

Executive Summary

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Overview

Living Within Our Means

Governor Carcieri's \$3.2 billion proposed Fiscal 2007 Budget is a responsible budget that has State government living within its means and meets the challenge of reining in government spending while at the same time avoiding any increases in the sales tax or income tax rates.

Year after year, Rhode Island's budget process has included feverish efforts to offset non-recurring revenues to finance mandatory entitlement and benefit increases. The combined use of one-time revenues, the success of certain tax credit programs, and an unrelenting pace of growth in entitlement and employee benefits, has left Rhode Island with insufficient resources to reliably fund programs that are important to the citizens of Rhode Island. Important and necessary programs such as property tax relief, local education aid, assistance for higher education, asset protection and many other issues cannot be addressed sufficiently and consistently when certain areas grow at rates that significantly exceed general inflation and the rate of revenue growth.

The significant challenge posed by the projected \$222 million budget deficit in FY 2007 is a result of both long-term structural imbalances between the projected growth in revenues and expenditures, as well as several short-term anomalies, among them changes in federal Medicaid match rates and accelerating historic preservation tax credits. Governor Carcieri's goal to restore fiscal stability to State and local government finances addresses these problems with real structural changes to key budget drivers: social service entitlement programs and the state personnel system. Although modest use of revenues that will disappear in FY 2008 is prudent given the short time frame for resolving a current year deficit, solving the state's long-term fiscal imbalance requires fundamental changes to the spending programs that drive the budget. Therefore, the Governor's budget presents a comprehensive plan which brings the operating budget into balance without relying principally on one time resources, and addresses two long term health care needs through the establishment of trusts utilizing cash proceeds garnered from a long term financing. These actions are necessary to ensure that future generations have a government capable of providing essential government services in a cost-effective manner.

Regardless of how the comparison is made, the level of cost restraint in this FY 2007 Budget is truly historic. For instance, when the fiscal 2007 appropriation is compared to the revised appropriation for fiscal 2006, it grows by only \$30.1 million, or less than 1.0 percent. After adjusting for two extraordinary items totaling \$73 million, the growth rate is still only 3.3 percent. This is eight tenths of one percent higher than the forecast inflation rate of 2.5 percent, as measured by the national Consumer Price Index (CPI). From a dollar standpoint, this increase is approximately one fifth that of the expenditure growth in each of the last two years. Some of the major highlights of the proposed budget include:

- Comprehensive personnel reform to improve human resource management in state government, and resulting in personnel compensation changes and a reduction in the number of State employees saving over \$50 million;
- Meaningful reform to the State's welfare programs that will align Rhode Island with other states with respect to time spent on welfare, and prepare Rhode Island for changes pending in the federal reauthorization of the TANF program;
- Targeted investments in education and economic development to position Rhode Island as a leader in science and technology;
- Property tax relief directly to Rhode Islanders by keeping the promise to phase-out the tax on autos, increasing the exemption from \$5000 to \$5500;
- Local education aid roughly equivalent to the increase experienced by cities and towns in local shares of increasing teacher retirement contributions totaling \$18.7 million;

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- Creation and funding for two health care related trusts to provide accessible affordable health care to Rhode Islanders, and to address unfunded liability related to state employee retiree health benefits.

This budget proposal makes great strides towards eliminating the structural imbalance that has plagued the State budget for the past decade, while ensuring the continuity of fiscal support of programs and services that balance the critical needs of the State's most vulnerable citizens and Rhode Island taxpayers. This budget also addresses long-term budget pressures by restraining growth in areas such as welfare, Medicaid, and employee compensation. The budget also promotes fairness and equity in the State's sales tax structure, by joining a national streamlined sales tax initiative which will allow Rhode Island to recapture sales tax lost to internet sales and protect the investments of Rhode Island's retail business.

The FY 2006 budget was balanced at enactment with an anticipated closing surplus of \$0.1 million. The resources that were to be available to fund FY 2006 expenditures are now estimated to be \$61.4 million less than anticipated. The largest declines are in Personnel Income Tax receipts (\$17.6 million), Lottery revenues (\$25.4 million), Financial Institutions (\$8.5 million) and Sales Tax (\$6.4 million). On the expenditure side, energy costs required the addition of \$9.9 million, and the local motor vehicle excise tax phase out is estimated to cost \$5.6 million more than budgeted. In the current fiscal year, agency spending was reduced by over \$16 million through targeted reduction plans, but that is not sufficient to resolve the FY 2006 projected \$77 million budget deficit. Given the shorter time frame to resolve the current year problem, the Governor recommends replacing a cash reserve fund established by the Tobacco Settlement Financing Corporation with a surety policy, freeing up \$49 million.

FY 2006 Deficit

FY 2007 Structural Imbalance

Upon conclusion of the November 2005 Revenue and Caseload Estimating Conferences, the Governor faced a \$222.0 million structural imbalance resulting from a projected growth rate for "current service expenditures" of 7.5 percent, outpacing the revenue growth of 4.6 percent.

Despite an expectation of continued economic growth in the next year, the State's revenues are expected to increase by approximately \$140.5 million, or 4.6 percent. Revenue growth is muted by the significant Historic Structures Tax Credits which are expected to reduce overall receipts by \$43.9 million in FY 2006 and \$64.07 million in FY 2007. As of October 20, 2005, this program has prompted \$326.9 million of completed projects, and has resulted in the creation of over 600 new residential units, including 190 deemed "affordable", in buildings that were previously unoccupied or underutilized. This program has been very successful in spurring major rehabilitation projects that preserve the State's many historic structures, but is certainly not without cost. Applications for projects seeking historic tax credits status have far exceeded expectations, most likely due to the low interest rate environment. The amount of tax credits, worth up to thirty percent of total project cost are now dampening the State's revenue growth causing the State to feel the pinch as estimated revenues are not sufficient to finance current expenditures. An additional \$583.2 million of projects are in the active stage. While it is anticipated that the credits may decline in FY 2008 and thereafter, there is no control in place to assure this outcome. Therefore, the Governor will recommend changes in the historic structure tax credit program to ensure that the State's finances are not compromised by an overly successful program. The goal of this change is to maintain an affordable program which will encourage the rehabilitation of our historic structures for development.

While revenues are expected to grow by 4.6 percent or \$140.5 million, expenditures, if unconstrained, would grow by \$235.0 million, or 7.5 percent. Growth in social service programs, (including unfavorable changes in federal Medicaid participation costing the state an estimated \$35.1 million), scheduled

Overview

increases in local aid programs, and public employee pensions and benefits, results in a budget gap of approximately \$222.0 million. The expenditure increase is caused largely by mandatory funding needs of approximately \$202 million for areas such as:

- Entitlements - \$49.8 million
- State funds to offset change in federal Medicaid match rate - \$35.1 million
- State aid to local governments –\$61.9 million
- Pensions for State employees as well as local teachers - \$22.4 million
- Negotiated salary and benefit inflation increases for State employees - \$33.2 million

The challenge of balancing the State Budget is more daunting upon a review of where overall general revenue actually goes. Expenditures from general revenue total \$3.154 billion for FY 2007. By function, spending by Human Services agencies represents the largest share with expenditures, totaling \$1.207 billion, or 38.3 percent of the general revenue budget. This supports health care and prescription drug coverage for low-income children, their parents, seniors and the poor, and community residential and treatment programs for the disabled. This is followed by spending for Education, which totals \$1.083 billion, or 34.4 percent, and includes local education aid, support for the university and colleges, and scholarships. General revenue expenditures for General Government and Public Safety comprise \$513.9 million (16.3 percent), and \$307.2 million (9.7 percent), respectively. General Government includes, along with state operations, state aid to municipalities and direct property tax relief. Finally, expenditures for Natural Resources comprise \$42.4 million, or 1.3 percent of total general revenue spending. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. The largest component is local aid expenditures of \$1.084 billion, comprising 34.4 percent of total general revenue spending. Grant and assistance expenditures of \$1.0 billion represent 31.7 percent of total spending; personnel expenditures of \$779.5 million comprise 24.7 percent of the budget; operating expenditures total \$196.4 million, or 6.2 percent of the budget; and, capital expenditures, including debt service, total \$94.1 million, or 3.0 percent of the total general revenue budget.

The recommended budget is financed from total general revenue resources of \$3.154 billion for FY 2007, an increase of \$16 million from the revised FY 2006 level of \$3.138 billion. This reflects a 0.5 percent growth rate. An opening surplus of \$14.2 million is also included, as is the reduction for the required transfer to the Budget Reserve Fund of \$64.4 million. Expenditures from general revenue total \$3.154 billion for FY 2007, reflecting an increase of \$30.1 million, or 0.96 percent, from the revised FY 2006 Budget of \$3.124 billion. The general revenue fund surplus by year is recorded in the following table.

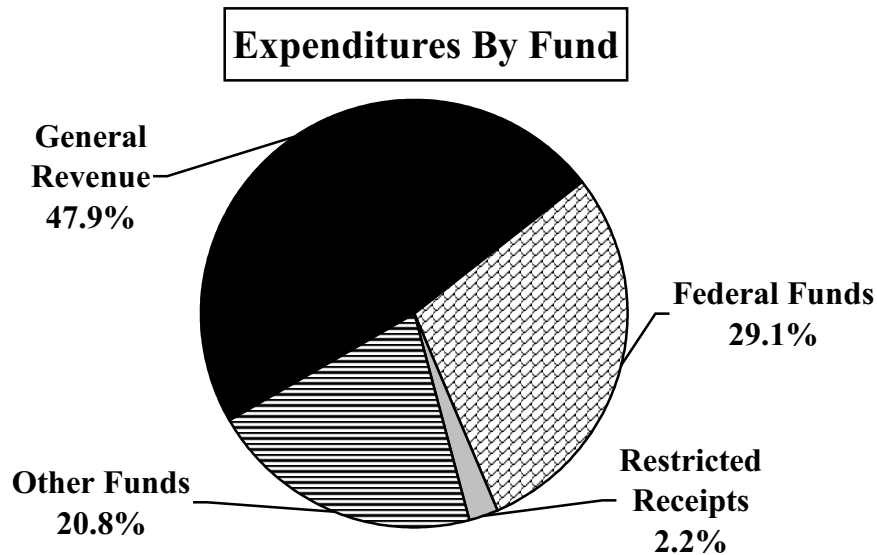
<p style="text-align: center;"><i>The General Revenue Financing Plan</i></p>

Overview

General Revenue Free Surplus (in millions)

	FY 2004 Audited	FY 2005 Unaudited	FY 2006 Enacted	FY 2006 Revised	FY 2007 Projected Deficit	FY 2007 Recommended
Opening Surplus						
Free Surplus	\$42.6	\$24.5	\$40.8	\$38.6	\$0.0	\$14.2
Reappropriated Surplus	7.3	10.1	-	13.5	-	-
Audit Adjustments	-	0.8	-	-	-	-
Subtotal	50.0	35.4	40.8	52.1	\$0.0	14.2
Revenues and Transfers						
Revenues	2,441.6	2,643.8	2,781.1	2,714.8	2,754.5	2,754.5
Revenue Enhancements	0.0	0.0	0.0	70.8	70.8	55.9
Other Sources	325.6	360.4	384.4	364.1	394.1	394.1
Subtotal	2,767.3	3,004.2	3,165.6	3,149.7	3,219.4	3,204.5
Cash Stabilization Fund	(56.2)	(60.6)	(64.1)	(63.8)	(64.4)	(64.4)
Total Available	2,761.1	2,979.0	3,142.2	3,138.0	3,155.1	3,154.3
Projected Expenditures	2,726.5	2,926.9	3,142.1	3,123.9	3,377.4	3,154.0
Free Surplus	24.5	38.6	0.1	14.2	(222.4)	0.3
Reappropriations	10.1	13.5	-	-	-	-
Total Ending Balances	34.6	52.1	0.1	14.2	(222.4)	0.3

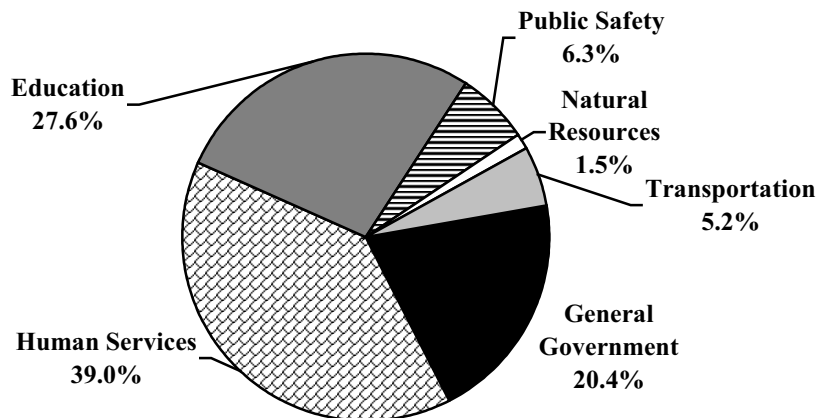
All funds expenditures for FY 2007 are \$6.580 billion. Of this total, \$3.154 billion or 47.9 percent is from general revenue, \$1.916 billion, or 29.1 percent, from federal funds, \$1.365 billion, or 20.8 percent, from other sources, and \$145.3 million, or 2.2 percent, is from restricted or dedicated fee funds.



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On a functional basis, the largest percentage of expenditures are made in the Human Services area, which comprise \$2.568 billion, or 39.0 percent of the total budget. This is followed by spending for Education of \$1.813 billion, which comprises 27.6 percent of all spending, and expenditures for General Government of \$1.345 billion, equaling 20.4 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$853.5 million, or 13.0 percent of the total budget.

Expenditures By Function



Controlling Growth in Entitlements

To understand the ongoing structural budget issues that the State faces, it is necessary to have a full appreciation of the extent of program entitlements and fixed costs. The State Budget assumes a large, ongoing commitment just to maintain the current level of service in Medicaid programs such as Rite Care and Long Term Care. Much of these costs are driven by state and federal statutory obligations, federal rules or regulations, or through programs operated through waivers approved by the federal government. Client increases resulting from normal population growth, or the powerful effects of inflation and market forces in areas such as healthcare and drugs, can require millions of additional dollars each year, even if there are no program enhancements. Left unchecked, the growth in entitlements will drive the State onto the road of financial instability. Controlling growth in entitlement programs cannot occur overnight. Most of the actions proposed by Governor Carcieri will result in short-term benefits and will lead to more significant benefits to taxpayers for a number of years. However, failure to initiate the process means that these benefits will never be realized.

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Welfare Reform

Growth in certain entitlement programs such as the welfare program, and Medicaid is driven by mandates from the federal government, but the State has expanded beyond the mandated programs. Governor Carcieri recommends that these programs be modified to bring Rhode Island's benefits more in line with benefits offered by other states. Another factor

driving these proposals is that Congress is expected to require changes to state programs to remain eligible for federal grants.

In 1996 Congress enacted the Personal Responsibility and Work Opportunities Reconciliation Act of 1996, which established a lifetime limit of 60 months on cash assistance received through the federal Temporary Assistance for Needy Families (TANF) block grant. Congress established a clear expectation that cash assistance should be temporary and that adult recipients should be expected to work and pursue self-sufficiency. At the same time, states were given the flexibility to reform their welfare programs to achieve these goals. As a result, nationwide millions of families have been able to end their dependency on welfare and achieve self-sufficiency. Some states developed shorter time limits on cash assistance while other states, like Rhode Island, adopted the federal 60-month time limit but only for parents; children in very low income families may remain on cash assistance until their family's income increases above the FIP program standard. It is clear that the federal government will continue to increase pressure on state governments to decrease the dependency by increasing the work participation required, in order for parents to become accustomed to a full work week.

On or about February 1st, the U.S. House of Representatives is expected to vote on the Deficit Reduction Act, which includes the Reauthorization of TANF, as already been passed by the Senate). If signed into law by the President as drafted, on October 1, 2006 there will be much greater restrictions and thus challenges on all states in achieving the pre-existing work participation rates of fifty percent for all families and ninety percent for two parent families. The expected federal changes include an expanded definition of which cases must be included in work participation rates, as well as a rebasing of the time period when states receive credit for their caseload reductions. TANF Reauthorization contains significant financial penalties for states that fail to meet these requirements.

Rhode Island enacted the Family Independent Act (FIA), which allowed a full 60 months of benefits in order to assist families to reach self-sufficiency and to avoid recidivism to cash benefits. Although Rhode Island has been successful in reducing its caseload by 46 percent since May 1997, it is clear that pending federal changes will challenge Rhode Island to do more. To address these challenges the Governor proposes the following changes to the Family Independence Program (FIP).

The Governor proposes reducing time limits and strong enforcement of compliance with employment plans. He recommends actions to strengthen child support for families receiving child care, and provides funding exhibiting a strong, continuing commitment to child care, while assuring that the most needy qualify for assistance. The proposal builds a foundation for helping even more families to achieve self-sufficiency, for helping those finding jobs to succeed and progress in employment and for helping to build stronger, healthier families.

Overview

***Rhode Island -
Welfare Reform***

The Governor proposes to revise the computation of time limits for Rhode Island's FIP population while continuing the strong supports of child care, health care and employment skills training, which have been provided in the past. The Governor's proposals are targeted to strengthening the existing work requirements and providing stronger incentives for parents to become employed and self-sufficient more quickly, thus shortening their time on FIP cash assistance.

The proposal includes these specific changes:

- Strengthen work requirements by requiring that FIP applicants have a signed employment plan before commencing receipt of cash assistance for a general revenue savings of \$1.4 million, and sanction families who do not comply with their plans after three months of non-cooperation (compared to the current 18 months), for additional general revenue savings of \$1.5 million. This will assist Rhode Island in improving work participation of FIP families in order to meet the more stringent rates and expanded categories of cases under the new TANF rules.
- For families enrolled in FIP after July 1, 2007, reduce the maximum number of months of eligibility from 60 to 30 months.
- Increase the work requirement for two-parent FIP participants from 30 to 35 hours per week. Focus staff efforts on two parent families to ensure that these families are working the required 35 hours per week, for a savings of \$1.3 million in general revenue. This will greatly enhance Rhode Island's ability to achieve the two-parent work participation rate in the new TANF rules.
- Establish a process for counting time on welfare in other states. This was a principle in the original establishment of federal TANF "clocks" and the Governor proposes to take into account any time a welfare client has received federal benefits in another state. This saves \$83,538 in general revenue.
- Implement a graduated \$25 benefit reduction after 24 months of assistance for families who are required to work. The benefit is reduced by an additional \$25 after 36 months, \$50 after 48 months and \$75 after 60 months. This graduation is intended to gradually reduce the family's reliance on cash assistance as they approach exhaustion of eligibility for benefits.
- Tighten eligibility for child care in order to ensure that assistance is provided to the most needy by implementing a \$10,000 resource test and mandate referrals to Child Support Services. This saves \$904,769 in general revenues.
- Increase co-share for childcare for the higher income levels of 150 percent of the federal poverty level and above. The average increase per week per child would be \$13. This saves \$1.4 million in general revenues, while still continuing support of the State's Child Care Program at high levels of funding (\$73.7 million).
- Delay a scheduled rate increase for child care providers. The Governor recommends deferral of the market survey for child care rates for one year, and a review of the methodology to determine the amount the state pays. This saves \$1.4 million in general revenues.

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While the number of Medicaid-eligible clients, including those receiving health insurance through the Rite Care Program, is projected to remain relatively stable, the costs would increase by over eight percent due to medical inflation. The State's share for all Medicaid programs is also increasing due to an unfavorable change in the Medicaid match rate which declined for Rhode Island due to the growth in our personal income. To mitigate the extraordinary growth in what otherwise would be required to fund Medicaid and other safety net programs; the Governor is recommending the following actions:

***Curtailing
Medicaid Growth***

- Eliminate Rite Care eligibility for parents in families with incomes in excess of 133 percent of the federal poverty level, down from the current eligibility limit of 185 percent of poverty for parents, saving \$9.1 million general revenues. Eligibility for children will remain at the current limit of 250 percent of the federal poverty level.
- Remove Rite Care benefit for all undocumented children saving \$4.0 million, all general revenues.
- Rhode Island families with children with a family income up to 133 percent of the federal poverty level, or income of \$25,736 for a family of four, will continue to be eligible for coverage under the program. Co-sharing of premiums apply for income above this level, which will retain coverage for children up to an annual income level of \$48,375 for a family of four. General revenue savings are estimated at \$1.1 million.

***Medicaid Operational
Efficiencies***

In an effort to provide the highest possible level of benefits to the Medicaid population in this challenging fiscal year, savings plans to be implemented by the Department of Human Services include savings in provider/vendor relationships and client cost-sharing measures totaling \$33.1 million, including \$15.3 million in general revenue funds. These cost containment initiatives are quite similar to those implemented by most other states, all of whom face the same type of Medicaid cost pressures as Rhode Island has experienced. Highlights include:

- Enhance Pharmacy Rebates and Establish a Preferred Drug List for fee-for-service clients, saving \$1.9 million general revenues.
- Expanding slots in the self-directed waiver program for PARI clients (\$340,860 GR)
- Managed care for adults with disabilities, on a voluntary basis (\$750,577)
- Establish pharmacy co-payments for fee-for-service Medicaid (\$633,333)
- Enroll dual eligible Rite Care in Part D Medicare (\$1,690,043)
- Enhance federal reimbursements for clinical consultants, refugee services (\$517,385)
- Prior authorization for high cost imaging servicing (\$339,000)
- Establish respite as a Medicaid eligible service for children (\$448,489)
- Defer a scheduled Nursing Home COLA by three months (\$1.2 million)
- Restructure Provider Reimbursements for Rite Care (\$4.0 million)
- Reimburse Pharmacies for Fee-for-Service Clients at WAC plus zero percent, a reduction from WAC plus five percent (\$1.6 million)
- Adopting formal Principles of Reimbursement of Health Centers (\$706,800)
- Restructure Neonatal Intensive Care Utilization Review regulations and policies (\$1,500,000)
- Reduce Transitional Medical Assistance periods for FIP clients (\$195,427)
- Modify Community Spouse Resource Calculation for Long Term Care clients (\$417,797)

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The Governor recommends continuing the phase out of the Motor Vehicle Excise Tax by increasing the exemption amount from \$5,000 to \$5,500 per vehicle. The Governor recommends total funding for the Motor Vehicle Excise Tax Phase-out program of \$129.1 million, an increase of \$11.2 million over the revised FY 2006 budget. Funding of \$6,093,500 from Video Lottery Terminal revenue is included in the total funding for this program. The legislation earmarking these VLT revenues to the phase-out program requires that this funding be sufficient to achieve an additional \$500 exemption before being committed to this program. The estimated requirement to achieve an additional \$500 exemption is \$7.5 million, thus the VLT revenues would not be sufficient to meet the required funding level to authorize the next exemption level. The Governor, however, recommends supplementing the VLT revenues with the additional funds necessary to increase the exemption level from \$5,000 to \$5,500 in FY 2007.

***Property Tax Relief
Increase in FY2007***

***Centralization of
Management
Functions***

The Governor's Fiscal Fitness team examined twenty-eight separate departments and agencies. While each works hard to be productive, often the independence results in operational inefficiency, inappropriate prioritization of projects on a statewide basis, and in many cases, inconsistent, and even, conflicting policy development. Other state governments and most companies, which use modern technology have realized tremendous savings and increased productivity through targeted centralization. The potential benefits of centralized functions are most evident in four areas: Human Resources, Facilities Management, Information Technology, and Legal Services. To implement the Fiscal Fitness recommendations, the FY 2007 Budget reflects the continued transfer of positions from various departments and agencies to the Department of Administration. The budget also includes two new internal service funds to record the activities of these programs. The Department of Administration has engaged a consultant, Maximus, to prepare and negotiate the Statewide Cost Allocation Plan, and to develop federally approved charge-back methodologies for the centralized internal service funds.

The Governor proposes comprehensive reforms to the personnel system which will result in both savings to the taxpayers and a better system to provide state employees with human resource support. The goal is to provide an environment that grows well trained, hard working employees, that are rewarded for their contributions and respected by the citizens in our state.

***Personnel
Reform***

The proposed personnel reform will replace an outdated "longevity" system for pay increases with a "merit" system for compensation bonuses commencing in FY 2008. The longevity system is automatic and based solely on how many years an employee has worked for the state. The merit system rewards those employees who are competent and satisfy the job accountabilities. The Governor recommends that elimination of 20-year statutory status for state employees to allow greater management flexibility in setting overall employment levels. The Governor recommends that state government operates with fewer state employees and that several measures be taken to reduce costs. Overall the personnel reforms, discussed in further detail in this document, are expected to save over \$50.0 million.

***Improving Financial
Management Systems***

The Governor recommends funding in FY2006 and FY2007 to strengthen its overall financial management capabilities by providing easy to use and fully integrated systems for the users of the state's financial data. The State is implementing Oracle modules to replace the current less integrated procurement and payment systems. These will support an

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enterprise budget planning system which will be integrated with the accounting system and available to the Budget Office, departments and agencies, and the General Assembly to enhance the budgeting process.

The Governor has focused increased resources and attention to improving the timeliness of the State's financial reporting. Prior to Fiscal Year 2002, the State's audited annual financial report had typically been completed approximately six to nine months after the close of a fiscal year. The report for the year ending June 30, 2002 was completed sixteen months after the close of that year. There were two primary reasons for this delay, compliance with GASB Statement 34 which requires the inventory of fixed assets, and the introduction of a new accounting system which. The 2003 report was completed sixteen months after the close of the fiscal year due to the late start on the FY 2003 audit and some continuing issues with the reconciliation and fixed assets reporting. The report for the fiscal year ending June 30, 2004 was issued in July 2005, thirteen months after the close of the fiscal year. Due to the increased resources from the executive branch, and the diligence of the Office of the Auditor General in the post audit stage, it is expected that the report for the fiscal year ending June 30, 2005 will be on time this year -- in February 2006, seven months after the close of the fiscal year.

Local education aid funding increases \$41.0 million or 5 percent in FY 2007. The increase in general aid distributed directly to municipalities is designed to be equivalent to the increase by city and town in local share of teacher retirement contributions, or \$18.7 million. The Governor also proposes increasing the State's share of teacher retirement costs from 40 percent to 50 percent beginning in FY 2008. Additionally, the Governor recommends pursuit of a number of initiatives from: "Project Making the Grade - The Governor's Blue Ribbon Panel on Mathematics and Science Education: An Action Plan for Rhode Island." These initiatives include:

***Local Education Aid
up \$41.0 million
Or Five Percent***

- \$850,000 is provided for activities related to professional development within the areas of mathematics and science instruction.
- Physics First, a program that supports the purchase of physics texts and chemistry lab equipment in five pilot high schools, is financed at \$425,000, with an additional \$100,000 of set-aside funding from professional development to be used to expand the program into other high schools.
- Project Inner Space, which brings the study of oceanography and archaeology to Rhode Island classrooms via advanced "telepresence" technology, is financed at \$240,000.
- A statewide science curriculum and the implementation of alternative certification program as part of the RITER project, financed at \$200,000 and \$75,000, respectively.
- A new position of Mathematics and Science Project Manager, responsible for overseeing the successful implementation of these and other projects is financed at \$120,000.

Additionally, the Governor recommends funding of \$240,000 for the development of proficiency-based graduation standards, \$158,000 to develop and support programs strengthening school and district leadership. Taken together, these initiatives constitute a total general revenue outlay of \$2.5 million in FY 2007. The Governor recommends funding for innovative technology to upgrade teacher training programs to better prepare teachers to inspire their students to excel in science, technology, engineering and mathematics.

***Encouraging Local
Government Efficiency***

The Department of Elementary and Secondary Education, under the guidance and leadership of the Board of Regents, has formulated a variety of statewide initiatives designed to achieve significant local efficiencies

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and thus reduce the long-term financial burden of school districts. Efficiencies planned for FY 2007 include a statewide school lunch contract and continued support to a consolidated statewide information system. Regionalization of heating oil and natural gas purchases, as well as studies concerning the feasibility of cross-district busing and a statewide health contract are also being pursued. Many districts currently use the existing collaborative system to achieve systems efficiencies; state efforts will focus initially on expanding these regional efforts to a statewide level whenever possible. The Department of Education will collaborate with the Department of Administration, Division of Purchasing, in these efforts, and both long- and short-term activities are already underway. Ongoing developments in these areas are also framed within the context of the overall State Education Aid discussion, with the goal that additional state support will leverage aggressive local effort to implement these programs and use resources more efficiently. The Governor also recommends the creation of a metropolitan school district to promote cost efficiencies at the local level.

***Paying Down Retiree
Health Unfunded
Liability***

The Governor recommends making a substantial downpayment (\$100 million) on the State's unfunded liability for retirees, funding through one-time revenues deposited into a trust fund. The State of Rhode Island finances its retiree health coverage on a pay-as-you-go basis, essentially paying for the actual costs of retiree health care as it is incurred. In April and June of 2004, the Government Accounting Standards Board issued

two standards regarding other post-employment benefits (OPEB) other than pensions. The first of these standards, known as Statement 43, addresses accounting by plans that administer OPEB. The second of these standards, known as Statement 45, establishes accounting and reporting requirements for state and local governments that provide OPEB. The implementation deadlines for these standards for the State of Rhode Island are FY 2007 for Statement 43 and FY 2008 for Statement 45. The State currently has no plan that administers OPEB to eligible retirees. Regardless of this fact, the State will have to report its unfunded OPEB liability beginning in FY 2008.

In 2004, in anticipation of the issuance of these GASB standards, the Budget Office commissioned an actuarial study to determine the amount of the State's unfunded OPEB liability. This actuarial study revealed that as of June 30, 2002 the State's unfunded OPEB liability was \$629.9 million assuming a discount rate of 8.25 percent. GASB standards allow the State to amortize this unfunded liability over 30 years if the state decides to establish a plan to administer OPEB to eligible retirees. According to the actuarial study conducted on behalf of the Budget Office, the 30 year amortization of this unfunded liability would require annual contributions equal to 8.57 percent of active employee payroll. This contribution would be in addition to the contribution the State makes for pension benefits.

In the FY 2007 budget, the Governor recommends the establishment of the "Retiree Health Care Trust Fund" for the purpose of financing retiree health benefits and paying down the current unfunded liability beginning in FY 2008. The Governor believes that the statutes entitling eligible retirees for health care benefits appeared to have envisioned a fully funded, actuarially determined trust fund within the Employees Retirement System of Rhode Island (see Rhode Island General Law, Section 36-10-2(d)). , The Governor further proposes that an initial deposit of approximately \$100.0 million be made into this trust fund from a portion of the proceeds from the securitization of the residual tobacco master settlement payments the State expects to begin receiving sometime after 2023.

Finally, the State has requested that the actuary that completed the original OPEB study update its analysis of the State's unfunded OPEB liability. The Administration anticipates that the results of the updated analysis will differ from the original study due to changes in the final standard adopted by GASB, changes resulting from pension reform for non-vested members (i.e. age of retirement), and changes in actuarial

Overview

assumptions due to the experience study performed after the first retiree health valuation. It is expected that the State would evaluate the results of these actuarial cost estimates when preparing recommendations for the FY 2008 budget.

To facilitate the implementation of the Retiree Health Care Trust Fund, the Governor recommends that the Department of Administration work group which has been studying this issue be expanded to include broader representation. Given that nearly all of Rhode Island's cities and towns will face similar unfunded liabilities for OPEB, the Governor believes that the State could offer or promote efficiencies in establishing municipal retiree health care trusts, such as allowing the State Investment Commission, to manage all of the entities' trust assets. Currently, the State Investment Commission is responsible for the investment and management of the assets in the Employees Retirement System of Rhode Island and the Municipal Employees Retirement System. The pooling of state and municipal assets has allowed the SIC to negotiate lower investment management fees than would otherwise be possible. In furtherance of this objective, the Governor recommends two additional full time equivalent positions in the Department of Administration in FY 2007 to prepare for implementation and to administer the fund.

The Governor recommends using approximately \$100 million in one-time revenues to establish a trust fund to subsidize the costs of providing health insurance to individuals and small businesses. The Trust for Rhode Island Health Insurance (TRIHI) would be a public board established for overseeing the use of assets expressly for the purpose of promoting affordable health insurance products for the benefit of all Rhode Islanders. These health insurance products would promote affordability and improved public health by public oversight of their benefit design, pricing and administration. The TRIHI would monitor financial performance of the assets, approve the use of the interest earned on these assets to create market incentives for the purchase of state-certified health insurance products by targeted populations, and approve the use of the principal of these assets towards purposes which improve the affordability of health care without jeopardizing the stability or value of the principal itself.

*The Trust for Rhode
Island's Health
Insurance- Reducing
Health Insurance costs
for over 10,000 citizens*

The Board would be supported administratively by the Office of the Health Insurance Commissioner (OHIC). The process of selection, certification and administration of health insurance products (known as SelectCare) would be prescribed statutorily in proposed legislation. The estimated \$5.0 to \$10.0 million in annual investment returns would be reinvested in affordable health insurance incentive programs, targeted to segments of the insurance market and/or segments of Rhode Island's working population, and will be coupled with other incentive programs to reduce health insurance rates for ten to twenty thousand Rhode Islanders. OHIC would work closely with other state agencies – notably the Executive Office of Health and Human Services – to ensure coordination of efforts and resources. The goal of affordable health insurance for all Rhode Islanders will only be accomplished through a process of collective decision making and investment. These assets represent a permanent investment in the attainment of this objective.

The Governor's proposed FY 2007 – 2011 capital budget reflects the second year of the Grant Anticipation Revenue Vehicle bonds (GARVEE) program which along with funding from motor fuel bonds will finance \$679.9 million for five major construction projects. The State has issued the first series of the bond program in 2003 and is planning on issuing the second series in 2006, and the third series in 2009. The projects being financed under this program are the I-195 Highway Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, and the Quonset Rt. 403 highway construction, plus amounts for completion of the Freight Rail Improvement Program. FY

*Focus on
Transportation
Infrastructure*

Overview

2006 marked a significant increase in Rhode Island implementation of the Transportation Reauthorization Bill known as the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Under this program, Rhode Island will receive an average of \$189.0 million per year, based on a limitation assumption of 87 percent of apportionments. This represents an increase of \$25.2 million over the amounts provided by the previous Transportation Equity Act of the 21st Century (TEA-21) for various highway and mass transit projects, however within that amount there are more “earmarked funds” than in the past. This actually reduces the amount of flexible funds available for regular program. The new federal funding will allow continued commitment to a state intermodal system which would reduce traffic congestion, air quality concerns, and reduce the number of heavy vehicles on Rhode Island’s roadways through enhanced rail capacity.

***Funding for
Affordable Housing
has Created 1,991
Units***

The Governor proposes to continue funding of \$7.5 million for the Neighborhood Opportunities affordable housing program and recommends that this funding be provided by a financing through the Rhode Island Housing Mortgage Finance Corporation, with the State financing the associated debt service costs. This will bring funding for this program since its inception to \$35.0 million. Since its inception in 2001, the Neighborhood Opportunities Program has funded the construction or rehabilitation of 940 housing units from its three program funds. This includes the production of family housing, permanent supportive housing, and homeownership opportunities. These housing units are located at sites that have produced a total of 1,991 affordable housing units. In FY 2006, Governor Carcieri created the Office of Housing and Community Development to ensure an effective and cohesive approach to affordable housing.

The Governor proposes funding for the establishment of an after hours emergency response program for abused or neglected elders in need of urgent care. Implementation of this program will close the gap in time, during which the Department of Elderly Affairs is unable to coordinate responses to reports of elder abuse or self neglect. The Department will now be able to provide short-term crisis mediation for vulnerable seniors, including finding safe placements, coordinating immediate care plans, and referral of criminal incidences, if required. The Governor also recommends funding in the capital budget for the Elder Center to be located at the Pastore Center which will serve as a one-stop service center.

***Support for
Elders in Crisis***

***Support for Those
Who Respond in time
of Need***

The Governor proposes several programs to assist members of the National Guard who have been relied upon so heavily in the recent years. The Governor proposes to add \$200,000 for tuition benefits to fully fund the established program at the state university and colleges. Funding is also included for the Life Insurance Subsidy for Active Duty Guardsmen, and it is recommended that the subsidy be increased to cover a \$400,000 policy limit, as opposed to \$250,000. The Governor proposes a legislative change which would provide military pay equalization for state employees who are active duty guardsmen and reservists, so that no member receives less pay that they would if they were working in their state job. The Governor is recommending that the Emergency Operations Center be relocated at a rehabilitated Varley Building at the Pastore Complex. The State’s E-911 emergency call center and the State’s computer are also to be located at this site. For a further discussion of the State’s activities relating to preparedness, see “*Readiness to Respond*” in this document.

Overview

***Investing in the
Future-Innovative
Technology Initiative***

The Governor proposes that \$80.6 million over 5 years be provided to enhance technology in the State. The proposal includes projects to improve State Government information technology and projects with statewide interest in the areas of education, healthcare, and pilot projects to expand wireless internet applications. Rhode Island must strengthen its technology to enable an innovation economy and to solve the real problems of our day. The Governor recommends \$15.4 million from general revenues over a five-year period for the installation of a modern statewide financial management system. The remaining \$65.2 million in Innovation Technology financing would be provided by certificates of participation and would fund specific public policy areas and infuse the investment needed to significantly strengthen the state's platform for innovation and deliver real value to Rhode Island citizens. State government projects include a replacement of the outdated system presently used by the Division of Motor Vehicles (\$12.8 million), equipment for the new State Police Headquarters (\$2.8 million), new radio towers for the State Police (\$3.4 million), enterprise infrastructure upgrades (\$3.9million), technology needs and enhancements related to the consolidation of the State Computer Center, E-911 and the Emergency Operations Center (\$5.0 million), and integrated, web based licensing capability (\$1.0million).

To support more efficiencies and better training in the educational system, the Governor recommends \$15 million of technology funds over five years which would focus on "Inspiring Excellence in Science, Technology, Engineering, and Mathematics (STEM)". The Governor recommends funding for innovative technology to upgrade teacher training programs to better prepare teachers to inspire their students to excel in science, technology, engineering and mathematics. Projects that qualify may include but are not limited to Rhode Island Department of Education's - Student Information System and its rollout to school districts as well as specific funding to support teacher professional development in the use of innovative technologies or techniques, including our state's teacher preparation programs. The "SMART" Classrooms Program will significantly upgrade teacher preparation facilities at Rhode Island College and the University of Rhode Island by infusing technology into our teacher training programs, creating a Center for Excellence in Mathematics, Science and Technology Education, and upgrading mathematics and science classrooms and laboratories.

To support more efficiency in an industry that impacts every Rhode Islander, the Governor recommends pursuit of the Health Information Exchange System (HIE) funded at \$20 million over five years. The HIE will be able to identify where a patient has medical information located, connect their personal health data from the various health care providers and facilities, and make the combined data available and easily accessible to authorized health care providers. The data exchanged through the HIE will include laboratory data, medication information, allergies, emergency room and hospital discharge summary reports, pathology reports, outpatient and surgical procedure reports, radiology images and reports, diagnosis and problem list, immunization and preventive child health data (lead screening results, newborn screening results) and other health information deemed to be critical. The development of a robust and fully functional HIE will also maximize the effective use of technology by patients, providers, policymakers and researchers to realize significant and continuous improvements in the quality and outcomes of health care delivery in the state, and to protect the public's health.

RI-WINs was launched in 2004 by the Business Innovation Factory to create a statewide, border-to-border, wireless broadband network that breaks down barriers to innovation, improves interoperability among new products and technologies, and establishes Rhode Island as an ideal place to explore and test new business models. From an economic development perspective, access to a border to border wireless network will attract business to Rhode Island. The Governor recommends \$500,000 for pilot projects

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promoting the collaborative development and integration of innovative wireless enterprise application solutions.

In the public safety area, the lack of interoperable communications is the primary deficiency keeping first responders from effectively coping with disaster. Until first responders can effectively communicate with each other as well as government officials, the response to emergencies will be inadequate. RI's Communications Work Group and DoIT have been working to remedy that deficiency, coordinating efforts and attempting to marshal available funding to build a statewide interoperable radio network. The Governor recommends that these efforts be focused on federal homeland security funds received or to be received by state *and* local governments, with the State coordinating the effort by pooling community resources to develop a statewide interoperable system.

Personnel System Reform

*Need and Goal of
Personnel Reform*

The Governor proposes a comprehensive reform to the personnel system which will result in both savings to the taxpayers and a better system to provide state employees with human resource support. The reforms are designed to ensure that the state work force, including those employees that protect children and the elderly; that help low income families and displaced workers get back on their feet, health care for our more vulnerable citizens; that protect our environment; and safeguard our prisons and our cities, have the supports to succeed in jobs that are often difficult and pressure packed. There is little doubt that our existing system has presented roadblocks to these objectives, instead of providing solutions. The existing system hampers the State's ability to attract and retain more competent, reliable and well-trained employees. In too many instances, the system has failed to provide a challenging and rewarding work environment for those who have chosen State service as their career.

In order to advise the Department of Administration on the implementation of the reforms, the Governor recommends the creation of a Career Service Advisory Group. This group will help ensure that the reforms will serve as the impetus for a cultural change in state human resource management. The modernization of our human resource system will give employees more job mobility and career advancement opportunities while, at the same time, giving agencies more flexibility in meeting the needs of their constituents. The goal is to provide an environment that grows well trained, hard working employees, that are rewarded for their contributions and respected by the citizens in our state.

All large organizations, whether public and private, must cope with similar challenges. In order to keep pace with both sectors, the state must review and revise the rules and processes relating to hiring, performance evaluation; compensation, training; corrective/disciplinary action, and the collective bargaining process.

The proposed personnel reform will replace an outdated "longevity" system for pay increases with a "merit" system for an increase in pay commencing in FY2008. The longevity system is automatic and based solely on the number of years an employee has worked for the state. The merit system rewards those employees who are competent and meet the job accountabilities. That change will be applauded by the many talented and hard-working state employees who have been measured under the present system simply by "years on the job". Standards in both the public and private sector judge this approach to be a more cost-effective and equitable way to reward and compensate employees.

Supervisors in State government are provided very little, if any, training or support. Management training sessions will help supervisors perform their jobs more consistently and effectively. Aided by the centralization of the human resource functions across state government, employees should receive more consistent messages concerning expectations of job performance, and consequences for non-performance. A training program has been developed by the Department of Administration to train all levels of managers on how to identify and communicate performance expectations to their subordinates and to turn managerial challenges into positive results. The goal is to train and assist our managers in solving problem behavior while focusing on respect and responsibility. Another change to enhance the employee/supervisor relationship is to change the probationary period for new hires from six month to one year to provide more ample time for performance evaluation. The protection provided to twenty year employees by "statutory status" will be removed, the ability for an employee to "bump" another employee with less seniority during a workforce reduction would be eliminated, and modifications will be made to make the Personnel Appeal Board's role consistent with disciplinary actions rendered by the employee's agency. Opportunities for job related training would be enhanced.

