847,174
Total	43,621,430	18,134,070	7,500,000	16,702,587	8,330,701	76,664,561	170,953,350

¹ Totals may not add due to rounding; formula data for some communities remains incomplete, thus distribution is subject to change.

² Motor Vehicle Excise Tax amounts are subject to change pending receipt of tax roll information and CPI data.

³ Some library aid is paid directly to libraries within a community and not to the city or town.

⁴ Public Service Corporation Tax is a pass-thru of funds and is not appropriated as general revenues.

Fiscal Year 2003 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Public Service Corporation Tax	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2002 Total State Aid
Barrington	268,360	63,524	-	375,651	237,475	1,766,594	2,711,604
Bristol	827,878	432,996	-	501,843	75,665	881,923	2,720,306
Burrillville	640,816	70,742	-	352,802	60,946	1,534,708	2,660,013
Central Falls	1,264,206	18,416	186,280	422,755	63,470	862,852	2,817,979
Charlestown	312,919	-	-	175,530	39,288	303,243	830,980
Coventry	903,835	-	-	751,972	131,074	1,677,705	3,464,586
Cranston	2,894,538	2,275,093	-	1,770,467	443,433	7,686,433	15,069,963
Cumberland	1,218,034	503	-	711,144	165,237	1,573,936	3,668,854
East Greenwich	164,615	4,222	-	289,193	70,894	856,800	1,385,723
East Providence	2,150,984	55,581	-	1,087,443	385,914	3,938,851	7,618,773
Exeter	120,175	-	-	135,015	8,495	552,022	815,707
Foster	208,837	242	-	95,459	37,500	460,039	802,077
Glocester	374,033	-	-	222,188	57,839	668,432	1,322,493
Hopkinton	270,893	-	-	175,016	40,759	442,525	929,193
Jamestown	175,535	5	-	125,567	49,972	260,197	611,275
Johnston	1,883,151	-	-	629,733	96,043	3,210,684	5,819,611
Lincoln	623,679	-	-	466,755	123,404	1,726,148	2,939,987
Little Compton	92,574	-	-	80,249	22,962	168,966	364,751
Middletown	711,148	-	-	387,154	106,997	709,665	1,914,965
Narragansett	636,472	-	-	365,422	79,475	765,850	1,847,218
Newport	1,645,120	638,104	-	591,317	225,716	1,182,648	4,282,906
New Shoreham	67,458	-	-	22,558	44,317	49,572	183,905
North Kingstown	783,115	5,908	-	587,989	198,407	1,705,377	3,280,796
North Providence	1,709,396	73,072	707,413	723,897	146,798	3,051,980	6,412,556
North Smithfield	540,233	40,331	-	237,152	48,674	1,194,796	2,061,185
Pawtucket	3,876,505	253,247	1,222,230	1,629,512	289,425	6,248,475	13,519,394
Portsmouth	552,100	-	-	383,022	85,219	949,903	1,970,244
Providence	11,595,992	12,688,288	4,162,348	3,877,745	666,407	14,836,472	47,827,252
Richmond	157,561	408	-	161,303	24,792	426,404	770,468
Scituate	305,026	-	-	230,586	64,244	853,096	1,452,952
Smithfield	1,293,622	389,575	-	460,390	162,396	2,094,883	4,400,867
South Kingstown	884,648	106,574	-	623,613	125,838	1,223,122	2,963,795
Tiverton	478,839	-	-	340,831	58,697	774,282	1,652,649
Warren	409,822	-	-	253,725	43,788	669,021	1,376,356
Warwick	3,645,200	744,159	-	1,916,515	495,872	8,658,540	15,460,286
Westerly	538,105	131,305	-	512,944	83,061	1,722,099	2,987,514
West Greenwich	141,059	-	-	113,573	21,264	298,916	574,812
West Warwick	1,152,863	-	668,542	660,689	147,234	1,931,239	4,560,567
Woonsocket	2,768,585	159,207	653,187	965,405	175,177	3,173,497	7,895,058
Subtotal	48,287,932	18,151,500	7,600,000	23,414,124	5,404,167	81,091,893	183,949,618
Statewide Reference Library Resource Grant (Providence)					880,110		880,110
Library Construction Reimbursement					2,332,500		2,332,500
Motor Vehicle Excise Tax Reimbursement - Fire Districts						1,887,812	1,887,812
Motor Vehicle Excise Tax Reimbursement - Estimated Tax Roll Growth						3,568,042	3,568,042
Total	48,287,932	18,151,500	7,600,000	23,414,124	8,616,777	86,547,747	192,618,082

¹ Totals may not add due to rounding; formula data for some communities remains incomplete, thus distribution is subject to change.