Personnel System Reform

***Personnel Savings -
Reduction in Force***

The Governor recommends that state government operates with fewer state employees and that several measures be taken to reduce the overall cost of the workforce. While attrition can present challenges to an employer, as knowledgeable and skilled workers leave state service, it can also present tremendous opportunities to restructure and rethink the way government services are delivered. Based upon the actual experience over the past six years, roughly 13% of all state workers leave their positions annually. Due to the aging of the “baby boomer” cohort of the workforce, approximately 27 percent of the State employee workforce will be eligible to retire in the next five years. That number increases to approximately 36 percent over the next ten years. A number of changes in personnel rules and statutes would achieve significant reductions in the number of employees by creating disincentives for active employees at retirement age to continue working. Such disincentives would include:

1. Eliminate any payout of sick leave after July 1, 2006. Generally an employee is entitled to receive full pay for 50 percent of all accrued sick leave over 390 hours up to and including 630 hours and 75 percent pay for all accrued sick leave over 630 hours up to 875 hours. At the maximum payout, a retiree could receive payment for more than eight weeks of salary. After July 1st, no state employees would receive any payout for sick leave.
2. Change the practice of allowing employees to carry over two years of vacation time. This would be modified to allow carry over of one years accrued vacation, after providing a one-year window to allow discharge of any accruals over the new one year limit. This will result in long-term reductions in severance payouts, as retirees currently can receive payment for up to two years of unused annual leave.
3. Eliminate statutory status. Currently employees with twenty years of service have “statutory status” and are provided a job at similar pay even if their job is no longer needed and is abolished.

It is projected that implementation of the above measures, in conjunction with constrained hiring practices, would save \$32.2 million in state general revenues and reduce FTEs by 419.4 in FY 2007.

***Personnel Savings -
Shut Down Days***

The State would shut down all non-essential operations on Monday, July 3rd and Friday, November 24th, thus eliminating payroll costs. For FY 2007, employees would take leave without pay on these days. Any employees working in 24/7 operations would be compensated at straight time pay. It is projected that implementation of this measure would save \$3.6 million in general revenues and \$6.7 million from all fund sources in FY 2007.

***Personnel Savings -
Longevity***

The Governor recommends the elimination of any new longevity payments that would be received in FY 2007 and thereafter for all employees. Currently employees receive longevity payments for services longer than 5, 11, 15, 20 and 25 years that are calculated as a percentage of salary increasing pay by 5, 10, 15, 17.5 and 20 percent, respectively. Cost of living adjustments are also applied to longevity payments. This proposal would freeze longevity amounts at existing levels on June 30, 2006, and no new longevity increment or cost of living adjustments would be applied to existing

Personnel System Reform

longevity amounts. It is projected that implementation of this measure would save \$2.0 million from general revenues and \$3.5 million from all fund sources in FY 2007.

***Personnel Savings -
Limited Service
Positions***

The State currently employs individuals from certain federal funds and other sources through an outside vendor. The vendor charges the state an additional 17 percent fee of the hourly rate to finance FICA and administrative costs. A new class of position would be created by legislation to allow for individuals to be hired as “limited service” employees thereby avoiding the administrative costs. These limited specific period positions would be hired under a contractual arrangement that would allow for limiting the duration of the hire to a specific date. The positions would receive workers’ compensation but no other benefits. This would satisfy the need to staff projects often financed from one-time federal funds or private foundation grants in a more cost-effective manner. It is projected that implementation of this measure would save a net of \$0.3 million from general revenues and a net of \$1.0 million from all funds in FY 2007.

***Personnel Savings -
Medical Benefits***

The Governor recommends the following changes in medical benefits to mitigate the rising cost of this category of expenditure:

- Discontinue COBRA transitional health insurance coverage for new retirees, by assigning retirees directly to the retiree medical plan. This is estimated to save \$0.3 million from general revenue sources, and \$0.6 million from all fund sources.
- Carve Out Pharmacy benefits for active and retired employees from the State’s medical insurance contract to a pharmacy benefits manager. Employee benefits would not be reduced, but the administration would be handled differently. This is estimated to save \$1.1 million from general revenue sources and \$2.2 million from all fund sources.
- Reduce the cost of budgeted medical insurance based upon medical claims trend. This is estimated to save \$2.3 million from general revenue sources and \$4.3 million from all fund sources. Employee benefits would not be reduced.

These three items reduce expenditures by \$3.7 million from general revenues and \$7.0 million from all fund sources in FY 2007.

Solutions for Health Care Challenges

***FY 2006
Opportunity***

The Governor recommends that the State work with the Tobacco Settlement Financing Corporation (TSFC) in order to make available funds from the FY 2002 securitization of the State's tobacco master settlement revenues. While the State received all of the amounts originally intended under the 2002 financing, the Administration sees an opportunity with respect to the debt service reserve funds that remain with the Corporation. This opportunity relates to obtaining a surety policy, or similar vehicle, to replace the cash debt service reserve fund, that was required at the time of original issuance. This debt service reserve fund was financed from the proceeds of the original bond issuance. There is currently \$51.9 million in the debt service reserve fund. The Governor recommends that the State and the Corporation seek to replace the cash in the debt service reserve fund with a financial instrument that would meet the requirements of the trust indenture and at the same time free up the cash in the debt service reserve fund for current use. The Governor's revised FY 2006 budget has included an estimated net amount of \$49.0 million as a result of this opportunity.

In June 2002, the Tobacco Settlement Financing Corporation (TSFC) was formed for the purpose of securitizing the State's future revenues due under the tobacco Master Settlement Agreement entered into by the Attorney General in November 1998. The Corporation issued \$685,390,000 of bonds to finance the acquisition of one hundred percent of the State's tobacco settlement receipts for the period 2004 through 2043. The net proceeds of the sale, after financing the cost of issuance, capitalized interest, and the debt service reserve fund, totaled \$544.2 million. The state utilized \$295.3 million in June 2002 to defease \$247.6 million of outstanding general obligation and certificate of participation debt (or \$295.5 million reflecting the accreted value of capital appreciation bonds). The remaining \$248.9 million was made available for operating budget expenditures in the FY 2002 – FY 2004 period.

***Background on the
Tobacco Settlement
Financing Corporation***

The debt defeasance resulted in debt service savings of \$51.6 million in FY 2003 and total debt service savings through FY 2012 of \$343.5 million. The debt service savings were realized as monies no longer needed to be appropriated for the payment of the defeased bonds' principal and interest. The defeased debt is guaranteed by an escrow account established with the proceeds from the securitization and thus, those bonds are no longer considered a debt of the state. Additionally, the bonds issued by the Tobacco Settlement Financing Corporation are secured solely by pledged tobacco settlement revenues and thus, the TSFC bonds are also not a debt of the state. The net impact of this transaction reduced the State's outstanding debt, and improved its debt ratios. The state effectively shifted the risk of non-collection of master settlement revenues to the holders of the TSFC bonds. It should be noted that since this transaction, there have been many larger tobacco settlement bond issues executed by other states. In some of these cases, the issuing state has had to provide some type of auxiliary guarantee to receive favorable yields on the bonds. In addition, some states which have not yet issued are considering a direct state guarantee or pledge of moral obligation in order to make the bonds more appealing to investors. The State of Rhode Island did not provide such auxiliary guarantees or pledges when it securitized its rights to receive the tobacco master settlement revenues.

At the time of issuance in 2002, the Tobacco Finance Settlement Corporation's bonds were rated A1, A-, and A, by Moody's Investors Service, Fitch Ratings, and Standard and Poor's Ratings Service respectively. As of January 26, 2006, the TSFC's bonds have been downgraded to Baa3, BBB, and BBB by each of the ratings agencies. In general, the overall downgrading of the TSFC's debt and other similarly secured debt was the result of the increased vulnerability of tobacco companies to adverse litigation in some jurisdictions and concerns about litigation relating to the model statutes enacted in the various states. As of June 30,

Solutions for Health Care Challenges

2005, \$674,830,000 of bonds were outstanding. In accordance with Government Accounting Standards Board Technical Bulletin No. 2004-1, the financial statements of the TSFC do not recognize a positive carrying value for the future revenues to be received under the tobacco Master Settlement Agreement.

Like all states, Rhode Island faces numerous challenges relating to the financing of health care for its residents. Two major challenges facing the State are the unfunded liability for the health benefits earned by state employees and some teachers and the lack of affordable health insurance coverage for Rhode Island residents. The Governor believes that significant progress in addressing these two challenges can be made with a one-time dedication of resources. The Governor recommends that the

***Tobacco Opportunity
Provides Long Term
Solution to Health
Care Challenges***

Tobacco Settlement Financing Corporation (TSFC) execute another bond transaction that would securitize the residual payments due to the TSFC upon the retirement of the Series 2002A and Series 2002B Tobacco Settlement Asset Backed Bonds. Under the terms of the June 2002 tobacco securitization, the TSFC was required to “turbo” the principal and interest payments it made. The effect of this “turbo” provision was to accelerate the retirement of the original bonds to possibly as early as 2023 at which time the residual tobacco settlement receipts would revert back to the State. Currently market conditions for the issuance of such securities are favorable despite the fact that significant litigation risk and unpredictable consumption risk are still present and could negatively impact the revenue flow that supports the bonds.

Such a transaction is expected to yield in excess of \$200.0 million and, once again, the debt the TSFC incurs from this transaction would not be considered an obligation of the State. The Governor proposes that approximately \$100.0 million of the potential \$200.0 million of proceeds, be deposited in the “State Employee Retiree Health Care Trust” that he recommends be established in FY 2007. Allocation of \$100.0 million to this trust will provide for an immediate reduction in the State’s unfunded retiree health care liability, which was last estimated to be nearly \$630.0 million. The Governor recommends that the remainder of the proceeds, an additional \$100 million, be deposited into the “Trust for Rhode Island’s Health Insurance” established in conjunction with a comprehensive legislative proposal to improve access to affordable health insurance for all Rhode Islanders.

Readiness to Respond to Emergencies

*Preparedness for
Public Health
Emergencies*

An important role of government is to protect public health by responding quickly to threats to the health and well being of its citizens. Since 1999, the Rhode Island Department of Health has been engaged in the Public Health Preparedness and Response for Bioterrorism Cooperative Agreement with the Centers for Disease Control and Prevention (CDC). In Grant Year 5 (August 31, 2004-August 30, 2005), the State of Rhode Island received \$6,561,277 in federal funding through this cooperative agreement.

During the grant year, the funding has been allocated throughout the Department of Health to enhance emergency preparedness planning and response, disease surveillance, biological and chemical laboratory capacity, information technology and redundancy, public information and communication, and training.

The biological and chemical laboratories received \$1.78 million dollars from this cooperative agreement to increase response capacity, purchase state-of-the-art equipment, and train laboratorians on necessary tests for chemical and biological agents. A new laboratory unit within Health Laboratory dedicated to chemical terrorism agent detection and biomonitoring activities was opened in 2004 and was fully operational for its first year during Grant Year 5.

A major accomplishment in disease surveillance was the change from a seasonal to a year-round sentinel healthcare provider surveillance system. As pandemic flu planning occurs statewide, the sentinel providers, who report influenza surveillance activities throughout the state, become an essential asset for identifying new influenza cases. In addition, work is being conducted in syndromic surveillance to enhance real-time data collection in hospital Emergency Departments, over-the-counter drug sales in retail pharmacies, and outpatient physician visits to military facilities. The FY2007 budget includes funding for purchase of Tamiflu by the Department of Health.

Environmental Health emergency response projects included the development of a nationally recognized tool for assessment of the vulnerability of building air-handling systems to intentional or accidental contamination by chemical, biological or radiological agents. Training was conducted with external partners, including the public school maintenance directors and local emergency management directors. Planning and drilling for responses to food-, water-, or air-borne illnesses or threats is ongoing.

An informatics committee has been developed to inventory the Information Technology that is currently in use at HEALTH and to formulate a gap analysis to enhance emergency response capabilities. Tablet computers have been purchased for use in the field by food inspectors during foodborne illness outbreak investigations, the Public Health Directory is being constructed to allow the Department of Health to deploy necessary personnel and partners during an emergency, and the Geographic Information Systems (GIS) capabilities have been enhanced to allow for a more robust response.

In an effort to get Rhode Island's citizens involved in preparing for and responding to disasters, the Office of Health Communications prepared and mailed to every Rhode Island household a 16-page booklet on public health emergency preparedness entitled, "Make a Kit. Make a Plan. Stay Informed." Copies in eight additional languages are available at public libraries and appropriate community-based agencies.

The Department of Health funded partnerships with the Center for Biodefense and Emerging Pathogens (CBEP), University of Rhode Island, and Brown University to provide various types of emergency preparedness training to community partners, first responders, colleges and universities, corrections staff, drug rehabilitation facilities staff, public information staff, pharmacists, the Rhode Island Medical Reserve

Readiness to Respond to Emergencies

Corps (RI MRC), laboratory directors, hospital infection control practitioners, and other healthcare providers. During this grant year, HEALTH also participated in over 20 exercises and real-world events.

***Plans to Respond to
Terrorism or Other
Emergencies***

The Rhode Island Emergency Management Agency serves as the lead state agency for Homeland Security programs. Since the attacks of 9/11, more than \$60 million in federal grant funding has been made available from the U.S. Department of Homeland Security to the State of Rhode Island via several grant programs. The majority of the grants require an 80% pass through to local response entities. The State of Rhode Island does not provide any funding, other than overhead support, towards the State's Homeland Security program.

Federal Homeland Security funds continue to decline. In fact, RI may see a significant reduction in the Federal FY06 grant program as the federal government switches from use of a population-based formula to a threat and vulnerability based formula. Funding in federal fiscal year 2003 –2005 was \$20.0 million, \$21.4 million, and \$16.1 million. Supported by federal Homeland Security grants, the agency has worked on the planning aspects for matters pertaining to disaster response preparedness in the State of Rhode Island, and to improve the state's ability to prevent and respond to terrorist incidents involving weapons of mass destruction in partnership with federal, state and local agencies and organizations. To better prepare and ensure that Rhode Island is prepared for any eventuality, RIEMA continues to play a major role in the training of our public safety personnel and first responders to both natural disasters and terrorist threats. Since 9-11, over 10,000 individuals have been trained and thousands have participated in disaster preparation and Chemical, Biological, Radiological, and Nuclear Exercises (CBRNE).

***Training First
Responders***

The State of Rhode Island Emergency Management Agency (EMA) has utilized the training foundation instituted by the Department of Homeland Security (DHS), and has published its own supplemental training, internalizing the same national homeland security strategy espoused by DHS. The target audience for this training includes a number of different disciplines to include police and fire emergency first responders, emergency medical service, the RI Emergency Management Agency, public works officials, among other public administration officials.

The scope of topics covered within this training range from awareness training for first responders, to performance and management level training courses for supervisors. Furthermore, a tri-fold family of class topics specifically covered Weapons of Mass Destruction; Mitigation, Response, and Recovery, and Hazardous Material (HAZMAT) courses.

Hospital and medical practitioners received comprehensive decontamination training for both personnel and hospital equipment. In addition, a large number were trained to recognize and identify specific hazardous materials they may encounter in the community.

Specific courses in Incident Management/Unified Command for WMD and law enforcement response to terrorist bombings were designed to educate key personnel in handling possible future incidents involving Weapons of Mass Destruction. Additionally, training in personal protective equipment was considered of paramount importance in conjunction with a seminar for Public Safety Officials' seminar in responding to terrorism.

Readiness to Respond to Emergencies

The Emergency Response to Terrorism course highlights the basic level response to such topics as chemical, biological, radiological, nuclear, and explosive (CBRNE) agents, suspicious incidents, responder self-protection, crime scene considerations, and specialized Incident Command Issues.

This course hopes to recognize particular circumstances indicative of a potential terrorist attack and to understand appropriate self-protective measures in response to different WMD events. This course also hopes to ensure all practitioners understand scene control issues involving the isolation, evacuation, and perimeter control for WMD events.

The Law Enforcement Response to a WMD incident course encapsulates the knowledge and skills that law enforcement personnel require in order to prepare for and successfully mitigate threat incidents involving civil disorder resulting from a WMD event.

Hundreds of Rhode Island emergency response personnel have received training in the Incident Command System (ICS). ICS is essentially a standardized method of managing emergency incidents and for simplicity's sake utilizes a common organizational structure, common terminology, and common operating procedures.

<p><i>Hospital DECON Training</i></p>
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Over a period of several years RIEMA provided members of Hospital Emergency Departments from local Rhode Island Hospitals a combination of classroom and hands on training for patient decontamination. The curriculum developed by RIEMA included a combination of terrorism awareness, Incident Command Training, and Hazmat Response for Emergency Medical Services personnel. The students were trained on personal protective equipment as well as precautions and methods for accomplishing correct patient decontamination.

Following the classroom instruction each of the participants was required to dress out in PPE Level C to take part in a patient decontamination exercise at their respective facility. Hospital personnel represented were from several areas of the hospital to include nurses, doctors, security attendants, and maintenance workers from facilities to ensure training was provided to all those individuals who would have a part in an actual incident.

Terrorism Awareness, Personal Protective Equipment and individual protective measures training was provided to the State Police. Fit Testing and training on use of Mask (3M-M40) was provided to an estimated 250 state police force members. State Police were instructed on Terrorism Awareness with regard to WMD potential use requiring Personal Protective Actions and Equipment. Each officer was tested for proper fit of masks assigned to them. Instruction was given on the proper use, maintenance, and storage for their individual masks. At the conclusion of the class each officer was issued their own protective mask.

Emergency Medical Services First Responders were provided with training on the proper actions to be taken at the scene of an incident, during transportation and after turnover of the patient to the hospital.

<p><i>Exercising for Readiness</i></p>

The State of Rhode Island Emergency Management Agency has conducted a number of training exercises to enhance readiness in response to actual disasters. These disasters can run the range from natural disasters (hurricanes, floods, storms, lightning strikes etc) to man made disasters (acts of terrorists). RIEMA has implemented a local "Tabletop" exercise program that encompasses first responder training for chemical, biological, radiological, nuclear or high-yield explosive incident response and consequent management

Readiness to Respond to Emergencies

capabilities. RIEMA has certainly increased the number of exercises planned and participated in. The coordination with the Department of Homeland Security, FEMA Region 1 and the local responding community (towns & cities emergency services) has never been stronger due to increased coordination and communication.

***Emergency Mutual Aid
Response***

RIEMA is responsible for coordinating the acquisition of other state's resources through the Emergency Management Assistance Compact. RIEMA is also responsible for coordinating the deployment of resources out of state. In 2005, RIEMA deployed the Urban Search and Rescue Team and various decontamination teams to Mississippi and Louisiana to support Hurricane Katrina disaster response. These deployments are evidence of the benefits that mutual aid agreements in sharing resources in time of need.

***Most Statewide
Equipment
Needs Addressed***

Since Rhode Island became one of only four states to earn an approved preparedness strategy – a month prior to the attacks of 9/11 – the agency has worked diligently to purchase additional equipment used in the event of terrorist attacks. To date, agencies receiving such equipment include the State Fire Marshal, Department of Environmental Management, and the RI State Police. In addition, equipment has been ordered to provide seven Mass Victim Decontamination Teams with the ability to decontaminate a large number of chemical attack victims.

Extensive equipment upgrades to Rhode Island's six Hazardous Materials Management (HAZ-MAT) teams have also been made. Part of this recent Federal Grant from the Department of Homeland Security has enabled the purchase of 8 HAZ-MAT equipment operations trailers and 7 decontamination trailers. Mass casualty incident trailers are prepositioned around the state. These trailers contain large quantities of medical supplies, including backboards, iv solutions, bandages and oxygen.

Interoperable communications remains a priority for funding. Washington County received a grant directly from DHS for the creation of an 800 MHz interoperable system within the county. Working with the RI Police Chiefs Association, additional funds from the Law Enforcement Terrorism Prevention Program grant has been allocated to expand the system gradually. The State Police have provided technical support and the use of their microwave/radio tower system for this radio project. However, sustainability and governance of an overall statewide communications system needs to be addressed.

RIEMA also acquired a state of the art Mobile Command Center, ready to respond and support state agencies or local incident commanders in the event of an incident or planned special event. The MCC is supported by a fleet of six emergency response vehicles and prime movers, including two duty officer vehicles, two prime movers and two vans.

***State Police Enhancing
Response Capabilities
through Homeland
Security Funds***

Over the past several years the Rhode Island State Police has applied for and successfully received numerous Federal Homeland Security Grants in an effort to increase Rhode Island's safety and response to terrorism events. Examples of these grants include:

- Statewide Fusion Center which will include two (2) civilian analyst positions, computer and network equipment, along with funds for informant money, overtime, and rent.

Readiness to Respond to Emergencies

- Tactical Team, response, training and deployment has been enhanced with the purchase of an armored vehicle, night vision goggles and viewers, along with thermal imagers and other associated equipment for the State's Tactical Team.
- The ability to surveil suspected terrorist activities has been enhanced with the procurement of a Mobile Surveillance van equipped with digital camcorders, cameras, and printers.
- A new watercraft will allow us greater flexibility in protecting our ports, shipping commerce, and critical infrastructure such as the Pell Newport Bridge against terrorist activities. In addition, we were able to secure a vehicle to tow the watercraft allowing us greater flexibility and decreased response time to various incidents.
- Dive Team equipment has been procured which will allow the State opportunity to be both proactive and reactive in searching the hulls of ships and the bases of bridges for security purposes along with the capability of searching for evidentiary items during a post-terrorist incident.
- Crime scene processing support has been enhanced with the purchase of digital video recorders and editing systems, along with software and a mobile fingerprint scanner which will allow the State to more easily document and identify terrorist activities and individuals.
- Canine Search & Rescue Teams have been strengthened with the purchase of various equipment which will make their duties of searching disaster or high-priority searches easier and more efficient.

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Introduction

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

In 2001 the Rhode Island Division of Taxation procured an updated personal income tax simulation model. This acquisition required that additional economic variables be forecasted at the Revenue Estimating Conferences beginning with the November 2001 conference. Thus, in addition to Rhode Island total employment, Rhode Island personal income and the U.S. CPI-U, forecasts for Rhode Island wage and salary income, Rhode Island farm income, Rhode Island non-farm business income, Rhode Island dividends, interest and rent, Rhode Island total transfer payments, the Rhode Island unemployment rate, the interest rate for ten year U.S. Treasury notes, and the interest rate for three month U.S. Treasury bills are also agreed upon at the Revenue Estimating Conference. Finally, the consensus forecast of these economic variables now includes the last calendar and fiscal years, the current calendar and fiscal years, the budget calendar and fiscal years, and the next seven calendar and fiscal years.

Past Performance

During the November 2005 Revenue Estimating Conference, the conferees heard testimony from the state's two economic consulting firms, *Economy.com* and *Global Insight*. Both of the firms' representatives projected that growth in real U.S. gross domestic product (GDP) will feel the impact of Hurricanes Katrina and Rita in the third and fourth quarter of 2005, particularly via soaring energy prices, but rebound in 2006 as reconstruction of the Gulf Coast region and New Orleans begins in earnest. *Global Insight* forecasted real U.S. GDP growth of 3.5 percent in 2005 and 3.3 percent in 2006 while *Economy.com* projected real U.S. GDP growth of 3.6 percent in 2005 and 3.7 percent in 2006. *Global Insight* cited dampened consumer spending due to higher energy prices as underpinning its late 2005-early 2006 growth forecast while *Economy.com* noted that after-tax corporate profit margins are at or near all-time highs boding well for increased business expansion and hiring.

In a report released on December 21, 2005, the Bureau of Economic Analysis (BEA) indicated that third quarter growth in real U.S. GDP was 4.1 percent vs. the 3.3 percent revised rate of growth that occurred in the second quarter of 2005. According to the BEA, "[T]he major contributors to the increase in real GDP in the third quarter were personal consumption expenditures (PCE), equipment and software, federal government spending, and residential fixed investment." The BEA further notes that "[T]he acceleration in real GDP growth in the third quarter primarily reflected a smaller decrease in private inventory investment and accelerations in PCE and federal government spending that were partly offset by a deceleration in exports, an upturn in imports, and decelerations in state and local government spending and in residential fixed investment." Final sales of computers contributed 0.16 percentage points to third quarter real GDP growth versus 0.32 percentage points contributed to second quarter growth. Motor vehicle output added 0.56 percentage points to third quarter real GDP growth versus subtracting 0.01 percentage points from second quarter real GDP growth.

The growth in real U.S. GDP translated into further job gains in 2005. Seasonally adjusted growth in U.S. non-farm employment through November, the most recent month available, was 1.6 percent, or

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2,159,400 jobs. This is an acceleration in employment growth over 2004 through November, when non-farm employment growth was 1.1 percent, or a gain of 1,410,600 jobs. Both *Economy.com* and *Global Insight* forecast that the annualized percent change in U.S. non-farm employment for 2005 will be 1.6 percent.

As noted above, for calendar year 2006, *Economy.com* projects an acceleration in real U.S. GDP growth to 3.7 percent while *Global Insight* forecasts a deceleration to 3.3 percent annualized growth. Both forecasters believe that energy prices will return to more normal, albeit elevated, levels, that automotive sales will remain weak, and that further tightening of monetary policy by the Federal Reserve will result in higher interest rates. The combination of these factors will slow the U.S. economy's growth in 2006. The biggest difference between the two forecasters with respect to 2006 growth prospects for the U.S. economy lies in their expectations for the business capital spending cycle. *Global Insight* believes that the business capital spending cycle will enter its deceleration phase in 2006 while *Economy.com* believes that the cycle has not yet peaked leaving room for a further acceleration in business investment. Not surprisingly, the forecasters' projections for employment growth in 2006 are consistent with their GDP growth forecasts with *Global Insight* projecting U.S. non-farm employment growth of 1.5 percent while *Economy.com* forecasts a growth rate of 1.9 percent. The difference in these forecasts is directly attributable to the economists' differing views of where the U.S. economy is in the business capital spending cycle. *Economy.com* projects the maintenance of very healthy corporate profit margins in 2006 thereby allowing for enhanced business capital investment and acceleration in employment. *Global Insight* forecasts a leveling off in the growth of business capital investment, which translates into stable employment growth in 2006 relative to 2005.

Rhode Island's economic performance in 2005 was characterized by continued strong growth. As noted previously, both Rhode Island and Maine reached new employment peaks in 2004. In 2005, New Hampshire and Vermont did the same. Seasonally adjusted growth in RI non-farm employment in 2005 was 1.2 percent, or approximately 5,750 jobs, and Maine's growth in total non-farm employment was 0.7 percent, or approximately 4,300 jobs, in 2005. New Hampshire led the region in 2005 in total non-farm employment growth at 1.8 percent, or approximately 11,500 jobs, attaining a new employment peak of 638,700 jobs, while Vermont was second with non-farm employment growth of 1.5 percent, or 4,600 jobs, reaching a new employment peak of 307,900 jobs. Rhode Island was third in the region in non-farm employment growth in 2005. Finally, in 2005 both the Connecticut and Massachusetts economies began to strengthen with each experiencing accelerated employment growth. Connecticut added approximately 18,100 jobs, or growth of 1.1 percent, but remained 23,370 jobs below its 2000 employment peak of 1,693,200 jobs. For Massachusetts, 2005 was a turning point as the state's economy added jobs for the first time since 2001. In particular, Massachusetts non-farm employment growth was 0.7 percent, or approximately 21,600 jobs, in 2005. In spite of this increase in employment, Massachusetts total non-farm jobs remained over 125,000 below its employment peak of 3,327,300 jobs attained in 2001.

The State's housing market remained robust in 2005. According to the *Office of Federal Housing Enterprise Oversight* (OFHEO) the median price for existing single family homes in Rhode Island rose by 11.73 percent on year-over-year basis through September 30, 2005. This was the second highest rate of appreciation in New England, trailing only Vermont's 12.40 percent house price appreciation rate. Over the past five years, price appreciation in Rhode Island's housing market has been the strongest of all of the New England states and the fourth highest in the nation. According to OFHEO, during the five year period from the third quarter of 2003 through the third quarter of 2005, Rhode Island housing prices have nearly doubled while those of the other New England states have increased by approximately two-thirds (67.0 percent). In spite of the strong growth in the price of single family homes in Rhode Island, the rate of increase has begun to slow. In fact, the rate of house price appreciation in Rhode Island fell by nearly

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half, attaining its lowest level of growth since the third quarter of 2001. At this time, it is not anticipated that Rhode Island's housing market will experience price deflation in the near term but rather continued price disinflation should prevail.

With respect to personal income growth Rhode Island's economy performed as it did with respect to non-farm employment growth. Rhode Island's personal income growth in the fourth quarter of 2004 (2004:4) through the third quarter of 2005 (2005:3) was 5.74 percent, the third highest of the six New England states. New Hampshire recorded the highest rate of personal income growth in this period at 6.64 percent, followed by Connecticut with personal income growth of 6.48 percent. Rhode Island was trailed slightly by Maine with personal income growth of 5.64 percent and Vermont with personal income growth of 5.44 percent during this period. Massachusetts personal income growth continued to lag the other New England states reaching 5.13 percent for the 2004:4 through 2005:3 period. It should be noted, however, that over the 2000:4 through 2005:3 period, Rhode Island's average annual rate of personal income growth has exceeded that of every other New England state.

The Forecast

The November 2005 Consensus Economic Forecast				
Rates of Growth	FY 2004	FY 2005	FY 2006	FY 2007
Total Employment	1.1%	1.0%	1.3%	1.2%
Personal Income	4.8%	6.0%	5.5%	5.1%
Wage and Salary Income	5.0%	4.5%	5.0%	5.2%
Farm Income	0.0%	0.0%	0.0%	0.0%
Non-farm Business Income	7.3%	8.4%	5.7%	5.0%
Dividends, Interest and Rent	1.0%	6.4%	5.0%	5.6%
Total Transfer Payments	5.7%	7.1%	6.4%	5.2%
Nominal Levels				
U.S. CPI-U	2.5%	3.0%	3.2%	2.5%
Unemployment Rate	5.4%	4.8%	5.0%	5.0%
Ten Year Treasury Notes	4.3%	4.2%	4.7%	5.3%
Three Month Treasury Bills	1.0%	2.2%	3.8%	4.5%

The Consensus Economic Forecast (CEF) for the fiscal years 2004 to 2007 agreed upon by the conferees at the November 2005 Revenue Estimating Conference is shown in the table above. This forecast represents a sharp revision upward in the projection for personal income growth from the November 2004 consensus economic forecast for FY 2004 – FY 2007. In contrast, the November 2005 CEF projects a downward revision in the projection for non-farm employment for FY 2006 and a level estimate for FY 2007 as compared to the November 2004 CEF. Thus, this forecast indicates that the Rhode Island economy will still be able to create new jobs but that these new jobs should be higher paid than previously thought. With respect to the unemployment rate, the November 2005 CEF shows little or no change in the State's unemployment rate over the November 2004 CEF. The stability in the state's

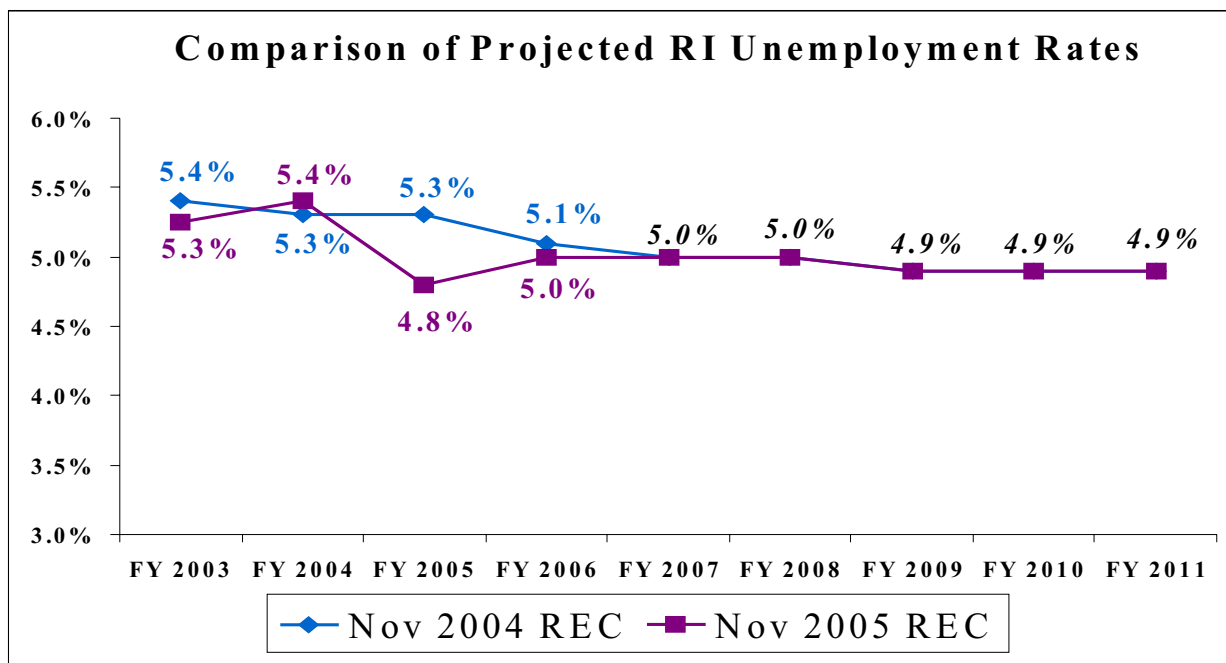
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unemployment rate is likely attributable to a decline in the size of the state's labor force as Rhode Island was one of only three states to lose population between 2004 and 2005.

Employment

According to the Rhode Island Department of Labor and Training (DLT), Rhode Island's seasonally adjusted unemployment rate peaked at 5.5 percent in August 2003 through December 2003. This level was the highest the State's unemployment rate had been since February 1996 when Rhode Island's unemployment rate was also 5.5 percent. As of December 2005, the State's unemployment rate had dropped to 5.2 percent. Although this is a decrease from the August to December 2003 period, the December 2005 unemployment rate is four-tenths of a percent higher than the revised December 2004 unemployment rate of 4.8 percent.

The November 2005 Revenue Estimating Conference forecasts a stable state average unemployment rate of 5.0 percent in FY 2006 and FY 2007. These projections are a downward revision to the forecasts made by the November 2004 Revenue Estimating Conference, at which the consensus anticipated the State adding jobs at a rate less than the expansion of the state's labor force. The November 2005 forecast recognizes the stronger than anticipated job growth that has occurred in Rhode Island. The graph below illustrates the difference between the November 2004 and November 2005 Revenue Estimating Conferences' outlooks with respect to the state's unemployment rate.

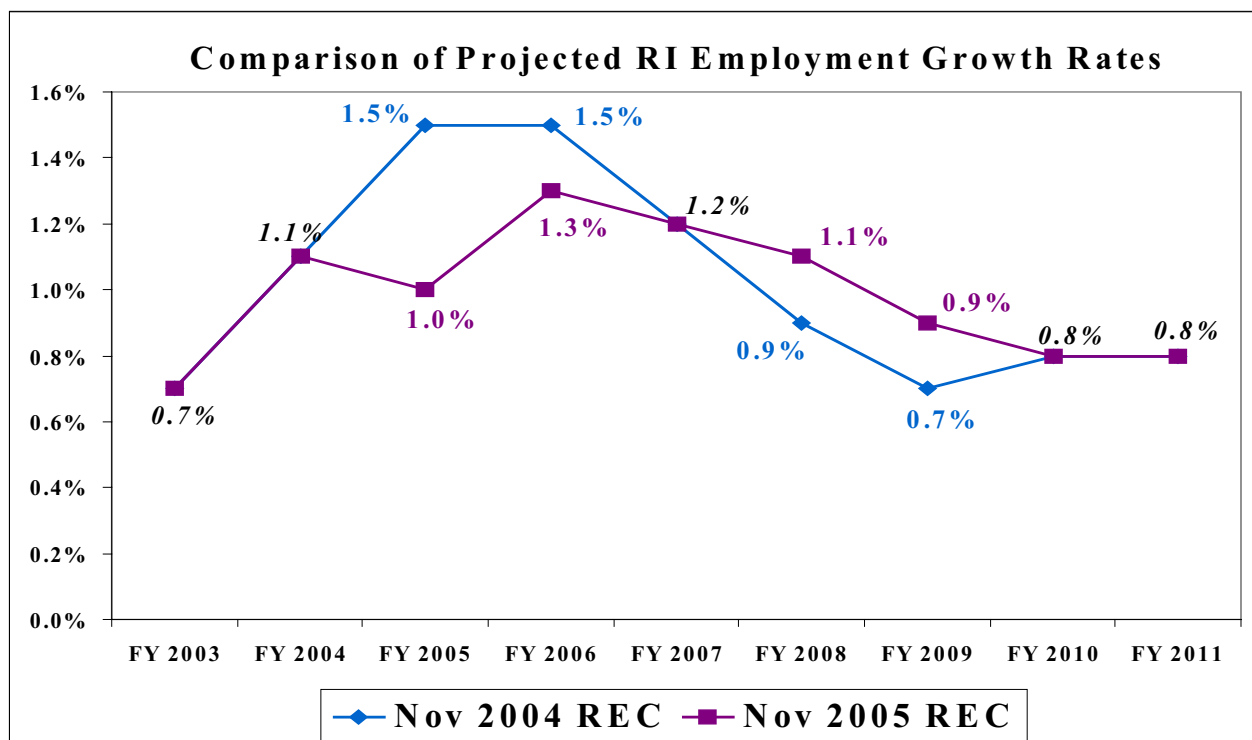


As can be seen in the graph, the State's economic recovery boosted Rhode Island's job market, causing a sharp decrease in unemployment in FY 2005 relative to the November 2004 projection. Note that the November 2004 REC projected a rate of unemployment 50 basis points higher than the actual rate for FY 2005. The November 2004 REC projected a decrease in the unemployment rate for both FY 2006 and FY 2007. The November 2005 REC projects an increase in the State's unemployment rate in FY 2006 and no change in FY 2007. The primary difference between the November 2004 and November 2005 CEFs with respect to the State's unemployment rate is the uneven job growth that has gripped the State over the past nine months compounded by the impact of higher energy prices as a result of Hurricane Katrina.

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According to DLT, employment at Rhode Island businesses was 494,000 in December 2005, an increase of 3,800 jobs, or 0.8 percent, over revised December 2004. The number of unemployed Rhode Islanders rose to 30,200 in December 2005 from 26,700 in December 2004. The November 2005 REC projects Rhode Island employment on a fiscal year basis to be approximately 497,700 in FY 2006, an increase of approximately 6,500 jobs from FY 2005, but 1,100 fewer jobs than was forecast for FY 2006 at the November 2004 REC. For FY 2007, the November 2005 REC forecasts further job growth, with Rhode Island employment rising by approximately 6,200 jobs vs. the 6,000 job increase for FY 2007 forecast by the November 2004 Revenue Estimating Conference.

DLT reports that Rhode Island's Manufacturing sector shed 1,900 jobs in December 2005 vs. December 2004. The State's Trade, Transportation, and Utilities sector lost 1,200 jobs for the same period. These job losses were more than offset by year-over-year employment gains in Education and Health Services with an increase of 2,600 jobs, Leisure and Hospitality with an increase of 1,900 jobs, Financial Activities with an increase of 1,300 jobs, Professional and Business Services with an increase of 900 jobs, Construction with an increase of 500 jobs, and Government with an increase of 300 jobs.



The chart above exhibits the forecasted changes in the growth of Rhode Island employment made at the November 2004 and November 2005 Revenue Estimating Conferences. Several differences are readily apparent when comparing the two forecasts. First, in November of 2004 the conferees were much more optimistic about the prospects for the Rhode Island economy in the FY 2005 – FY 2007 period. At that time, they anticipated Rhode Island employment growth of 1.5 percent for FY 2005. In reality, the state's employment increased 1.0 percent in FY 2005. Second, the November 2004 REC estimated strong employment growth in FY 2006 at 1.5 percent, consistent with a sustainable expansion in the state's economy. The November 2005 REC forecasted a 1.3 percent rate of employment growth in FY 2006, indicating an accelerating recovery in the Rhode Island labor market from FY 2005. Finally, the participants at the November 2004 Revenue Estimating Conference projected a decline in the rate of

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growth in Rhode Island employment in FY 2007 to 1.2 percent with further sharper declines in FY 2008 and FY 2009. These declining growth rates were consistent with a “hard” landing scenario for Rhode Island’s labor market, an occurrence that is not uncommon after a period of exceptional growth. At the November 2005 Revenue Estimating Conference, the conferees predicted a lower rate of Rhode Island employment growth of 1.2 percent in FY 2007 with gradual declines in FY 2008 and FY 2009, consistent with a “soft” landing for Rhode Island’s labor market.

In sum, in terms of employment growth, the November 2004 REC forecasted a rapid acceleration of employment growth in Rhode Island in FY 2005, followed by a sustained high level of employment growth in FY 2006 and an escalating deceleration in the Rhode Island labor market over the FY 2007—FY 2011 period. The November 2005 REC, on the other hand, has predicted a slower rate of growth in the Rhode Island labor market in FY 2006, followed by a moderate deceleration in rate of employment growth over the FY 2007—FY 2011 period.