² Motor Vehicle Excise Tax amounts are subject to change pending receipt of tax roll information and CPI data.

³ Some library aid is paid directly to libraries within a community and not to the city or town.

⁴ Public Service Corporation Tax is a pass-thru of funds and is not appropriated as general revenues.

Changes in Formula Aid - FY 2003 vs. FY 2002

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Public Service Corporation Tax	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Total Difference
Barrington	36,794	(2,295)	-	107,678	-	163,769	305,946
Bristol	96,852	(3,398)	-	143,850	-	68,885	306,189
Burrillville	15,579	(2,608)	-	101,129	-	107,472	221,573
Central Falls	152,498	(292)	(4,439)	121,180	-	50,525	319,472
Charlestown	24,015	-	-	50,315	-	23,556	97,885
Coventry	63,954	-	-	215,549	-	126,522	406,025
Cranston	232,166	(137,374)	-	507,495	-	628,862	1,231,148
Cumberland	489,946	(1,280)	-	203,846	-	127,494	820,006
East Greenwich	28,912	1,619	-	82,896	-	86,456	199,882
East Providence	199,650	(2,062)	-	311,710	-	294,864	804,162
Exeter	10,416	-	-	38,702	-	43,916	93,034
Foster	31,177	(3)	-	27,362	-	35,133	93,668
Glocester	(6,424)	-	-	63,689	-	50,632	107,897
Hopkinton	(26,287)	-	-	50,167	-	33,375	57,255
Jamestown	19,321	0	-	35,993	-	23,104	78,419
Johnston	210,137	-	-	180,510	-	292,668	683,314
Lincoln	(131,243)	-	-	133,793	-	146,055	148,604
Little Compton	13,909	-	-	23,003	-	14,368	51,280
Middletown	47,497	-	-	110,976	-	56,739	215,211
Narragansett	3,325	-	-	104,747	-	65,887	173,960
Newport	233,439	105,521	-	169,498	-	97,299	605,756
New Shoreham	14,763	-	-	6,466	-	3,800	25,029
North Kingstown	60,449	1,442	-	168,544	-	145,367	375,802
North Providence	57,489	(51,572)	707,413	207,501	-	241,044	1,161,875
North Smithfield	104,262	(18,944)	-	67,978	-	94,517	247,814
Pawtucket	334,265	(18,062)	(153,111)	467,092	-	426,808	1,056,991
Portsmouth	116,274	-	-	109,792	-	60,041	286,107
Providence	1,464,868	248,025	(328,341)	1,111,536	-	1,072,885	3,568,973
Richmond	22,152	(19)	-	46,237	-	28,055	96,424
Scituate	4,066	-	-	66,096	-	69,202	139,364
Smithfield	306,145	(49,095)	-	131,969	-	173,165	562,185
South Kingstown	42,981	(21,467)	-	178,755	-	98,851	299,120
Tiverton	45,462	-	-	97,697	-	58,677	201,835
Warren	33,566	-	-	72,729	-	50,718	157,013
Warwick	(6,753)	(20,861)	-	549,359	-	692,935	1,214,680
Westerly	109,790	4,190	-	147,033	-	133,531	394,544
West Greenwich	14,428	-	-	32,555	-	24,117	71,100
West Warwick	(15,448)	-	(76,850)	189,383	-	145,022	242,108
Woonsocket	212,112	(14,034)	(44,672)	276,729	-	218,187	648,323
Subtotal	4,666,502	17,430	100,000	6,711,539	-	6,274,504	17,769,975
Statewide Reference Library Resource Grant (Providence)							-
Library Construction Reimbursement					286,076		286,076
Motor Vehicle Excise Tax Reimbursement - Fire Districts						40,638	40,638
Motor Vehicle Excise Tax Reimbursement - Estimated Tax Roll Growth						3,568,042	3,568,042
Total	4,666,502	17,430	100,000	6,711,539	286,076	9,883,184	21,664,732

Education Aid to Local Units of Government

Education Aid to Local Governments totals \$703.5 million in FY 2003, a \$27.9 million increase in state support relative to the FY 2002 revised budget (restated to reflect the Metropolitan Career and Technical School as an education aid authority). The Governor's FY 2003 Education Aid distribution guarantees each school district a minimum education aid increase of 1.0 percent. The FY 2003 distribution employs the most recent school data for all communities, from which their share of the total is derived.

Distribution of \$20.6 million in increased education aid occurs in a number of categories. The largest of these are:

- Student Equity, \$5.0 million;
- Targeted Aid; \$10.2 million;
- Charter Schools, \$4.0 million;

Additional education aid is recommended in existing categories for:

- Central Falls, \$1.2 million;
- General Operations Aid, \$1.9 million;
- Metropolitan School, \$1.1 million; and,
- Other aid categories, \$1.7 million.

A number of categories would receive fewer funds in FY 2003 than included in the revised FY 2002 budget. The largest of these is Progressive Support and Intervention, which was reduced by \$2.7 million. Other categories were reduced by \$1.6 million.

Beginning in FY 2001, and continuing in FY 2002 and FY 2003, claiming of the federal reimbursements for special education programs has been expanded significantly by increasing the types of eligible services, student eligibility criteria, and by establishing reimbursement for the first time for administrative costs associated with operating special education programs.

Finally, an addition \$7.3 million is required for Teacher Retirement obligation.

The following table displays the FY 2002 and FY 2003 education aid budgets. Definitions for the columns in the Education Aid table are noted below.

FY 2002 Total Education Aid: FY 2002 Education Aid includes the following categories: State Operations Aid, Literacy Set Aside, and the Student Investment Funds named: Student Technology, Core Instructional Equity, Student Equity, Early Childhood, Student Language Assistance, Targeted Aid, Professional Development, On-Site Visits, Charter Schools, Full Day Kindergarten, and Progressive Support and Intervention, Vocational Equity, Textbook Expansion, Group Home funding, Gates Foundation Match, and Hasbro Children's Hospital.

For both years, allocations for Capital Construction Aid, state contributions to the Teacher Retirement Fund, funds for the Hasbro Children's Hospital, for On-Site Visits, for Progressive Support and Intervention, and for the Professional Development funds held by the Department are included as lump

Education Aid to Local Units of Government

sums and are not displayed by community. Additionally, Direct Aid to Charter Schools is reflected in this manner for both years. Financing for Textbook Expansion and for the Gates foundation, however, are only reflected in FY 2002.

FY 2003 Total Education Aid: FY 2003 Education Aid includes most of the categories listed above except Textbook Expansion and the Gates Foundation Match, which are not financed in FY 2003. Financing for the Metropolitan Career and Technical School is included as a category within aid in FY 2003. The tables below include the FY 2002 recommended budget for comparison purposes.