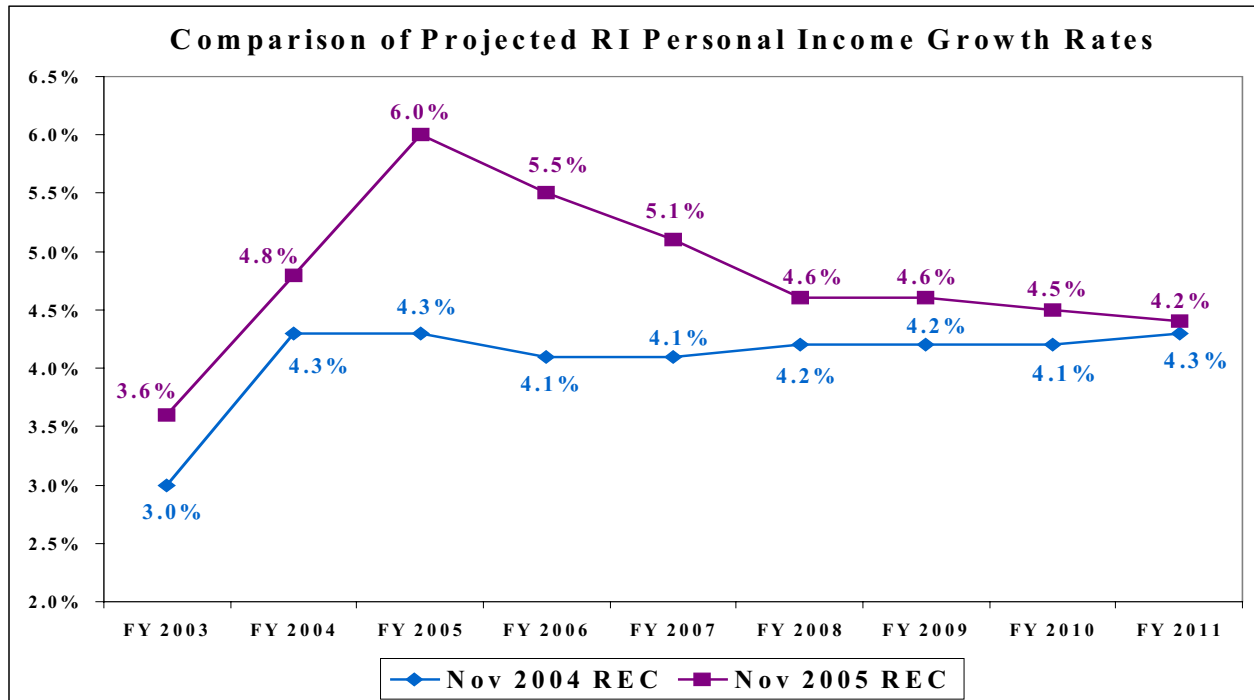
Personal Income

Unlike the Rhode Island unemployment rate and the Rhode Island employment growth rate, the November 2005 Revenue Estimating Conference made significant changes to the forecast of Rhode Island personal income growth. This revision to the forecast was necessitated by the fact that the Bureau of Economic Analysis (BEA) made significant revisions to the personal income statistics for Rhode Island back to 2002. These revisions were a positive 1.4 percent in 2002 and a positive 1.3 percent in both 2003 and 2004.

The graph below illustrates the difference between the two personal income forecasts. Note that this chart differs substantively from the previous unemployment rate and employment growth charts. First, no common point exists for personal income growth between the two forecasts. Second, the November 2005 forecast is consistently higher than the November 2004 forecast. The lack of a common point of origin for the two forecasts is a result of the revisions made by the BEA in September 2005. The higher estimated growth rates from November 2005 forecast incorporate the sharp upward revisions in personal income by BEA in September 2005.

In November of 2004, the conferees at the Revenue Estimating Conference adopted a growth rate in Rhode Island personal income that was below the average annual growth rate that prevailed over the FY 1989 — FY 2002 period, of 4.7 percent. The adopted growth rate was consistent with the underlying trend in Rhode Island personal income growth as estimated by the BEA. It was also consistent with the state’s experience in the 2001 recession when the Rhode Island economy had experienced an economic slowdown rather than a recession. Given such a mild contraction in the State’s economy, a strong rebound in personal income growth is atypical and the forecasters anticipated steady, if unspectacular, growth in personal income. Thus, they projected Rhode Island personal income growth at an average annual rate of 4.0 percent for the FY 2003 – FY 2011 period. At the November 2005 REC, Rhode Island personal income growth was revised upward to an average annual rate of 4.8 percent for the FY 2003 – FY 2011 period, the same rate that prevailed over the FY 1989 – FY 2002 period after the BEA’s revisions to Rhode Island personal income in September 2005. The November 2005 REC’s revisions to Rhode Island personal income growth are particularly large in FY 2005 – FY 2007, ranging from a high of +170 basis points in FY 2005 to a low of +100 basis points in FY 2007. The strong upward revisions in personal income growth adopted in November 2005 are driven primarily by sharply higher projected growth rates for dividends, interest, and rent in the FY 2005 – FY 2007 period. These higher projected growth rates exceed 300 basis points in each year.

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Conclusion

The State's economy was the only economy in southern New England that experienced positive job growth on a year-over-year basis in CY 2002 through CY 2005. In this time period, the Massachusetts economy lost 45,000 jobs while the Connecticut economy added only 4,900 net new jobs. In spite of the drag the Massachusetts and Connecticut economies have had on Rhode Island's economy, Rhode Island still managed to attain the third highest growth rate in personal income in all of New England for the period of the fourth quarter of 2004 through the third quarter of 2005 versus the same period in the prior years. This period represented the second consecutive year of personal income growth in excess of 5.25 percent. In addition, Rhode Island experienced a slight increase in its unemployment rate in 2005 driven mostly by increased labor force participation. Finally, Rhode Island employment growth is expected to remain strong, exceeding 1.0 percent per year in each of FY 2006 and FY 2007. The cumulative effect of these factors is a positive one for the State's economy, with more and better paying jobs on the horizon.

The Jobs Agenda

A Progress Report on Creating 20,000 Net New Jobs

In his 2003 State of the State address, Governor Carcieri set the goal of creating 20,000 net new jobs in Rhode Island over the next four years. Three full calendar years have passed and it is time to assess how the State's economy has performed so far in relation to the Governor's ambitious goal. The table below provides the current status of the Governor's 20,000 net new jobs pledge. In CY 2003, the State's economy added 4,850 net new jobs, or 24.3 percent of the total jobs needed for the Governor to reach his goal. In CY 2004, the State's economy gained an additional 4,133 jobs, or 20.7 percent of the total jobs needed for the Governor to reach his goal. In CY 2005, net new Rhode Island jobs totaled 5,750, or 28.7 percent of the 20,000 net new jobs needed to achieve the Governor's goal. Thus, for CY 2003 – CY 2005, the Rhode Island economy has gained 14,733 net new jobs, or 73.7 percent of the total jobs needed for the Governor to reach his job creation target.

In the FY 2004 budget, it was determined that an average annual growth rate of 1.03 percent for the CY 2003 to CY 2006 period was needed to achieve the 20,000 net new jobs target. Applying the FY 2004 required average annual growth rate to the CY 2002 total employment level of 479,367, yields projected jobs growth of 4,924 for CY 2003, 4,974 for CY 2004, and 5,025 for CY 2005. On an actual basis then, for CY 2003 – CY 2005, Rhode Island job growth was only 190 jobs less than what was predicted in the FY 2004 budget. As a result, the FY 2007 required average annual employment growth rate must equal 1.07 percent in CY 2006 for the Governor to reach his 20,000 net new jobs goal by the end of his first term. In the FY 2006 budget, the CY 2004 – CY 2006 required average annual employment growth rate was 1.11 percent for the Governor to reach the jobs goal by January of 2007.

<u>Nov 2005 REC</u>	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Employment	479,367	484,217	488,350	494,100	501,017
Jobs Added	908	4,850	4,133	5,750	6,917
Growth	0.19%	1.01%	0.85%	1.18%	1.40%
<u>Governor's Goal</u>	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Employment	479,367	484,217	488,350	494,100	499,367
Jobs Added	908	4,850	4,133	5,750	5,267
Growth	0.19%	1.01%	0.85%	1.18%	1.07%

Table values are the twelve-month average of seasonally adjusted total non-farm employment in Rhode Island according to the U.S. Bureau of Labor Statistics (BLS). CY 2002, CY 2003, and CY 2004 data are the actual values. The employment data for CY 2005 is based on eleven months of actual data for Rhode Island, January 2005 through November 2005, and one month of preliminary data, December 2005. The data for the "Nov 2005 REC" section of the table uses the total non-farm employment growth rates for CY 2003 – CY 2011 from the Consensus Economic Forecast adopted at the November 2005 Revenue Estimating Conference. The data for the "Governor's Goal" section of the table uses the preliminary actual data for CY 2005 and the annual growth rate needed to achieve the 20,000 net new jobs goal for CY 2006.

It should be noted that the average annual growth rate for Rhode Island non-farm employment adopted in the November 2005 REC Consensus Economic Forecast is 1.4 percent for CY 2006 and thus, the Rhode Island economy is projected to surpass the Governor's 20,000 net new jobs goal by 1,651 jobs.

The Jobs Agenda

FY 2006 Scorecard

In the FY 2006 budget, the Governor's *Jobs Agenda* proposals were conceptually divided into two components. The first component built on the foundation that the Governor laid out in the FY 2004 budget and consisted of continued financing of these FY 2004 initiatives. The second component consisted of brand new initiatives to further advance economic development in the State. In both cases, the Governor's jobs creation proposals fall into three broad areas, workforce quality, economic development policy, and the State's competitive position in the emerging new economy. A breakdown of the Governor's recommended FY 2006 Jobs Agenda initiatives and an accounting of what the appropriated monies were spent on follows.

FY 2006 Scorecard: Workforce Quality

The Jobs Agenda

- ◆ Development of Tax Policy Analysis Capability: The Governor recommended that \$100,000 be appropriated for the purpose of establishing a tax policy analysis capability in state government. The 2005 General Assembly concurred with this recommendation. On September 8, 2005, the Governor signed Executive Order 05-17 which established the Office of Tax Research and Analysis in the Department of Administration contingent on the hiring of an Executive Director to lead the office. The Department of Administration has advertised for the Executive Director's position but has not yet selected a candidate to fill the position.

FY 2006 Scorecard: Position in the New Economy

With respect to Rhode Island's position in the new economy, the Governor recommended four initiatives in the FY 2006 budget, two of which were continuing initiatives and two that were new initiatives. The continuing initiatives that were included for ongoing funding in the FY 2006 budget were the architectural and engineering work for the RIEDC's Marine BioScience Research and Business Park (MBSrBP) at Quonset Point and the seed money for the Samuel Slater Technology Fund. The new initiatives in FY 2006 were the establishment of the Governor's Science and Technology Advisory Council and the Jobs Partnership Act.

- ◆ Marine BioScience Research and Business Park Architectural and Engineering Work: In the FY 2006 budget the Governor proposed the continued appropriation of \$200,000 for architectural and engineering work at the Marine BioScience Research and Business Park at Quonset Point. The 2005 General Assembly concurred with the Governor's proposal. In an effort to assist with the unexpected budget deficit in the revised FY 2006 budget, the RIEDC recommended withdrawal of \$175,000 of the enacted FY 2006 total of \$200,000 due to delays in the project. This withdrawal was accepted by the Governor. In June of 2005, the RIEDC identified a site for the MBSrBP and "hired a design team led by Pare Engineering Corp. to begin detailed planning for the project." These actions were financed from the original FY 2005 appropriation of \$200,000. In the first phase of the project, the design team "prepared a conceptual building and infrastructure design for a series of laboratory suites and offices." In addition to the design of the research facilities, the initial phase includes a seawater intake system and an effluent discharge and treatment system. The estimated cost of the first phase of the project is \$19.5 million.
- ◆ The Samuel Slater Technology Fund: The Governor recommended total appropriations for the Samuel Slater Technology Fund (Slater Fund) of \$3.0 million in FY 2006. . The 2005 General Assembly agreed to this recommendation. In February 2005, the Board of Directors of the Slater Board, Inc. approved "[T]he consolidation of the Slater Fund into a single not-for-profit 501(c)(3) corporation". The consolidation will allow the newly formed The Slater Technology Fund, Inc. "to operate in a more efficient manner in order to maximize deployment of public funds into new Rhode Island companies and to minimize overhead expenses."
- ◆ The Governor's Science and Technology Advisory Council: The Governor's FY 2006 budget recommended the appropriation of \$100,000 for the establishment of the Governor's Science and Technology Council (STAC). The 2005 General Assembly concurred with this recommendation. These monies were used to commission a study by the Council on Competitiveness to assess Rhode Island's science and technology sectors. The study found that the State is having difficulty retaining young, educated workers, that its educational attainment level is below the national average, that Rhode Island's colleges and universities do not actively collaborate with the local business community, and that the State has fallen vis-à-vis other states in the number of patents received. The STAC followed up this study

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with a survey of its own and released a report with recommendations in January 2006 (see below).

- ◆ The Jobs Partnership Act: In the 2005 session, the RIEDC requested that legislation be introduced that would authorize it to issue \$54.0 million of moral obligation bonds to finance *The Small & Minority Business Growth Fund* (\$10.0 million), *The Growth Center Jump Start Program* (\$25.0 million), *The Northern Rhode Island Biotechnology Facility* (\$4.0 million), and *The Slater Fund*, (\$15.0 million). The 2005 General Assembly declined to grant the RIEDC the authorization to borrow money for the purposes of financing *The Growth Center Jump Start Program*, *The Northern Rhode Island Biotechnology Facility*, and *The Slater Fund*. The 2005 General Assembly did agree to authorize the RIEDC to issue \$3.0 million in revenue bonds or notes for the Fire Code Loan fund and an additional \$3.0 million in moral obligation bonds or notes for the Master Bond Program for Minority Contractors. Each of these programs were sub-programs of the \$10.0 million *Small & Minority Business Growth Fund*.

The FY 2007 Jobs Agenda

The Governor's FY 2007 Jobs Agenda continues to build on the foundation that was established in the FY 2004 budget. There are four proposals that received funding in either FY 2004, FY 2005, and/or FY 2006 that are recommended for continued funding in FY 2007. These proposals broadly fall into the categories of workforce quality, economic development and positioning the State to participate fully in the new economy. The Governor also proposes four new jobs initiatives in FY 2007.

FY 2007 Building on the Foundation: Workforce Quality

In the FY 2007 Budget, the Governor recommends the continued support of the following initiatives to further develop the quality of the State's workforce:

- ◆ Adult Literacy: The Governor proposes financing of \$7.7 million from all funds for adult literacy programs. In FY 2004, the total of these funds was \$7.0 million, in FY 2005 they were \$6.9 million, while in FY 2006 they were \$7.5 million. The recommended FY 2007 financing level is an increase of 2.7 percent over FY 2006. Of the total FY 2007 funding, \$2.8 million is from general revenues, \$1.8 million is from HRIC revenues, and \$3.0 million is from federal financing of Adult Based Education and Project Opportunity initiatives in RIDE. Beginning in FY 2006, RIDE became the administrator of all of the State's adult literacy programs.
- ◆ Higher Education Assistance Authority: The Governor recommends total funding for needs-based and other college scholarships of \$15.3 million in his FY 2007 budget. Of this total, \$8.4 million is from general revenues, \$422,028 is from federal funds, and \$6.5 million is from other funds, namely the Rhode Island 529 Tuition Savings Plan better known as the Rhode Island CollegeBound*fund*. This recommendation consists of a decrease of \$592,742 in general revenue financing from the enacted FY 2006 budget. It does constitute, however, an increase in financing for scholarships from other funds by \$1.0 million over the FY 2006 enacted level. The recommendation fully funds federal maintenance of effort to qualify for incentive and supplemental scholarships for students. Thus, the end result is an increase of \$392,434, or 2.6 percent, in scholarship monies for FY 2007 over the enacted FY 2006 budget.

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FY 2007 Building on the Foundation: RI's Position in the New Economy

In the FY 2007 Budget, the Governor recommends the continued support of the following initiatives to further enhance the State's competitive position in the new economy:

- ◆ The Samuel Slater Technology Fund: The Governor recommends continued financing of \$3.0 million for The Samuel Slater Technology Fund (Slater Fund). This financing level is the same as that contained in the enacted FY 2006 budget. The Slater Fund has reoriented its focus and it will now evaluate more companies, finance fewer, more select proposals, commit greater resources to chosen companies, and bring these companies to the venture capital financing stage more rapidly. According to the Rhode Island Economic Development Corporation, "[S]ince its inception in 1997, the Slater program has invested \$11.3 million in 90 entrepreneurial ventures originating in Rhode Island (of which 45 are still active investments) now employing 568 employees."
- ◆ Marine BioScience Research and Business Park: In the FY 2007 budget, the Governor proposes continued financing of \$200,000 for the proposed Marine BioScience Research and Business Park (MBSrBP) to be located at the Quonset Business Park. With this continued level of funding, the design team will now "prepare a conceptual site design and preliminary infrastructure design for the commercial production facilities envisioned in subsequent phases of the project, will develop a permitting strategy and will prepare a preliminary cost estimate for (this phase of) the project." The RIEDC has already "identified suitable parcels of land near the proposed research and incubator facility that could be developed...as production facilities for existing businesses looking for a place to grow as well as businesses that have found marketable applications of their research."
- ◆ The Governor's Science and Technology Advisory Council: The Governor proposes \$200,000 for The Governor's Science and Technology Advisory Council (STAC) in FY 2007. In January 2006, STAC issued a report with five recommendations for strengthening the State's science and technology sectors. These recommendations included, among others detailed below, establishing a blue-ribbon commission to assess the University of Rhode Island and make proposals for strengthening URI's position nationally as a competitive public research institution, the creation of a science and technology entrepreneur tax credit to attract and keep science and technology entrepreneurs in the State and incentivize Rhode Islanders to invest in and support the entrepreneurs and their companies, and increased funding for STAC. The proposed amount of FY 2007 funding is consistent with STAC's recommendation.

FY 2007 New Jobs Agenda Initiatives

In addition to the above carry-over initiatives from FY 2004, FY 2005, and FY 2006, the Governor proposes two new initiatives in FY 2006 that seek to further enhance job development in the State. These two initiatives broadly fall into the categories of economic development policy and the State's competitive position in the new economy.

FY 2007 New Jobs Agenda Initiatives: Workforce Quality

The Governor recommends the following new initiative in the area of workforce quality.

- ◆ Rhode Island Department of Education Math & Science Initiatives: The Governor's proposed FY 2007 budget includes several initiatives designed to improve the math and science skills of K-12 students. These initiatives are:

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1. *Creating SMART Classrooms and the Center for STEM Education Excellence*
The Governor proposes that a \$15.0 of long-term financing be secured to upgrade teacher training programs and better prepare the State's teachers to inspire Rhode Island schoolchildren to excel in science, technology, engineering, and mathematics. Specifically, the bond will transform classes at Rhode Island College (RIC) and URI into SMART classrooms with integrated audio-visual technology and wireless network access; create the Center for Excellence in Science, Technology, Engineering, and Math (STEM) Education at RIC; and expand the State's K-12 Comprehensive Education Information System to add more districts and include fiscal data.
2. *Establish a Statewide Science Curriculum*
The Governor proposes to appropriate \$200,000 in the FY 2007 budget to establish a statewide science curriculum. The curriculum would be developed by RIDE and aligned with the State's new Grade Span Expectation as called for by the Governor's Blue Ribbon Panel on Math and Science Education.
3. *Physics First Pilot Program*
The Governor recommends \$425,000 in FY 2007 to provide physics texts and laboratory equipment for the five high schools participating in the Physics First program. This program reverses the traditional high school science curriculum and teaches physics in the freshman year followed by micro-scale chemistry and biology.
4. *Project Inner Space Initiative*
In the FY 2007 budget, the Governor proposes the appropriation of \$240,000 to bring "real time" oceanographic research conducted by Dr. Bob Ballard directly into Rhode Island's middle and high schools. This initiative will link Professor Ballard's work with science taught at six secondary schools.
5. *Professional Development*
The Governor proposes \$850,000 in the FY 2007 budget to fund professional development activities in mathematics and science for all teachers, but particularly elementary school teachers. Of this total, \$100,000 will be used to expand the Physics First pilot program.
6. *Project Management*
The FY 2007 budget includes \$120,000 to hire a program manager to report on the State's progress to the PreK-16 Council and coordinate the Blue Ribbon Panel on Math & Science Education's recommendations with RIDE, the Board of Governors for Higher Education, and the business community.

FY 2007 New Jobs Agenda Initiatives: RI's Position in the New Economy

The Governor recommends the following two new initiatives to help position Rhode Island to be competitive in the new economy.

- ◆ Experimental Program to Stimulate Competitive Research: The Governor first proposed the appropriation of \$1.5 million for the State's participation in the National Science Foundation's *Experimental Program to Stimulate Competitive Research* (EPSCoR) in the FY 2004 budget. The intent of EPSCoR is to establish a partnership between state government, higher education, and industry to achieve lasting improvements in research infrastructure and

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national research and development competitiveness. In FY 2005, a consortium of Rhode Island higher education institutions applied for but did not receive an EPSCoR grant. STAC in its January 2006 report recommended that the State spend \$1.5 million in FY 2007 to supplement the \$6.75 million NSF EPSCoR grant the state has been awarded. These monies would be used to support the formation of a research alliance between the State's research universities and research hospitals in order to strengthen Rhode Island's science and technology research and development capacity.

- ◆ Rhode Island Wireless Innovation Networks: The Governor proposes the appropriation of \$500,000 for a public-private partnership to establish a wireless innovation network throughout the state. Known by the acronym RI-WINs, this network would facilitate innovation by connecting the State's small geography with emerging wireless technologies. RI-WINs would be available to both business and government. A pilot project set up in 2004 to test the feasibility of such network is being managed by IBM with financial and other support from CVS, Verizon, and Cox Communications. The specific attributes of RI-WINs are:
 1. An open standards-based platform that accelerates the "test-trial-deploy" innovation cycle;
 2. A fixed/mobile border-to-border wireless access to services at speeds in excess of 1 megabyte per second;
 3. Coverage for underserved geographic locations that currently fall outside of standard coverage areas;
 4. Collaborative development and integration of innovative wireless enterprise application solutions; and
 5. A technology that enables a "network of networks" to support cross-industry collaboration.

The proposed expansion of the existing pilot program is in anticipation of a future bond referendum for \$20.0 million for full implementation of RI-WINs.

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.150 billion in FY 2006 and \$3.204 billion in FY 2007. Annual estimated growth during FY 2006 and FY 2007 is 4.8 percent and 1.7 percent, respectively. Estimated deposits of \$63.8 million and \$64.4 million will be made to the Budget Reserve and Cash Stabilization Fund during these fiscal years. The revenue estimates contained in the Governor's FY 2006 supplemental and FY 2007 recommended budgets are predicated upon the revenue estimates adopted at the November 2005 Consensus Revenue Estimating Conference (REC) and the Governor's recommended changes to the adopted general revenues.

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

FY 2006 Revised Revenues

The November 2005 REC revised the enacted FY 2006 revenue estimate down by \$86.7 million, a decrease of 2.7 percent. Included in this \$86.7 million decrease is \$25.1 million of local education agency matching funds for Medicaid eligible public school special needs students. Recently, the Auditor General concluded that the State should no longer record these payments as general revenue as the State serves as only a pass-through entity for these transactions. As shown in the *General Revenue Changes to Adopted Estimates* table in Appendix A of this document, the Governor's revised FY 2006 budget recommends an increase of \$70.8 million in revenues. This \$70.8 million in recommended changes to the FY 2006 adopted estimates breaks down as follows:

- \$49.0 million transfer from the Tobacco Settlement Financing Corporation (TSFC) as a result of the replacement of the cash in the TSFC's debt service reserve fund with a surety policy or other similar financial instrument;
- \$8.1 million more in financial institutions taxes from a change in the State's policy on the refunding of excessive payments that result in the overpayment of a taxpayer's liability;
- \$3.7 million more in other miscellaneous revenues as a result of the transfer of unrestricted fund balances from the Rhode Island Health and Education Building Corporation;
- \$3.0 million more in other miscellaneous revenues from the increased transfer of retained earnings from the Resource Recovery Corporation;
- \$2.1 million more in other miscellaneous revenues from the recovery of Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) prescription drug rebates earned in FY 2003 – FY 2005;
- \$2.0 million more in other miscellaneous revenues from the capture of the \$0.01 leaking underground storage tank (LUST) surcharge assessed on all motor fuel deliveries made to facilities with underground storage tanks for the January 1, 2006 to June 30, 2006 period;
- \$1.4 million more in other miscellaneous revenues from the recovery of overpayments made to Blue Cross Blue Shield of Rhode Island in prior contracts;
- \$652,428 more in other miscellaneous revenues from the capture of aged deposits of Motor Carrier Surety fees;

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- \$592,430 more in miscellaneous departmental revenues from the provision of increased energy assistance grants by National Grid;
- \$125,000 more in licenses and fees from the imposition of a surcharge on those suspected of driving under the influence of liquor or drugs for refusal to submit to a chemical test;
- \$100,000 more in other miscellaneous revenues from the transfer of a portion of the accrued surplus in the Real Estate Recovery Fund;
- \$25,000 more in miscellaneous departmental revenues in Department of Elderly Affairs from fully collecting an Access to Benefits Coalition Foundation Grant that was deferred from FY 2005.

It should be noted that the \$2.0 million generated from the capture of the \$0.01 LUST surcharge is to replace the amount the General Assembly included in the enacted FY 2006 budget as a transfer of retained earnings from the Underground Storage Tank Financial Responsibility Review Board. An action since prohibited by federal law.

FY 2006 Revised Revenues vs. FY 2005 Preliminary Revenues

Recommended revenues for FY 2006 are based upon a \$145.5 million increase in total general revenues over preliminary FY 2005, or growth of 4.8 percent. The largest contributing factor to this increase is the projected rise in tax collections from preliminary FY 2005 of approximately \$71.1 million. The majority of tax categories are expected to exhibit increased collections. The exceptions are business corporations, motor fuel, cigarettes, inheritance and gift, and racing and athletics taxes. It should be noted that the Budget Office estimates that the Historic Structures Tax Credits will increase from \$29.0 million in FY 2005 to \$43.9 million in FY 2006. This revenue loss is included in the base estimates for personal income and general business taxes.

Personal Income Tax collections are forecasted to increase by \$37.0 million, or 3.8 percent, due to increased income tax withholding payments of \$37.7 million and increased estimated payments of \$11.1 million. These increases are offset in part by expected increases in income tax refund payments of \$14.8 million. The revenue gains in personal income tax collections are reduced due to the utilization of the State's Historic Structures Tax Credit (HSTC) program. The HSTC program is estimated to cost the State \$35.6 million in personal income tax revenues in FY 2006. The increased Investment Tax Credit (ITC) and Research and Development (R&D) Tax Credits also continue to impact tax collections in FY 2006, as individuals and businesses continue to reap the benefits of an improved tax structure in Rhode Island. Personal income taxes are expected to comprise 32.3 percent of all general revenues collected in FY 2006 and total \$1.016 billion.

General Business Tax collections are projected to increase by \$8.6 million, due primarily to an increase in Public Utilities Gross Earnings taxes of \$10.9 million. The estimated increase in Public Utilities Gross Earnings taxes are a result of the substantial rate increases received by the electric and natural gas utilities in the past six months. Public Utilities Gross Earnings taxes are expected to generate \$97.3 million in FY 2006. FY 2006 Business Corporations taxes are expected to fall \$8.8 million below preliminary FY 2005 collections. Of the \$8.8 million decrease in business corporations taxes, \$6.2 million is the result of a Job Development Tax Credit due to a single taxpayer that experienced a sizeable increase in corporate profits for tax year 2005. Insurance Companies taxes are anticipated to generate \$57.0 million in FY 2006, or \$3.7 million higher than in FY 2005. Both Business Corporations and the Insurance Companies taxes are impacted by the Historic Structures Tax Credit program. The estimated foregone revenue in Business Corporations taxes is \$2.1 million in FY 2006. For Insurance Companies taxes, an estimated \$6.1 million less in collections is due to the HSTC program. The Health Care Provider Assessment is estimated to

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yield \$48.4 million in FY 2006, an increase of \$1.6 million over the \$46.8 million collected in preliminary FY 2005.

The Financial Institutions Tax is projected to increase by \$1.2 million in FY 2006 to \$(300,000). This increase is attributable to that fact that a single taxpayer overpaid its tax liability on a cumulative basis by \$22.1 million over the past several years. In FY 2004, this taxpayer received a \$10.7 million refund from the State. At the November 2005 REC, the estimators were told that this taxpayer had requested an \$11.4 million refund in FY 2006 and this fact was incorporated into the adopted estimate. Upon further consideration, the taxpayer decided not to take the refund and it is currently anticipated that this amount will be used to offset current and future tax liabilities over the next several years. The Governor has proposed a change in law that would allow the State to retain any financial institutions' excessive overpayment of its tax liability if said overpayment is greater than \$7.0 million and use it to offset tax liabilities for calendar year 2006 and 2007 before allowing for the refund of the remaining balance. This restriction allows the State to recapture an estimated \$8.1 million in Financial Institutions taxes in FY 2006.

Sales and Use tax collections are forecasted to increase by \$33.8 million, or 4.0 percent over preliminary FY 2005 collections. Sales and Use taxes represent 28.0 percent of total general revenues in FY 2006. The strength in sales and use tax collections in Rhode Island is very dependent on the State's housing market. In prior fiscal years, historically low long-term interest rates and multiple rounds of mortgage refinancings by homeowners had made available a significant source of income that was used to remodel primary residences, purchase appliances, and retire personal debt. From the State's perspective, the distribution of this consumption activity is significant, as most of the spending had been concentrated on items that are subject to the 7.0 percent state sales tax. As long-term interest rates have begun to rise, the State's housing sector has cooled substantially and this reduced housing sector activity has slowed the rate of growth in the sales and use tax collections. For FY 2006 sales and use tax collections are projected to be \$881.5 million.

Excise Taxes other than the sales and use tax are expected to decrease by \$5.5 million in FY 2006. Motor vehicle operators license and vehicle registration fees are expected to reach \$48.9 million in FY 2006, an increase of 3.7 percent over FY 2005 collections. The Motor Fuel tax estimate of \$900,000 is 54.5 percent less than FY 2005 collections. The decrease in Motor Fuel taxes is attributable to a one-time proof of claim for bankruptcy of \$1.0 million paid in FY 2005. A corrective posting was made in FY 2006 to deposit the monies into the Intermodal Surface Transportation Fund (ISTF), from which it was reallocated among the different motor fuel tax recipients at statutory rates. The revised FY 2006 Cigarette Tax estimate of \$129.7 million represents a 4.9 percent decrease over FY 2005 collections. Cigarette Tax collections are expected to decrease by \$6.6 million. This decrease is due to the fact that the State increased its cigarette excise tax to \$2.46 per pack in FY 2005. As a result of this tax increase, the State received \$4.8 million in cigarette floor stock taxes in FY 2005. The cigarette floor stock tax is a one-time revenue that occurs only when the State's cigarette excise tax is increased. In FY 2006, no increase in the State's cigarette excise tax was enacted. Additionally, the public smoking ban that went into effect on March 1, 2005 has likely contributed to a larger decrease in cigarette consumption in FY 2006.

Other Taxes are expected to decrease \$2.8 million in FY 2006 relative to preliminary FY 2005. Of the total decrease in Other Taxes, Inheritance and Racing and Athletics tax collections constitute a \$5.4 million decrease offset in part by the Realty Transfer tax which is estimated to increase by \$2.6 million. Inheritance and Gift Taxes are expected to yield \$5.0 million less in FY 2006 than in preliminary FY 2005, with estimated collections of \$28.0 million. This decrease 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

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are expected to continue their downward trend in FY 2006 totaling \$3.6 million, a decrease of 9.8 percent from FY 2005 levels. Realty Transfer Taxes are expected to total \$17.0 million in FY 2006, an increase of \$2.6 million from preliminary FY 2005 collections.

In the Governor's FY 2006 supplemental budget, Departmental Receipts are estimated at \$275.8 million, an increase of \$8.8 million from preliminary FY 2005 collections, or 3.3 percent. The estimated \$8.8 million increase in FY 2006 departmental revenues is attributable to the hospital licensing fee, which is expected to bring in \$12.2 million more than in FY 2005, the increase in the processing fee for historic structures tax credit certificates, which is expected to generate \$3.6 million more than in FY 2005, the receipt of late payments of auto theft and insurance fraud surcharges, which is expected to bring in \$1.2 million more than in FY 2005, the increase in the indirect cost recovery rate from 7.0 to 10.0 percent in FY 2006 is estimated to generate \$2.5 million more than in FY 2005, higher FY 2006 child support enforcement collections of \$644,513 are estimated and increased FY 2006 revenues of \$552,465 in penalties on overdue taxes are projected. These revenue increases are offset by a \$13.4 million decrease in disproportionate share ("dish") payments to Slater Hospital as a result of the resumption of 100 percent reimbursement for uncompensated care costs in FY 2006, down from 175 percent reimbursement in FY 2005, and a decline of \$2.1 million in intermediate hospital settlement payments. In FY 2006, departmental receipts are estimated to comprise 8.8 percent of total general revenues.

In addition to the above general revenue components, increases are forecasted in FY 2006 for the Unclaimed Property Transfer to the general fund, the Lottery transfer to the general fund, and the Other Miscellaneous general revenue category. In the case of the Unclaimed Property Transfer, an increase of \$582,268 is forecasted, primarily as result of final one-time revenues from the Bank of America/Fleet Bank merger being realized in FY 2006.

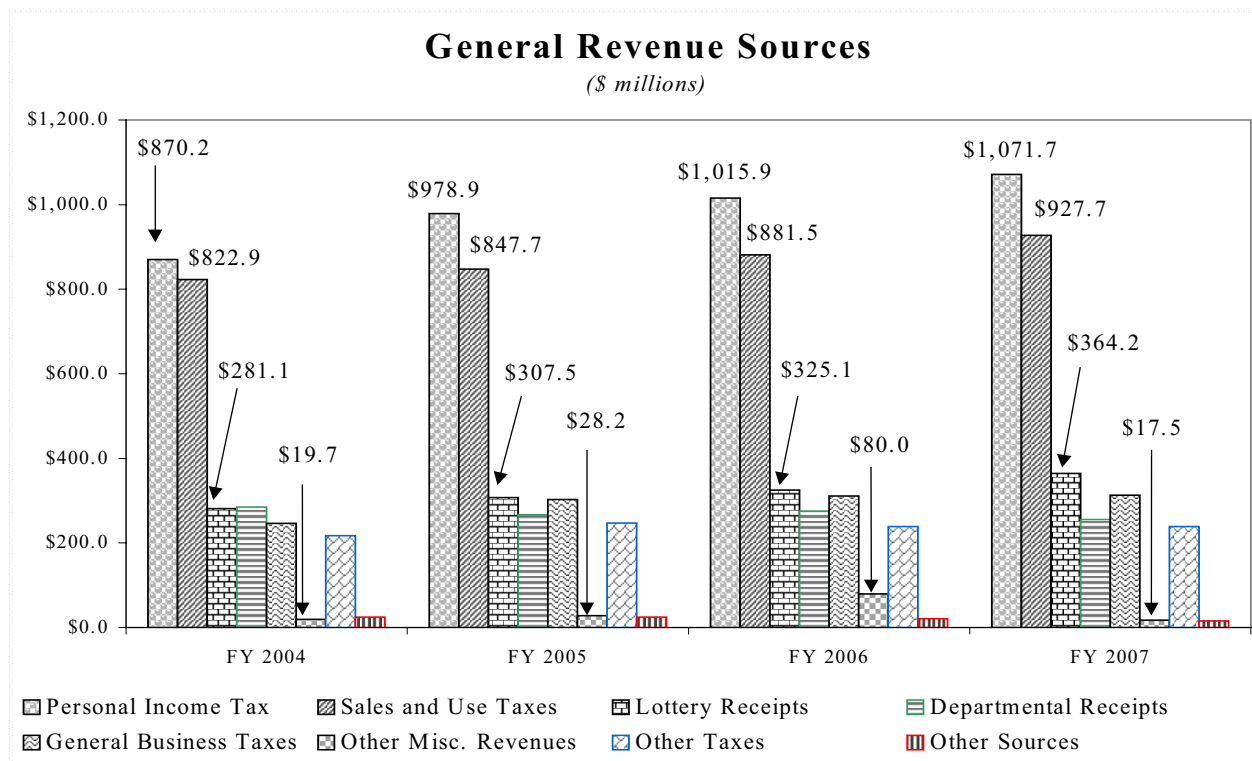
In the case of the Lottery Transfer, an increase of \$17.6 million to \$325.1 million is projected for FY 2006. It is an increase of 5.7 percent over the preliminary FY 2005 transfer. This increase is attributable primarily to expected growth in video lottery net terminal income from higher utilization of existing and new machines (3,642 VLTs were in place in FY 2005 vs. 4,242 in place for FY 2006). It is important to note that the Narragansett Indian Tribe is expected to receive somewhere between \$200,000 to \$300,000 from the net new revenue generated by the installation of 600 video lottery terminals at Lincoln Park under the terms of BLB legislation passed in July 2005. In FY 2006, the Lottery transfer to the general fund is expected to equal 10.3 percent of recommended general revenues.

In the case of Other Miscellaneous general revenues, a \$51.8 million increase to \$80.0 million is projected. This large increase is due primarily to the expected replacement by the Tobacco Securitization Financing Corporation of the cash in the debt service reserve fund with a surety policy or similar financial instrument. This one action, in and of itself, is estimated to increase Other Miscellaneous revenues by \$49.0 million. This transfer will be a one-time allocation that is not repeated after FY 2006. Without this transfer and the \$12.2 million dollars the Governor recommends in other transfers and recaptures, Other Miscellaneous revenues would be projected to decline by \$10.2 million in FY 2006. For FY 2006, Other Miscellaneous revenues are expected to make up 2.5 percent of recommended general revenues.

Finally, for FY 2006, a decrease is estimated for the Gas Tax Transfer to the general fund. The Gas Tax Transfer to the general fund is expected to decrease by \$4.3 million in FY 2006. This decrease is due in large part to the decrease in the general fund's gas tax allocation from 2.0 cents of the 30.0 cent per gallon motor fuel tax to 1.0 cent per gallon of the same effective July 1, 2005. The 1.0 cent decrease in the general fund's share of the motor fuel tax was reallocated to the Rhode Island Public Transit Authority.

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The chart below shows the sources of general revenues for the period FY 2004 – FY 2007. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted. In addition, the values of those categories for which the Governor’s FY 2006 – FY 2007 budget recommends substantial changes are also displayed.



FY 2007 Proposed Revenues

The Governor’s recommended FY 2007 budget estimates general revenues of \$3.204 billion, an increase of 1.7 percent over the revised FY 2006 level. The Governor’s recommendation is comprised of \$3.149 billion of revenue estimated at the November 2005 Revenue Estimating Conference and \$55.9 million of changes to the adopted estimates. These changes are shown in the schedule *General Revenue Changes to Adopted Estimates* located in Appendix A of this document.

The largest source of FY 2007 general revenues is the Personal Income Tax, with estimated receipts of \$1.072 billion, \$4.8 million more than the November 2005 REC estimate for FY 2007. Personal Income Taxes are expected to comprise 33.4 percent of total general revenues in FY 2007. The \$4.8 million increase over the adopted estimate in Personal Income Tax collections is due to the Governor’s proposed tax amnesty program. The tax amnesty will allow delinquent taxpayers to have the penalty waived in exchange for paying one-half the amount of overdue taxes owed immediately with the remaining balance to be paid in two equal monthly payments. It should be noted that the Budget Office estimates that the FY 2007 Personal Income Tax estimate adopted at the November 2005 REC incorporated \$49.2 million in revenue lost to the Historic Structures Tax Credit (HSTC) program. Relative to the revised FY 2006 budget, recommended FY 2007 Personal Income Taxes are \$55.8 million greater, a growth rate of 5.5 percent.

Sales and Use Tax collections are expected to total \$927.7 million in FY 2007, a \$1.9 million, or 0.2 percent, increase from the FY 2007 estimate agreed upon at the November 2005 Revenue Estimating

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Conference. The Governor's FY 2007 recommended estimate signifies growth of 5.2 percent over the FY 2006 revised estimate. The FY 2007 sales tax figure includes an additional \$4.8 million of sales tax revenue expected to result from the Governor's tax amnesty program. Another \$2.4 million is anticipated from the implementation of legislation necessary to get Rhode Island to conform with the national Streamlined Sales Tax Agreement (SSTA). The SSTA will allow the State to more effectively collect sales taxes on remote sales through collaboration with other states that are signatories to the agreement. The Governor has also proposed the "Endless Summer" Sales Tax Holiday, allowing two days of sales tax-free shopping on the Saturday and Sunday prior to Victory Day of each year. This proposal is expected to decrease FY 2007 Sales and Use Tax collections by \$5.3 million. Sales and Use Taxes are anticipated to contribute 29.0 percent to total general revenues in FY 2007.

Motor Vehicle operator license and vehicle registration fees are forecasted to equal \$50.0 million in FY 2007. Motor Carrier Fuel Use Taxes are estimated to reach \$1.1 million in FY 2007, a \$6,029 increase over the November 2005 REC estimate as a result of the Governor's proposed tax amnesty. The other components of excise taxes, namely Cigarettes Taxes and Alcohol Taxes, remain at the levels adopted by the conferees of the November 2005 Revenue Estimating Conference. Cigarettes Taxes are estimated to decline by \$3.0 million, or 2.3 percent, from the revised FY 2006 estimate. This decline is a result of the estimated drop in cigarette consumption. Alcohol Tax revenues, however, are projected to rise modestly in FY 2007 from the revised FY 2006 estimate.

General Business taxes represent 9.8 percent of total general revenue collections in the FY 2007 budget year. Business Corporation Tax revenues are expected to yield \$112.5 million, an increase of 0.8 percent, or \$890,936, from the FY 2007 estimate agreed to at the November 2005 REC. This increase is the net result of two of the Governor's proposals. The first proposal is the previously mentioned tax amnesty program, which is expected to increase Business Corporations Tax collections by \$1.9 million. The second proposal is to grant a tax credit to corporations that contribute to scholarship organizations that provide scholarships to private school K-12 students. This proposal is anticipated to reduce revenues by \$1.0 million. Business Corporations Tax collections are projected to be 4.8 percent higher than the revised FY 2006 estimate. The FY 2007 Business Corporations Tax estimate includes a Budget Office estimated \$3.7 million in revenues lost to the use of Historic Structures Tax Credits by corporate income tax filers. Business Corporations taxes are expected to constitute 3.5 percent of total general revenues in FY 2007.

Insurance Premiums Taxes, Public Utilities Gross Earnings Taxes, Health Care Provider Assessments, and Bank Deposits Taxes are estimated at the levels adopted at the November 2005 Revenue Estimating Conference. Insurance Premiums Taxes are estimated to be \$54.1 million in FY 2007 and are forecasted to be 5.1 percent lower than in the revised FY 2006 budget. They will comprise 1.7 percent of total general revenues in FY 2007. The Budget Office estimates that the FY 2007 Insurance Premiums Taxes will be reduced by \$11.2 million as a result of the use of Historic Structures Tax Credits. This estimated revenue loss is included in the November 2005 REC estimate for Insurance Premiums taxes. Together, Insurance Premiums Taxes, Public Utilities Gross Earnings Taxes, Health Care Provider Assessments, and Bank Deposits Taxes are expected to comprise 6.3 percent of total general revenues in the recommended FY 2007 budget. Financial Institution Taxes are estimated at \$3.4 million less than adopted levels for FY 2007. The Governor's proposed policy on the excessive overpayment of taxes owed by financial institutions requires the State to use a portion of the refundable amount of the excessive overpayment for the estimated tax liability in FY 2007 before a refund can be issued. This estimated liability is \$3.4 million in tax year 2006, which reduces the Financial Institutions Tax estimate in FY 2007 to \$200,000.