Education Aid to Local Units of Government

Local Education Authorities	FY 2002	FY 2003	Difference
Barrington	2,294,840	2,336,081	41,241
Burrillville	12,458,207	12,582,788	124,581
Central Falls	33,271,624	34,440,627	1,169,003
Charlestown	1,776,443	1,798,816	22,373
Coventry	18,103,867	18,284,906	181,039
Cranston	31,098,284	31,409,267	310,983
Cumberland	11,816,925	11,973,705	156,780
East Greenwich	1,642,030	1,658,450	16,420
East Providence	23,830,537	24,145,725	315,188
Foster	1,257,914	1,270,493	12,579
Glocester	2,871,779	2,900,497	28,718
Hopkinton	5,659,889	5,716,488	56,599
Jamestown	453,231	459,436	6,205
Johnston	9,607,836	9,703,914	96,078
Lincoln	6,669,256	6,735,949	66,693
Little Compton	312,417	315,541	3,124
Middletown	9,194,316	9,286,260	91,944
Narragansett	1,616,920	1,633,089	16,169
Newport	10,065,853	10,229,442	163,589
New Shoreham	79,523	82,891	3,368
North Kingstown	10,851,375	10,959,888	108,513
North Providence	11,937,013	12,056,383	119,370
North Smithfield	4,258,219	4,300,802	42,583
Pawtucket	56,785,846	60,024,535	3,238,689
Portsmouth	5,535,991	5,591,351	55,360
Providence	165,275,305	174,934,589	9,659,284
Richmond	5,589,968	5,645,867	55,899
Scituate	3,068,641	3,099,327	30,686
Smithfield	4,925,915	5,054,613	128,698
South Kingstown	9,219,644	9,311,841	92,197
Tiverton	5,324,482	5,377,727	53,245
Warwick	33,502,797	33,837,825	335,028
Westerly	5,994,381	6,146,521	152,140
West Warwick	17,658,912	18,643,537	984,625
Woonsocket	41,551,539	43,059,505	1,507,966
Bristol/Warren	18,393,960	18,577,900	183,940
Exeter/W Greenwich	6,602,455	6,682,778	80,323
Chariho District	341,021	344,432	3,411
Foster/Glocester	5,173,788	5,225,526	51,738
Met School	2,155,000	3,232,350	1,077,350
Subtotal	\$ 598,227,943	\$ 619,071,662	\$ 20,843,719
Teacher Retirement	31,143,662	38,438,739	7,295,077
Capital Construction	33,222,193	33,222,193	-
On-Site Visits	658,635	658,635	-
Prog Support & Intervention	4,727,589	2,000,000	(2,727,589)
Professional Development	555,000	120,000	(435,000)
Textbook Expansion	320,000	-	(320,000)
Hasbro Children's Hospital	100,000	100,000	-
Direct Aid-Charter Schools	6,013,888	9,879,797	3,865,909
Gates Foundation Match	664,000	-	(664,000)
Subtotal	\$ 77,404,967	\$ 84,419,364	\$ 7,014,397
Total	\$ 675,632,910	\$ 703,491,026	\$ 27,858,116

FY 2002 has been restated for more accurate comparison purposes. The Metropolitan Career and Technical School has been added to accurately compare both fiscal years. Only in FY 2003 however, does the Appropriation Act include the School in aid distribution.

Summary of Proposed Bond Issuance by Agency

<u>Agency</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Totals</u>
Administration	-	5,000,000	-	-	-	5,000,000
Economic Development Corporation	9,531,900	11,653,100	4,000,000	3,000,000	4,000,000	32,185,000
Subtotal: General Government	9,531,900	16,653,100	4,000,000	3,000,000	4,000,000	37,185,000
Children, Youth and Families	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Mental Health, Retardation & Hospitals	5,300,000	4,385,960	2,000,000	1,700,000	1,300,000	14,685,960
Governor's Commission on Disabilities	-	-	-	-	-	-
Subtotal: Human Services	5,300,000	4,385,960	2,000,000	1,700,000	1,300,000	14,685,960
Elementary & Secondary Education	8,115,000	-	-	-	-	8,115,000
Higher Education	23,378,160	26,395,250	14,253,470	11,664,000	11,367,000	87,057,880
Atomic Energy Commission	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	-	-	-	-	-	-
Public Telecommunications Authority	-	-	-	-	-	-
Subtotal: Education	31,493,160	26,395,250	14,253,470	11,664,000	11,367,000	95,172,880
Corrections	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Military Staff	-	-	-	-	-	-
State Police	-	-	-	-	-	-
Subtotal: Public Safety	-	-	-	-	-	-
Environmental Management	14,323,940	12,621,080	10,285,345	5,323,300	500,000	43,053,665
Coastal Resources Management Council	-	-	-	-	-	-
Clean Water Finance Agency	4,900,000	4,900,000	2,955,000	-	-	12,755,000
Narragansett Bay Commission	-	-	-	-	-	-
Water Resources Board	2,281,000	1,720,000	411,000	36,000	-	4,448,000
Subtotal: Natural Resources	21,504,940	19,241,080	13,651,345	5,359,300	500,000	60,256,665
Transportation	31,020,900	34,133,100	30,000,000	32,500,000	32,500,000	160,154,000
Airport Corporation	310,000	-	-	-	-	310,000
RI Public Transit Authority	839,100	1,066,900	850,000	850,000	850,000	4,456,000
Subtotal: Transportation	32,170,000	35,200,000	30,850,000	33,350,000	33,350,000	164,920,000
Totals	100,000,000	101,875,390	64,754,815	55,073,300	50,517,000	372,220,505

Statewide Summary by Source of Funds

	<u>Pre-FY 2002</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
<u>By Source of Funds</u>				
General Obligation - Issued Proceeds	451,687,601	218,283,126	11,385,404	2,064,337
General Obligation - Unissued Proceeds	-	-	100,000,000	52,971,390
General Obligation - New Referenda	-	-	-	48,904,000
Certificates of Participation	-	5,502,608	53,051,183	94,794,875
Rhode Island Capital Plan Fund	43,475,008	54,178,388	29,174,360	49,946,242
Federal Funds	20,206,349	40,562,650	58,912,845	50,569,181
Federal Highway Administration (TEA21)	160,489,956	181,800,000	181,300,000	181,300,000
Federal Transit Administration	679,200	6,500,000	16,940,400	16,060,000
Federal - Environmental Protection Agency	111,570,163	15,758,000	24,442,445	24,588,442
Federal Aviation Administration	-	-	-	-
Federal Railroad Administration	18,780,689	19,139,310	7,531,901	9,653,100
Federal - Department of Agriculture	8,932,184	1,854,856	472,761	-
Federal - Economic Development Administration	66,176	2,633,824	-	-
Federal Emergency Management Agency	-	45,000	-	-
National Guard Bureau - Federal	-	165,000	140,000	1,096,250
Foundation Funding	212,000	-	-	-
Gas Tax	15,576,425	12,019,824	14,082,308	8,300,000
General Revenue	3,667,095	900	1,020,315	3,147,626
Insurance Proceeds	-	505,000	-	-
Interest Earnings on Bond Funds	1,812,809	692,143	64,888	50,000
Concession Fees	-	500,000	-	-
Capitalized Interest	1,646,308	2,055,954	2,055,954	2,055,954
Internal Service Funds	72,000	150,000	150,000	150,000
Loan Repayments	-	-	-	-
Local Funds	107,264	-	18,000	-
Other Funds	1,800,000	5,780,176	10,700,000	9,700,000
Private Funding	1,775,588	15,655,608	7,982,503	322,156
Restricted Receipt Funds	1,066,735	3,551,155	6,095,223	5,020,000
Revenue Bonds	157,702,719	46,763,251	92,782,720	98,612,674
Revolved Capitalization Grants	4,311,472	7,485,044	7,576,744	8,312,204
RIHEBC Bonds	30,722,079	30,601,600	5,839,073	3,174,263
RIPTA Operating Funds	2,900,325	2,507,465	2,290,000	2,070,000
RIPTA Capital Funds	153,951	473,000	1,273,000	-
RIPTA Revolving Loan Fund	-	1,220,800	-	-
State Revolving Fund	-	-	-	-
Third Party Financing	167,800	9,068,000	9,060,000	7,800,000
Transportation Soft Match	270,538	750,462	-	-
University/College Funds	1,572,337	3,747,884	4,360,491	-
Totals	1,041,424,771	689,951,028	648,702,518	680,662,694