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Inheritance and Gift Taxes are projected to reach \$28.8 million in FY 2007, an increase of \$73,614 from the level adopted at the November 2005 Revenue Estimating Conference. The increase is due to the Governor's recommended tax amnesty program as explained above. Realty Transfer Taxes are estimated at the same level adopted at the November 2005 Revenue Estimating Conference. Thus, Realty Transfer Taxes are expected to grow modestly, if at all, from their revised FY 2006 levels, with anticipated collections of \$17.3 million. Racing and Athletics Taxes are also estimated at the level adopted at the November 2005 REC. This estimate represents a decline of \$200,000, or -5.6 percent, from the revised FY 2006 estimate. Total Racing and Athletics Taxes projected in FY 2007 is \$3.4 million. The total of Other Taxes is 1.5 percent of total general revenues in FY 2007.

FY 2007 departmental receipts are expected to generate \$20.2 million less than the revised FY 2006 budget. Including all of the Governor's proposed changes to departmental receipts, total departmental revenues are expected to be \$255.6 million in FY 2007, or 8.0 percent of total general revenues. In the licenses and fees category of departmental receipts, \$71.6 million is expected as a result of the Governor's proposals. Most of this increase is attributable to the hospital licensing fee. The Governor recommends that the hospital licensing fee be reinstated for one year at a 3.56 percent rate of assessment, yielding \$70.8 million in FY 2007. The FY 2007 recommended licenses and fees figure includes \$300,000 from the new fee initiated in FY 2006 for the refusal to take a chemical test and \$525,000 from the proposed change in the apportionment of motor vehicle emissions inspection fees in FY 2007.

In the fines and penalties category of departmental receipts, the Governor has proposed amendments resulting in \$16.7 million less for FY 2007 than the November 2005 Revenue Estimating Conference projected. A \$22.5 million decrease in departmental receipts from State Court collection activities in FY 2007 is included in the recommended budget. The Governor has proposed these receipts be turned over to the State Courts as restricted receipts to be used directly for the Courts' operations. The Governor also proposes that the interest rate charged on overdue taxes be increases from 12.0 percent to 18.0 percent effective October 1, 2006. This proposal is estimated to increase fines and penalties revenue by \$5.1 million in FY 2007. Finally, the Governor proposes that the interest rate paid on tax overpayments be decreased from 12.0 percent to the "predominant prime rate quoted by commercial banks to large businesses as determined by the board of governors of the Federal Reserve System" effective July 1, 2006. This proposal is expected to reduce contra revenues by \$567,939 in FY 2007.

Within the sales and services component of departmental receipts, a reduction of \$12.2 million has been proposed in the Governor's FY 2007 Budget. The deferral of the disproportionate share, or "dish", payment until FY 2008 is expected to decrease FY 2007 revenues for Slater Hospital by \$12.9 million dollars. Increased charges are recommended for the improved screening of newborns. Currently screening for twelve "first tier" conditions is performed for a fee of \$59.00. The Governor proposes that newborns be tested for seventeen additional conditions for a total fee of \$110.00. FY 2007 additional revenues of \$663,000 are anticipated from this expanded newborn testing program.

The Governor's recommended FY 2007 budget includes \$5.4 million in miscellaneous departmental revenues above the level adopted at the November 2005 Revenue Estimating Conference. Of this amount, \$5.0 million is expected from the proposed sale of land adjacent to the Garrahy Courthouse. The proposed sale would take place under the proviso that the buyer enter into a long term agreement with the State stipulating that this land would be used for residential development and that a parking garage would be built that would include 500 parking spaces for court employees. Indirect cost recoveries from the Governor's proposed merger of the Underground Storage Tank Financial responsibility Review Board into the Department of Environmental Management are projected to bring in additional revenues of \$440,000 in FY 2007.

General Revenues

The Other Sources component total of \$397.5 million in FY 2007 represents a decrease of 6.7 percent, or \$28.6 million, compared to the revised revenue estimate for FY 2006. The change in other sources of revenue is distributed among the three major components. Within the Gas Tax Transfer component, the Governor's FY 2007 budget shows an increase of \$177,335, or 3.7 percent, from the revised FY 2006 level. Most of the increase in the Gas Tax Transfer is a result of the Governor's proposal to allow a tax amnesty. The tax amnesty is projected to yield \$127,335 more in Gas Tax Transfer revenue than the November 2005 Revenue Estimating Conference adopted estimate. The Gas Tax Transfer is expected to total \$4.9 million, comprising 0.2 percent of total general revenues in FY 2007.

The Governor's recommended FY 2007 budget for Other Miscellaneous Revenues is \$62.5 million less than the revised FY 2006 level, a drop of 78.1 percent. This decrease is due in large part to the use of \$49.0 million of one-time revenues in the revised FY 2006 budget. The Governor's FY 2007 budget recommends transferring \$3.3 million in retained earnings from the Rhode Island Resource Recovery Corporation to the general fund. This is a decrease of \$4.5 million from the revised FY 2006 budget. Finally, several other one-time revenues totaling \$7.8 million were included in the revised FY 2006 budget that do not repeat in FY 2007. Other Miscellaneous Revenues are anticipated to be \$17.5 million in FY 2007, amounting to 0.5 percent of all general revenues.

Within the Lottery category, the recommended FY 2007 budget is \$39.1 million greater than the revised FY 2006 budget, an increase of 12.0 percent. The primary source for this increase has to do with the operation of video lottery terminals at the state's two licensed gaming facilities. In FY 2006, 600 newly authorized video lottery terminals (VLTs) were installed at Lincoln Park. This was in addition to 459 existing authorized VLTs that were installed at Lincoln Park in May 2005. Thus, by FY 2007, a full 1,059 new VLTs are fully operational at Lincoln Park in FY 2007. Given the final sale of Lincoln Park to BLB Investors, a premier gaming management company, in July 2005, the principals of the November 2005 REC were comfortable in believing that net terminal income growth at Lincoln Park and to a lesser extent Newport Grand would return to a more "normal" level. As a result, the transfer from video lottery operations is expected to increase by \$37.9 million. It should be noted that the Narragansett Indian Tribe's share of net new revenue in FY 2007 is estimated to be between \$500,000 and \$700,000. In FY 2006, the lottery transfer is expected to be \$364.2 million and comprise 11.4 percent of total general revenues.

General Revenues

The final category of general revenue receipts is the Unclaimed Property transfer. In FY 2007, this transfer is expected to decline by \$5.4 million, or 33.3 percent, from the revised FY 2006 estimate. The source of this decline is primarily due to a one-time unexpected increase in proceeds from the sale of Met Life and Prudential stock in FY 2006 resulting from the demutualization of both companies. As of the November 2005 Revenue Estimating Conference, estimated proceeds from this sale increased by \$6.6 million over the November 2004 Revenue Estimating Conference to \$11.5 million. This influx of revenue is not expected again in FY 2007. The Unclaimed Property transfer is projected to be \$10.8 million in FY 2007, and comprise 0.3 percent of all general revenues.

Non-General Revenue Receipts

The FY 2007 budget recommends appropriation of funds totaling \$6.580 billion. The largest source of funds is general revenue, reflecting \$3.154 billion or 47.9 percent of this total. Federal funds of \$1.916 billion are the next largest component, comprising 29.1 percent of all funds. Other Sources of \$1.365 billion are the third largest total, and account for 20.7 percent of the total. Restricted receipts, or dedicated fee funds, equal \$145.3 million, or 2.2 percent of all appropriated funds. General Revenue expenditures are discussed in greater detail on the following pages.

Federal Funds are decreasing by \$133.6 million between the revised FY 2006 and the recommended FY 2007 budgets. The recommended FY 2007 federal funds total is \$1.915 billion, or 6.5 percent less than the revised FY 2006 total of \$2.049 billion. The major changes are described below:

- A decrease of \$4.0 million of federal funds for the Department of Administration is attributable to two main factors. An increase of \$917,836 of federal funds for the Community Development Block Grants is recommended in FY 2007. Also a decrease of \$3.8 million of federal funds for Total Personnel Reform is recommended in FY 2007. The decrease in Total Personnel Reform is statewide and rolled up into the Department of Administration.
- A decrease of \$3.9 million of federal funds for the Department of Labor and Training is attributable to Workforce Development Services.
- A decrease of \$4.2 million of federal funds for the Secretary of State is attributable to Help America Vote Act of 2002 (HAVA) funds which are available until expended. The State is on target with meeting the mandates of the act and having a fully compliant voting system by the 2006 federal elections.
- A decrease of \$1.3 million of federal funds for the General Treasurer is attributed to the federal matching grant for the Crime Victim Compensation Program (CVCP), which is dependent on the prior state fiscal year expenditures from all state revenue sources. Of the \$1.3 million net reduction, \$1.0 million is a reduction in the federal grant portion of the traditional crime victim compensation program. This decline is a result of a substantial decrease in claims paid from restricted receipts in FY 2005. The remaining decrease of \$321,602 is a reduction in the federal grant portion of the Station Fire victims compensation program. The State has folded the Station Fire victims sub-program back into the traditional crime victims compensation program as the number of claims specifically related to the Station Fire have begun to diminish.
- A decrease of \$2.1 million in federal revenues for the Department of Children, Youth and Families is primarily due to a change in FMAP rates from 54.683 percent to 52.875 percent. Also, federal funding for Project Hope and the Substance Abuse Block Grant have been eliminated and significant reductions in other grants such as the Byrne Formula Grant, Compass Grant, Mental Health Block Grant, and the Children's Justice Act have been made.
- A decrease of \$3.8 million in federal revenues for the Department of Health is attributable mainly to reductions in Demonstration in Health Information Technology of \$0.9 million; Pandemic Influenza Planning of \$0.3 million; Childhood Lead Poisoning Prevention of \$0.2 million and Bio-terrorism Preparedness, Training, Surveillance and Communication of \$1.7 million.

Non-General Revenue Receipts

- In Elderly Affairs, a decrease of \$3.6 million in federal grants is due to the removal of \$3.1 million from the State Pharmaceutical Assistance Grant, which was awarded to the State for the transition period prior to implementation of the Medicare Part D drug benefit program. Additionally, the Title III Social Services grant, the Family Caregiver Support grant and the Core Medicaid Waiver grant decline by a combined \$532,876 due to expected federal allotments.
- A decrease of \$3.8 million in federal revenues for the Department of Health. This reflects primarily reduced federal funding of \$1.9 million for bio-terrorism preparedness, response, training and education. Other grants for information technology and forensics capacity improvements are one-time in nature, while environmental lead and family planning grant levels reflect reductions from use of prior year balances in FY 2006.
- A decrease of \$92.7 million in federal revenues for the Department of Human Services. The largest components of decrease occur in Medical Benefits programs: a one-time elimination of the federal share of uncompensated care distributions to hospitals, as the annual distribution is proposed for deferral to FY 2008 in the Governor's Budget; reassignment of the federal side of expenditures for pharmaceutical benefits for Medicaid clients who are also Medicare eligible directly to new Part D Medicare accounts, which are not recorded in state expenditures; and, a reduction in the federal matching rate for all Medicaid reimbursements, pursuant to annual rate calculations based on relative state personal income requires assignment of approximately \$24.3 million from federal to general revenue accounts. A reduction of approximately \$5.5 million from federal TANF block grants for FIP cash assistance and child care benefits reflects the end of one-time balances and bonuses expended in FY 2006. Offsetting increases in federal accounts include: \$16.3 million increase resulting from population, inflation and utilization growth trends in costs for Medical Benefits; increases in federal food stamp administration and in food stamp vouchers recorded in state accounts in FY 2007 of \$3.8 million; adjustments in the Veteran's Affairs Program with additions of \$0.9 million, primarily for one-time capital project reimbursements for the Veterans' Home and the Veterans' Cemetery; and, health care administrative contracts of \$1.9 million.
- An increase of \$3.1 million for the Department of Elementary and Secondary Education. This increase is primarily attributable to a \$2.2 million increase in No Child Left Behind (NCLB) Title I funding to support school districts in need of performance improvements in reading and math; an additional \$1.2 million for new and expanded services to students with disabilities; and an additional \$899,666 for the National School Lunch Program. A portion of these increases are offset by a variety of reductions to other categories of federal funding, including a \$547,016 decline in NCLB Title V funding for the advancement of innovative education strategies.
- A decrease of \$3.2 million for the Department of Corrections is mainly attributable to a \$1.9 million reduction in Federal Crime Bill Funds under the Violent Offender/Truth in Sentencing Act (VOI/TIS), primarily related to revised construction schedules for approved projects, including the Reintegration Center. Additional reductions of \$1.2 million are a result of grant expirations from the Rhode Island Justice Commission for the Byrne Formula Grants as well as federal fund reductions in discharge planning, offender reentry, victim's services grants and in the State Criminal Alien Assistance Program (SCAAP).
- A reduction of \$2.8 million for the Judiciary is primarily attributable to the end of several one-time discretionary grants. These include reductions of \$259,325 in Supreme Court for Domestic Violence and Byrne grants; and reductions of \$2.0 million in Family Court for Drug Court, Drug Court Treatments, and Truancy Outreach grants.

Non-General Revenue Receipts

- A decrease of \$7.1 million for Military Staff is primarily due to a revised expenditure schedule for various federal grant awards of \$21.2 million for state homeland security, law enforcement terrorism prevention and Citizens Corps programs, resulting in a reduction of \$3.6 million. \$3.9 million in disaster assistance for Hurricane Katrina and snow removal costs has also ended. Other components of the reduction include \$456,000 for the end of the one-time information technology grant. Offsetting these reductions is a \$1.2 million increase in National Guard federal spending primarily due to additional funds for base security.
- An increase of \$1.0 million for the Department of Environmental Management is attributable to the addition of \$1.3 million in the Natural Resources Bureau for various wildlife, fisheries management, forestry and marine enforcement federal grants. This is offset by a reduction of \$270,036 in the Environmental Protection Bureau for Homeland Security and pollution management grants, based on expected federal award.
- A decrease of \$5.1 million of federal funds for the Department of Transportation is primarily attributable to the implementation of a revised construction schedule for the federal highway improvement program on the part of the department in order to meet state matching fund availability in FY 2007.

For FY 2007, the Governor recommends **Restricted Receipt fund** expenditures totaling \$145.3 million, an increase of \$28.3 million from the revised FY 2006 level of \$117 million. Restricted receipts are revenues, such as licenses and fees, which are solely dedicated to activities specified by the legislation that created the receipt. The most significant changes are:

- The decrease in restricted receipts of \$1.2 million for the Department of Administration is attributable to the Total Personnel Reform that is recommended in FY 2007. The decrease in Total Personnel Reform is statewide and rolled up into the Department of Administration.
- A net increase of \$1.4 million for the Department of Labor and Training is primarily attributable to Human Resource Investment Council expenditures.
- The decrease of \$8.5 million in restricted receipts in the unclaimed property program of the General Treasurer is due to the end of the revenues that were made available from the demutualization of three large insurers in the past several years. These insurers are John Hancock, Met Life, and Prudential. Upon conversion to a stock based company, each of these insurers issued shares of stock to their policyholders in an amount equivalent to the value of their policy. Once the shares of stock were issued, each insurer tried to contact all of their policyholders. Rhode Island policyholders that could not be found had their shares turned over to the State as unclaimed property. These shares were then converted to cash and retained by the unclaimed property program for payment to the rightful owners as they are found. FY 2007 represents the end of this process.
- In Elderly Affairs, the RIPAE pharmaceutical rebate collection account is expected to decrease by \$1.1 million in comparison to the FY 2006 level, due to reduced activity predicted when the Medicare Part D drug benefit program is in full effect.

Non-General Revenue Receipts

- An increase of \$30.3 million in restricted receipts for the Judiciary is due to the conversion of a portion of the Judiciary's operating funding from general revenues to restricted receipts. All revenues currently deposited as general revenue will be deposited in a Court Operations Account. Revenues deposited in the account will be dedicated to funding the entire operations of the Traffic Tribunal and District Court, and portions of operations of the Supreme Court and Family Court. The Court Operations Account is created by legislation included in the Governor's FY 2007 Appropriations Act.
- An increase of \$5.3 million in restricted receipts for the Department of Environmental Management is attributable to the addition of \$4.0 million for the merger of the Underground Storage Tank Responsibility Review Fund into the Department, including staff and operating costs, and fund disbursements to tank owners. Additionally, \$629,492 is expected from recreational fishing and hunting receipts, commercial shellfish receipts and boat registration receipts. The Environmental Response Fund and Water and Air account are budgeted to accumulate an additional \$760,854, based on expected environmental penalty collections and recoveries.
- An increase of \$1.5 million for the Coastal Resources Management Council from the Oil Spill Prevention, Administration and Responsibility Fund finances the state match (along with the Army Corps of Engineers) for a new coastal habitat restoration project at Narrow River in Narragansett.

For FY 2007, the Governor recommends **Other Funds** expenditures totaling \$1.365 billion, an increase of \$18.2 million from the revised FY 2006 level of \$1.347 billion. 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). The most signi an

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Non-General Revenue Receipts

- A decrease of \$1.6 million in Higher Education Assistance Authority includes a decrease of \$2.2 million in scholarships and an increase of \$0.6 million for federal matches.
- A \$1.7 million decrease for the Rhode Island Public Telecommunications Authority. This decline is entirely attributable to the completion of the federally mandated digital conversion project, for which FY 2006 is the final year of Rhode Island Capital Plan (RICAP) financing.
- An increase of \$2.6 million in the Institutional Corrections program of the Department of Corrections for the Reintegration Center RICAP project.
- A decrease of \$2.9 million in other funds for the Department of Transportation is attributable to two factors: a reduction in anticipated land sale revenue from \$6 million in FY 2006 to \$2 million in FY 2007 offset by an increase in the projected yield of the gasoline tax.

All Sources

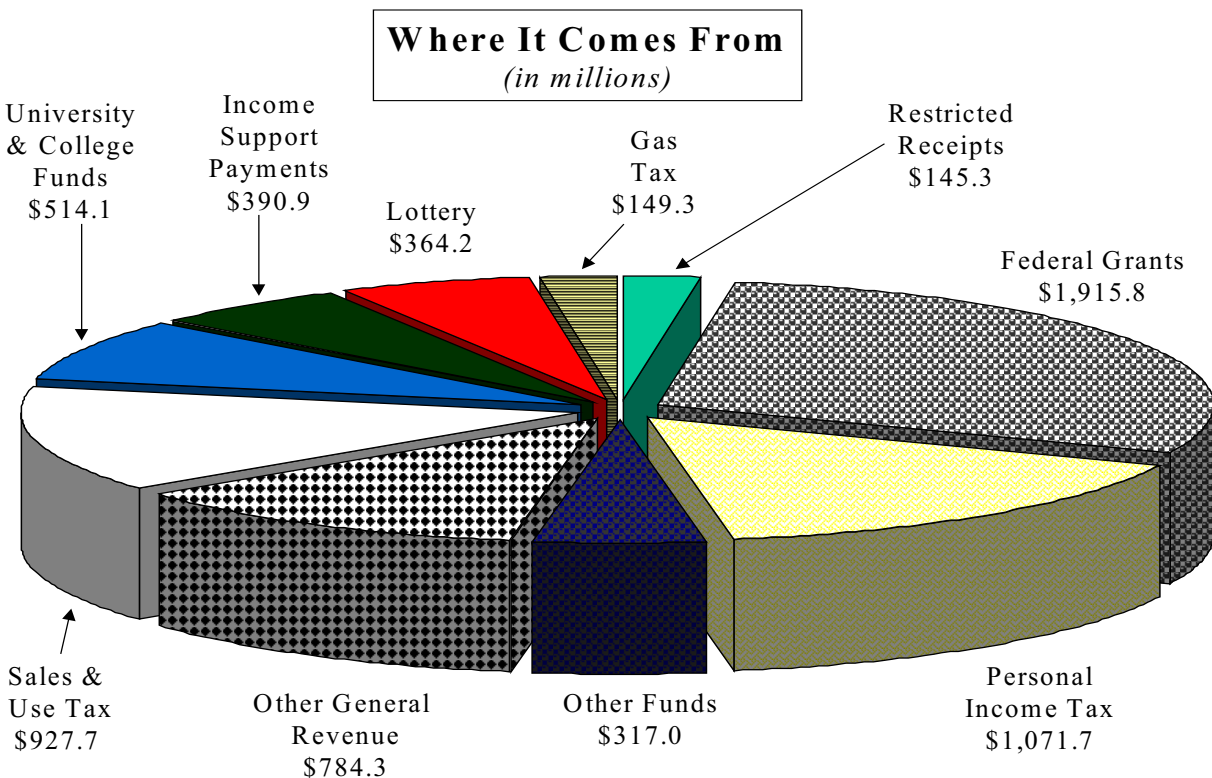
The total budget of \$6,580.3 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 29.1 percent of all funds. Over 69.3 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales and Use Taxes combined represent 30.4 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 7.8 percent, and 5.9 percent of the total, respectively.

Remaining sources include: Other General Revenues (11.9 percent); Gas Tax Revenues (2.3 percent); Lottery Transfers (5.5 percent); Restricted Receipts (2.2 percent); and Other Funds (4.8 percent).



All Expenditures

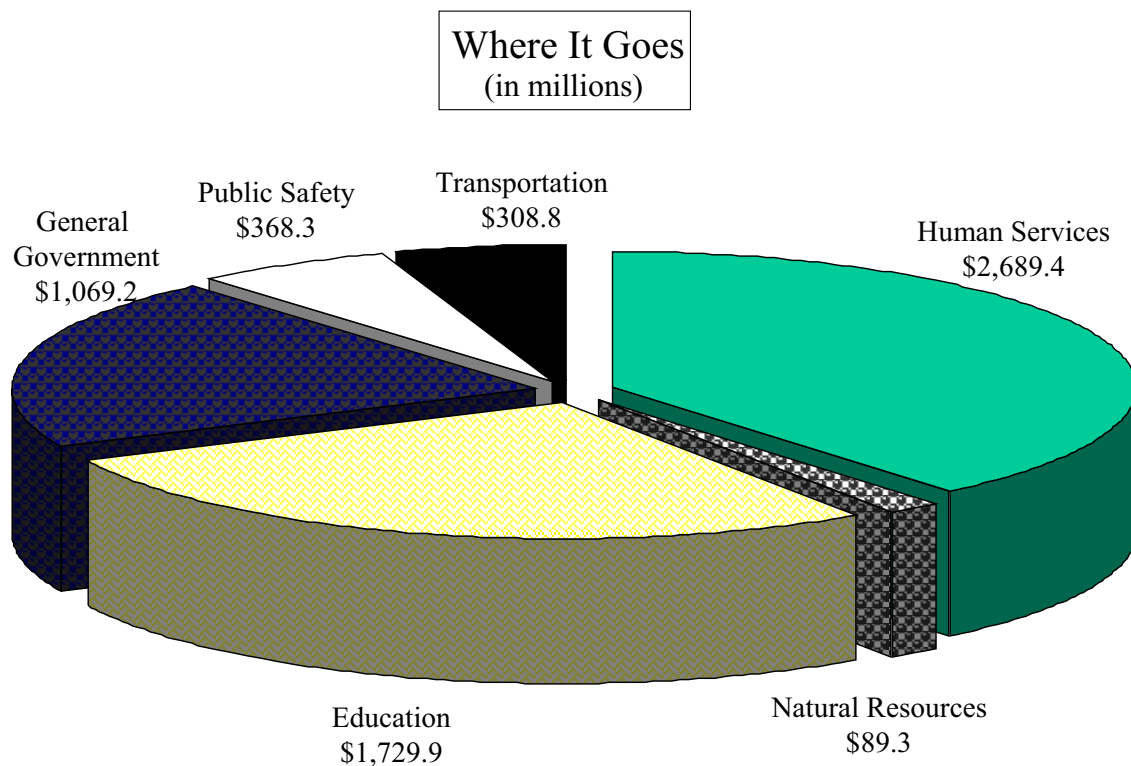
Approximately sixty-six percent of all expenditures are for human services and education programs. The budgets for the human service agencies total \$2.568 billion, or approximately thirty-nine percent of all expenditures. These programs constitute the state's safety net.

Education expenditures comprise approximately twenty-seven and a half percent of total expenditures, or \$1.813 billion. Of this total, \$990.9 million represents funding for aid to local units of government. This is approximately fifty-five percent of all education expenditures, including higher education.

Approximately thirty-three percent of the \$1.345 billion 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 five 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 decrease by 0.9 percent from the revised FY 2006 budget.



Expenditure Summary

FY 2006 Revised General Revenue Expenditures

Revised FY 2006 general revenue expenditures total \$3.123 billion and reflect a net decrease of \$18.2 million from the enacted budget, or 0.6 percent. The net decrease in spending includes the addition of \$13.5 million of re-appropriated balances from FY 2005, and a decrease of \$31.7 million in expenditures.

The largest re-appropriations within the FY 2006 revised budget relate to expenditures for the Department of Administration of \$9.5 million, the Legislature of \$2.5 million, Human Services in the amount of \$400,000 and the Judiciary of \$383,438. The Department of Administration re-appropriations include \$7.1 million for the Salary Adjustment Fund, \$936,662 million for the Renewable Energy Fund, \$493,481 for the Technology Initiatives Fund, \$212,288 for the property revaluation project, \$161,245 for the Housing Resources Commission, and \$179,133 for the Governor's Contingency Fund. For the Legislature, \$1.8 million of the \$2.5 million is re-appropriated in the legislative grant category of the Joint Committee on Legislative Services program, with \$629,612 being reassigned for current services. In Human Services, \$400,000 is reappropriated for revenue maximization contracts in medical assistance programs. Judiciary's reappropriation is statutory and relates to the Indigent Defense Fund.

General revenue expenditures increase for several state departments in the Governor's revised FY 2006 recommendation. In the Department of Administration, reductions (discussed below) are offset by addition of \$5.6 million for the Motor Vehicle Excise Tax phase-out; \$3.9 million for implementation of an integrated state financial management system; \$1.5 million for facilities management; \$1.0 million for increased energy costs; and \$592,430 for the Energy Office grant program. Statewide, the Governor adds \$9.9 million for expected energy costs.

For the Department of Health, a total of \$4.4 million is added to the enacted general revenue base of \$31.8 million, including \$3.3 million to finance a federal shortfall for HIV programs. In Mental Health, Retardation and Hospitals, increase of \$9.4 million in supplemental appropriations will finance the fuel, water and energy requirements of the Pastore Complex in Cranston, in addition to providing financing to support clients unable to shift to Medicaid financing. In Elderly Affairs, \$806,570 is provided for expected costs in the RIPAE program, notwithstanding implementation of Part D of the Medicare Rehabilitation Act, and \$595,355 is added for the federal Medicaid waiver program. In Department of Children Youth and Families, \$2.3 million is added for caseload requirements in the children's behavioral health and juvenile corrections programs.

For the Department of Human Services, the Governor adds \$2.6 million for caseload requirements determined at the November 2005 caseload estimating conference, \$642,401 for unachieved indirect cost recoveries, \$267,850 for homemaker services, and \$332,255 for general public assistance programs. In Corrections, the Governor adds \$591,125 for medical services for inmates, \$397,883 for per-inmate operating expenditures, and \$565,345 for nursing incentives.

Offsetting these major increases in general revenue expenditures are cost savings included in the Governor's revised budget for FY 2006. For the Department of Administration, supplemental appropriations, absent re-appropriations, total a reduction of \$32.2 million. Major items include decrease of \$40.1 million from the Salary Adjustment Fund as it is reassigned to other agencies and decrease of \$10.3 million from debt service payments including \$7.3 million shifted to Rhode Island Capital Plan financing. In Business Regulation, the Governor recommends personnel turnover and position reconfiguration totaling savings of \$262,617.

Expenditure Summary

In Children Youth and Families, delayed start-up of programs and increased revenue opportunities from various SSI and Medicaid programs allow for removal of \$2.2 million. In the Child Welfare program, \$1.3 million is removed in consideration of caseload estimates. In Human Services, \$5.9 million is removed to reflect expected child care requirements and \$8.5 million is removed for the special education imputed match. Additionally, \$741,389 in general revenue is removed for position vacancies in FY 2006.

In the Department of Elementary and Secondary Education, \$626,000 is removed from the Telecommunications Access Fund, \$2.3 million from Teachers' Retirement to reflect payroll base change, and \$548,389 is removed from Housing Aid. In the Administration of the Comprehensive Education Strategy program, a total of \$174,051 is removed from various projects and subprograms, to reflect expected expenditure requirements. In Higher Education, a total of \$3.4 million is removed from all state institutions of higher learning, relating to operating and debt service reductions. In the Higher Education Assistance Authority, \$2.2 million in scholarship financing is removed and replaced by other funds from the Collegebound 529 savings program contract.

The Governor also recommends, in the FY 2006 revised budget for Corrections, removal of \$2.4 million in turnover, based on estimated staffing requirements. In Environmental Protection, \$300,000 is removed for the Rosehill Landfill project, to be paid in FY 2008.

FY 2007 Expenditures from All Funds

All funds expenditures for FY 2007 are \$6.580 billion, reflecting a decrease of \$57.0 million, or 0.9 percent from the FY 2006 revised budget. The decrease in spending in all funds by function is: \$113.6 million, or 4.2 percent decrease in the Human Services function; \$8.1 million, or 2.3 percent decrease in transportation function; and, \$19.5 million, or 1.4 percent decrease in general government. Of the total funds allotted for FY 2007, \$3.153 billion or 48.0 percent is general revenue, \$1.915 billion or 29.2 percent are federal funds, \$145.3 million or 2.0 percent are restricted receipts, and \$1.365 billion or 20.8 percent is from other funds.

On a functional basis, the largest share of expenditures are in the Human Services area and total \$2.568 billion, or 39.0 percent of the total budget. Spending for Education is \$1.813 billion, which comprises 27.6 percent of spending, and expenditures for General Government, including all debt service, is \$1.345 billion, or 20.4 percent. Public Safety expenditures total \$413.2 million, Transportation functions total \$342.4 million, and Natural Resource functions total \$97.9 million. These three taken together comprise 13.0 percent of the Governor's FY 2007 budget recommendation.

Expenditures are also recorded on a categorical basis. On this basis, the largest share of the budget finances grants and benefits, and equals \$2.667 billion, or 40.5 percent of the total. Personnel expenditures total \$1.542 billion, or 23.4 percent, local aid expenditures, which are 19.0 percent or \$1.247 billion of the total budget, are the next largest category. Expenditures for operations total \$706.8 million, or 10.7 percent. The balance of spending is to finance capital and debt service expenditures and totals \$417.0 million, or 6.3 percent of total spending.

Expenditure Summary

FY 2007 General Revenue Expenditures

Expenditures from general revenues total \$3.154 billion for FY 2007, an increase of \$30.1 million or 1.0 percent above the Governor's FY 2006 revised recommendation. Savings from the Governor's recommended personnel reforms are reflected in the Department of Administration to be allocated to agencies during FY 2007. The estimated allocation of these savings can be found in the 'Schedules' section contained in this document.

By function, unadjusted FY 2007 spending by Human Services agencies constitute the largest share and total \$1.207 billion, or 38.3 percent of the general revenue budget, followed by spending for Education programs, totaling \$1.083 billion, or 34.3 percent of the budget. General revenue spending for General Government and Public Safety are recommended at \$513.9 million, or 16.3 percent, and \$307.3 million, or 9.7 percent, respectively. Expenditures from general revenue for Natural Resources total \$42.4 million, or 1.4 percent of total spending. Transportation expenditures are financed from dedicated gasoline taxes and federal funds and therefore are not included in general revenue recommendations.

General revenue expenditures by category are primarily devoted to financing local aid, and grants and benefits. Local aid comprises the largest amount and percentage totaling \$1.083 billion, or 34.4 percent of the total. Assistance, grants and benefits total \$1.000 billion, or 31.7 percent of the total. Personnel expenditures of \$779.5 million encompass 24.7 percent of the budget, Operations total \$196.4 million, or 6.2 percent of the budget, and Capital expenditures total \$94.1 million, or 3.0 percent of the total budget.

When compared to the Governor's FY 2006 budget, the FY 2007 general revenue recommendation of \$3.154 billion is an increase of \$30.1 million, or 1.0 percent above the revised amount. The increase includes \$2.3 million more in the Board of Elections, \$7.9 million more for Department of Mental Health, Retardation and Hospitals, \$41.9 million more for Elementary and Secondary Education, \$11.7 million more for Higher Education, \$6.8 million more for Corrections. The recommendation provides \$1.8 million more for State Police, \$1.6 million more for the Higher Education Assistance Authority and, \$1.2 million more for Environmental Management. These additions are offset by general revenue reductions in the amount of \$4.7 million from Administration, \$18.8 million from Human Services, and \$25.8 million from Judicial. The reduction for Judicial reflects the conversion of expenditures from general revenue funds to restricted receipt sources.

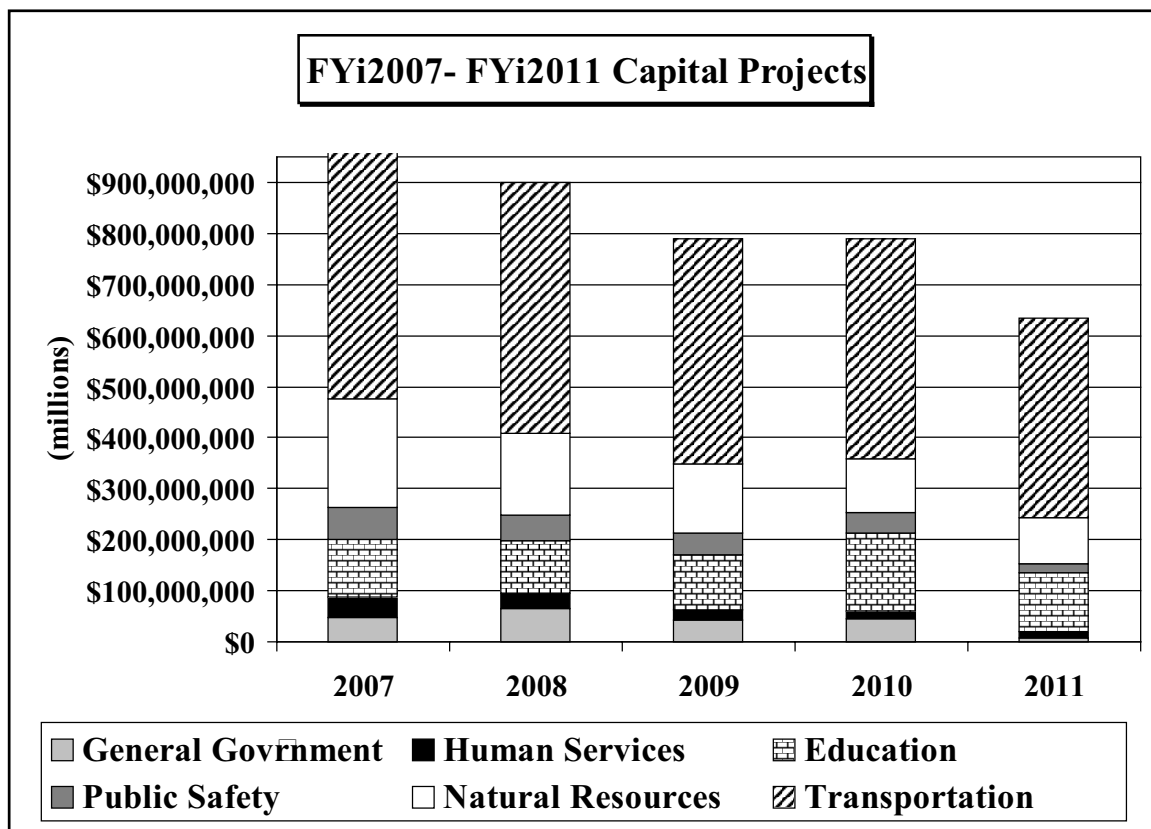
The largest percentage growth in general revenue expenditure in FY 2007 in relation to the FY 2006 revised budget is the Education function which increases by 5.4 percent or \$55.1 million. This includes a \$41.0 million increase in local aid for education. The next largest percentage increase is in Natural Resources which increases by 3.2 percent or \$1.3 million. The largest percentage decrease is 4.6 percent or \$14.9 million from the Public Safety function. General government decreases by 0.2 percent, or \$1.1 million, and the Human Services function decreases by 0.8 percent, or \$10.3 million.

Capital Budget

Capital Budget Overview

The Governor's FY 2007 Capital Budget and FY 2007 – FY 2011 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.

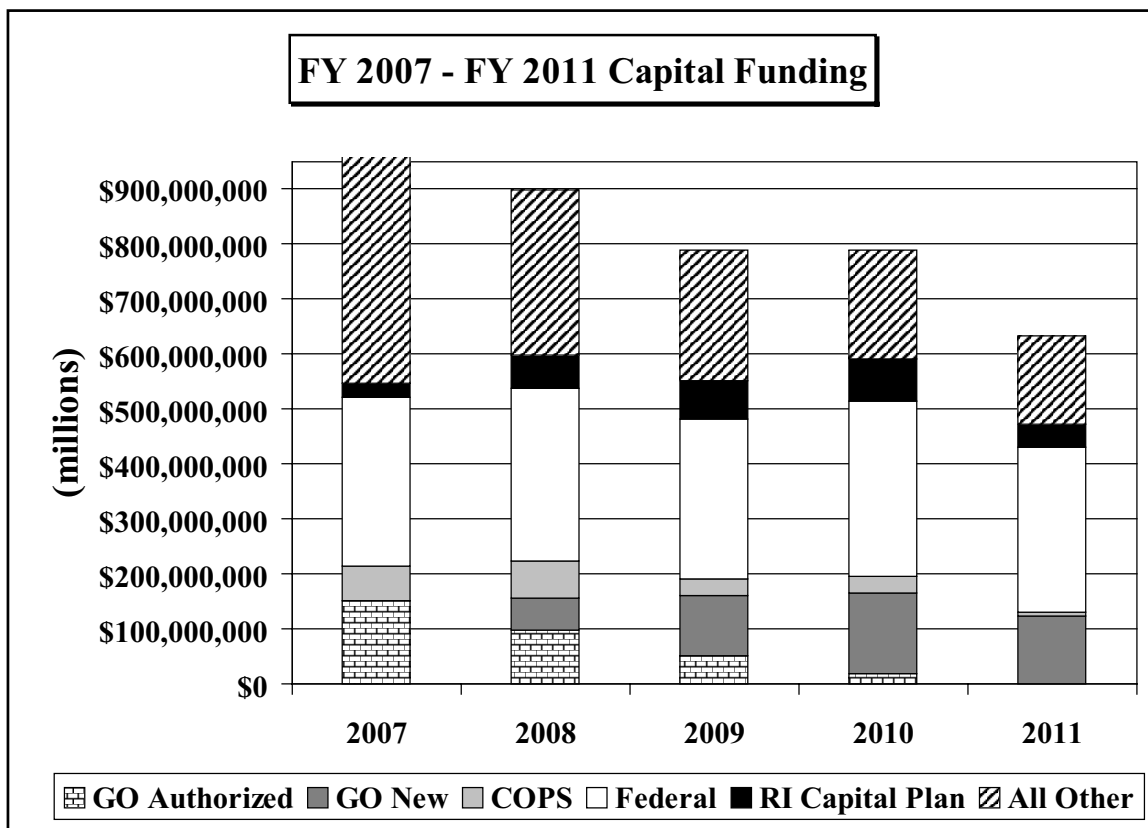
The FY 2007 capital budget includes expenditures of \$950.6 million, of which Transportation projects constitute 51.0 percent, Natural Resources projects represent 18.0 percent, Education projects represent 13.8 percent and General Government and Economic Development projects constitute 7.3 percent. Over the five-year planning period Transportation and Natural Resources projects total over \$2.76 billion, or 71.0 percent of capital investments.



Over the five year period, federal funds of \$1.53 billion will finance approximately 37.5 percent of the planned capital projects; general obligation bonds will finance \$756.8 million, or 18.5 percent, with the remaining \$1.79 billion, or 44.0 percent, from other sources, including certificates of participation and the Rhode Island Capital Plan Fund.

A major source of state financing for capital projects is general obligation bonding. As of June 30, 2005, there were \$778.3 million in outstanding general obligation bonds. Over the five-year planning period, the recommended capital improvement plan provides for the issuance of \$307.8 million of authorized debt and the issuance of \$434.5 million from new bond referenda to be submitted for voter approval at the November 2006 and 2008 elections.

Capital Budget



This capital plan addresses the Governor's desire to continue targeting current resources to infrastructure needs in the state. 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 \$24.8 million in FY 2007 from current revenues in the Rhode Island Capital Plan Fund for asset protection projects. Under the Governor's plan, over \$274.5 million will be dedicated from this fund over the next five years to infrastructure needs.

The Governor believes that the development of a symbiotic relationship between the Life Sciences Center at URI and the medical institutions in Providence will provide the state with a competitive advantage in the biotechnology area and allow for future expansion of this industry in the state. The Governor's capital budget reflects construction of a \$50.0 million Center for Biotechnology and Life Sciences at the University of Rhode Island, approved by the voters in November 2004, to serve as a complement to the established medical research center that already exists in Providence. In addition to the BioSciences Center previously approved by the voters, the Governor recommends a \$140.0 million referenda in November 2006 to provide funds to construct a Life Sciences Complex at the University of Rhode Island, including new Pharmacy, Nursing and Chemistry facilities. General obligation bonds are also recommended for fire code and HVAC improvements at the Community College of Rhode Island (\$3.4 million) and for road and parking lot improvements at Rhode Island College (\$4.6 million). Also, the Governor's Technology Initiative to be funded with proceeds from certificates of participation will provide technology and equipment that will significantly enhance the students learning in the laboratory setting.

Capital Budget

The Governor's recommendations also reflect the significant planned investment in Higher Education through the inclusion of \$64.0 million in bond expenditures, approved in November 2004, to upgrade residence halls and academic facilities. In November 2000, Rhode Island voters approved a new referendum authorizing the expenditure of \$36.95 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.

In the economic development area, the Governor recommends the expenditure of \$48.0 million approved by the voters in November 2004 to fund continuing improvements at the Quonset Point/Davisville Industrial Park. In addition, the Governor is recommending general revenue funding of \$200,000 in the FY 2006 budget for continued planning efforts to develop a Marine BioScience Research and Business Park at Quonset Point.

The capital plan includes issuance of bonds authorized in November 2002, including funds for a new State Police Headquarters, a new Municipal Fire Academy, grants to the Heritage Harbor Museum and Roger Williams Park, and a new grant program for capital improvements at museums and cultural art centers.