Statewide Summary by Source of Funds

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Post-FY 2007</u>	<u>Totals</u>
<u>By Source of Funds</u>					
General Obligation - Issued Proceeds	-	-	-	-	683,420,468
General Obligation - Unissued Proceeds	19,544,815	7,059,300	1,800,000	968,603	182,344,108
General Obligation - New Referenda	45,210,000	48,044,000	48,717,000	57,825,000	248,700,000
Certificates of Participation	61,636,792	33,737,950	21,699,813	9,903,169	280,326,390
Rhode Island Capital Plan Fund	55,927,082	50,196,531	43,080,927	4,921,104	330,899,642
Federal Funds	27,104,832	16,749,378	12,670,717	-	226,775,952
Federal Highway Administration (TEA21)	181,300,000	180,300,000	180,300,000	-	1,246,789,956
Federal Transit Administration	7,200,000	3,200,000	2,200,000	4,600,000	57,379,600
Federal - Environmental Protection Agency	19,093,028	12,638,934	9,241,752	180,000	217,512,764
Federal Aviation Administration	-	-	-	-	-
Federal Railroad Administration	-	-	-	-	55,105,000
Federal - Department of Agriculture	-	-	-	-	11,259,801
Federal - Economic Development Administratio	-	-	-	-	2,700,000
Federal Emergency Management Agency	625,000	-	-	-	670,000
National Guard Bureau - Federal	718,750	-	5,000,000	9,000,000	16,120,000
Foundation Funding	-	-	-	-	212,000
Gas Tax	5,800,000	3,600,000	3,000,000	-	62,378,557
General Revenue	2,250,000	1,850,000	829,685	-	12,765,621
Insurance Proceeds	-	-	-	-	505,000
Interest Earnings on Bond Funds	50,000	350,000	50,000	-	3,069,840
Concession Fees	-	-	-	-	500,000
Capitalized Interest	-	-	-	-	7,814,170
Internal Service Funds	150,000	-	-	-	672,000
Loan Repayments	-	-	-	-	-
Local Funds	-	-	-	-	125,264
Other Funds	12,200,000	14,400,000	15,000,000	-	69,580,176
Private Funding	206,525	531,804	187,810	-	26,661,994
Restricted Receipt Funds	1,200,500	250,000	650,000	-	17,833,613
Revenue Bonds	79,235,098	46,793,306	32,261,154	-	554,150,922
Revolved Capitalization Grants	8,680,143	9,351,038	10,029,172	1,478,539	57,224,356
RIHEBC Bonds	-	-	-	-	70,337,015
RIPTA Operating Funds	2,360,000	1,900,000	1,980,000	-	16,007,790
RIPTA Capital Funds	-	-	-	-	1,899,951
RIPTA Revolving Loan Fund	-	-	-	-	1,220,800
State Revolving Fund	-	-	-	-	-
Third Party Financing	5,000,000	5,000,000	-	600,000	36,695,800
Transportation Soft Match	-	-	-	-	1,021,000
University/College Funds	-	199,315	-	-	9,880,027
Totals	535,492,565	436,151,556	388,698,030	89,476,415	4,510,559,577

Statewide Summary by Agency

	<u>Pre-FY 2002</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
By Agency				
Administration	21,406,683	20,532,168	17,586,516	25,441,648
Legislature	-	-	-	4,000,000
Economic Development Corporation	51,706,229	49,168,771	17,063,800	21,306,200
Subtotal: General Government	73,112,912	69,700,939	34,650,316	50,747,848
Children, Youth & Families	249,151	1,003,477	1,804,632	34,983,556
Human Services	1,501,945	3,687,946	1,613,223	950,000
Mental Health, Retardation & Hospitals	29,082,428	13,479,789	25,976,960	15,042,557
Governor's Commission on Disabilities	666,550	268,482	-	100,000
Subtotal: Human Services	31,500,074	18,439,694	29,394,815	51,076,113
Elementary & Secondary Education	8,506,535	10,490,458	12,686,851	552,852
Higher Education	114,143,694	111,274,176	59,718,839	48,895,443
Atomic Energy Commission	350,600	307,300	838,200	150,000
Historical Preservation & Heritage Commission	566,479	23,596	-	-
Public Telecommunications Authority	-	350,000	350,000	-
Subtotal: Education	123,567,308	122,445,530	73,593,890	49,598,295
Corrections	4,990,243	8,427,149	9,751,566	30,196,767
Judicial	852,187	3,463,475	21,992,471	26,341,252
Military Staff	66,848	651,146	831,110	2,787,896
State Police	581,737	434,768	225,938	623,410
Subtotal: Public Safety	6,491,015	12,976,538	32,801,085	59,949,325
Environmental Management	154,063,835	36,831,165	24,113,292	25,772,470
Coastal Resources Management Council	370,359	335,950	20,136,530	20,199,797
Clean Water Finance Agency	292,936,849	136,475,152	130,268,029	131,963,320
Narragansett Bay Commission	13,675,034	9,764,966	-	460,000
Water Resources Board	9,024,080	3,882,527	3,636,000	10,226,963
Subtotal: Natural Resources	470,070,157	187,289,760	178,153,851	188,622,550
Transportation	309,921,134	240,853,277	260,803,609	256,993,100
Airport Corporation	1,240,000	-	310,000	-
RI Public Transit Authority	25,522,171	38,245,290	38,994,952	23,675,463
Subtotal: Transportation	336,683,305	279,098,567	300,108,561	280,668,563
Totals	1,041,424,771	689,951,028	648,702,518	680,662,694