The environment continues to be a high priority of the Governor. The capital improvement plan includes the issuance of the \$34.0 million of Environmental Management bonds authorized in November 2000, and \$70.0 million approved in 2004. The Governor recommends a \$25.0 million general obligation bond in November 2006 for continued anti-pollution and restoration activities benefiting the Narragansett Bay. These funds will be used over a multi-year period to preserve open space, protect ground water supplies, and develop and improve public recreational facilities. The Governor is also recommending general revenue funds over several years for the remediation of the Rose Hill Superfund site.

Transportation continues to comprise a significant part of Rhode Island's general obligation debt issuance requirements, reflecting \$199.7 million over the five-year period. In addition, the Governor recommends the expenditure of approximately \$324.3 million in GARVEE bonds and \$69.6 in Motor Fuel Tax Revenue bonds for five major transportation projects over the planning horizon. The projects to be funded from these resources are the I-195 relocation, the replacement of the Sakonnet Bridge, repairs to the Washington Bridge, the construction of the Rt. 403 Quonset Access Road and the completion of the Freight Rail Improvement Project.

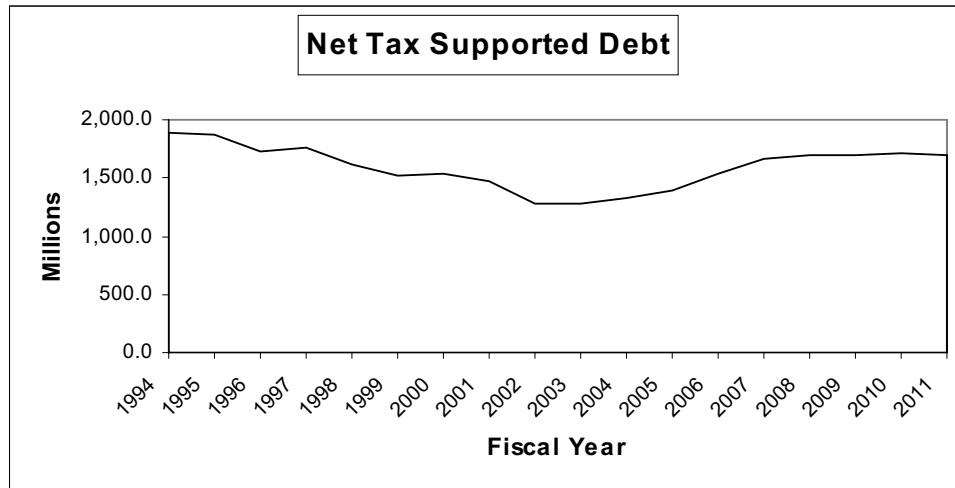
The Governor's Capital Budget is within the recommended debt guidelines set by the Public Finance Management Board. The Capital Budget, a comprehensive document which is part of the consolidated operating and capital budget required by law, compares the projected debt ratios resulting from the Governor's recommended Capital Budget to these guidelines. As can be seen in the section entitled "Tax Supported Debt Burden" of that document, the recommended Capital Budget projects a ratio of debt to personal income which is well within the recommended 5.0 to 6.0 percent guideline, decreasing from 8.4 percent in FY 1994 to 3.93 percent in FY 2007, and further to 3.38 percent in FY 2011. The projected ratio of debt service to general revenues is also within the recommended guideline of 7.5 percent.

The capital plan shows that net tax supported debt is projected to be \$1.698 billion by FY 2011. This would be a reduction of almost \$186.0 million from the FY 1994 high of \$1.884 billion. As of June 30, 2005, the State had net tax supported debt of \$1.389 billion. From FY 2007 to FY 2011, \$715.2 million of new tax supported debt will be issued, while \$560.2 million of outstanding and new debt will be retired.

As shown on the graph below, net tax supported debt has declined significantly. The dip in FY 2003 reflects

Capital Budget

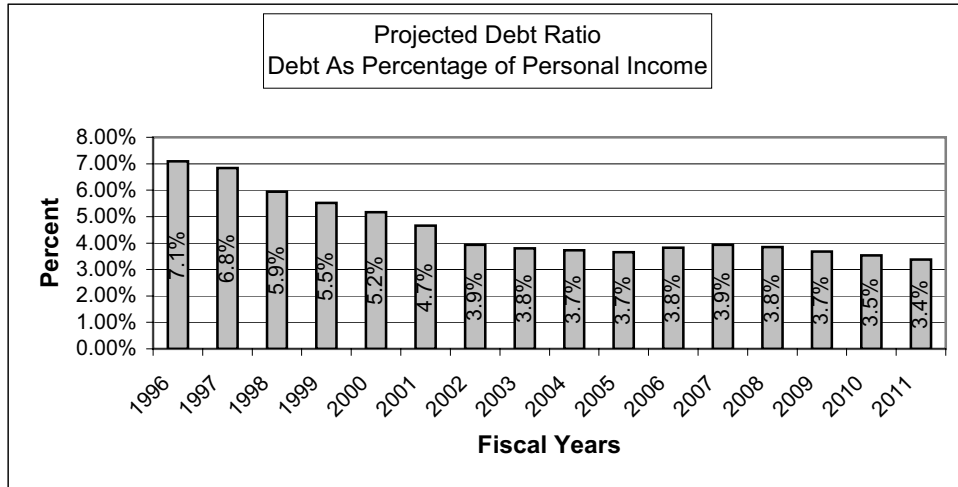
the fact that the issuance of general obligation bonds for FY 2004 projects and certificates of participation for two projects were not executed prior to June 30, 2003.



The Governor's recommended FY 2006 Capital and Operating Budgets reflect debt reduction during FY 2002 using proceeds from the Tobacco Securitization Bonds to defease \$247.6 million of debt (\$295.5 million reflecting the accreted value of capital appreciation bonds). This defeasance of outstanding general obligation debt and certificates of participation, using the proceeds of bonds which are not considered state debt, resulted in a significant reduction in Rhode Island's net tax supported debt position. The use of these accelerated Tobacco Settlement resources accelerated the trend of reducing net tax supported debt beyond that which had been displayed in previous Capital Budgets.

The reduction in state debt of \$247.6 million at the end of FY 2002 resulted in significant improvement in the state's debt position compared to that which would have resulted without use of the proceeds from Tobacco Securitization for defeasance. According to the 2005 "Moody's Medians," Rhode Island's net tax-supported debt as a percent of personal income of 4.3 percent in 2005 ranks fifteenth in the nation. (Due to slight variations in calculation methods and timing, the state's number varies from Moody's. Moody's medians for 2005 reflect net tax supported debt as of calendar 2004). The national median is 2.4 percent of net tax supported debt as a percent of personal income. From FY 2004 to FY 2005, the national median remained at 2.4 percent, while Rhode Island's decreased from 4.4 percent to 4.3 percent. This resulted in a movement to the fifteenth place from twelfth place in Rhode Island's ranking released by Moody's in 2004, so Rhode Island's relative position also continues to improve. This was the eighth straight year of improvement, a record no other state holds. In 1996, Rhode Island ranked third with a ratio of 8.5 percent. In 1984, Rhode Island ranked twenty-fifth in the nation with a ratio of 2.4 percent. The Governor's recommended capital budget will result in improvement in the state's ratio of debt as a percentage of personal income, which is expected to decline from 8.18 percent at the end of FY 1995 to 3.93 percent at the end of FY 2007, to 3.38 percent in FY 2011.

Capital Budget



The Governor's proposed Capital Improvement Plan for FY 2007 - FY 2011 reflects the ninth year in a comprehensive, yet affordable, asset protection program that will result in the dedication of over \$274.5 million of current revenues towards preserving Rhode Island's buildings and other assets over the next five years. The multi-year plan of dedicating increased resources towards pay-as-you-go capital projects was modified in past fiscal years to address operating budget deficits and resulted in numerous planned capital projects being deferred. The Governor's FY 2007 recommended budget funds some of these deferred projects, but defers many until resources are more abundant.

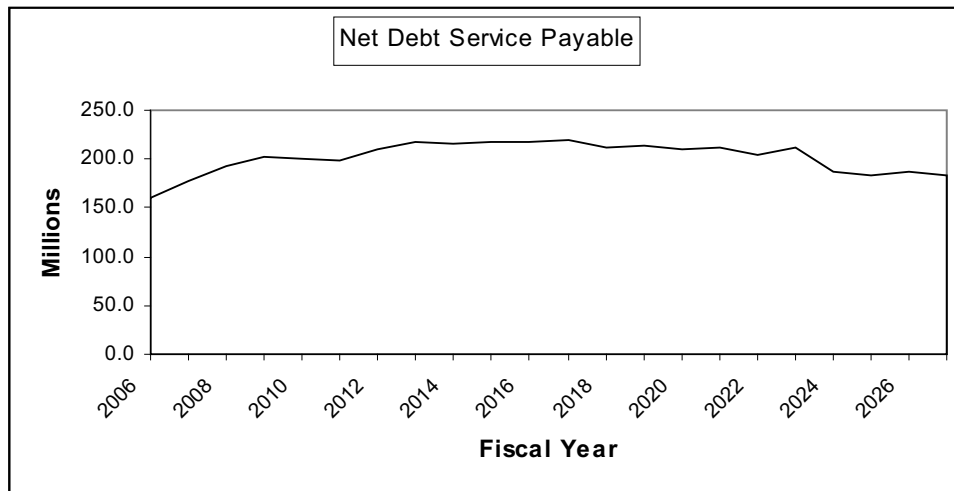
RI Capital Plan Funds

	Debt Service	Project Expenditures	Percent for Projects
FY 1994	.0	.2	.0%
FY 1995	32.5	.9	2.7%
FY 1996	29.3	.7	2.2%
FY 1997	33.3	.5	1.5%
FY 1998	26.8	2.9	9.8%
FY 1999	24.1	11.7	32.7%
FY 2000	14.0	19.8	58.8%
FY 2001	7.4	22.7	75.4%
FY 2002	31.5	44.8	58.8%
FY 2003	27.1	19.3	41.6%
FY 2004	32.3	16.5	33.8%
FY 2005	18.8	28.0	59.8%
FY 2006	41.7	47.9*	53.5%
FY 2007	39.0	24.8	38.9%

* Includes funding reappropriated from FY 2005

Capital Budget

The Governor recommends debt service funding from all sources of \$236.9 million for debt and other long term obligations, including: \$97.6 million for general obligation debt service, \$19.5 million for Rhode Island Refunding Bond Authority (formerly RIPBA) obligations, \$20.8 million for the Convention Center obligation, \$9.6 million for motor fuel debt service, \$44.5 for federally funded GARVEE debt service, \$26.6 million for certificates of participation and long-term obligations, \$11.5 million for Higher Education non-general obligation debt, and \$6.0 million for performance-based obligations. A detailed description of these obligations can be found in the capital budget document, and the long-term projections are shown in the chart below:



The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2007 – FY 2011 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations is projected to rise from \$94.1 million in FY 2007 to \$143.1 million in FY 2011. The plan calls for the issuance of general obligation bonds in FY 2007 of \$137 million, \$120 million in FY2008-FY2010 and \$100 million thereafter. It is assumed that interest on the general obligation bonds issued will be 5.0 percent for twenty year fixed rate debt, and 4.0 percent for outstanding variable rate debt. It reflects the diminishing benefit of the debt service savings resulting from the debt defeasance using tobacco securitization proceeds.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. In FY 2002 through FY 2007, budget recommendations to defer some capital projects provided budgetary relief but result in a structural imbalance in FY 2008 when those funds are redirected to capital projects rather than debt service. The projection assumes that Rhode Island Capital Plan funding for debt service will decrease from \$41.6 million in FY 2006 to \$38.9 million in FY 2008. In FY 2008 and thereafter, zero debt service will be funded from the Rhode Island Capital Plan funds. This, combined with new general obligation bond issuance, results in increased general revenue appropriations for debt service of \$27.7 million from FY 2007 to FY 2011. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five-year report as operating costs.

Capital Budget

It is assumed that the Department of Transportation general obligation debt service funded by gas tax revenues in FY 2007 through FY 2011 will total \$36.7 million, \$37.3 million, \$41.3 million, \$44.4 million, and \$44.7 million. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to approximately \$9.6 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2007 through FY 2011 will total \$0.7 million in FY 2007, \$0.8 million in FY 2008, and \$0.9 million in FY 2009. It reflects the issuance of \$20.48 million in FY 2007, and \$40.0 million in FY 2008 – FY 2011 for the Department of Transportation. It reflects issuance of \$1.54 million, \$0.6 million, and \$0.5 million in FY 2007 to FY 2009 for the Rhode Island Public Transit Authority.

Obligations for McCoy Stadium are estimated at 2.5 percent, offsetting the more conservative estimate of variable rates to be incurred on the State's general obligation bond (4 percent). Obligations arising from the Varley Rehabilitation (\$20.5 million), and the School for the Deaf (\$31.2 million) are assumed to be financed by general revenues, and interest is assumed at 5.0 percent. Debt from the Innovative Technology Initiative (\$65.2 million) is assumed to be amortized over ten years, and a rate of 4.5 percent is assumed. Debt service costs for these projects increase from \$0.9 million in FY 2007, which reflects only partial interest, to \$12.4 million in FY 2011, an increase of \$11.4 million. Additionally, the debt financing for the FY 2006 requirements for the Neighborhood Opportunities Program adds \$1.5 million of debt service. Rhode Island Refunding Bond Authority costs are \$20.3 million lower in FY 2011 compared to FY 2007 due to final amortization of outstanding PBA debt.

The obligations arising from performance-based contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2007 forecast includes \$2,488,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2008 and thereafter, it assumes the Fidelity I and Providence Place Mall obligations are funded at the maximum level of \$2.5 million and \$3.6 million, respectively. The forecast assumes no requirement for the Fleet obligation or the second Fidelity transaction, which if earned would total approximately \$0.3 million and \$0.9 million respectively.

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General Government

General Government

Summary

General Government includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. It includes: most *elected officials*, including the Governor, Lieutenant Governor, General Treasurer, and the Legislature; *administrative agencies*, including the Department of Administration, the Department of 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 2,463.6 FTE positions in FY 2006 and 2,650.4 FTE positions in FY 2007 within general government agencies. The FY 2007 authorization includes a withdrawal of 76.1 FTE pursuant to the reduction in force initiative.

The FY 2006 revised budget for General Government agencies totals \$1.365 billion, including \$515.0 million in general revenues, \$76.8 million in federal funds, \$62.3 million in restricted receipts, and \$710.7 million in other funds. The revised budget from all fund sources for General Government agencies is \$231.9 million, or 20.5 percent, more than the FY 2006 enacted budget of \$1.133 billion. Of the \$1.365 billion recommended for FY 2006, \$443.7 million is for grants and benefits, \$303.0 million is for operating, \$241.3 million is for local aid, \$199.3 million is for personnel, and \$177.4 million is for capital.

General revenue expenditures for General Government agencies decrease in FY 2006 by \$18.1 million, or 3.4 percent, as compared to enacted levels. This decrease is primarily associated with the Department of Administration of \$22.7 million, reflecting the reallocation of payroll reserve appropriations reallocated to agencies statewide for the negotiated employee cost of living adjustment. Offsetting increases in the Legislature (\$3.7 million), the Secretary of State (\$446,342), the Department of Labor and Training (\$264,223) and the Office of the Governor (\$240,673) all include the positive value of this reallocation, plus other items. The increase for the Legislature includes the mandatory reappropriation of \$2.5 million in appropriation balances from FY 2005. The increase in the Secretary of State is primarily attributable to cost of living adjustments and relocation costs. The primary cause of the change in the Department of Labor and Training is increased Police and Firefighter relief payments and statewide energy costs. The increase in the Office of the Governor is for statewide salary and benefit adjustments.

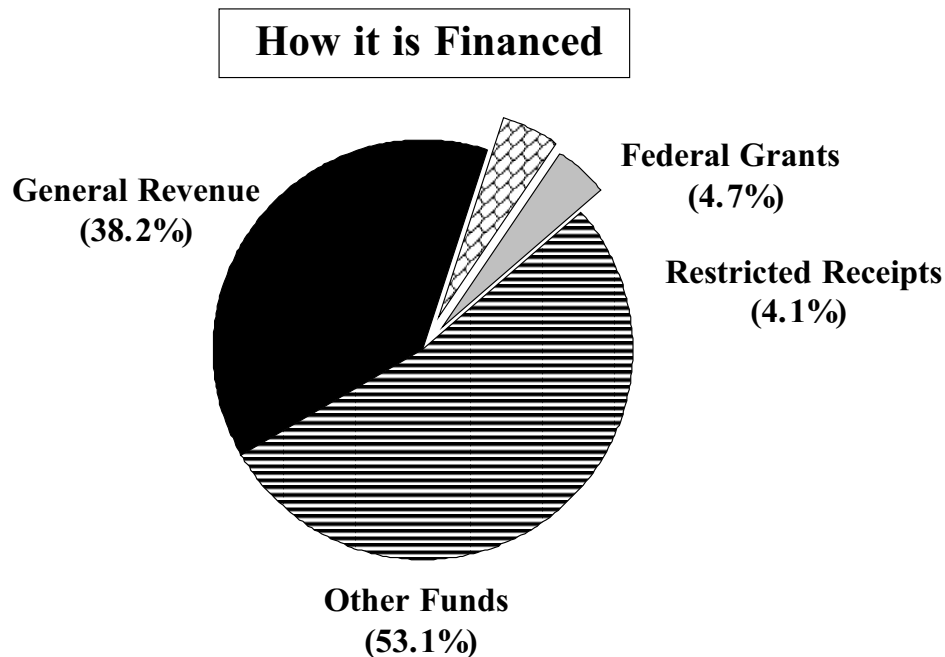
Federal funds increase by \$18.7 million, or 32.1 percent, from enacted FY 2006 appropriations. Additional federal expenditures in the Department of Labor and Training (\$7.3 million), the Secretary of State (\$5.3 million), the Department of Administration (\$5.3 million), and the General Treasurer (\$838,839) account for most of the increase. Expenditures in the Department of Labor and Training increase due to revised grant awards for the Workforce Development Program of \$5.5 million and increases in Trade Readjustment Act benefits. The increase in the Secretary of State occurs primarily as a result of Help America Vote Act (HAVA) mandates implemented ahead of schedule. The increase in the General Treasurer occurs due to additional grant funding for the Crime Victims Compensation Program. These increases are offset by a decrease of \$57,754 in the Board of Elections due to changes in the Optical Scan Voting Equipment contract.

Restricted receipts increase by \$3.1 million, or 5.3 percent, compared to enacted FY 2006 appropriations. The increases are primarily in the General Treasurer (\$6.7 million) for increased revenue in the Unclaimed Property Program and the Department of Labor and Training (\$1.9 million), which is primarily due to an increase in the Injured Workers' Services Program. These increases are offset by a reduction in the Department of Administration of \$5.8 million attributable to debt service reimbursements by the Convention Center Authority.

General Government

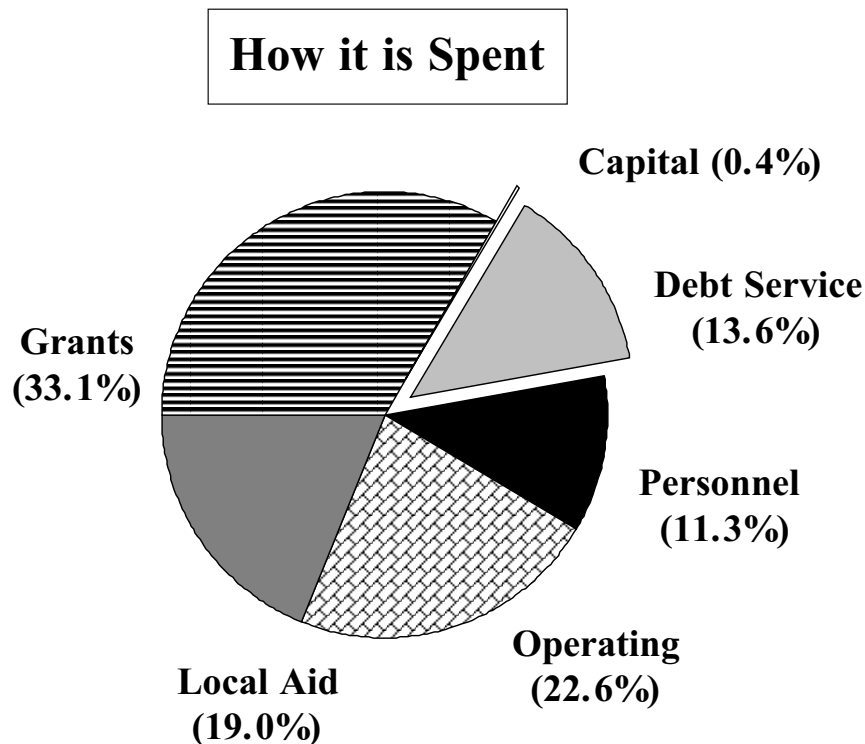
An increase of \$228.2 million in other fund expenditures from the enacted budget is primarily due to increases in the Department of Administration (\$224.8 million), the General Treasurer (\$2.1 million) and the Department of Labor and Training (\$1.2 million). The increase in the Department of Administration is primarily due to the inclusion of a new Lottery Division and debt service adjustments. The increase in the General Treasurer finances the final phase of the Employees Retirement System of Rhode Island (ERSRI) Anchor information technology initiative. The increase in the Department of Labor and Training is for the Income Support program.

For FY 2007, the Governor recommends expenditures of \$1.345 billion for General Government programs. The programs are financed with \$513.9 million of general revenues, \$63.2 million of federal funds, \$54.5 million of restricted receipts, and \$713.8 million of other funds. The FY 2007 recommendation for General Government agencies is \$19.5 million, or 1.4 percent, less than the FY 2006 revised level.



Of the \$1.345 billion recommended for FY 2007, \$444.8 million is for grants and benefits, \$303.8 million is for operating, \$256.2 million is for local aid, \$188.7 million is capital, and \$151.8 million is personnel. The General Government function represents 20.5 percent of the total budget for Rhode Island.

General Government



General revenue funding for General Government agencies in FY 2007 decreases by \$1.1 million, or 2.2 percent, from the FY 2006 revised level. This decrease is in the Department of Administration (\$4.7 million) as a result of various personnel reforms and the in Legislature (\$370,528). The decrease in the Legislature occurs because of a reduction of \$2.5 million in reappropriations that are not repeated in FY 2007, offset by statewide salary and benefit adjustments. This is primarily offset by increases in the Board of Elections (\$2.3 million), the Department of Business Regulation (\$720,778), Secretary of State (\$411,778), the Office of the Governor (\$190,847), and the General Treasurer (\$189,214). The increases in the Board of Elections and the Secretary of State include costs for Primary and General elections. The increases in the General Treasurer and the Department of Business Regulation result from statewide salary and benefit adjustments.

In FY 2007, federal funds in General Government agencies decrease by \$13.6 million, or 17.7 percent, from the FY 2006 revised level. The change results from decreases in the Secretary of State (\$4.2 million), the Department of Administration (\$4.0 million), the Department of Labor and Training (\$3.9 million), the General Treasurer (\$1.3 million), and the Board of Elections (\$210,219). The decrease in the Secretary of State is due to HAVA mandates being implemented in FY 2006. Federal funds decrease in the Department of Administration due to various personnel reforms. The decrease in the Department of Labor and Training occurs due to a reduction in Workforce Development Services expenditures. The decrease in the General Treasurer is in the Crime Victims Compensation program due to an expected reduction in Station Fire claims. The decrease in the Board of Elections relates to the final payment of the State's Optical Scan Voting Equipment lease purchase.

General Government

Restricted receipt funding in FY 2007 decreases by \$7.8 million, or 12.5 percent in FY 2007, of which \$8.5 million is associated with the General Treasurer, as a result of decrease in Unclaimed Property revenue and \$1.2 million is associated with the Department of Administration due to personnel reforms. The decreases are primarily offset by increases in the Department of Labor and Training (\$1.4 million) for Human Resource Investment Council expenditures and the Public Utilities Commission (\$267,051) for statewide personnel adjustments.

For FY 2007, other funds expenditures increase by \$3.1 million, or 0.4 percent, due to an increase of \$8.6 million in the Department of Labor and Training, which includes \$5.1 million for Temporary Disability Insurance and \$2.3 million for Employment Security Trust Fund expenditures. This increase is offset by decreases in the Department of Administration (\$4.8 million) resulting from debt service and personnel savings and the General Treasurer (\$818,536) due to the ERSRI's completion of the final implementation phase of the Anchor information technology system.

General Government

Department of Administration

The Governor recommends revised appropriations of \$794.6 million in FY 2006 for the Department of Administration. This includes \$446.6 million in general revenues, \$31.2 million in federal funds, \$4.3 million in restricted receipts, and \$312.5 million in other funds.

The revised FY 2006 budget is \$201.6 million greater than the enacted budget. This net increase is comprised of a decrease in general revenue appropriations of \$22.7 million, an increase in federal funds of \$5.3 million, a decrease in restricted receipts of \$5.8 million, and an increase in other funds of \$224.8 million, reflecting primarily the inclusion of the Lottery fund's expenditures within the Department of Administration.

Reappropriation of funds from FY 2005 results in an increase of \$9.5 million in general revenue funding in FY 2006. This includes \$7.1 million for the Salary Adjustment Fund, \$936,662 for the Renewable Energy Program, \$493,481 for the Technology Initiatives Fund, \$179,133 for the Governor's Contingency Fund and \$161,245 for the Housing Resources Commission.

The net reduction in general revenue appropriations includes a \$40.1 million decrease in the Salary Adjustment Fund. This fund included enacted and reappropriated funding to support the cost of living adjustment provided to state employees for FY 2005 and FY 2006, which are reallocated to the respective agency appropriations in the revised FY 2006 budget. Offsetting this reduction is an increase of \$1.7 million relating to Pension Reform savings, which has also been reallocated to individual agency budgets.

Debt service adjustments account for the next most significant change in funding in the revised budget. General revenue debt service decreases by \$10.3 million, whereas debt service from federal funds increases by \$54,318, restricted receipts decreases by \$5.6 million and other funds increases by \$11.4 million. General revenue debt service decreases as a result of several factors. First, \$7.3 million of the reduction results from a shift of debt service to the Rhode Island Capital Plan Fund. Second, revised debt service requirements for Convention Center Authority debt, due to the defeasance of outstanding bonds with proceeds from the sale of the Westin Hotel, results in savings of \$1.6 million. Third, projected savings from the refunding of outstanding debt total \$1.3 million. Fourth, savings on debt issued in FY 2005 totals \$458,518 due to lower interest rates and principal amortization. Finally, additional funding of \$475,000 is recommended for projected interest costs on funds borrowed by the General Fund from the Temporary Disability Insurance Fund during FY 2006.

Other funds debt service increases primarily as a result of the shift from general revenue to the RI Capital Plan Fund, as described above. In addition, corrected debt service costs for various Higher Education projects, including the Ryan Center and the Boss Arena, are reflected in the FY 2006 revised budget, resulting in an increase of \$4.0 million over the enacted funding level. Restricted receipt debt service decreases primarily due to the elimination of funding from the Convention Center Authority previously received by the state as an offset to debt service on the Authority's bonds. These funds are no longer required as a result of the debt defeasance described above.

Local aid funding increases in the revised FY 2006 Budget by \$6.8 million. This includes an increase of \$5.6 million in the Motor Vehicle Excise Tax Phase-out Program, which is required to provide full funding for this program based upon the latest tax roll data provided by cities and towns. Distressed Communities Relief Aid increases by a total of \$1.3 million, which is comprised of \$700,000 from increased receipts estimated from the Real Estate Conveyance Tax and \$550,000 from anticipated Video

General Government

Lottery Terminal revenues earmarked for this aid program. The General Revenue Sharing program also receives an additional \$275,000 from anticipated Video Lottery Terminal revenues, which is offset by a reduction of \$648,907 based upon final audited FY 2004 tax revenues, upon which this aid is based.

The Governor recommends net additional funding of \$3.3 million for the reconstituted program to implement a statewide, integrated financial management information system. The new program, known as RI-FANS (Rhode Island Financial Accounting Network System), will focus in FY 2006 on the development and implementation of new Purchasing/ "Procure-to-Pay" system, and a new integrated budgeting system, for a planned implementation for FY 2007.

Additional funding of \$698,681 is recommended for the retiree health subsidy for retired state employees and teachers. This increase is based upon actual year-to-date disbursements projected for the balance of this fiscal year.

The Governor recommends funding of \$474,864 for payment of interest on overdue taxes to the Internal Revenue Service and both the employee and employer share of Federal Insurance Contribution Act (FICA) taxes. These payments are the result of the state failing to record the fair market value of health insurance benefits extended to qualified domestic partners of state employees as imputed income to the employees. As a result, state employee income was understated and the state employee, due to federal law, has incurred a federal and state income tax liability. The state has agreed to pay the interest associated with the unpaid taxes and the FICA taxes due on behalf of state employees, who will then only be responsible for paying the principal amount of taxes due to federal and state governments.

The Housing Resources Commission is transferred within the Department of Administration budget from the General program to the new Office of Housing and Development subprogram in the Planning program. Additional funding of \$136,000 is recommended in FY 2006 for the continuation of the Emergency Apartments Program, which makes apartments available to homeless families.

An additional \$933,913 is recommended for projected increases in energy and utility costs. Also, under the State Energy Office, additional funding of \$592,430 is recommended based upon new funding received from utility companies by the office for Demand Side Management. A reduction of \$500,000 is recommended in the Renewable Energy Program based upon projected cash flow requirements on current commitments in FY 2006.

Federal funds increase by \$5.3 million, including approximately \$1.3 million in additional funds in the State Energy Office and \$1.7 million in the Community Development Block Grant program. Restricted receipt funding decreases by \$5.8 million as a result of the elimination of reimbursements from the Convention Center Authority previously received by the state as an offset to debt service on the Authority's bonds, as described above.

Excluding debt service changes described above, other funds increase by \$213.4 million. The largest change in this area is the inclusion of the new Lottery Division, which results in an increase of \$210.3 million. Legislation enacted during the 2005 General Assembly eliminated the Lottery Commission and created a new Lottery Division within the Department of Administration. The FY 2006 enacted budget, however, did not reflect the creation of this new division, nor was funding associated with the division included in the enacted appropriations. The revised FY 2006 budget incorporates the funding and FTE positions associated with the Lottery Division into the Department of Administration. The other major change in other funds is a \$2.4 million increase in funding for capital projects funded from the Rhode

General Government

Island Capital Plan Fund, which primarily consists of reappropriated funding from FY 2005.

The Governor recommends a total of 1,269.9 FTE positions in the revised FY 2006 budget, an increase of 69.5 FTE positions from the enacted level of 1,200.4 FTE. The majority of this increase is the result of the integration of the Lottery Division into the Department of Administration, which encompasses 64.5 FTE positions. Three FTE positions are transferred from other state agencies as a result of the Governor's Executive Order 05-11 establishing Human Resources Service Centers. One FTE position is transferred from the Department of Human Services as part of the consolidation of Capital Projects and Property Management. Finally, two new Capitol Police officer positions are recommended to staff the new Kent County Courthouse upon its opening during FY 2006.

The Governor recommends total expenditures for FY 2007 of \$780.0 million for the Department of Administration. This includes \$442.0 million in general revenues, \$27.1 million in federal funds, \$3.1 million in restricted receipts, and \$307.8 million in other funds. Overall, this represents a decrease of \$14.6 million from the revised FY 2006 budget. General revenue funds decrease by \$4.7 million, federal funds decrease by \$4.0 million, restricted receipts decrease by \$1.2 million and other funds decrease by \$4.7 million.

These changes in funding include an all funds reduction of \$49.8 million for various personnel reform initiatives included in the FY 2007 budget, as described in more detail in the Overview section of the Executive Summary. These savings would be assigned to all agencies, but are budgeted as a discrete item in the Department of Administration, pending approval of legislation and the budget by the General Assembly. Excluding these personnel reform reductions, general revenue funding in the Department of Administration is increasing \$37.1 million, federal funds decrease by \$175,279, restricted receipts decrease by \$385,296, and other funds decrease \$1.4 million.

The FY 2006 Budget incorporated a major reorganization of the Department of Administration, including the creation of several new programs in accordance with Executive Orders issued by Governor Carcieri in 2004. The FY 2007 Budget continues the process begun in FY 2006 with the creation of two new Internal Service Funds to continue the consolidation of Facilities Management and implement the consolidation of Human Resources functions. The Facilities Management program within the Department of Administration was established in the FY 2006 enacted budget and primarily involved the reorganization of units within the Department. The FY 2007 Budget continues the plan outlined in the Governor's Executive Order to consolidate the maintenance and repair functions for various state-owned facilities under one central organization. This is accomplished through the transfer of staff from various state agencies into the newly created Facilities Management Internal Service Fund, which will then bill user agencies for services provided.

A new Executive Order (05-11) issued by the Governor in 2005 establishes four Human Resources Service Centers within the Department of Administration. These service centers will operate as an Internal Service Fund and will bill user agencies for the various human resource services, such as payroll, personnel, labor relations, training, etc. These new centers will serve agencies by functional area and be staffed by personnel transferred from various state agencies. Because these new organizations are established as an Internal Service Fund, funding is not part of the proposed operating budget of the department, but rather is budgeted in the various user agencies in discrete expenditure codes, which will be charged as services are provided during the fiscal year.

General revenue funded debt service, which is entirely budgeted within the Department of Administration, increases from \$72.9 million in the revised FY 2006 budget to \$91.5 million in the FY

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2007 recommendation. This increase is the net result of several factors. First, there is a shift of \$2.7 million of debt service costs from the RI Capital Plan Fund (RICAP) to general revenue funds. Second, a net increase of \$3.7 million for projected new general obligation bond issuances in FY 2007 and changes in debt service owed on outstanding bonds. Third, an increase of \$2.6 million is recommended for Refunding Bond Authority debt, reflecting the reduction in savings achieved from prior year refundings. Fourth, an increase of \$3.8 million is budgeted for debt service on Certificates of Participation issues, including the recently issued COPS for the Traffic Tribunal and the Department of Children, Youth and Families' Training School. Finally, other general revenue debt service increases by \$5.9 million, primarily attributable to the anticipated debt issuance by the Convention Center Authority for renovation of the Dunkin Donuts Center and an additional \$7.5 million financing for the Neighborhood Opportunities program.

The Governor recommends a total increase for state aid programs of \$14.5 million. General Revenue Sharing is recommended at \$65.2 million, an increase of \$212,500 over the revised FY 2006 budget. The Governor proposes to amend the current General Revenue Sharing statute to fix the distribution level for FY 2007 equal to the amount appropriated. Funding of \$487,500 from anticipated proceeds from Video Lottery Terminal revenue is included in the total funding for this program.

The Distressed Communities Relief Program is fully funded at \$11.7 million, an increase of \$525,000 over the revised FY 2006 budget. Funding of \$975,000 from anticipated proceeds from Video Lottery Terminal revenue is included in the total funding for this program.

The Payment-in-Lieu-of-Taxes (PILOT) program is fully funded at \$29.0 million, an increase of \$2.0 million from the revised FY 2007 budget. State Library Aid is also fully funded at \$8.7 million to reimburse local libraries for twenty-five percent of FY 2005 expenditures from local appropriations and endowment funds. Library Construction Aid will increase to \$2.7 million to fully fund projected FY 2007 payments for current commitments.

The Governor recommends funding for the Motor Vehicle Excise Tax Phase-out program of \$129.1 million, an increase of \$11.2 million over the revised FY 2006 budget. Funding of \$6,093,500 from Video Lottery Terminal revenue is included in the total funding for this program. The legislation earmarking these VLT revenues to the phase-out program requires that this funding be sufficient to achieve an additional \$500 exemption before being committed to this program. The estimated requirement to achieve an additional \$500 exemption is \$7.5 million, thus the VLT revenues would not be sufficient to meet the required funding level to authorize the next exemption level. The Governor, however, recommends supplementing the VLT revenues with the additional funds necessary to increase the exemption level from \$5,000 to \$5,500 in FY 2007.

The Governor proposes to eliminate the Municipal Police and Fireman Incentive Pay program for savings of \$1.1 million in FY 2007.

As in the FY 2006-revised budget, additional funding is required in FY 2007 for the retiree health subsidy for retired state employees and teachers. An increase of \$850,000 is recommended above the revised FY 2006 funding level, bringing total funding for this program to \$9.5 million.

The Governor proposes to continue funding of \$7.5 million for the Neighborhood Opportunities affordable housing program and recommends that this funding be provided by a financing through the

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Rhode Island Housing Mortgage Finance Corporation, with the State financing the associated debt service costs. This will bring funding for this program since its inception to \$35.0 million.

The Governor's Budget Act includes language to finance an emergency supplement to the federally financed Low Income Energy Assistance program. Statutory language would direct the Public Utilities Commission to modify its order of November 15, 2005 concerning distribution of settlement proceeds by the Narragansett Electric Company. The current order directs \$10.5 million of settlement proceeds be rebated to consumers via distribution rate credits in FY 2006, and requires the \$6.0 million settlement balance to be held in interest bearing account for future disposition for the benefit of the ratepayers. The Governor proposes to dedicate \$3.0 million of the settlement in State Fiscal Year 2006 by ordering the Company to transmit \$3.0 million to the state Heating Energy Assistance Program, for distribution pursuant to program guidelines. This transaction is not recorded in proposed state appropriations, which would be modified upon enactment of the legislation, either as restricted revenues or general revenue receipts.

The Governor is recommending level funding for most of the economic development initiatives included in the FY 2006 budget. This includes \$3.0 million for the Slater Technology Fund, \$200,000 to continue efforts for a Marine BioScience Research and Business Park at the Quonset Point/Davisville Industrial Park, \$200,000 for the Science and Technology Council and new funding of \$100,000 for the Business Innovation Factory. New funding of \$1.5 million is also recommended to finance a state match for the Experimental Program to Stimulate Competitive Research (EPSCoR), a National Science Foundation grant program. Funding for this program was included in the FY 2005 enacted budget, but the consortium of schools that applied for the EPSCoR grant did not receive an award. However, the most recent application by these educational institutions, including the University of Rhode Island and Brown University, has been approved and the consortium will receive a grant under this program.

The Governor recommends funding of \$5.6 million for continuing implementation of the statewide financial information system, RI-FANS. During FY 2007, this project will focus on implementation of several additional modules of the Oracle Financial Suite including Projects and Grants, Cash Management, Human Resources/Benefits, and a self-service human resources system.

The Governor recommends closing all Registry of Motor Vehicle branches, except for the main Registry location. Currently, branch offices are maintained on a full or part-time basis in West Warwick, Wakefield, Woonsocket, Warwick, Westerly, Middletown and Warren, although only the Warren branch is required by law. This action will result in personnel savings from the elimination of 17.5 FTE positions and operational savings primarily from rent. Also recommended in the FY 2007 budget is a reduction in the School Bus and Public Plate Inspection Unit within the Registry of Motor Vehicles. This unit currently inspects all school buses and all public plated vehicles. Under current law, the state is required to make sure these vehicles are inspected, but is not required to perform the inspections directly. This proposal would require school buses and other public plated vehicles to be inspected by authored inspection stations in the state and for reports of such inspections to be filed with the Registry, which in turn provides such reports to local school districts. This action will result in personnel savings from the elimination of 8.0 FTE positions.

The Governor recommends a total of 1,529.9 FTE positions in the FY 2007 budget, an increase of 260.0 FTE positions from the revised FY 2006 level. The increase is the result of the continuation of several consolidations begun during FY 2006 and new consolidations resulting from Executive Orders issued by Governor Carcieri. First, the establishment of the new Facilities Management Internal Service Fund results in the transfer of 120.0 FTE positions from various agencies to the Department of Administration.

General Government

Second, the establishment of the new Human Resources Service Centers results in the transfer of 101.0 FTE positions. As part of the FY 2006 enacted budget, certain non-union information technology positions were transferred to the Department. The FY 2007 budget continues this consolidation by transferring an additional of 93.0 FTE positions from other state agencies. In addition, the Governor recommends 5.0 new FTE positions for the Information Technology program in order to reduce the use of more costly vendors for various technology projects.

Other personnel changes include the reduction in FTE positions in the Registry of Motor Vehicles, as described above, a transfer of one position from the Department of Human Services to the Office of Housing and Community Development, three new Sheriff positions to staff the new Kent County Courthouse and two new FTE positions to support the Retiree Health Trust Fund. FTE reductions of 46.5 FTE are also recognized pursuant to the Governor's Reduction in Force proposal.

Department of Business Regulation

The Governor recommends a revised FY 2006 budget of \$11.3 million for the Department of Business Regulation, including \$10.5 million in general revenue and \$794,096 in restricted receipts. General revenues decrease \$4,340 from the enacted level, reflecting net personnel and operating adjustments for increased vacancy savings, midyear reductions, cost of living and fringe benefits increases, and operating increases. The Governor recommends 110.0 FTE positions in FY 2006, consistent with the enacted authorization.

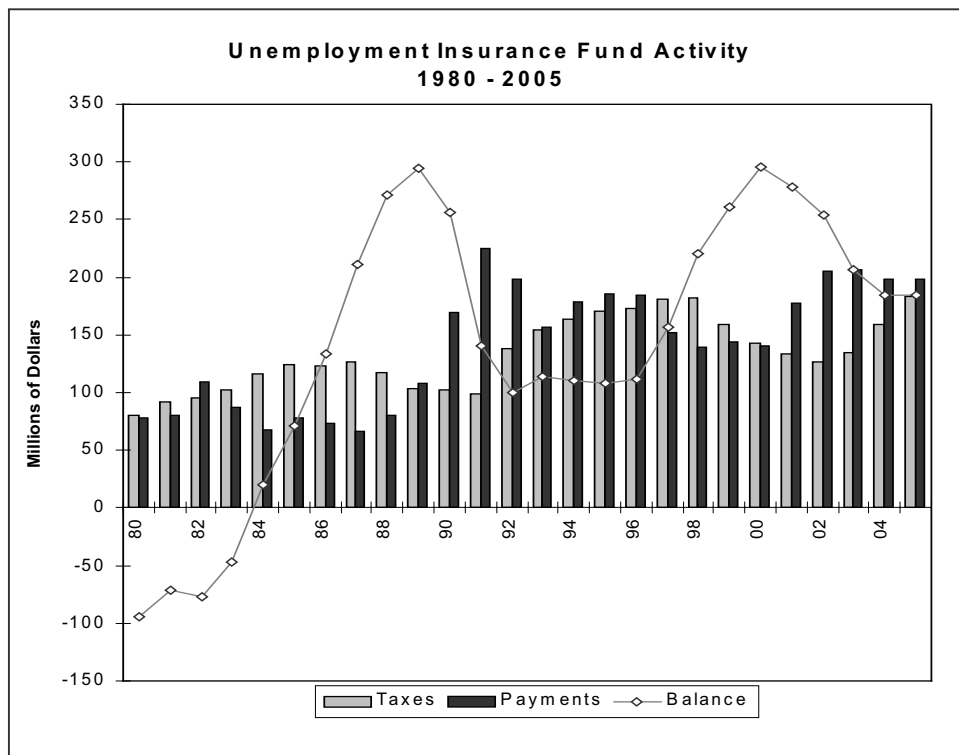
The Governor recommends total expenditures of \$12.1 million for the Department of Business Regulation in FY 2007. This includes \$11.3 million from general revenue and \$805,358 from restricted receipts, and fully finances current operations of the agency. General revenue funds increase \$720,778 from the FY 2006 revised level, for cost of living and fringe benefits adjustments. The Governor recommends a total of 102.7 FTE positions in FY 2007, which is 7.3 less than the FY 2006 level. The reduction includes the transfer of 1.0 FTE as part of the Human Resource Rotary, the transfer of the Deputy Director to the Department of Administration, and a withdrawal of 5.3 FTE as part of the reduction in force initiative recorded in the Department of Administration's budgeted totals.

Department of Labor and Training

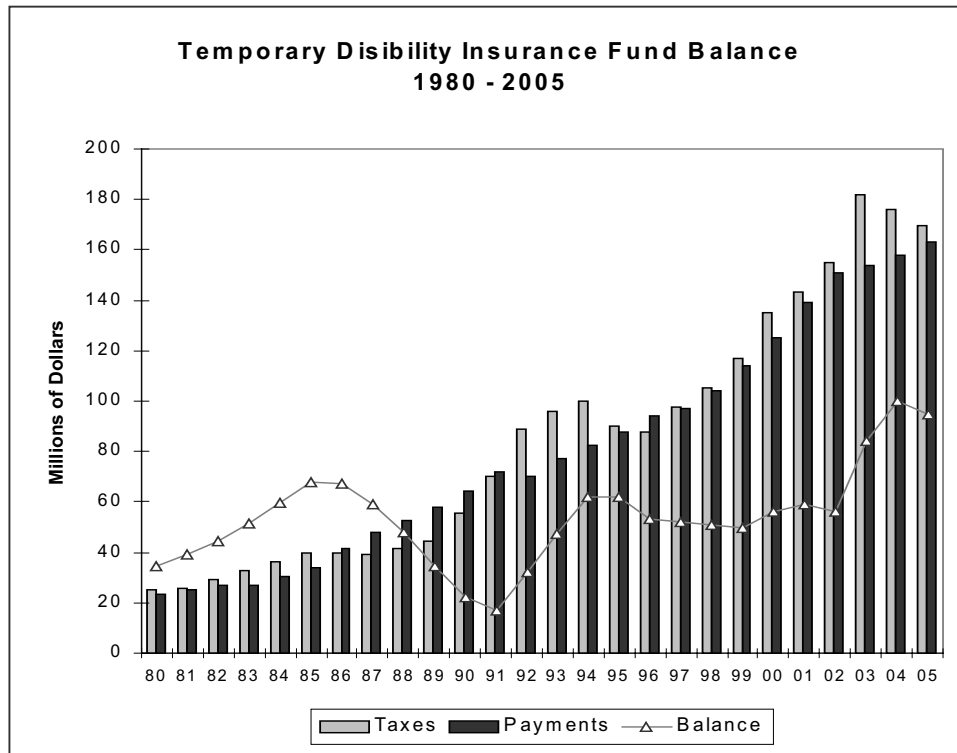
The Governor recommends revised FY 2006 expenditures of \$456.6 million for the Department of Labor and Training, including \$7.7 million in general revenue, \$35.9 million in federal funds, \$22.6 million in restricted receipts, and \$390.5 million in other funds. The revised budget is an increase of \$10.4 million over the enacted budget, and includes \$264,223 more general revenues, \$7.3 million more federal funds, \$1.9 million more restricted receipts, and \$1.2 million more other funds. The increase in general revenue is due primarily to increases in Police and Firefighter relief payments and statewide energy costs. A majority of the federal fund increase is related to increased grant awards for Workforce Development and training programs. Most of the additional restricted receipt expenditures are for the Injured Workers' Service program, and the increase in other funds is for the Income Support program.

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By category of expenditure, the FY 2006 revised budget includes increases of \$2.0 million for personnel, \$7.5 million for operating cost, and an increase of \$1.1 million for capital improvements. The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the following graphs. It should be noted that Rhode Island's Employment Security Fund is in stable condition relative to other states. At the end of 2005, the Employment Security Trust Fund and TDI Trust Fund had balances of approximately \$184.6 million and \$160 million, respectively.



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In FY 2007, the Governor recommends expenditures of \$462.6 million, including \$7.5 million in general revenue, \$32.0 million in federal funds, \$24.0 million in restricted receipts, and \$399.1 million in other funds. This is an increase of \$5.9 million over the FY 2006 revised budget, and includes \$173,190 less general revenue, \$3.9 million less federal funds, \$1.4 million more restricted receipts, and \$8.6 million more other funds.

Most of the general revenue reduction is associated with a twenty-five percent reduction in legislative grants and elimination of the Dislocated Workers program. Other major changes in general revenue funded expenditures include: a \$310,075 increase for salary and benefits, a \$182,348 increase for police and firefighter relief payments, and a \$195,670 decrease in capital expenditures.

For FY 2006, the Governor recommends an FTE authorization of 469.7 FTE positions for the Department of Labor and Training. This is 43.0 FTE positions less than the FY 2006 enacted budget due to the centralization of human resources (7.0 FTE positions), facilities (9.0 FTE positions), legal (2.0 FTE positions), and information technology (25.0 FTE positions). In FY 2007, the Governor recommends 467.9 FTE positions which includes 1.8 less FTE positions due to the statewide reduction in force recorded in the Department of Administration's budgeted totals.

Legislature

The FY 2006 revised budget recommendation for the Legislature totals \$34.0 million, including \$32.6 million of general revenues and \$1.4 million of restricted receipts. This reflects a general revenue increase of \$3.7 million, or 12.6 percent, over the enacted level. The recommendation recognizes a

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general revenue reappropriation from FY 2005 balances of \$2.5 million as mandated by statute, \$1.8 million of which is directed toward legislative grants. The revised general revenue recommendation for FY 2006 reflects statewide adjustments for salary and fringe benefits, and the FTE cap is recommended to remain at the enacted level of 289.0 for FY 2006.

The FY 2007 budget recommendation for the Legislature totals \$33.7 million, of which \$32.3 million is from general revenues, and \$1.5 million is from restricted receipts. The general revenue budget for FY 2007 is a decrease of \$370,528, or 1.1 percent, from the FY 2006 revised recommendation, primarily due to a reduction of \$2.5 million of reappropriations that are not repeated in FY 2007, offset by statewide salary and benefit adjustments. Restricted receipts in FY 2007 increase by \$79,025 over the FY 2006 revised recommendation, and are comprised mainly of increases in personnel costs. The Governor recommends 275.2 FTE in FY 2007, which represents a withdrawal of 13.8 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

Lieutenant Governor

The Governor recommends general revenue expenditures of \$958,767 for FY 2006. This is an increase of \$41,405 over the enacted budget. The Governor recommends \$967,512 for FY 2007, an increase of \$8,744 over the FY 2006 expenditures. This recommendation finances current operations for the Office of Lieutenant Governor. The Governor recommends 10.0 FTE positions in FY 2006 and 9.5 FTE in FY 2007, which includes a 0.5 FTE reduction pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

Secretary of State

The FY 2006 revised budget for the Secretary of State totals \$12.0 million, including \$5.2 million in general revenue, \$6.3 million in federal funds and \$474,893 in restricted receipts. This represents a general revenue increase of \$446,342 from the enacted level, which is primarily attributable to cost of living adjustments as well as moving and revised rental costs associated with the relocation of the Corporations division, Elections & Civics division, and eGovernment and Information Technology divisions. The increase is partially offset by cyclical cost savings associated with the Primary and General elections, the transfer of the Civics program to the Elections division, and operating savings in the Administration division which represent current service level financing.

Federal funds included in the revised budget have increased by \$5.3 million primarily as a result of Help America Vote Act (HAVA) mandates being implemented ahead of schedule. The increase also includes the transfer of one FTE from the Office of Public Information to HAVA as well as the addition of a new federal grant award in the State Archives division. Of the \$6.0 million in HAVA funds, \$3.5 million is for the purchase and maintenance of Accessible Voting machines, \$1.2 million is related to the implementation of the Central Voter Registry, \$1.3 million is for personnel costs, primarily consultant services, and \$339,150 is for relocation costs. As in FY 2006, the FY 2006 revised budget reflects Federal HAVA funding for payments of the lease and maintenance portions of State's Optical Scan Voting Equipment purchase. FY 2006 will be the final year for lease payments. The Governor recommends a total of 59.0 FTE positions in FY 2006, consistent with the enacted authorization.

The Governor recommends total expenditures of \$8.3 million in FY 2007, including \$5.7 million of

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general revenue, \$2.1 of federal funds, and \$486,355 million of restricted receipts. The general revenue recommendation represents an increase of \$411,778 from the FY 2006 revised budget recommendation. This increase primarily reflects cyclical costs associated with the Primary and General elections that have risen above historical levels as a result of a new contract for ballot printing. Other factors include an additional year of employee cost of living adjustments, plus adjustments to various statewide employee benefit rates, a full year of increased rental costs associated with the relocation of divisions in FY 2006 and the printing of the Rhode Island Owner's Manual.

The increase in general revenue costs is partially offset by an increase of turnover expectancy across the department and a reduction of \$42,000 for the Uniform Commercial Code Computerization project in the Corporations division. The project was part of a plan to automate current manual processes and to improve access to public records and the department is expected to allow for electronic UCC filing in FY 2006. The Governor recommends 55.9 positions in FY 2007, which includes a withdrawal of 2.5 FTE pursuant to the reduction in force initiative included in the Department of Administration's budgeted totals.

Office of the General Treasurer

The Governor recommends a revised FY 2006 budget of \$39.6 million for the Office of the General Treasurer. This funding is comprised of \$2.8 million in general revenue, \$2.3 million in federal funds, \$26.8 million in restricted receipts, and \$7.6 million in other funds. The revised budget for all funds represents an increase of \$9.6 million, or 31.9 percent. Changes to the enacted budget include \$96,016 less in general revenue, \$838,839 more in federal funds, \$6.7 million more restricted receipts, and \$2.1 million more in other funds. The Governor recommends 87.5 FTE positions in the revised FY 2006 budget, the same level as in the enacted FY 2006 budget.

The net decrease in general revenue funding is a result of turnover savings of \$157,913 recommended by the Governor, which is attributable to the significant number of vacancies in the various programs that comprise the Treasurer's operations. In addition, the General Treasurer identified current services savings in personnel of \$157,913 as a result of replacing more senior workers upon retirement with less costly new hires. The savings are offset by increased general revenue costs of \$113,518 for cost of living adjustments, \$25,412 in consultant services to assist the Office of the General Treasurer in converting from RI-SAIL to the Oracle Financial package, and \$46,796 in operating costs primarily consisting of computer equipment purchases.

The revised FY 2006 budget recommends a total increase in federal financing of \$838,839 from the enacted FY 2006 level. Most of this amount is attributable to an increase in the federal grant received by the Office of the General Treasurer's Crime Victims Compensation Program based on FY 2005 historical expenditures. The revised FY 2006 budget recommends an increase in restricted receipts of \$6.7 million from the FY 2006 enacted budget. The increase in restricted receipts is related to increased revenue in the Unclaimed Property Program (UPP). UPP revenue is the value of property abandoned by residents, former residents, and non-residents and controlled by a Rhode Island based institution. Updated revenue projections by the Office of the General Treasurer indicate an increase in these revenues. With respect to other funds, the Governor recommends an increase of \$2.1 million for the Employees Retirement System of Rhode Island (ERSRI) to pay for the final implementation phase of the ERSRI's Anchor information technology initiative.

The Governor recommends total expenditures of \$29.2 million for the Office of General Treasurer in FY 2007, including \$3.0 million in general revenue, \$1.0 million in federal funds, \$18.4 million in restricted

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receipts, and \$6.8 million in other funds. This includes \$189,214 million more general revenue, \$1.3 million less federal funds, \$8.4 million less restricted receipts, and \$818,536 less other funds. The general revenue increase of \$189,214 from the revised FY 2006 level includes statewide salary and benefit adjustments offset by personnel efficiency savings and turnover savings. With respect to federal funds, a decline of \$1.3 million is recommended in FY 2007. This decline is in the Crime Victims Compensation program and is due to the expected reduction in Station Fire claims. The decline of \$8.4 million in recommended restricted receipts expenditures is directly attributable to the decrease in unclaimed property revenue which results in a lower base upon which to pay claims. The decrease in other funds of \$818,536 from the revised FY 2006 level is due to the ERSRI's completion of the final implementation phase of the Anchor information technology system.

The Governor recommends a staffing level of 86.2 FTE in FY 2007, a reduction of 1.3 FTE from the recommended FY 2006 staffing level of 87.5 FTE. This decrease reflects the Governor's reduction in force initiative recorded in the Department of Administration's budgeted totals.

Boards for Design Professionals

The Governor recommends FY 2006 revised general revenue expenditures of \$380,673 for the Boards for Design Professionals. This represents an increase of \$21,157 from the FY 2006 enacted budget, and reflects statewide changes in fringe benefits and a cost of living increase.

In FY 2007, the Governor recommends expenditures of \$394,153 in general revenue funds, an increase of \$13,480 or 3.5 percent from the FY 2006 revised budget due to statewide salary and benefit adjustments. The Governor recommends 4.0 FTE positions in FY 2006 and 3.8 FTE positions in FY 2007, which includes a withdrawal of 0.2 FTE pursuant to the reduction in force initiative included in the Department of Administration's budgeted totals.

Board of Elections

For FY 2006, the Governor recommends a revised budget of \$2.5 million to finance the operating requirements of the Board of Elections and the requirements of the Help America Vote Act (HAVA), which includes \$1.4 million in general revenue and \$1.0 million in federal funds. General revenue expenditures increase by \$12,454 over the enacted level, primarily due to a reappropriation for purchased legal services rendered in FY 2005, but billed in FY 2006. The general revenue increase is offset by higher turnover expectancy, and savings resulting from a non-general election year. Federal funds decrease by \$57,754 as compared to the enacted budget, primarily as a result of the expiration and re-negotiation of the State's contract for Optical Scan Voting Equipment and a change in the funding of the maintenance contract. The Board of Elections is working in concert with the Secretary of State's Office to implement the requirements of the Federal election reform legislation of 2002. As in FY 2005, the FY 2006 revised budget reflects Federal HAVA funding for the payment of the lease and maintenance portions of State's Optical Scan Voting Equipment purchase, which are split between the Board and the Office of the Secretary of State. The Governor recommends 15.0 FTE positions, consistent with the enacted authorization.

The total FY 2007 budget recommendation of \$4.6 million finances General Election expenses, and other operating requirements of the board including \$3.8 million in general revenue and \$818,900 million in federal funds. The general revenue increase of \$2.3 million over the revised FY 2006 budget includes \$2.0 million for Public Financing of General Elections, and a total of \$291,129 related to temporary staffing, printing, and other General Election related costs. The Federal HAVA funding decrease of \$210,219 from

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the revised FY 2006 budget primarily relates to savings from the FY 2006 final payment of the State's Optical Scan Voting Equipment Lease purchase, partially offset by increased legal services and management and audit costs of the General Elections. The Governor recommends 14.3 FTE positions in FY 2007, which includes a withdrawal of 0.7 FTE pursuant to the reduction in force initiative included in the Department of Administration's budgeted totals.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2006 budget for the Rhode Island Ethics Commission of \$1.2 million composed entirely of general revenue expenditures. This is \$16,064 less than the FY 2006 enacted level as a result of personnel savings. Increases of \$49,802 for cost of living adjustments and \$18,449 to maintain the current level of operations are offset by savings of \$49,939 due to vacancies and \$34,376 for expected decrease in need for legal or contracted expenses.

In FY 2007, the Governor recommends general revenue expenditures of \$1.3 million, which is \$130,856 more than the FY 2006 revised level. This increase consists primarily of statewide salary and benefit adjustments. The Governor recommends 12.0 FTE positions in FY 2006 and 11.4 FTE in FY 2007, which includes a withdrawal of 0.6 FTE pursuant to the reduction in force initiative included in the Department of Administration's budgeted totals.

Office of the Governor

The Governor recommends total expenditures of \$5.0 million in FY 2006 for the Office of the Governor, which is an increase of \$353,462, or 7.7 percent, over the enacted budget. This includes increases of \$240,673 in general revenues for cost of living adjustments offset by reductions for interns and operating, by \$103,611 in restricted receipts for the Secretary of the Office of Health and Human Services, and by \$9,178 from other funds for personnel. The Governor recommends 49.5 FTE positions in FY 2006, consistent with the enacted authorization.

The Governor recommends expenditures of \$5.3 million from all sources of funds for FY 2007, an increase of \$305,603, or 4.9 percent, over the FY 2006 recommendation. This includes \$190,847 more from general revenues for statewide personnel adjustments, \$107,992 more from restricted receipts for the Secretary of the Office of Health and Human Services, and \$6,764 from other funds for personnel. The Governor recommends 47.0 FTE in FY 2007, which represents a withdrawal of 2.5 FTE pursuant to the reduction in force initiative recorded in the Department of Administration's budgeted totals.

Public Utilities Commission

For FY 2006, the Governor recommends total expenditures of \$6.6 million for the Public Utilities Commission. This funding is comprised of \$693,544 in general revenue, \$83,562 in federal funds, and \$5.8 million in restricted receipts. This recommendation is \$179,144 less enacted, and consists of \$16,567 less general revenue offset by \$8,125 more federal funds and \$187,586 more restricted receipts. The reduction in general revenue relates primarily to savings in operating expenses. The increases in federal and restricted funds reflect adjustments to current services for payroll and other operating, including \$35,000 for a court settlement claim due a former employee commissioner. The Governor's supplemental budget also includes statutory language to eliminate the scheduled addition of two members on the Commission pursuant to an authorization of the 2002 Assembly.

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For FY 2007, the Governor recommends total expenditures of \$6.9 million, consisting of \$746,530 in general revenue, \$88,567 in federal funds, and \$6.1 million in restricted receipts. This funding level reflects an increase of \$325,042, or 4.9 percent, from the Governor's FY 2006 revised recommendations for all sources of funding. It consists of \$52,986 in general revenue, \$5,005 in federal funds and \$267,051 in restricted receipts. On an all funds basis, \$313,474, or 96 percent, of these increases relate to payroll current service requirement for employee cost of living adjustment (COLA), step, longevity, medical, and non-medical benefits.

The Governor recommends full time equivalent positions of 46.0 for FY 2006, which is consistent with the enacted level. For FY 2007, the Governor recommends 45.7 FTEs, a withdrawal of 0.3 FTE from the FY 2006 recommended authorization due to the statewide reduction in force initiative. The associated cost savings have been recorded in the Department of Administration's budget.

Rhode Island Commission on Women

The Governor recommends a revised FY 2006 budget for the Rhode Island Commission on Women of \$91,820 in general revenue funds. This reflects an increase of \$5,263 from the FY 2006 enacted level and is composed of statewide changes in fringe benefits and a cost of living increase. The Governor recommends the enacted FTE level of 1.0 for FY 2006.

In FY 2007, the Governor recommends a general revenue budget of \$99,915, representing a \$8,095 increase from the revised FY 2006 budget, financing full annual costs for one staff position and associated operating costs. Continued financing is provided for the Women of the Year banquet in FY 2007. The Governor recommends 0.9 FTE in FY 2007, a withdrawal of 0.1 FTE pursuant to the reduction in force initiative included in the Department of Administration's budgeted totals.

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Human Services

Human Services

Summary

The Human Services function of state government engages in a broad spectrum of activities including, but not limited to, income supports, client subsidies, case management and residential supports, and medical regulation, prevention, treatment, and rehabilitation services.

For FY 2006, the Governor recommends a revised all funds budget of \$2.682 billion. Of this total, \$1.217 billion is general revenue, a decrease of \$16.1 million from enacted levels. The recommendation reflects a general revenue reduction of \$32.2 million in the Department of Human Services (DHS). The decrease reflects a reduction in the Department of Human Services of \$25.1 million for technical adjustments to accounting standards concerning recording of local education expenditures as match to state Medicaid funds. Net caseload conference adopted estimates allow of reduction of \$7.9 million general revenues to DHS accounts. Current services requirements and cost of living adjustments require additions to enacted general revenue appropriations for Children, Youth, and Families (DCYF) of \$921,987, \$1.1 million in Department of Elderly Affairs (DEA), \$4.4 million for the Department of Health (DOH), and \$9.4 million for the Mental Health, Retardation, and Hospitals (MHRH). The increase for MHRH includes \$6.2 million for energy costs to provide utilities to departments across the Pastore Center.

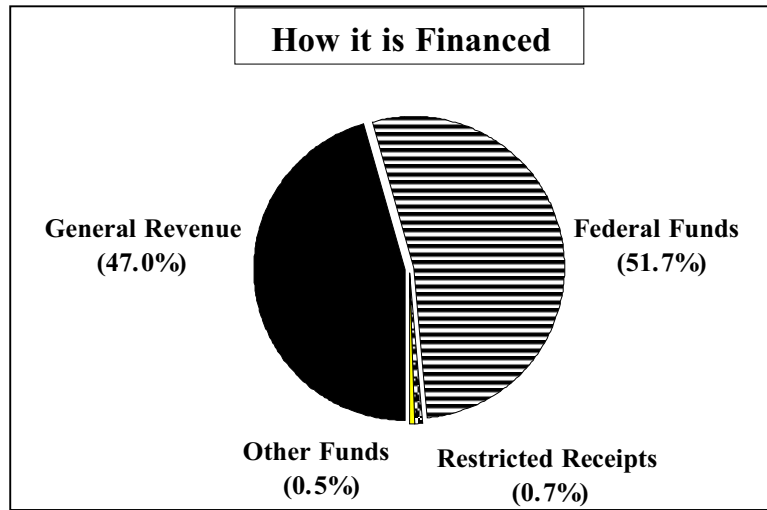
Revised funds totaling \$1.431 billion are recommended for federal funds in FY 2006. This is a \$5.3 million decrease from enacted levels. This recognizes federal reductions of \$22.9 million at DHS proposed by the caseload estimating conference in November of 2005. Most of this decrease is the result of the transition of pharmaceutical costs from federal Medicaid to Medicare grants. This reduction has been offset by increases in federal funding throughout the Human Service agencies. An estimated \$4.1 million in S-CHIP funds for managed care programs and \$5.9 million for federal performance bonuses/prior year TANF balances exists within DHS. Medicaid billing in Prevention Services and a higher penetration rate into Title IV-E funds within DCYF accounts for \$1.5 million. The recommendation is an increase of \$4.1 million in federal funds in DOH, including Pandemic Influenza Planning and Bioterrorism. The Department of Elderly Affairs will receive an addition of \$1.7 million for the State Pharmaceutical Assistance grant, \$486,118 for a Title II grant, \$105,904 for Family Caregiver Support, and \$733,598 for a Medicaid Waiver that matches the state contribution for new clients.

Revised funds totaling \$21.3 million are recommended for restricted receipts in FY 2006. This is a \$1.1 million decrease from enacted levels, primarily in rebate revenues for drug costs in the RIPAE Program in DEA.

For FY 2007, the Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The social and economic needs of clients continue to be provided by the Departments of Children, Youth, and Families; Elderly Affairs; Health; Human Services; and Mental Health, Retardation, and Hospitals. The Governor is committed to preventing child abuse and neglect, intervening for and on behalf of abused and neglected children and youths, and rehabilitating delinquent youth through education and training. The dual roles 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.

Human Services

The Governor's proposed funding level of \$2.568 billion for FY 2007 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 persons with physical disabilities. This proposal consists of \$1.207 billion in general revenue, \$1.328 billion in federal funds, \$19.1 million in restricted receipts, and \$13.6 million in other funds. The recommendation constitutes 39.0 percent of the total proposed expenditures for the state. Social services block grants and cash and medical assistance programs constitute the major sources of federal funding. The chart below displays funding by source for the Governor's FY 2007 recommendation for the human service agencies and departments.



For FY 2007, the Governor recommends total general revenue funding of \$1.207 billion, a decrease of \$10.3 million from the FY 2006 revised budget. Of this amount, the proposal contains reductions in the following areas: \$18.8 million in DHS, \$3.0 million in DOH, and \$3.0 million in DEA. These reductions are offset by general revenue increases of \$8.0 million in MHRH and \$6.4 million in DCYF.

Decreases in the Department of Human Services include: an estimated 7.6 percent decrease in caseload numbers of persons participating in the Family Independence Program and 2.5 percent decrease of childcare slots; revisions in child care client co-payments and child support referrals; increasing sanctions on parents in non-compliance with employment plans; maximization of third party revenues, program efficiencies and eligibility adjustments for medical assistance programs; reductions in eligibility for parents in managed health care and other revisions to medical benefits appropriations, which are discussed in greater detail in the Department of Human Services section of this document. These reductions are slightly offset by increases in general revenue financing for Veterans' Affairs and other non-entitlement programs in the department due to increased costs for operations and cost of living adjustments.

Within the Department of Mental Health, Retardation and Hospitals, the Governor proposes a net increase of \$7.0 million to support the current costs for caseloads in all programs, including \$945,397 in the Hospital and Community System Support, \$3.7 million for the Developmental Disability program, and \$2.0 million within the Division of Mental Health Services.

The Governor recommends a general revenue increase of approximately \$6.4 million in FY 2007, compared to FY 2006 revised levels, for the Department of Children, Youth and Families. Increases for reduced federal Medicaid matching rates and for caseloads and medical services inflation are required, plus an

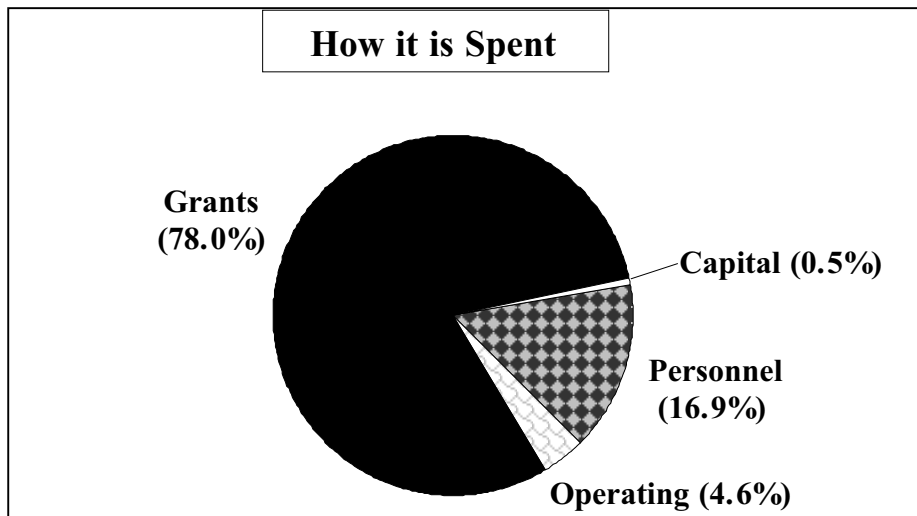
Human Services

addition of \$544,785 to replace expiring federal grant funds for Project Hope, a wraparound reintegration project for incarcerated emotionally disturbed youth, and \$861,234 for Ocean Tides to replace lost funds from numerous other outside sources.

General fund recommendations for the Department of Health decrease by \$3.0 million from revised FY 2006 levels. This primarily reflects a reduction in financing for the Rhode Island Hospital Efficiency, Leverage and Profitability (RI HELP) Act, for the smoking cessation program, anti-tobacco promotion and awareness campaign, and HIV treatment services and drug costs.

The Governor proposes general revenue expenditures for the Department of Elderly Affairs in FY 2007 that are \$3.0 million less than revised FY 2006 levels, primarily for reductions within the RIPAE Program based on anticipated decreases with the implementation of Part D of the Medicare Modernization Act of 2003.

The Governor's FY 2007 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 are also included. Personnel, which includes purchased services, accounts for \$434.0 million, or 16.9 percent, of all expenditures programmed for human services. Other operating expenditures are recommended at \$119.4 million, or 4.6 percent of proposed total human services expenditures, with capital projects slated for \$11.6 million, or 0.5 percent. Grants and benefits expenditures of \$2.003 billion account for the largest outflow of identified resources, reflecting 78.0 percent of the total human services function. The chart below shows the outflows of all resources by category of expenditure for the human services function.



Human Services

Included in the proposed FY 2007 general revenue grants and benefits expenditures is an increase of \$35.1 million due to FMAP revisions. An adjustment was necessary for Medicaid benefits accounts for FY 2007 to recognize the annual adjustment in federal Medicaid reimbursement rates. The rate change reduces federal assistance from 54.683 percent in FY 2006 to 52.875 percent in FY 2007.

The Governor recommends 4,603.7 full-time equivalent positions in FY 2006, and 4,232.0 in FY 2007. This decrease includes 116.7 FTE for a statewide reduction in workforce and 214.0 FTEs reallocated to internal services funds in the Department of Administration.

Human Services

Department of Children, Youth & Families

The Governor recommends total expenditures of \$284.0 million for the revised FY 2006 budget, including \$165.6 million in general revenue, \$114.5 million in federal funds, \$1.6 million in other funds, and \$2.3 million in restricted receipts. The Governor's revised budget includes a net increase of \$921,897 in general revenue expenditures. This represents a 0.6 percent increase over the enacted budget. The Department had an increase in personnel expenses due to an employee cost of living adjustment that totaled \$3.6 million. An addition of \$1.6 million was included in the revised budget for managed care due to caseloads and per diem rates increasing. The Department succeeded in approving two new CIS providers, which called for a general revenue increase of \$600,000.

The Department increases were offset by reductions made in other areas of the budget. Child Welfare grants and benefits has been reduced by \$912,000 due to a decline in caseload numbers in foster care. The FY 2006 revised budget withdraws the enacted 2.2% rate increase for all providers effective March 1, 2006 for a general revenue savings of \$414,140. The FY 2006 enacted budget had provided this provider rate effective January 1, 2006. Medicaid coverage for Prevention Services and projections for Title IV-E funds increased, which, in turn, reduced the state's share of costs by \$1.5 million. The Department has a significantly high rate of turnover in FY 2006, which produced a reduction of \$2.8 million in personnel costs. Certification of new vendors was approved creating additional savings of approximately \$600,000.

The Department continues its success in controlling the number of night-to-night placements, which had been an on-going problem. The elimination of this problem requires increased costs in other areas of the budget, but the long-term effect is beneficial to the youth of this state. The Department has restructured some of its programs into a more community-based system of support. The goal of the restructuring is to deliver children's services in a community setting, giving the youth, guardians, and community the benefit of being included in the rehabilitative process and to facilitate learning of adaptive behaviors.

The Governor recommends total expenditures of \$289.7 million in FY 2007 for the Department of Children, Youth & Families. This is comprised of \$172.0 million in general revenue, \$112.5 million in federal funds, \$3.6 million in other funds, and \$1.7 million in restricted receipts. The recommended FY 2007 general revenue budget increases by \$6.4 million from the revised FY 2006 budget. General revenue costs increase by approximately \$3.1 million to offset a reduction in federal matching funds for Medicaid in FY 2007, compared to FY 2006 rates, and a \$2.5 million increase to account for Medicaid inflation at a rate of 4.4%. A three percent employee cost of living adjustment increases general revenue funding by \$4.8 million in FY 2007; however, projections of FTE turnover rates based on historical spending decrease personnel expenses by \$2.5 million.

The Governor recommends an addition of \$544,785 in general revenue funds to the FY 2007 budget to fully finance the continuation of Project Hope. This program is an initiative that uses child adolescent values to assist youth incarcerated with serious emotional disturbances at the Rhode Island Training School for Youth to make a successful and safe return to the community. The wraparound services provided include vocational services, including tools and interview clothing.

The Governor recommends an increase of \$847,686 in FY 2006 and \$861,234 in FY 2007 in general revenue funding for Ocean Tides. This increase is a Medicaid match to finance a rate adjustment for Ocean Tides, which is now matched by Medicaid funds due to recent certification. Historically, Ocean Tides received significant funding from outside sources. As these other sources have decreased, it has become necessary for DCYF to increase the rate to conform with similar service providers. Ocean Tides is an alternative to the Training School for youth that have been adjudicated.

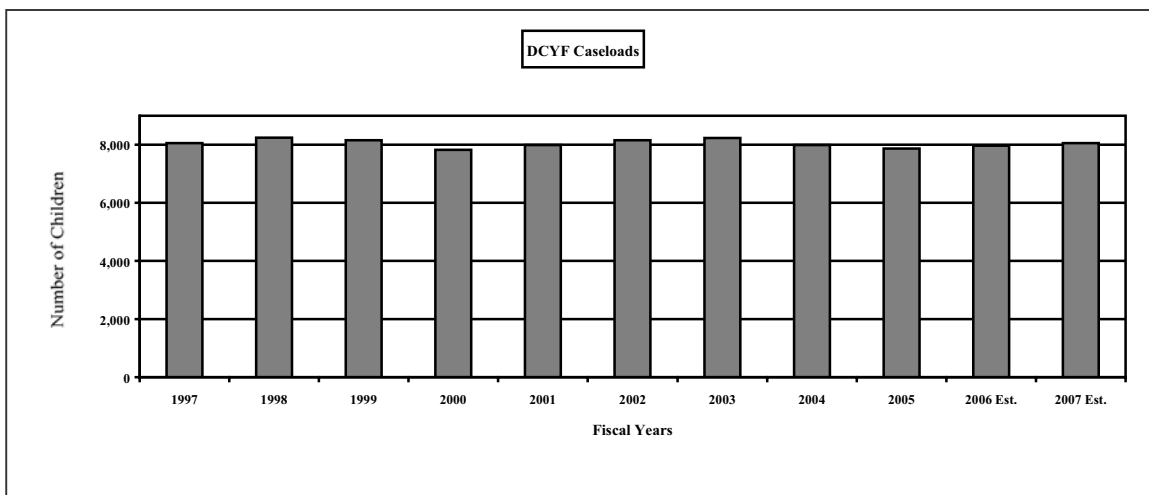
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The recommended budget recognizes a decrease of \$895,000 in general revenue funds due to the increased penetration rate in eligible youth for Title IV-E funds. There are currently, a total of 294 children in the eligible not claimable category. The Governor recommends that the foster homes in which these children are living become licensed, which would generate an additional \$854,000 in additional IV-E reimbursements. Also recommended is a reduction of \$1.7 million that is the result of establishing, in collaboration with community-based provider agencies, a program of services for older youth who are involved in independent living services with the intent of successfully transitioning youth from the care and custody of the department upon reaching their nineteenth (19th) birthday. The \$1.7 million reduction presumes that the Department would no longer pay for independent living placements for youth 19 and older. The FY 2007 recommended budget also includes a decrease of \$828,267 in general revenue funds for the withdrawal of the 2.2 percent provider rate increase.

The Governor recommends an FTE position ceilings of 849.8 in FY 2006 and 790.8 in FY 2007. This decrease reflects the reallocation of 28.0 FTE to the Department of Administration for human resources, maintenance, and information technology. A statewide reduction of five percent of the workforce accounts for the elimination of an additional 31.0 FTE.

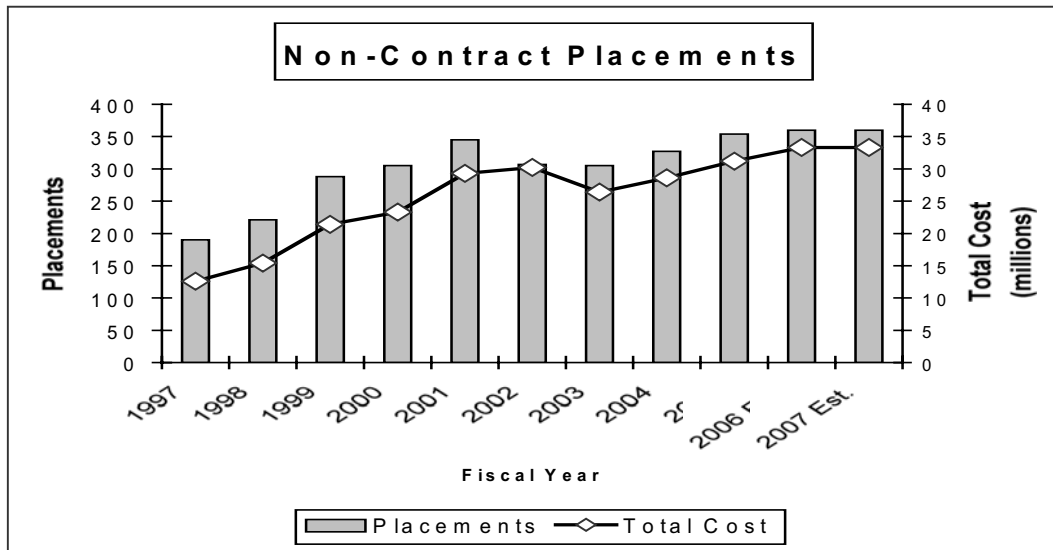
The Governor's Capital Improvement Plan includes a total of \$30.4 million in FY 2007. This amount finances construction of a new 96-bed Youth Development Facility, which will house adjudicated males, a 48-bed Youth Assessment Facility, which will house detained males, a girls' correctional facility, and seven community facilities for low-risk adjudicated males. The financing includes \$26.8 million in certificates of participation and \$2.3 million in Rhode Island Capital Plan funds. This project is intended to replace the existing training school, address overcrowding issues, and comply with a Federal Court consent decree. It will provide both males and females with equitable opportunities to participate in educational, recreational, and rehabilitative programming. The Governor also recommends \$1.3 million of Rhode Island Capital Plan funds to assess and upgrade fire protection systems for group homes, foster homes, and other facilities associated with the Department of Children, Youth & Families.

The graph below represents annual departmental caseloads since 1997.



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Department caseloads (excluding children that are away without leave) are projected at 7962 in FY 2006 and 8053 in FY 2007, up from 7872 actual cases in FY 2005. The Department is continuing its effort at reviewing the eligibility and duration of children and youth in its caseload. This effort includes analyzing the appropriateness of placements, treatment, and custody. The Department is financed in FY 2006 and FY 2007 for 360 purchase of service placements (POS). However, by maximizing the number of licensed foster care homes, the Department expects the number of POS to drop and the penetration rate for Medicaid funding to increase. POS placements are tailored to meet the individual needs of each child, and include intensive supervision and emergency placements. The chart below displays the historical utilization data and revised FY 2006 and FY 2007 levels of purchase of service placements, with associated costs.



Department of Elderly Affairs

The Governor recommends a revised budget for FY 2006 for the Department of Elderly Affairs of \$45.5 million. Expenditures are comprised of \$4.8 million in gas tax receipts, \$22.2 million in general revenue, \$16.1 million in federal funds, and \$2.3 million in restricted receipts. The revised funding level is an increase of \$2.4 million, or 5.5 percent, from the FY 2006 enacted budget, including a \$1.1 million increase in general revenue, \$2.2 million increase in federal funds and a reduction of \$975,000 in restricted receipts. Expenditures associated with gas tax financing remain unchanged from the enacted level.

The general revenue increase in the Governor's FY 2006 revised recommendation is attributable to: personnel additions of \$295,555 for COLA, step and longevity requirements; \$595,355 for the state portion of the Medicaid Waiver program to accommodate existing clients and new assisted living beds; and \$806,570 for the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program for unrealized rebates in the restricted receipt account that were expected to finance drug expenditures in the enacted budget. These additions are offset by reduction of \$51,412 for turnover; \$45,600 for computer services to be financed with the federal One-Stop grant; and \$374,375 from the co-pay home care and day care programs based on anticipated caseload and cost per client requirements in the two programs.

The federal funds increase in the Governor's revised FY 2006 budget includes addition of \$1.7 million to the enacted base of \$1.4 million for the State Pharmaceutical Assistance grant (SPAP) to assist in instituting Part D of the Medicare Modernization Act of 2003 for a total amount of \$3.2 million in FY 2006. The SPAP grant will end in the first quarter of FY 2007. Other additions to federal financing include: \$486,118

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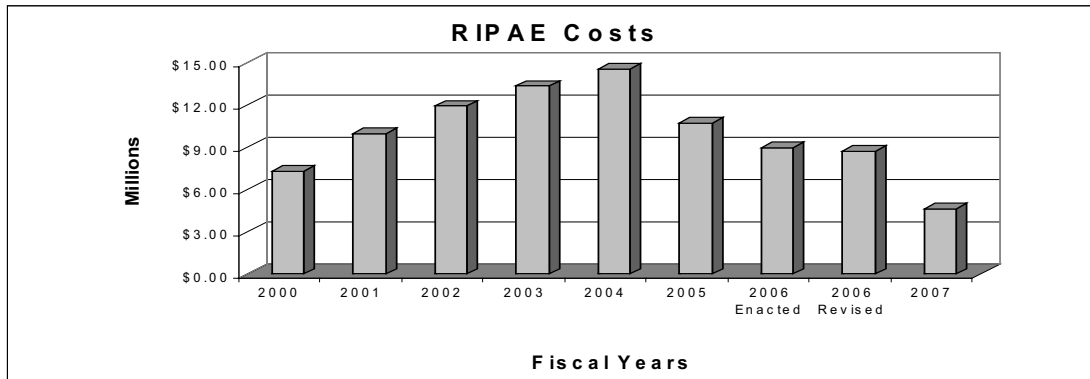
for the Title III grant based on expected award; \$105,904 more for Family Caregiver Support; and \$733,598 more for the Medicaid Waiver to match the state contribution in providing services to existing and new waiver clients. These additions are offset by reduction of \$293,947 for the administrative match portion of the Medicaid Grant; and \$410,039 removed from Title III congregate and home delivered meals based on expected award. The federal One-Stop grant award is also reduced in FY 2006 in the amount of \$215,119.

The 2006 Budget enacted general revenue financing for drug costs in the RIPAE program in the amount \$5.2 million, with an additional \$3.3 million in restricted receipts from pharmaceutical rebates, for a total drug cost of \$8.5 million. The Governor's budget recognizes reduced rebate collections from the enacted total, reduces restricted receipt financing to \$2.3 million, and adds \$806,570 in supplemental general revenue to fully finance the enacted estimate of \$8.5 million. The relationship between brand name drug usage by members and pharmaceutical rebates collections is maintained in the Governor's recommendation, and any additional rebate recoveries for prior years will be deposited as general revenues in accordance with accounting practice.