Statewide Summary by Agency

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Post-FY 2007</u>	<u>Totals</u>
By Agency					
Administration	14,552,000	13,121,242	8,800,000	-	121,440,257
Legislature	4,000,000	4,000,000	3,000,000	-	15,000,000
Economic Development Corporation	4,000,000	3,000,000	4,000,000	7,000,000	157,245,000
Subtotal: General Government	22,552,000	20,121,242	15,800,000	7,000,000	293,685,257
Children, Youth & Families	19,554,628	3,229,344	-	-	60,824,788
Human Services	1,370,000	390,000	790,000	-	10,303,114
Mental Health, Retardation & Hospitals	7,958,500	7,278,500	6,400,000	334,040	105,552,774
Governor's Commission on Disabilities	100,000	100,000	100,000	-	1,335,032
Subtotal: Human Services	28,983,128	10,997,844	7,290,000	334,040	178,015,708
Elementary & Secondary Education	100,000	100,000	80,000	-	32,516,696
Higher Education	33,873,656	26,593,315	20,867,000	50,825,000	466,191,123
Atomic Energy Commission	-	-	-	-	1,646,100
Historical Preservation & Heritage Commission	-	-	-	-	590,075
Public Telecommunications Authority	-	-	-	-	700,000
Subtotal: Education	33,973,656	26,693,315	20,947,000	50,825,000	501,643,994
Corrections	43,358,699	38,897,308	33,225,740	14,824,273	183,671,745
Judicial	6,209,777	-	-	-	58,859,162
Military Staff	3,280,000	1,015,000	5,090,000	9,000,000	22,722,000
State Police	725,000	525,000	705,000	-	3,820,853
Subtotal: Public Safety	53,573,476	40,437,308	39,020,740	23,824,273	269,073,760
Environmental Management	24,135,345	17,314,120	7,309,370	634,563	290,174,160
Coastal Resources Management Council	2,663,797	932,267	-	-	44,638,700
Clean Water Finance Agency	103,513,269	68,833,278	51,582,078	1,658,539	917,230,514
Narragansett Bay Commission	-	-	-	-	23,900,000
Water Resources Board	8,391,000	1,241,000	290,000	-	36,691,570
Subtotal: Natural Resources	138,703,411	88,320,665	59,181,448	2,293,102	1,312,634,944
Transportation	241,200,000	234,000,000	233,000,000	5,200,000	1,781,971,120
Airport Corporation	-	-	-	-	1,550,000
RI Public Transit Authority	16,506,894	15,581,182	13,458,842	-	171,984,794
Subtotal: Transportation	257,706,894	249,581,182	246,458,842	5,200,000	1,955,505,914
Totals	535,492,565	436,151,556	388,698,030	89,476,415	4,510,559,577

Proposed New Bond Referenda

Ballot Item	Amount
November 2002	
Question 1	
Heritage Harbor Museum	\$5,000,000
Total Referendum	\$5,000,000
Question 2	
Transportation - Highways, Roads and Bridges	\$60,000,000
Facilities/Equipment Replacement	\$1,800,000
RIPTA Bus Purchases	\$1,700,000
Total Referendum	\$63,500,000
Question 3	
Quonset Point/Davisville Industrial Park	\$11,000,000
Total Referendum	\$11,000,000
Question 4	
Higher Education - Knight Campus Renewal	\$7,100,000
Higher Education - RIC Roads/Parking/Entrances	\$3,300,000
Higher Education - URI Infrastructure Upgrades	\$23,300,000
Total Referendum	\$33,700,000
Total November 2002 Referenda	\$113,200,000

November 2004	
Question 1	
Transportation - Highways, Roads and Bridges	\$60,000,000
Facilities/Equipment Replacement	\$5,000,000
RIPTA Bus Purchases	\$1,700,000
Total Referendum	\$66,700,000
Question 2	
Quonset Point/Davisville Industrial Park	\$11,000,000
Total Referendum	\$11,000,000
Question 4	
Higher Education - CCRI Flanagan Campus	\$8,700,000
Higher Education - URI Environmental Biotechnology Center	\$49,100,000
Total Referendum	\$57,800,000
Total November 2004 Referenda	\$135,500,000