The Governor's FY 2006 recommendation for drug cost in the RIPAE program also reflects the anticipated affect of implementation of Part D of the Medicare Modernization Act of 2003 for the second half of FY 2006. The recommendation assumes a 12% reduction in the number of members from 38,000 to 32,000; a reduction of 16% in the number of claims filed from 613,727 in FY 2005 to 512,655 in FY 2006; and a cost per claim of \$16.48. In FY 2007, the Governor's recommendation provides financing for drug costs in the amount of \$4.5 million, including \$3.2 million in general revenue and \$1.2 million in pharmaceutical rebate receipts. This financing level reflects reduction in program use for approximately 12,000 RIPAE clients, due to the availability of the Part D benefit for the full fiscal year. The Governor's recommendation assumes the number of members will decrease to 26,000; number of claims will decrease to \$269,482, and the cost per claim will remain relatively constant at \$16.70 per claim.

The chart below illustrates expenditure history of the RIPAE program since 2000, including drug cost and management fee. The Governor's FY 2006 revised and FY 2007 recommendations are also presented:

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For FY 2007, the Governor recommends total expenditures of \$37.8 million, consisting of \$4.8 million in gas tax receipts, \$19.2 million in general revenue, \$12.6 million in federal funds, and \$1.3 million in restricted receipts. The recommended budget for all funds is \$7.6 million or 16.9 percent less than the FY 2006 revised budget. General revenue decreases by \$2.9 million or 13.4 percent, largely attributable to removal of \$2.8 million for drug expenditure as described above. Other reductions include: \$119,000 removed from the RIPAE plan administrator’s appropriation due to expected reduced number of claims paid; \$37,451 from the co-pay home care and day care programs based on expected requirements; \$836,487 from legislative grants; and \$149,192 for the provider rate increase. Additions include \$328,090 for specific and statewide personnel and benefit adjustments; \$94,228 for state financed in-home services for the elderly program, \$40,514 for the state share of the federal Medicaid waiver; and \$602,261 to replace federal SPAP grant which had financed some personnel and operating requirements since FY 2005. The Governor also adds \$138,300 for full-year financing of an after-hours emergency response program for abused or neglected elders in need of urgent care.

Federal funds in FY 2007 decrease by \$3.6 million or 22.2 percent, in comparison to the FY 2006 revised recommendation. Of the total reduction, \$3.0 million is attributable to the end of the SPAP federal grant, \$162,436 is removed from the Family Care Giver Support grant for a total of \$705,997, and \$253,663 is reduced from the Title III Social Services grant based on expected award. Pharmaceutical rebates in the restricted receipt account are reduced by \$1.1 million or 46.8 percent as described above, and gas tax financing for the elderly paratransit program is estimated to remain constant at \$4.8 million. The Governor recommends an FTE position ceiling of 52.0 in FY 2006, reducing to 50.5 FTE in FY 2007, to reflect the reduction in force initiative budgeted for in the Department of Administration.

Department of Health

The Governor recommends total expenditures of \$118.4 million in the FY 2006 revised budget, including \$29,960 in other funds, \$36.3 million in general revenue, \$70.9 million in federal funds and \$11.2 million in restricted receipts. This represents a net increase of \$8.1 million from the FY 2006 enacted authorizations and consists of increases in general revenue of \$4.4 million and federal funds of \$4.1 million, which are offset by decreases in other funds of \$85,116 and restricted receipts of \$376,243.

The net increase in general revenue from FY 2006 enacted appropriations of \$4.4 million consists of a net increase in payroll of \$983,316. It includes \$145,050 for FY 2005 retroactive cost of living adjustment (COLA) payments, \$1,077,046 for FY 2006 calculated COLA and \$216,313 for a shortfall in indirect cost revenue assessments. Other increases include an increase of \$3.3 million for increased services and

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treatment costs of HIV due to insufficient federal resources and HIV drug rebates; and \$275,000 for the transfer of the Governor's Wellness Initiative from the Department of Administration.

The net increase in federal funds expenditures of \$4.1 million when compared to FY 2006 enacted budget includes new federal revenues of \$148,750 for the Office of Minority Health, \$507,000 for Pandemic Influenza Planning, \$150,000 for Early Hearing Detection and Intervention Tracking Phase II, \$169,311 for Birth Defects Surveillance, \$130,732 for Forensic Casework DNA Backlog, and \$150,539 for DNA Capacity Enhancement. It also includes the reprogramming of previous federal awards and on-going federal programs for unspent balances, particularly for the Demonstration in Health Information Technology of \$976,515 and Bio-terrorism preparedness, training, surveillance, and communication of \$1,870,773.

The net decrease in restricted receipts expenditures of \$376,243 from FY 2006 authorized levels includes \$888,798 for lost indirect cost recovery assessed revenues that are offset by child immunization vaccine costs from the prior year unspent balance. The net decrease in other funds of \$85,116 from FY 2006 authorized budget reflects a reallocation of funding from the department to the Rhode Island State Police for the Child Safety Program.

For FY 2007, the Governor recommends total expenditures of \$112.1 million for the Department of Health. This includes \$29,960 from other funds, \$33.3 million from general revenues, \$67.1 million from federal funds, and \$11.7 million from restricted receipts. This level of funding is \$6.4 million, or 5.4 percent less than the level recommended by the Governor for FY 2006. This reduced funding level consists of an increase in restricted receipts of \$471,056 that is offset by decreases in general revenue of \$3.0 million and federal funds of \$3.8 million.

The net increase in restricted receipts in FY 2007 when compared to the Governor's recommendation for FY 2006 is attributable to anticipated increases in the costs of vaccine purchase and distribution for the child immunization program.

The net reduction in costs financed by general revenues from FY 2006 revised levels, is due primarily to the Governor's proposal to eliminate funding of \$3.3 million for the Rhode Island Hospital Efficiency, Leverage and Profitability (RI HELP) Act and \$835,002 for the Smoking Cessation Program. Other reductions included in the Governor's FY 2007 proposal are \$300,374 for the anti-tobacco promotion and awareness campaign, and \$214,036 for a twenty-five percent reduction to grants for community service objectives. These are offset by increased costs of \$667,852 for expanded newborn screening tests as recommended by the Rhode Island Genetics and Advisory Committees. This increase is expected to be offset by regulatory fee increases in FY 2007, making this recommendation a fund balance neutral proposal. The Governor's recommendation also includes the applicable statutory changes required to fulfill the FY 2007 budget plan for the department.

For FY 2007, the net reduction in federal funding when compared to the Governor's FY 2006 recommendation, reductions in grant resources for the Office of Minority Health - \$148,750, Genetic Services - \$127,394, Early Hearing and Detection Intervention - \$211,659, Child Care Support Network - \$178,440, Forensic Casework DNA Backlog - \$130,732, and DNA Capacity Network - \$150,539. The Governor's FY 2007 proposal also reflects anticipated reduced funding for Demonstration in Health Information Technology - \$850,628 and Bio-terrorism preparedness, training, surveillance, communication - \$1,548,497.

The Governor recommends full time equivalent positions of 499.4, the same level enacted for FY 2006. For FY 2007, the Governor recommends 466.6 FTEs, a reduction of 32.8 FTEs from FY 2006 recommended level. It includes the transfer of 21.0 FTEs to the Department of Administration internal service funds with

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the related funding included in the department's budget. Six of the 21 FTEs relate to the human service rotary and the remainder to the information technology rotary. The balance 11.8 FTEs relate to the Governor's proposal to reduce the size of the workforce to achieve general revenue savings in FY 2007. The related savings are included in the budget of the Department of Administration.

Department of Human Services

The Governor recommends revised appropriations of \$1.734 billion for FY 2006, including \$741.0 million of general revenues, \$987.2 million of federal funds, and \$5.2 million of restricted receipts. This represents a reduction of \$48.3 million, on an all funds basis, from the enacted budget. The revised budget for FY 2006 includes a reduction of \$32.2 million in general revenue expenditures, \$15.8 million in federal funds, and \$374,575 in restricted and other funds.

The general revenue change includes a reduction of \$25.1 million for technical adjustments pursuant to accounting standards concerning recording of local education expenditures as match to federal Medicaid grants; an identical reduction in general revenue receipts also occurs, and both of these events were reflected in adopted caseloads and revenues at the respective November conferences. Exclusive of this change, revised Medical Benefit expenditure estimates adopted by the November 2005 caseload estimating conference (CEC) are reduced by \$24.5 million from enacted levels, including \$1.6 million in general revenue funds. Most of the federal CEC change of \$22.9 million reflects the transition of pharmaceutical costs from federal Medicaid to Medicare grants, which are not recorded as state expenditures. Adopted increases in cost trends for hospital and other Medicaid expenditures do increase general revenue costs, but these are largely offset by the increased availability of approximately \$4.1 million in federal S-CHIP funds for managed care programs from a national pool of unexpended allocations. The net general revenue reduction attributable to CEC adopted caseloads for cash assistance and child care is \$5.5 million, and decreases due to the receipt of federal performance bonuses of \$4.8 million plus \$1.1 million of prior year federal TANF balances, as adopted costs for all funds increased by \$553,363 from adopted levels.

Department-wide, general revenue additions in FY 2006 are required for the employee cost of living adjustments for FY 2005 and FY 2006, totaling \$2.5 million and not included in enacted appropriations. An additional \$400,000 general revenues were included as a reappropriation from FY 2005 for closeout of obligations to Medicaid maximization contractors. An addition of \$642,201 is required to replace declining federal indirect cost recoveries appropriated to offset general revenue expenditures. Savings of \$1.2 million from enacted levels for general revenue employee turnover are recognized. Retrenchment on various contracts in Health Care Quality allows withdrawal of approximately \$710,000 general revenues.

FY 2006 reductions of general revenues are included for savings from initiatives for Medicaid program claims of \$1.0 million, and for two initiatives requiring statutory changes for revising pharmaceutical reimbursements downward to Wholesale Average Cost plus zero, saving \$481,342, and from canceling a 2.2 percent COLA for certain Medicaid providers beginning March 1, 2006. Also included are general revenue savings of \$109,024 from increasing co-payments for child care assistance for families above 150% of the federal poverty limit, effective June 1, 2006.

For FY 2007, the Governor recommends total expenditures of \$1.621 billion for the Department of Human Services. This total includes \$722.2 million from general revenue, \$894.5 million from federal funds, and \$4.1 million from restricted receipts. The agency budget continues to finance: cash and medical assistance programs at caseload conference consensus values, except as noted below; training and support services for family assistance programs; continued services to veterans, the blind and visually

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impaired, and other assisted populations. Seventy-two percent of the agency's expenditures are for medical benefits payments.

The Governor's budget recommendations for both FY 2006 and FY 2007 include full funding for the operation of the Rhode Island Veterans' Home and the Rhode Island Veterans' Cemetery, including \$2.6 million for capital improvements in FY 2006, and \$2.7 million in FY 2007.

In FY 2007, 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 2005 consensus caseload conference estimated that 33,450 persons would receive Family Independence Program cash assistance in FY 2006, a 9.1 percent reduction from FY 2005 experience, declining to 30,750 persons in FY 2007, a reduction of an additional 7.6 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 12,892 subsidized childcare slots in FY 2006, a decrease of 1.3 percent from FY 2005 actual experience, and 12,570 slots in FY 2007, an additional decrease of 2.5 percent, as clients achieve exit from the program.

Adopted consensus caseload conference estimates for cash assistance payments in FY 2007 decreased by \$4.6 million compared to adopted FY 2006 levels. This reflects savings of \$4.6 million from the reduction in FIP caseloads and \$1.1 million from the reduction in child care slots, offset by increased SSI estimates of \$804,593 million and increased estimates for General Public Assistance of \$320,502. General revenue expenditures for adopted estimates increase by \$903,457, reflecting the end of offsets to one-time federal performance bonus grants in FY 2006.

The Governor's recommended FY 2007 Budget includes statutory revisions for child care benefits and reductions in general revenue funds of \$1.4 million from increasing child care client co-payments, and \$1.5 million from canceling a statutory provider rate increase currently scheduled for January 1, 2007, and \$904,769 from establishing a cash resource test and requiring stricter standards for child support referrals. Statutory revisions proposed to the Family Independence Program (FIP) would reduce general revenue cash assistance costs by establishing requirements concerning employment plans and employment schedules, which will enhance compliance with stricter work requirements enacted by Congress for its recent reauthorization of the TANF act. These items include: \$1.1 million from advancing sanctions against continued benefits to families with parents in non-compliance with employment plans from 24 to three months; requiring completion of an employment plan before establishing initial FIP eligibility payments, saving \$1.4 million; and establishing a minimum thirty-five hour work week for one adult in each two-parent family. Additional reductions for FIP of \$1.6 million are projected by withdrawing assistance for FIP parents only after their twenty-fifth month in the program, and by including federal TANF benefits in other states against the assistance periods established for all FIP clients.

The Supplemental Security Income (SSI) caseload historically has increased on a continuous basis. The adopted caseload conference estimates are 30,880 recipients in FY 2006, and 31,500 in FY 2007, compared to actual cases of 30,330 in FY 2005. The 1.9 percent annual 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 Bridge Program will be maintained in FY 2007, providing limited cash assistance to eligible persons and a medical program of restricted scope. The caseload conference estimate is 330 persons in both FY 2006 and FY 2007.

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Medical assistance programs are maintained in FY 2007, with revisions for maximization of third party revenues, program efficiencies and eligibility adjustments. Exclusive of uncompensated care distributions and reimbursements to local education authorities, the November CEC adopted medical benefits for FY 2007 at a level \$71.5 million greater than for FY 2006, including \$69.2 million in general revenue funds. Approximately \$24.3 million of the difference in general revenue funds recognizes the revision of federal Medicaid matching rates compared to FY 2006, an annual adjustment dependent on relative national income comparisons; the balance of the increase reflects trend rates for all categories of medical assistance, or approximately 8.5 percent on a \$529 million base. Beginning in February 2006, adopted estimates include the “clawback” charges to general revenues for dually eligible Medicaid and Medicare elders for Medicare Part D pharmaceutical costs, which are simultaneously eliminated from state and federal Medicaid expenditures. 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:

- Deferring an uncompensated care distribution to Eleanor Slater State Hospital. This is a reduction of \$12.9 million, including \$6.1 million general revenues, from CEC adopted levels. The current statute authorizing distributions in December 2005 to both state and community hospitals is for FY 2006 only; the conference did not adopt FY 2007 estimates for community hospitals, which require an annual authorization and Medicaid-approved waiver, but did adopt an estimate for the state hospital. The Governor’s budget proposes to establish the next distribution to all hospitals in July of Fiscal Year 2008. This deferral is responsible for a reduction of \$110.7 million, including \$52.7 million general revenues in Medicaid distributions in the FY 2007 recommendation, compared to FY 2006 revised levels.
- Savings of \$732,529, including \$339,000 in general revenues, from requiring advance approvals for imaging services for fee-for-service clients.
- Revisions to community spouse resource calculations to increase a couple’s share of nursing facility expenses, saving \$886,667, including \$471,797 in general revenues.
- Savings of \$2.6 million, including \$1.2 million in general revenue from deferring a scheduled statutory annual rate adjustment for nursing facilities for one quarter to January 2007.
- Establishment of an asset test for Rite Care eligibility, saving \$1.7 million, including \$795,761 in general revenues. A ceiling of \$10,000 in liquid resources would be established in statute.
- Savings of \$8.7 million, including \$4.0 million in general revenue from restructuring contracts with Rite Care managed care providers.
- Savings of \$1.5 million, including \$706,800 general revenues, from establishing formal Principles of Reimbursement for Federally Qualified Health Centers in statute, consistent with federal statutes.
- Savings of \$2.0 million, including \$773,582 general revenues, from establishing in statute Rite Care co-payments for families between 133 percent and 150 percent of the federal poverty limit.
- Increasing Rite Care client co-payments for families above 150 percent of the federal poverty limit, saving \$1.0 million, including \$345,839 general revenues.
- Savings of \$3.4 million, including \$1.5 million general revenues, from broadening the discretion of the department’s utilization review agents to manage neonatal intensive unit costs.
- Elimination of health care coverage under federal S-CHIP and Rite Care waivers for parents of Medicaid eligible children in families above 133 percent of the federal poverty limit. This requires a statutory change, and would save \$22.5 million, including \$9.1 million general revenues.
- Savings of \$3.7 million, including \$1.7 million general revenues from maximizing Medicare shares of Part D assistance for Medicaid clients.
- Savings of \$4.0 million from elimination of health care coverage for undocumented alien children. There is no federal eligibility for this population, which exists in current state statute.

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- Savings of \$415,800, including \$195,427 general revenues, from amending the statute for transitional medical assistance for certain families with earned income making them ineligible for FIP. The eligibility period would be reduced from eighteen to twelve months.
- Reduction of \$1.2 million, including \$600,364 general revenues program integrity enhancements including residence documentation, application reviews and data matching activities. This initiative includes an addition of two FTE positions in the program Health Care Quality.
- Revisions to medical insurance statutes saving \$4.8 million including \$2.3 million general revenues. Revisions include mandating up to \$5,000 in annual benefits for home health services, children's intensive services, and CEDARR family evaluation and referrals services. No client services would be compromised by the change.
- The FY 2007 savings from canceling a 2.2 percent COLA for certain Medicaid providers beginning March 1, 2006 are estimated at \$1.5 million, including \$676,336 general revenues.
- Maximizing federal reimbursements for clinical reviewers, and adult refugees and enhancing identification of SSI eligibles is estimated to save \$517,385 general revenues.
- Savings of \$736,549, including \$340,860 general revenues from expanding waiver slots for self-directed services for PARI clients, and an additional \$1.6 million, including \$750,577 general revenues from voluntary enrollment of eligible adults with disabilities in managed health care plans.
- Savings of \$637,394, including \$448,489 general revenues by seeking a Medicaid waiver establishing respite services for children as an eligible activity, enhancing federal reimbursements and substituting for more expensive services.
- Savings of \$3.8 million, including \$1.6 million general revenues from revising fee-for-services pharmaceutical reimbursements downward to Wholesale Average Cost.
- General revenue savings of \$1.7 million from establishment of a preferred drug list for fee-for-service Medicaid clients.
- General revenue savings of \$633,333 from establishment of a copayment for pharmaceuticals for fee-for-service Medicaid clients.

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 incomes including pregnant women denied federal assistance due to their immigration status; and, persons meeting the criteria for the Categorically Needy Program. 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 Governor's proposed FY 2007 budget increases general revenue support for Veterans' Affairs by \$1.4 million from FY 2006 revised levels, reflecting employee compensation and benefit rates and current staffing and operational levels at the Veterans' Home.

All other non-entitlement programs in the department increase by \$3.9 million general revenues, reflecting current service operating costs and employee cost of living and benefit rate increases, plus two staff additions for the Medicaid program integrity initiative requiring \$65,000 general revenues. Legislative grant appropriations are reduced by \$1.6 million.

Recommended federal funds decrease by \$92.7 million in FY 2007, compared to FY 2006 recommendations. This amount includes reductions for: elimination of uncompensated care payments in FY 2007, \$59.9 million; \$39.3 million in Medicaid revisions enumerated above; and, cost shifting of the federal side of pharmaceutical benefits from Medicaid to Medicare sources of approximately \$24 million. These reductions are offset by additions for all other programs, primarily CEC adopted totals for

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Medicaid benefits plus addition of \$3.3 million to the annual estimate for federal food stamp benefits recorded in State allocations.

Restricted fund allocations decrease by \$844,678 from FY 2006 to FY 2007 recommendations. This includes a reduction of \$1,260,802 in the dedicated capital projects account for the Veterans' Home, offset by additions of \$289,487 indirect federal cost recoveries dedicated to offsets for administrative overhead.

Department of Mental Health, Retardation and Hospitals

The Governor recommends total FY 2006 expenditures of \$496.2 million for the Department of Mental Health, Retardation and Hospitals, including \$249.5 million of general revenue, \$241.5 million in federal funds, \$5.1 million in other funds and \$90,000 in restricted receipts. General Revenue funds increase by \$9.4 million from the enacted level, and include the reappropriation of \$31,000 of FY 2005 funds for lead paint mitigation activities. The general revenue supplemental budget includes additions of: \$6.2 million for utility and energy costs for the Pastore Center Campus; \$3.9 million for cost of living adjustments department-wide, including \$267,146 associated with FY 2005 retroactive payments, and \$3.6 million associated with FY 2006 COLA expenditures; \$1.5 million for unachieved savings in the Developmental Disabilities program related to shifting state supported clients to Medicaid funding; \$618,000 for unachieved pharmaceutical costs savings in Integrated Mental Health; and \$500,000 for Pastor Center repairs. These increases are partially offset by reductions of: \$964,164 for withdrawal of the 2.2 percent provider COLA beginning March 1, 2006; \$2.6 million for turnover savings due to position vacancies; and \$179,214 for deferring RICLAS vehicle purchases.

Of the \$9.4 million general revenue increase recommended by the Governor, \$6.2 million or 66 percent is due to greater than anticipated utility costs for the Pastore Government Center campus. The most significant change relates to the cost of the fuel to operate the Power Plant. A total of \$5.2 million is required for increases in the price of fuel oil and natural gas. The revised FY 2006 budget also reflects additions of \$572,851 for purchased electricity costs and \$491,045 for water. The increase for electricity is attributable to price increases by National Grid and scheduled maintenance on turbines which produce electricity. At certain times of the year, it is more cost effective to purchase electricity from the grid rather than producing 100 percent of the campus demand within the Power Plant.

The revised FY 2006 budget includes \$3.9 million related to cost of living adjustments of four percent in FY 2005 and four percent in FY 2006. Of the \$3.9 million amount, \$267,146 is for retroactive payments to employees for the FY 2005 COLA and \$3.6 million is for the FY 2006 COLA. Beginning in FY 2005, state employees began contributing to the cost of their health care benefits package. During the first quarter of FY 2006, most MHRH employees received a cost of living increase adjustment, which required that 1.5 percent of their salaries be allocated for health care benefits. For Council 94 employees these costs were accrued to FY 2005. Employees that are not in Council 94 will receive a COLA payment retroactive to FY 2005 totaling \$267,146, which will be accrued to FY 2006. The estimated general revenue cost of the COLA in FY 2006, which includes employee health care contributions, is \$3.6 million.

The revised FY 2006 budget includes an additional \$2.1 million in general revenues for unachieved savings required by the enacted budget. In the Developmental Disabilities program, the Department anticipated savings of \$1,421,732 in Private Community Services by transferring clients supported with general revenue funding to Medicaid funding. Some of these clients are eligible for Medicaid funding, but do not apply for it. While the Department is achieving approximately \$200,000 of the \$1.4 million amount in the current year by transferring clients to Medicaid funding, the savings is being offset by

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program growth. In the Integrated Mental Health program, the Department anticipated pharmaceutical cost savings of \$618,000 from a Community Medication Assistance 340B Program (CMAP). The Department is not able to achieve the cost savings because it is unable to access the program.

The FY 2006 revised budget withdraws the enacted 2.2% rate increase for all providers effective March 1, 2006 for a general revenue savings of \$964,164. The FY 2006 enacted budget provided \$1,486,093 of general revenues for a 2.2 percent provider rate effective January 1, 2006. This included \$963,341 for Developmental Disabilities providers, \$378,512 for Integrated Mental Health providers, and \$144,279 for Substance Abuse providers.

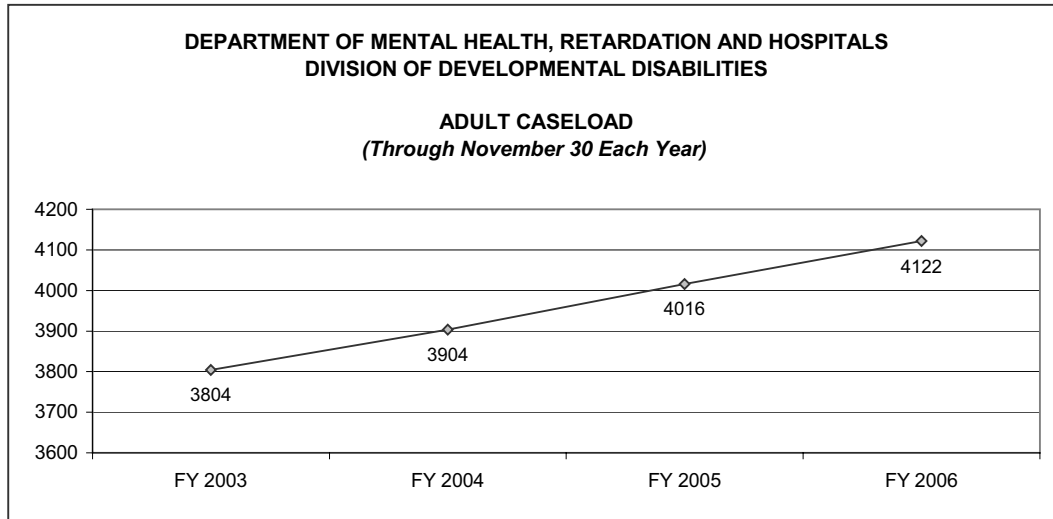
The Governor's FY 2007 recommendation totals \$503.2 million, including \$257.5 million of general revenues, \$240.5 million of federal funds, \$5.1 million of Rhode Island Capital Plan Funds and \$90,000 of restricted receipts. The general revenue portion of the budget reflects an increase of approximately \$8.0 million, or 3.1 percent, from the FY 2006 revised level. The changes, by program, are described below.

Within Central Management, the general revenue increase of \$341,967 from FY 2006 to FY 2007 is primarily associated with reduction in turnover expectancy and statewide adjustments to salary and fringe benefits, which combined total \$192,081. The FY 2007 budget also provides an additional \$50,000 for a management audit study in the Department

For the program of Hospital and Community System Support, the Governor recommends a general revenue increase of \$945,397. The increase from \$29.9 million to \$30.8 million is primarily attributable to salary and benefit costs, followed by operating costs. The additional operating funding provides \$500,000 for Pastore building repairs, including elevator repairs, streamline repairs, asbestos removal, and high voltage cable replacement for Elevator Slater Hospital. The FY 2007 budget finances fuel and electricity costs at the same level as the FY 2006 revised budget. The Governor recommends an increase of \$1.0 million in RICAP funds primarily to upgrade fire alarm systems to meet the new fire code requirements in State-owned group homes and in buildings located on the Pastore center.

In the Developmental Disability program, the Governor recommends a general revenue increase of \$3.7 million from FY 2006 to FY 2007. This includes increases of: \$3.6 million for caseload growth; \$2.4 million for personnel costs in the program; \$2.0 million for changes in the Federal Matching Assistance Percentage rate (FMAP); and, \$763,455 for the transfer of four Hospital and Community Rehabilitative Services group homes to private developmental disability providers. Offsetting these increases are program reductions of: \$5.8 million for day programming; and \$393,082 for savings achieved by incorporating home managers into direct care staff. The Governor recommends expenditures of \$1.6 million in RICAP funds for group home and regional center repairs.

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Within the Division of Mental Health Services, the Governor recommends a general revenue increase of \$483,006 from FY 2006 to FY 2007. This includes increases of: \$218,865 for personnel costs in the program; \$1.5 million for caseload growth and a change to the FMAP rate; and, \$262,599 for the transfer of grants from Substance Abuse. The FY 2007 budget includes program reductions of: \$1.2 million by modifying services provided by Rhode Island Assertive Community Treatment I teams; and, \$307,500 by combining mental health inpatient and detox services into a single contract.

Within the Eleanor Slater Hospital, the Governor recommends an increase of \$3.6 million. The increase is primarily attributable to the change in the FMAP rate and to statewide adjustments for salaries, fringe benefits and medical benefits. The operating budget for the Hospital also includes inflationary growth on the purchase of pharmaceuticals. The FY 2007 Budget includes reductions of: \$1,129,212 associated with the transfer of four Hospital and Community Rehabilitative Services state-run group homes to private developmental disability providers; and \$517,5000 for purchases of contractual medical services.

For the Division of Substance Abuse, the Governor recommends a reduction of \$1.1 million of general revenues from FY 2006 to FY 2007. The recommendation does reflect increases of \$131,228 for personnel costs and funding to meet the current service requirements for Medicaid funded services. However, these increases are offset by a reduction in grant based funding of \$1.1 million. The FY 2007 budget combines mental health inpatient and detox services for a \$1.1 million savings in the Division of Substance Abuse.

The Governor recommends the enacted level of 1,992.7 FTE positions in FY 2006, and a level of 1,776.3 FTE in FY 2007. The FY 2007 authorized FTE level provides for a transfer of 131.0 FTE to Department of Administration Internal Services funds, including 36.0 to Human Resources, 87.0 to Facilities, 1.0 to Legal, and 7.0 to Information Technology. The Department's budget also includes a reduction of 41.0 FTE associated with program reductions and 43.4 FTE reduction pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Human Services

Office of the Child Advocate

The Governor recommends total expenditures of \$546,681 for FY 2006. This consists of \$536,189 in general revenue and \$10,492 in federal funds. The FY 2006 revised budget provides an additional \$37,568 in general revenues, which is offset by a \$37,568 reduction in federal funds. The reduction in federal funding is associated with a \$43,410 federal receivable and a \$8,060 reduction in new grant funding provided through the Rhode Island Justice Commission.

For FY 2007, the Governor recommends total expenditures of \$602,596 including \$562,596 in general revenue and \$40,000 in federal funds. The Governor's recommendations fully fund the Office in both fiscal years. The Governor recommends an authorized level of 6.1 FTE positions in FY 2006, and a level of 5.8 FTE in FY 2007, including a withdrawal of 0.3 FTE pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Commission on the Deaf and Hard of Hearing

The Governor recommends total financing of \$352,084 in the revised FY 2006 budget, including \$337,084 in general revenue and \$15,000 in federal funds, to finance the Commission's personnel, operating and interpreter referral services. The general revenue financing is \$29,478, or 9.6 percent greater than the FY 2006 enacted amount of \$307,606, attributable to the addition of \$20,000 for the Emergency Interpreter Referral Service, and \$9,478 for staff personnel financing requirements, including part-year financing for position upgrades for Commission staff. Federal financing of \$15,000 is provided by agreement between the Commission and the Emergency Management Agency for the Emergency Interpreter Referral service during non-business hours of the Commission. The federal funds recommendation for FY 2006 is \$30,336, or 66.9 percent less than the enacted appropriation.

The Governor recommends total expenditures of \$373,729 in FY 2007 to finance current personnel and operating costs of the Commission, including \$358,729 in general revenue and \$15,000 in federal funds. General revenue increases \$21,645 or 6.4 percent from the revised FY 2006 budget, attributable to statewide personnel adjustments and full year financing for Commission staff upgrades. Federal fund financing of \$15,000 in FY 2007 is the same as the FY 2006 revised recommendation. The Governor recommends 3.0 FTE positions in FY 2006 and 2.8 FTE in FY 2007, to reflect the reduction in force initiative recorded in the Department of Administration's budgeted totals.

Rhode Island Developmental Disabilities Council

The Governor recommends revised FY 2006 expenditures of \$458,614, consisting entirely of federal funds. This recommendation is \$53,310 or 10.4 percent less than the budget authorized for FY 2006. This decrease reflects primarily the discontinuation and expiration of funding for the Service Learning Opportunity grant of \$49,572, which was included in FY 2006 enacted authorizations, but expended in FY 2005.

For FY 2007, the Governor recommends total expenditures of \$463,053 consisting entirely of federal funds. This proposed level of funding is \$4,439 or one percent greater than the FY 2006 revised recommendation. The change above the FY 2006 revised recommendation reflects primarily necessary payroll cost adjustments for employee cost of living adjustment (COLA), step, longevity, medical and non-medical benefits. The Governor's budget fully finances current service requirement in FY 2007.

The Governor's FTE ceiling recommendation is unchanged at 2.0 from the FY 2006 enacted ceiling for FY 2006 and FY 2007.

Human Services

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$1.1 million for FY 2006. This consists of \$548,321 in general revenue, \$226,439 in federal funds, \$200,000 in Rhode Island Capital Plan funds, and \$86,332 in restricted receipts. The revised funding level is \$149,150 more than the FY 2006 enacted level, and consists of a general revenue increase of \$16,912, a federal fund increase of \$109,511, and a restricted receipt increase of \$22,727. The majority of the increase reflects changes in benefit rates and cost of living adjustments.

The Governor recommends total expenditures of \$1.0 in FY 2007, including \$602,509 in general revenue funds, \$195,681 in federal funds, \$25,444 in restricted receipts, and \$200,000 in Rhode Island Capital Plan funds. The recommended general revenue funding in FY 2007 is \$54,188 greater than FY 2006 revised levels due to statewide changes in benefits and cost of living adjustments. The recommended FTE ceiling for FY 2006 6.6 FTE and 6.3 FTE for FY 2007, reflecting a withdrawal of 0.3 FTE pursuant to a statewide reduction of workforce recorded in the Department of Administration.

Rhode Island Commission for Human Rights

The Governor's revised FY 2006 budget totals \$1.3 million and consists of \$1.0 million in general revenue and \$312,482 in federal funds. This revised level of funding is \$69,288 or 5.5 percent more than the level enacted by the Legislature. It consists of increases in general revenue of \$26,511 and federal funds of \$42,777.

The general revenue net increase from FY 2006 enacted level reflects statewide current service adjustments for payroll costs, including FY 2005 retroactive and FY 2006 costs of living adjustments totaling \$49,578. It also includes adjustments for employee step, longevity medical and non-medical benefits costs. While the net increase in federal funds includes adjustments for personnel and other operating, it also reflects an increase of \$85,603 to Equal Employment Opportunity Commission activities, offset by a decrease of \$42,826 to the Housing Assistance program.

For FY 2007, the Governor recommends total expenditures of \$1.4 million, which is comprised of \$1.1 million in general revenue and \$329,678 in federal funds. This level of funding is \$86,504 or 6.6 percent greater than the FY 2006 revised recommendation. The general revenue increase of \$69,308 or 6.9 percent from the FY 2006 revised level reflects primarily statewide adjustments to payroll for employee cost of living adjustments, steps, longevity, and benefits as does the federal funds increase of \$17,196 or 5.5 percent from the FY 2006 revised recommendation.

The Governor recommends full time equivalent (FTE) positions ceiling of 15.0 for FY 2006. For FY 2007, the Governor recommends 14.4, a reduction of 0.6 FTE due to the Governor's initiative to reduce the size of the state's workforce for statewide cost savings in FY 2007. The associated cost savings have been recorded in the budget of the Department of Administration.

Human Services

Office of the Mental Health Advocate

The Governor recommends revised FY 2006 general revenue expenditures of \$374,432, reflecting an increase of \$23,103 from the enacted level. The addition is primarily attributable to increased personnel costs stemming from two cost of living adjustments: \$19,285 for current year salary expenses as well as a \$4,386 retroactive COLA for FY 2005. This supplemental recommendation finances the operation of this office at the current services level.

The Governor recommends total FY 2007 general revenue expenditures of \$397,798, reflecting full funding for agency current services and an increase of \$23,366 over revised FY 2006 levels. The Governor recommends the enacted level of 3.7 FTE positions in FY 2006, and a level of 3.5 in FY 2007, including a withdrawal of 0.2 FTE pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Education

Education

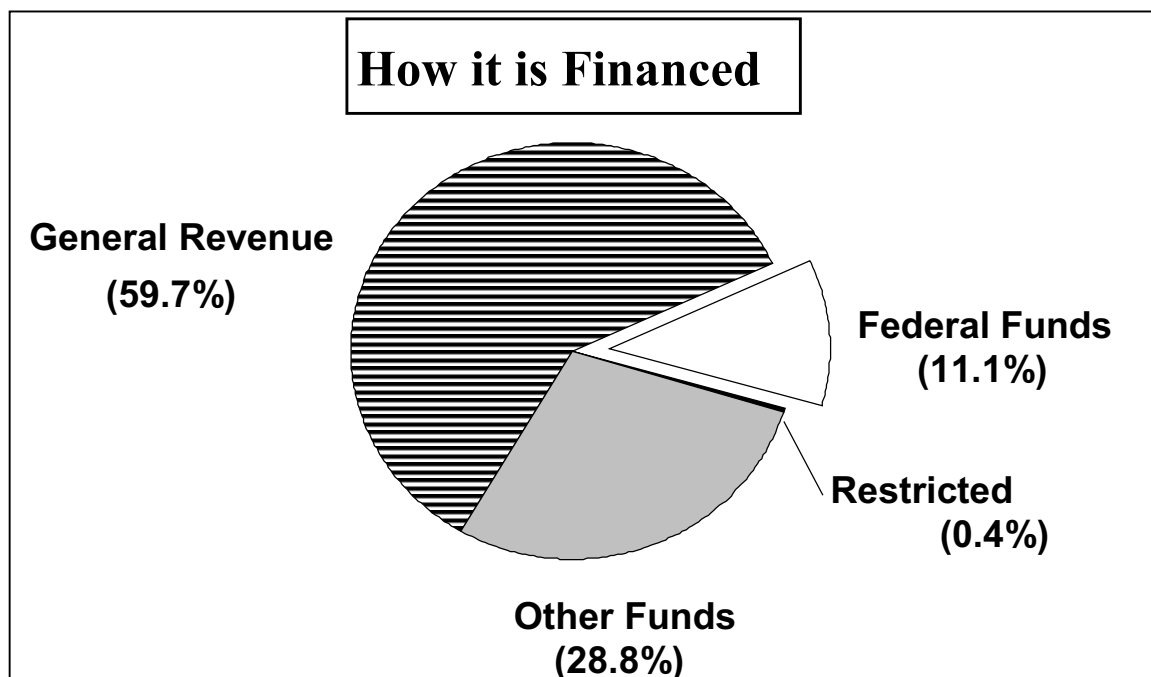
Summary

The Education function of state government includes services provided by the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The Governor recommends the enacted level of 4,031.0 FTE positions in FY 2006 and 3,980.1 FTE positions in FY 2007, including a withdrawal of 79.9 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

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 Central Falls School District, and the three state schools: the School for the Deaf, the Davies Career and Technical School, the Metropolitan Career and Technical School. 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.

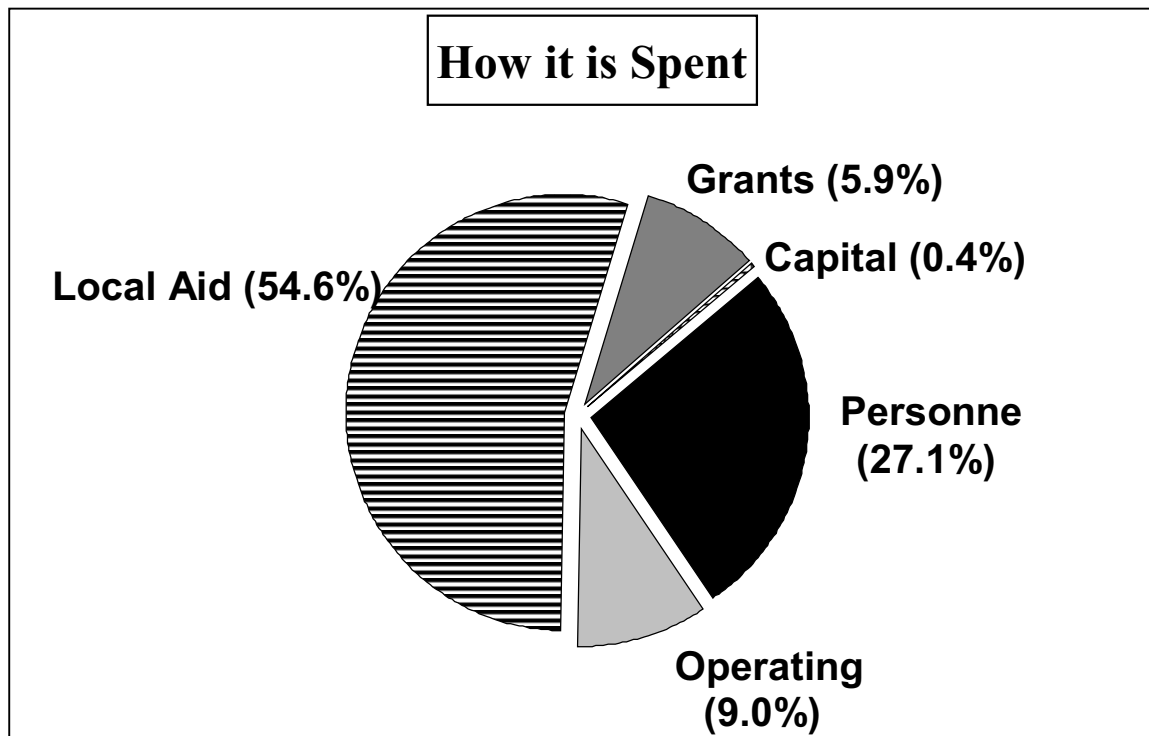
The FY 2006 revised recommendation for Education agencies totals \$1,739 billion, or \$3.6 million less than enacted appropriations of \$1.742 billion. As compared to the enacted budget, general revenue decreases \$7.7 million, or 0.7 percent, federal funds increase \$884,491, or 0.5 percent, restricted receipts decrease \$15,988 or 0.3 percent, and other funds increase \$3.2 million, or 0.6 percent.

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 recommends total expenditures of \$1.813 billion for Education in FY 2007, including \$1.083 billion from general revenue, \$200.5 million from federal funds, \$7.0 million from restricted receipts, and \$522.6 million from other funds.



The Governor's general revenue recommendation of \$1.083 billion for Education for FY 2007 is an increase of \$55.1 million, or 5.4 percent over FY 2006 revised levels. The recommendation includes increased general revenue financing for Public Higher Education that is 6.5 percent above the Governor's FY 2006 revised budget, and for Elementary and Secondary Education that is 5.0 percent above the revised level. Tuition increases would provide funding for growth in costs at each institution. Elementary and Secondary Education includes \$856.3 million for local education, an increase of \$41.0 million. In addition to direct aid to schools increasing by \$20.7 million the budget fully supports the expansion of Charter Schools, the Met School and Davies School enrollment.

Aid to Local Units of Government accounts for 54.6 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 36.1 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 9.3 percent of expenditures occur in grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$1,019.5 million in revised expenditures from all funds for the Department of Elementary and Secondary Education for FY 2006. Of this total, \$835.3 million is general revenue expenditures, \$179.7 million is federal grants, \$4.0 million is restricted receipt funds, and \$523,406 is other fund expenditures. This represents an \$2.1 million decrease to the enacted FY 2006 budget. General revenue expenditures decrease by \$2.2 million, federal expenditures increase by \$906,465, and restricted receipt expenditures decrease by \$869,705.

The Governor's revised FY 2006 budget includes six changes in general revenues that account for the majority of the total decrease: Support of Davies School increases by \$355,701 from the enacted level; and Charter School funding increases by \$872,315, reflecting continued operation of the Beacon School; these increases are offset by State retirement contributions for teachers declining by \$2.3 million, reflecting an updated estimated teacher payroll; and, housing aid payments of \$548,389 less than budgeted, and telecommunication access aid for local school districts and libraries of \$626,000 less than expected.

The Governor recommends \$1,064.6 million in expenditures from all funds for the Department of Elementary and Secondary Education in FY 2007. Of this total, \$877.2 million is from general revenue, \$182.8 million is from federal funds, \$4.5 million is restricted receipts, and \$51,939 is from other funds. This financing level represents an increase in general revenue expenditures of \$41.9 million from the revised FY 2006 level, an increase of \$3.1 million in federal expenditures, an increase of \$537,622 in restricted expenditures, and a decrease of \$471,467 in other fund expenditures.

Education aid distributed to local schools totals \$706.6 million in general revenue funds for FY 2007, including \$41.2 million for Central Falls, a fully state-supported school district, and \$29.6 million for other state schools. This is \$20.7 million more than the FY 2006 revised level. Over \$18.7 million of this increase will be distributed to school districts in amounts correlating to estimated increased employer contributions for teachers' retirement.

It is also recommended that all municipalities be required to contribute a minimum of two percent of the school budget. This new requirement will require a contribution of approximately \$1.0 million by the City of Central Falls. Additional growth totaling \$4.1 million is recommended in other education aid, predominantly charter school direct aid of \$2.0 million, and professional development of \$1.8 million.

Charter School support increases \$2.0 million as the Governor's budget fully supports over 2,900 students attending eleven Charter Schools. The Governor also recommends a \$592,426 increase 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, in the West End of Providence, and at a new campus in South Providence. Additional funding for the Metropolitan Career and Technical School provides for increased enrollment at the school to approximately 720 students.

General revenue financing of the Davies Career and Technical school is recommended at \$13.8 million, or \$589,601 more than FY 2006 revised levels, a 4.5 percent increase. This includes funding for additional growth in student enrollment. The School for the Deaf budget is recommended at \$6.5 million, or \$272,246 more than the FY 2006 revised level. This represents an increase in the FY 2007 recommendation of 4.4 percent for the school. The Governor recommends that a new School for the Deaf

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be constructed in Lincoln adjacent to the CCRI campus to be funded through the issuance of \$31.3 million in certificates of participation.

For FY 2007, teacher retirement obligations of the state total \$69.4 million, an increase of \$13.1 million from revised levels. This reflects projected increases in the teacher payroll base of 3.75% and an increase in the employer contribution rate from 16.47 to 19.64 percent. Of this contribution, 40 percent (8.02% of payroll) is the responsibility of the state and 60 percent (11.62% of payroll) is the responsibility of the local school district. As indicated above, the Governor's education aid proposal is designed to hold school districts harmless from local increases in employer teacher retirement contributions. Retired teacher health subsidy costs are reflected in the Department of Administration budget.

The Governor recommends school construction aid for FY 2007 of \$49.7 million. This represents an increase from the revised FY 2006 level of \$3.0 million. School construction costs in FY 1998 totaled \$19.7 million. In the years since, these costs have increased by \$30.0 million, or over 152 percent.

The Governor recommends \$20.9 million in general revenue for the agency's administration program. This is an increase of \$829,725 from the FY 2006 revised level recommended by the Governor. Special initiatives relating to Adult Literacy, Comprehensive Education Information System and teacher quality have been maintained.

The Governor's FY 2007 budget also contains a variety of exciting and innovative special initiatives for elementary and secondary education. Many of these represent the budgetary priorities outlined in *Project Making the Grade- The Governor's Blue Ribbon Panel on Mathematics and Science Education: An Action Plan for Rhode Island*, and are key investments toward implementation of the strategies contained therein. Specifically, an appropriation of \$850,000 is provided for activities related to professional development within mathematics and science instruction. Physics First, a program that supports the purchase of physics texts and chemistry lab equipment in five pilot high schools, is financed at \$425,000 with an additional \$100,000 of set-aside funding from professional development to be used to expand the program into other high schools. Project Inner Space, which brings the study of oceanography and archaeology to Rhode Island's classrooms via advanced "telepresence" technology, is funded with an appropriation of \$240,000. To finance the advent of a statewide science curriculum, as well as the exploration of new techniques and practices in alternative certification, the Governor has proposed appropriations of \$200,000 and \$75,000, respectively. In order to guarantee the successful implementation of these and other *Making the Grade* programs, the FY 2007 Budget also includes \$120,000 to support the hiring of a highly qualified Mathematics and Science Project Manager.

Financing of \$158,000 to foster school and district leadership initiatives is also provided in the FY 2007 Budget. Moreover, the development of proficiency-based graduation standards is supported by an appropriation of \$240,000. Lastly, the Governor recommends \$150,000 to finance the Extended School Day Pilot Program, a program in urban districts designed to provide opportunities for low-income youth through enrichment and educational activities during after-school hours. These projects, coupled with the *Making the Grade* initiatives in mathematics and science, represent total general revenue expenditures of \$2.5 million.

The Department of Elementary and Secondary Education, under the guidance and leadership of the Board of Regents, has formulated a variety of statewide initiatives designed to achieve significant local efficiencies and thus reduce the long-term financial burden of school districts. Some of the efficiencies planned for FY 2007 include a statewide school lunch contract and continued support for a consolidated statewide

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information system. Regionalization of heating oil and natural gas purchases, as well as studies concerning the feasibility of cross-district busing and a statewide health contract are also being pursued. Many districts currently use the existing collaborative system to achieve system efficiencies. State efforts will focus initially on expanding these regional efforts to a statewide level whenever possible. The Department of Education will work closely with the Department of Administration, Division of Purchasing, in these efforts, and both long- and short-term activities are already underway. Ongoing developments in these areas are also framed within the context of the overall State Education Aid discussion, with the goal that additional state support will leverage aggressive local effort to implement these programs and use resources more efficiently.

The Governor also recommends continued support of FY 2006 special initiatives focusing on improving educational performance in the state. This continued support is targeted to the Department's Comprehensive Education Information System, to strengthen the state's capacity to support science and technology, to continue the "principal leadership" program which will support mentoring future principals, and to continue implementation of the statewide curriculum in English language arts and mathematics. The Governor also recommends continued funding to address the needs of the visually impaired.

The Governor also proposes to maintain general revenue financing of \$2.8 million for the adult basic education initiative. The Governor proposes to serve more adult learners and to increase the hours of instruction per adult learner in order to increase the number of adult basic education learners earning GED's, Work Readiness Certificates, and transitioning to college. Total funding from all sources for adult basic education in FY 2007 is \$7.7 million.

The Governor recommends 339.1 FTE positions in FY 2006 and a level of 325.5 in FY 2007, including a withdrawal of 13.6 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

Public Higher Education

The Governor recommends total expenditures of \$678.3 million for Public Higher Education in the FY 2006 revised budget, of which \$178.9 million is general revenue, \$3.1 million is federal funds, \$495.2 million is from other funds, and \$1.1 million is restricted receipts. This represents a net decrease from enacted levels of \$4.2 million, including \$3.4 million in general revenue for midyear personnel and operating estimates, and tuition and fee decreases of \$2.7 million, offset by student aid increases of \$1.5 million, and a \$529,991 increase in restricted receipts, primarily for a National Governors' Association Gates Foundation grant. The Governor recommends for FY 2006 4,374.7 FTE positions, the enacted authorization.

For FY 2007, the Governor recommends total expenditures of \$709.0 million for Public Higher Education, including \$190.6 million in general revenue, \$3.1 million in federal funds, \$514.1 million in other funds, and \$1.2 million in restricted receipts. Other fund sources include tuition and fee revenues, which are projected to grow by \$22.4 million, or 9.3 percent. General revenues increase by \$10.9 million from revised FY 2006 levels and include restoration of \$0.7 million for the opening of the Newport Campus of CCRI and net statewide personnel salary and benefits and operating adjustments.

The budget proposed by the Governor includes total tuition and fees revenues growth of \$22.4 million from \$14.3 million at the University, \$4.6 million at the College, and \$3.5 million at the Community College, not including any offsets to a statewide reduction in force proposal in the Department of Administration. Pursuant to current law, both the FY 2006 revised budget recommendation and the FY

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2007 recommended budget include debt service expenditures within the Department of Administration benefiting Public Higher Education. In FY 2006, debt service of \$21.0 million is recommended and in FY 2007, \$25.2 million is included, an increase of \$4.2 million. Recognizing increased debt service costs recorded in the Department of Administration, state financed expenditures in FY 2007 for Higher Education increase by a total of \$10.5 million, or 5.1 percent, compared to revised FY 2006 levels. This adjusted increase reflects a proposed withdrawal of \$5.6 million, a 5.0 percent statewide reduction in force recorded in the Department of Administration.

In addition to the BioSciences Center previously approved by the voters, the Governor recommends \$140.0 million referenda to provide funds to construct a Life Sciences at the University of Rhode Island. General obligation bonds are also recommended for fire code improvements at the Community College of Rhode Island (\$3.4 million) and for road and parking lot improvements at Rhode Island College (\$4.6 million). Also, the Governor's Technology Initiative to be funded with proceeds from certificates of participation will provide technology and equipment that will significantly enhance the students learning in the laboratory setting.

For FY 2007, the Governor recommends 4,339.8 FTE positions that includes a 63.9 FTE positions statewide five percent reduction in force. This represents a decrease of 34.9 positions from the FY 2006 revised level. The anticipated usage of more full-time instructors at the Community College on an annualized basis requires seventeen new positions, while expanding the Nursing Program at the University accounts for four new positions. Expansion of the Pharmacy Program at the University, because of a new nationwide Ph.D. degree requirement, includes three new positions. Increasing Housing auxiliary staff at the University require five new positions.

The Children's Crusade continues to provide 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. Continuing federal grant awards will provide funds for an early awareness for college study at \$2.5 million in FY 2006 and at \$2.6 million in FY 2007. The Governor recommends level general revenue support for the Rhode Island Children's Crusade at \$1.4 million for FY 2006 and for FY 2007.

Rhode Island Council on the Arts

The Governor's revised FY 2006 budget for the Rhode Island Council on the Arts is \$3.9 million, including \$2.6 million in general revenue, \$674,862 in federal funds, and \$600,000 in restricted receipts. The recommendation includes an increase of \$17,651 to general revenue appropriations, reflecting reappropriation of arts grants from FY 2005, and a reduction of \$83,575 for federal grant awards.

For FY 2007, the Governor recommends \$4.1 million, including \$2.4 million in general revenue, \$736,500 of federal funds, and \$1.0 million in restricted receipts. The general revenue reduction of \$267,887 from the revised FY 2006 budget includes an additional year of employee cost of living increases, plus adjustments to various statewide employee benefits rates, less a reduction of twenty-five percent, or \$303,106 from legislative grants. The increase in restricted funds reflects additional resources from state capital projects for one percent for arts installations. The Governor recommends the enacted level of 8.0 FTE positions in FY 2006, and a level of 7.6 FTE in FY 2007, including a withdrawal of 0.4 FTE pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Rhode Island Atomic Energy Commission

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The Governor recommends total expenditures of \$1.3 million in FY 2006 consisting of \$770,250 in general revenue expenditures, \$375,00 in federal funds, and \$161,176 in other funds. This total is \$58,487 less than enacted levels, and primarily reflects a general revenue increase of \$4,360, a federal funds increase of \$50,000 for instrumentation, and an other funds increase of \$4,127 to recognize personnel and operating costs for the Commission.

For FY 2007, the Governor recommends total expenditures of \$1.4 million. This is comprised of \$836,702 in general revenue, \$375,000 in federal funds, and \$171,206 in other funds. The increase of \$66,452 in general revenue from FY 2006 levels recognizes cost of living and fringe benefit increases, plus operating, electricity, and equipment increases. The Governor recommends 8.6 FTE positions in FY 2006 and 8.2 FTE positions in FY 2007 which includes a five percent statewide reduction in force.

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 Commission to explore additional commercial uses for the RINSC, including new technology involved in cancer research

Rhode Island Higher Education Assistance Authority

The Governor recommends revised expenditures of \$29.1 million in FY 2006 including \$7.7 million in general revenue, \$12.4 million in federal grants, and \$9.0 million in other funds. The recommendation a net increase \$0.5 million, and includes an increase of \$2.6 million in other funds from FY 2006 enacted levels for Tuition Savings Program scholarship increases of which \$0.4 million is for a federal awards match and \$2.2 million is from reserves used to offset a \$2.2 million general revenue decrease.

For FY 2007, the Governor recommends total funding of \$29.8 million, including general revenue of \$9.4 million, federal funds of \$12.9 million, and \$7.5 million in other funds. This recommendation includes a \$1.6 million increase in general revenue from the revised FY 2006 level, with an attendant increase in federal funds. The Governor's FY 2007 budget includes \$8.4 million of general revenues for scholarships, an increase of \$1.6 million from the revised FY 2006 level, but decreases scholarships from other funds by a net of \$2.6 million to a total of \$6.5 million due to a change in FY 2006. 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 continuous expansion, with attendant earnings to direct to Rhode Island scholarships. The total all funds for scholarships is \$16.8 million, an increase of \$0.1 million from FY 2006 revised levels. The recommendation assumes fully funding federal maintenance of effort to qualify for incentive and supplemental scholarships for students.

The Governor recommends 46.0 FTE positions in FY 2006 and 45.6 FTE positions in FY 2007 which includes a five percent statewide reduction in force.

Rhode Island Historical Preservation and Heritage Commission

The Governor recommends total expenditures of \$2.6 million for the revised FY 2006 budget of the Rhode Island Historical Preservation and Heritage Commission. This consists of \$1.4 million in general revenue, \$605,643 in federal funds and \$560,468 in restricted receipt financing. The recommendation reflects an increase of \$4,683, in general revenue appropriations from the enacted level, attributable to adjustments for personnel requirements. Federal financing increases \$21,762 or 3.7 percent over the

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enacted level, to accommodate accumulated and newly awarded grant receipts from the Commission's Department of the Interior federal grant. Restricted resources increase by \$323,806 over the enacted level of \$236,662 for a total of \$560,468. The 136.8 percent increase is attributable to enhanced personnel offsets in the Historical Preservation Loan Fund interest revenue account, and to increased loan activity expected in the Historical Preservation loan account.

The Governor recommends total financing of \$2.2 million for FY 2007, including \$1.5 million in general revenue appropriations, \$487,267 in federal funds, and \$266,820 in restricted receipts. General revenue financing increases \$74,209, or 5.3 percent over the FY 2006 revised level, reflecting diminished personnel offset opportunities to the federal grant, in addition to personnel financing requirements associated with the statewide cost of living and benefit adjustments. The change in general revenue also includes a reduction of twenty-five percent in legislative grants in the amount of \$121,603. Federal funds decrease by \$118,376, or 19.5 percent in comparison to the FY 2006 revised level, attributable to expected award from the Department of the Interior grant. Restricted receipts decrease by \$293,648, or 52.4 percent from the FY 2006 revised level, attributable to anticipated activity in the Historical Preservation loan account in FY 2007. Staffing authorization totals 17.6 FTE in FY 2006 and 17.0 in FY 2007, to reflect the reduction in force initiative recorded in the Department of Administration FY 2007 budget recommendation.

Rhode Island Public Telecommunications Authority

The Governor recommends total expenditures of \$3.9 million for the revised FY 2006 budget of the Public Telecommunications Authority. This consists of \$800,949 in grant financing from the Corporation for Public Broadcasting, general revenue financing of \$1.3 million, and Rhode Island Capital Plan financing of \$1.7 million. The recommendation reflects an increase of \$30,362 in general revenue appropriations from the enacted level. This is attributable to higher personnel costs primarily due to current year and retroactive cost of living adjustments. Furthermore, financing provided through the Corporation for Public Broadcasting increased by \$44,038 and Rhode Island Capital Plan funds increase by 1.7 million, representing the entire carry forward balance from FY 2005.

The Governor recommends total financing of \$2.2 million for FY 2007, including \$1.4 million in general revenue appropriations and \$828,498 from the Corporation for Public Broadcasting. Compared to FY 2006 revised levels, this represents a \$74,401 increase in general revenue financing and an increase of \$27,549 in Corporation for Public Broadcasting support. The significant decline in total agency expenditures between fiscal years 2006 and 2007 is wholly accounted for by the elimination of Rhode Island Capital Plan (RICAP) financing of the federally mandated digital conversion project, which is slated for completion in FY 2006. The Governor recommends the enacted level of 22.0 FTE positions in FY 2006, and a level of 21.4 FTE in FY 2007, including a withdrawal of 0.6 FTE pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The twelve agencies that expend 6.3 percent of the total FY 2007 State Budget from all sources of funds to provide public safety services to the state include: the Department of Corrections; the court system (Attorney General; the Judiciary; Office of the Public Defender; and Commission on Judicial Tenure and Discipline); the homeland security system (Military Staff, including both the National Guard and the Emergency Management Agency, and the E-911 Emergency Telephone System); and public safety agencies (State Police; Fire Safety Code Board of Appeal and Review; State Fire Marshal; the Rhode Island Justice Commission; and Municipal Police Training Academy). The FTE recommendation for the FY 2006 revised budget is 3,154.1. The FTE recommendation for FY 2007 decreases to 2,986.2, reflecting the withdrawal of 130.9 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals, well as transfer of 17.0 FTEs to Administration centralized rotaries and program reductions of 20.0 FTEs.

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 43.9 percent of the total. Because the Adult Correctional Institutions, which include eight secure facilities, operate twenty-four hours per day, the department must provide continuous supervision of approximately 3,400 inmates. Additionally, the Community Corrections subprogram supervises 32,000 community-based offenders per year. The second largest share is for the courts system, at 30.0 percent of the total. This includes 22.3 percent of expenditures for the Judiciary, supporting six courts statewide, and 7.7 percent for the other agencies (Attorney General, Office of Public Defender, Commission on Judicial Tenure & Discipline). The State Police account for 13.1 percent of Public Safety funds. The homeland security system (Military Staff and E-911) spends 10.8 percent of Public Safety funds.

The Governor recommends a FY 2006 revised budget of \$410.7 million from all funds. Revised funds of \$322.2 million are recommended for general revenue, \$21.8 million, or 7.3 percent, greater than enacted levels. Categorically, this includes a \$17.9 million general revenue increase in personnel costs for salaries, retirement, medical benefits, and other fringe benefits for correctional officers, state police, judicial employees and administrative support personnel. The increase reflects the salary and benefit adjustments for cost of living and medical co-pays already negotiated or expected to be negotiated, include both FY 2005 retroactive adjustments and FY 2006 ongoing expenditures. Operating expenditures increase by \$3.0 million, grants increase by \$252,449 and capital by \$645,148. An increase of \$812,302 general revenues is recommended for the Department of Corrections, the Judiciary, and other agencies due to the reappropriation of FY 2005 funds for ammunition/protective vests and computer technology projects. An increase of \$732,261 is recommended for the Judiciary, Military Staff, the State Police, and other agencies for anticipated increased energy costs.

Agency specific increases include: The Military Staff increases by \$247,712 in grants in order to fully fund the Guardsmen Educational Benefits and Life Insurance Subsidy programs. The Office of Public Defender will spend an additional \$301,952 to relocate its current headquarters. The Budget Office estimate of inmate population has increased substantially from the enacted level. Because of this and other ongoing initiatives, the Governor's recommendation for the Department of Corrections includes increased funding for custodial and supervisory overtime and per-capita operating expenditures, including food and prescription drugs. Other increases totaling \$1.8 million in funding are for medical contractors, inpatient and outpatient services, and pharmaceutical costs.

For Public Safety, \$66.2 million is recommended in federal funds in FY 2006, a \$17.7 million increase from enacted levels. Of this increase, \$9.0 million is due to new and rescheduled homeland security

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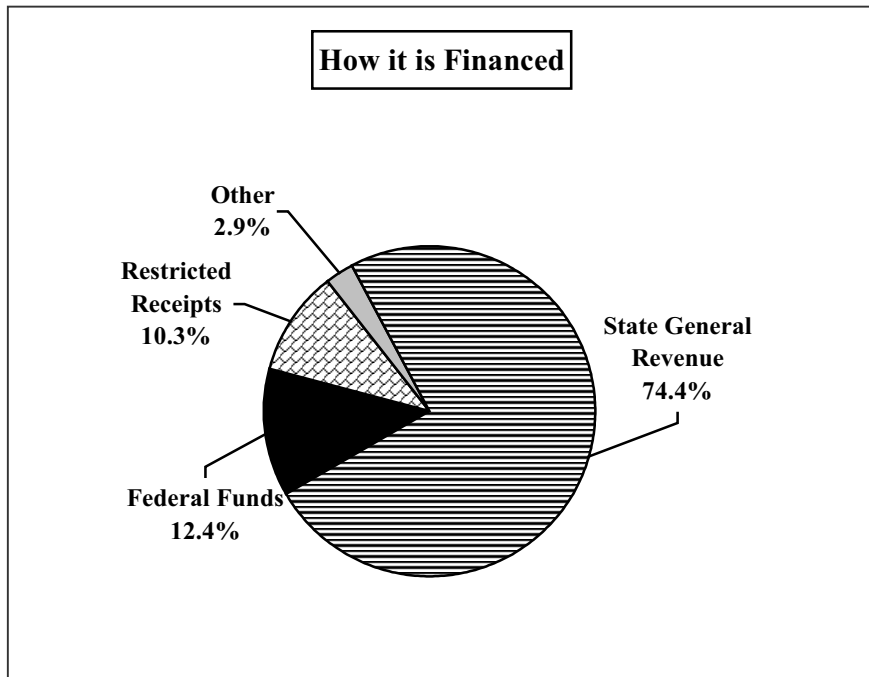
grants, \$3.5 million is for disaster-related emergency assistance relating to Hurricane Katrina and snow removal, \$1.1 million is for new National Guard federal funds for base security, and \$1.3 million in increased grants are included for one-time Drug Court grants and for Truancy Outreach in the Judiciary. The Attorney General will spend additional funds on the National Criminal History Improvement program. The Department of Corrections has increased the utilization of funds from the State Criminal Alien Assistance program for custodial and inmate-related operating expenses, and from federal Crime Bill funds for the Reintegration Center.

In FY 2007, the Governor recommends an all-funds budget of \$413.2 million for public safety programs. Of this amount, \$307.3 million is from general revenue, \$51.1 million is from federal funds, \$42.6 million is from restricted receipts, and \$12.1 million is from other funds. The FY 2007 general revenue budget decreases by \$14.9 million, or 4.6 percent, from the FY 2006 revised level. There is a \$9.4 million decrease in personnel expenditures, a \$5.1 million decrease in operating, and a \$445,613 decrease in grants/capital. Personnel costs are reduced due to the Governor's recommended Reduction in Force initiative to achieve a five percent target reduction in personnel costs. The Department of Corrections adds funds for health counseling, reentry policy management and discharge planning, probation and parole personnel, and startup personnel for the Reintegration Center. The Department also proposes a program reduction by outsourcing education of inmates. The State Police adds funds for pension costs. The Governor recommends cost annualization for additional personnel in the State Fire Marshal for fire inspectors and in the Public Defender for the parental rights program.

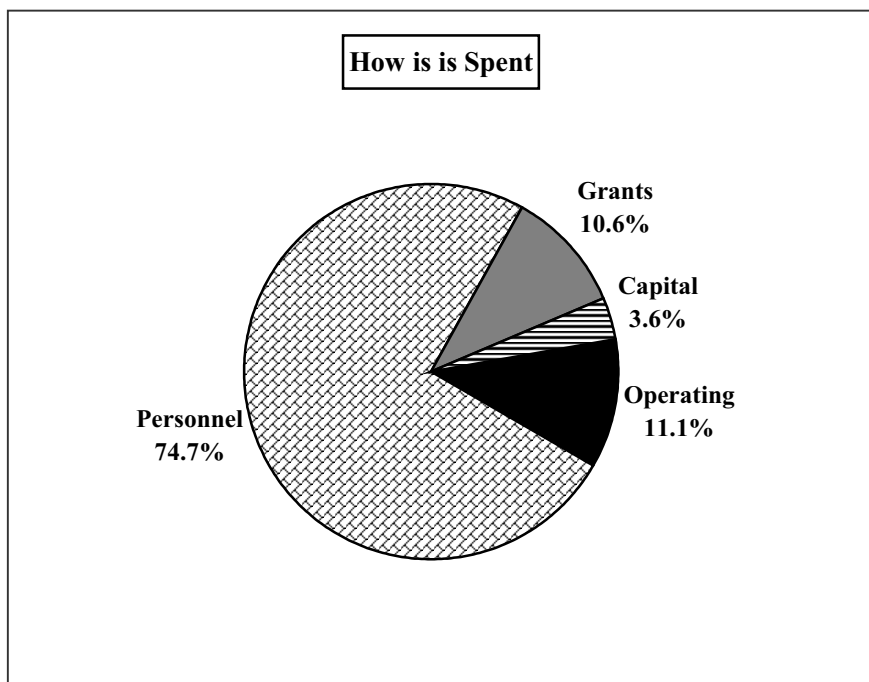
Federal funds in FY 2007 decrease by \$15.1 million, or 22.8 percent, from the FY 2006 revised level, due primarily to the completion of project spending relating to homeland security and disaster relief. The Governor recommends continued expenditure of federal funds to complete additional projects related to homeland security. Federal fund decreases in the Attorney General, Corrections, and Judiciary result from completion or rescheduling of program expenditures, as well as the absence of FY 2005 carry-forward funds. Federal funds in the Rhode Island Justice Commission decrease in two areas, National Criminal Histories and Byrne Justice Assistance.

Funding for the Public Safety function is derived mainly from state sources. 74.4 percent is general revenue and 2.9 percent is other funds (primarily Rhode Island Capital Plan funds for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). Federal funds comprise 12.4 percent of the total (Emergency Management homeland security expenditures and National Guard Bureau funding; adult education, discharge and reentry services, incarceration of undocumented aliens and a new Reintegration Center at Corrections; Child Support Enforcement and the Drug Court in the Judiciary program; and Rhode Island Justice Commission grants). Restricted receipts account for the remaining 10.3 percent (Attorney General receipts from the Public Utilities Commission, Attorney General and State Police receipts from property forfeiture, and the E-911 GIS and Technology Fund). In FY 2007, the Governor also recommends the creation of a Court Operations Fund funded from court collections that would be redirected from general revenues to restricted receipts.

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State operations, including personnel (74.7 percent, \$308.6 million) and other operating costs (11.1 percent, \$45.8 million), total \$354.4 million, or 85.8 percent of total expenditures, and are financed primarily from general revenues. Assistance, grants and benefits are \$43.7 million or 10.6 percent, and are funded from general revenue and federal funds. Capital improvement projects, \$15.1 million for 3.6 percent, include Rhode Island Capital Plan and federal funds.



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Attorney General

The Governor recommends revised appropriations for the Attorney General of \$22.6 million in FY 2006, including \$19.7 million in general revenue funds, \$1.5 million in federal funds, \$986,909 in restricted receipts, and \$535,608 in Rhode Island Capital Plan fund. This represents an increase of \$2.2 million from total FY 2006 enacted levels, and a general revenue increase of \$1.5 million. The largest portion of the increase relates to the addition of \$1.2 million in general revenue for employee cost of living adjustments. Also included in the general revenue increase is a reappropriation of \$89,999 from FY 2005 for consultant services and a new telephone system. Other increases relate to adjustments for consultant services and the increasing costs of utilities.

For FY 2007, the Governor recommends total expenditures of \$22.8 million, which includes \$20.5 million in general revenue, \$1.0 million in federal funds, \$1.0 million in restricted receipts, and \$165,000 in Rhode Island Capital Plan funds. This includes a \$828,829, or 4.2%, increase in general revenues from the Governor's FY 2006-revised budget. The largest portion of this increase relates to statewide changes in employee medical benefits, retirement rates, retiree health benefits, and a cost of living increase. The Governor recommends a continued staffing level of 234.5 FTE positions in FY 2006 and 220.9 FTE positions in FY 2007, including a withdrawal of 10.6 FTEs pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals and the elimination of 3.0 FTE due to loss of federal funding.

Department of Corrections

For the FY 2006-revised budget, the Governor recommends total expenditures of \$175.4 million. This includes \$159.5 million in general revenue, \$11.5 million in federal funds, \$4.4 million in other funds, and \$2,812 from restricted receipts. The FY 2006 revised general revenue budget is \$12.3 million greater than the enacted level.

The primary factor in the supplemental appropriation is the budgeting of \$9.4 million in salaries and benefits to finance both current and pending negotiated cost of living and medical benefit co-pay adjustments. There is also an estimated \$1.5 million for 1.5 percent retroactive payments for FY 2005 that may be paid in FY 2006, as well as offsetting decreases resulting from a higher turnover rate of \$2.4 million. The FY 2006 supplemental appropriation includes a reappropriation from FY 2005 funds of \$279,600. Of this amount, \$79,600 is for the procurement of protective vests, and \$200,000 is for ammunition obligated but not paid for in FY 2005.

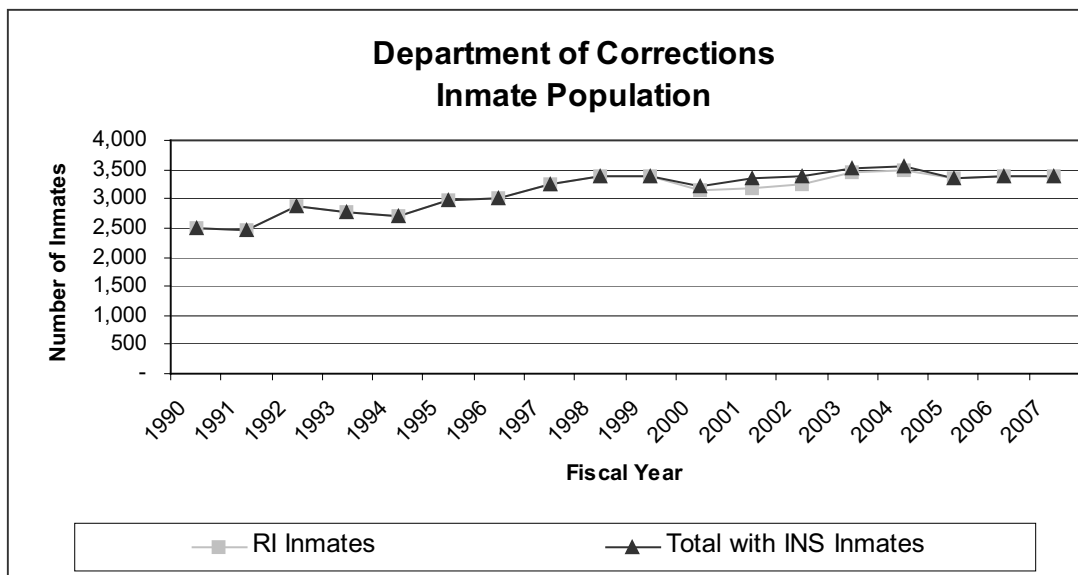
The average inmate population for FY 2006 is estimated to be 3,375, or 131 above the enacted level of 3,244. The population estimate includes 3,368 state inmates and 7 out-of-state (federal) detainees. The December 2005 inmate population level is 3,474. Custodial expenditures therefore increase, including overtime expenditures, due to reopening of planned closures of two doubled modules at the Intake Service Center and two modules at Medium-Price, as do \$397,883 for per capita operating expenditures, related to the inmate population, particularly food. Medical care costs (in-patient hospitalizations, outpatient medical care, medical laboratory testing, and contracts for physicians, dentists, nurses, and psychiatric services) also increase by \$1.2 million due to increased population, increases in the number of long-term care and acute cases, a negotiated nurses incentive package worth \$565,345, as well as increased contract costs for nurses and mental health services. Medical supplies and pharmaceuticals also increase. A new contract with the University of Rhode Island for an oversight and utilization review process for the pharmacy program and other efficiency measures has produced savings of \$133,096 in prescription drugs and medical supplies. Offsetting this however is the ineligibility of the planned use of a federal 340B provision to allow steep

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discounts for covered entities such as state hospitals and other public entities. The \$700,000 in anticipated savings has been restored, for a net increase of \$566,904 in this category of expenditure.

The Governor recommends \$1.3 million in overtime and training costs to finance five days training for all correctional officers on newly purchased weapons and on new cell extraction techniques to enable a swifter transition to the new weapons and to enhance custodial security. The FY 2006 revised budget also finances fringe benefit adjustments for medical and retiree health benefits, as well as COLA and medical benefits adjustments for non-union classified employees. The Governor also recommends funding for the Parole Board's Sex Offender Community Notification unit for an additional position.

Federal fund expenditures increase from the enacted level by \$2.1 million. Federal Crime Bill expenditures have been increased by \$1.4 million due to revised construction estimates and schedules for the Reintegration Center. Federal reimbursements increase by \$717,767 for the housing of criminal alien inmates, reflecting both revised estimates of federal funds availability and revised bids on the Medium-Moran chiller line project. The \$166,177 increase in other funds results from increases in estimated costs for the Reintegration Center and other projects, offset by delay and expenditure rescheduling of other projects.



For the FY 2007 budget, the Governor recommends \$181.6 million in total expenditures for the Department of Corrections. This consists of \$166.3 million in general revenue, \$8.3 million in federal funds, and \$7.0 million in other funds. The FY 2007 recommended general revenue budget increases by 4.2 percent, or \$6.8 million, from the FY 2006 revised level.

The FY 2007 recommended budget includes salary and overtime cost of living and medical co-pay adjustments, including turnover adjustments and statewide fringe benefit changes from the enacted budget. The total increase from the FY 2006 revised level for personnel is \$5.3 million and includes an adjustment for an extra Election Day holiday, the transfer of \$103,411 in personnel costs to federal funds, and \$756,079 in annualized nursing incentives. The FY 2006 recommended budget supports an inmate population of 3,375, including seven federal detainees and 3,368 state inmates, no change from the FY 2006-revised estimate. While there is no FY 2007 increase in per capita operating costs, an additional

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\$343,000 in such costs are transferred from general revenue to federal funding due to revised resource estimates.

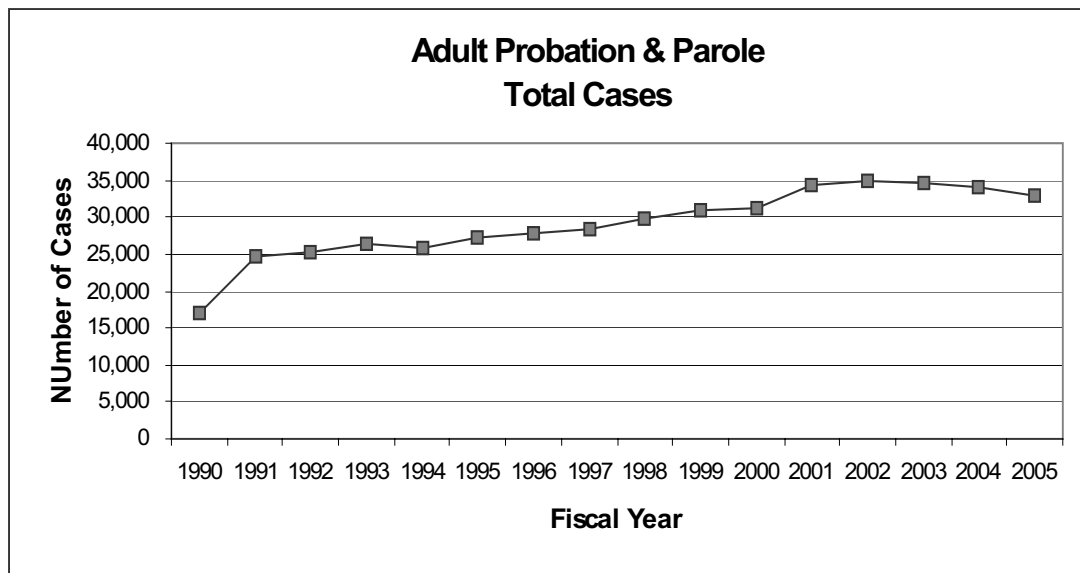
Overtime resulting from attrition, sick leave and a lack of trainees, military leave, and an arbitrator's decision will require continued funding. The Department has conducted two correctional officer-training classes to relieve this problem. The Department will experience trends similar to state government as a whole, as more state employees become eligible to retire. The Governor recommends that the Department conduct a third class beginning in April 2006. The new class is expected to provide for the filling of 65.0 new correctional office slots in FY 2007. Overtime savings are expected to total \$1.8 million. Training personnel and operating costs are estimated at \$625,277 in FY 2007, in addition to \$28,765 in recruitment costs in FY 2006.

While financing medical related purchased services, supplies and pharmaceuticals at the FY 2006 revised levels, the Governor also recommends \$200,000 in savings of chronic medical care costs, achieving FY 2005 initiatives to reduce medical costs and related one-on-one custody services by establishing an assisted living unit within the Moran facility. The Governor recommends sufficient general revenue to finance three administrative positions for one-third year to perform start-up tasks on the Reintegration Center, which is now scheduled to open in FY 2007. The Governor also recommends funds for a reentry policy manager, as well as an additional \$163,000 in general revenue to replace expiring federal funding for discharge planning, health counseling, and probation and parole monitoring.

In order to continue operations in times of constrained resource availability, the Department has taken steps to reduce staffing requirements and shift populations. At the Intake Service Center, the awaiting trial population and staff are shifted on a day-to-day basis to minimize overtime requirements. As in the past, the Department continues to be committed to a more efficient process of filling existing posts. The Governor recommends additional savings in FY 2006 and FY 2007 by transferring two correctional officer positions from special to regular posts. The Governor also recommends reductions in overtime expenditure in the Special Investigative Unit and the Office of Management Information. The Department will work with all interested parties to develop early release, sentencing reform, probation and parole length, and more intensive and extensive treatment options to contain inmate population growth at an affordable level.

In order to improve the delivery and efficiency of state services, the Governor has recommended centralizing the human resources function from several departments to the Department of Administration to achieve efficiencies through centralization. In Corrections, the Governor recommends the transfer of 14 FTEs to Administration and the transfer of personnel expenditures of \$1.1 million to the Department's operating funds, to which services provided by the new Human Resources Service Center will be charged. The Governor also recommends the hiring of five positions in the Department of Administration now financed by (more expensive) purchased services in the Department of Corrections' Office of Management Information. The Governor recommends the outsourcing of educational instruction of inmates by establishing a single contract for all instructional services. Instruction would include remote classrooms (prerecorded or teleconferenced), and non-professional live aides assisting in the classroom. The reduction totaling \$706,000 in general revenue and the reduction of 17.0 FTEs is intended to lower per-capita costs through the use of private firms that have expressed an interest in providing such services.

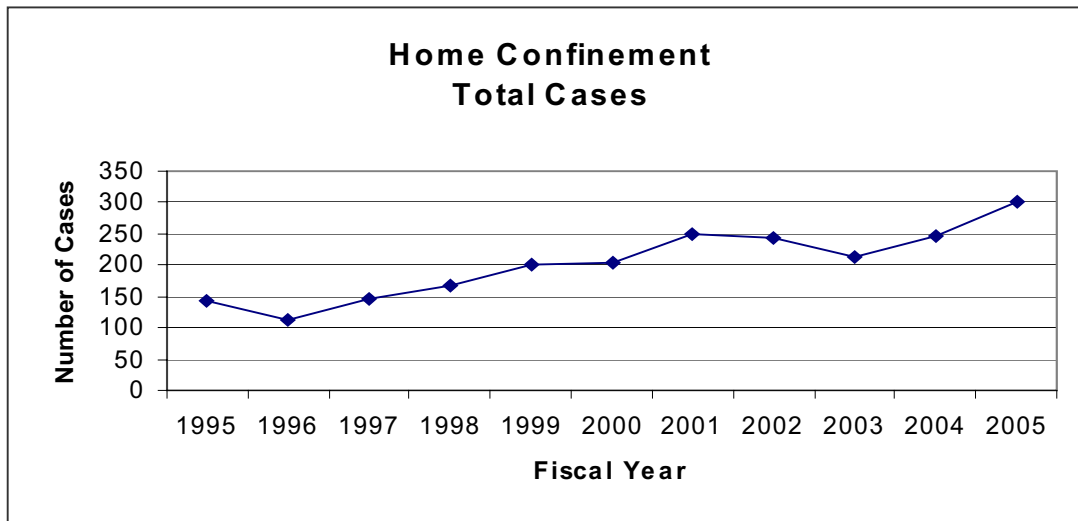
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The Department also provides an array of programs to supervise offenders who have been released from prison in order to protect the public and rehabilitate the inmate. The budget supports at the current service level probation and parole services, the home confinement program, intensive community supervision of domestic violence and sex offenders in certain geographic areas, and victims' services. The Governor recommends \$169,000 in funds for a reentry policy manager to organize and integrate the Departments reentry initiatives. (The corresponding FTE is not included in the Personnel Supplement, but funding has been provided within the grant category). The Governor recommends restructuring the transitional housing program for women by transferring the program to personnel within the Department of Corrections. The total probation and parole caseload in FY 2005 was 32,836, down 3.5 percent from FY 2004. The Governor recommends restructuring personnel by adding probation and parole FTEs, as well as \$171,191 in payroll costs to finance three additional positions in the Probation and Parole program. This action begins implementation of the Special Commission recommendations relating to increase supervision among the general population, by reducing the average caseload of 242 per officer, compared to the 127:1 average ratio nationally. The home confinement population has increased 22.8 percent to 302 in FY 2005. The Governor recommends full funding of monitoring equipment for the home confinement program.

Federal funding in FY 2007 decreases by \$3.2 million. \$1.9 million of the reduction is 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. Construction has begun for the renovation of a building at the Pastore Center for a Reintegration Center, which will add 175 beds for sentenced males. The Center will house inmates who are within twelve 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 has revised the opening date estimate to July 2007. The FY 2007 budget for VOI-TIS is \$5.2 million. There are additional grants reductions in the State Criminal Alien Assistance Program, Offender Reentry, High Risk Discharge Planning, and other grants due to the end of the grant programs or the return to base levels without FY 2005 balance forward funds.

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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 2007 budget includes \$7.0 million in Rhode Island Capital Plan funds. Major project funding is recommended in FY 2007 for the following: Reintegration Center state match (\$3.3 million); fire code safety improvements; heating and temperature control; High Security infrastructure improvements; Work Release building roof repair; security camera installation; and roof repair and bathroom renovations in the women's facilities. Rhode Island Capital Plan funding increases by \$2.4 million from the FY 2006 revised budget level due to new project initiations (the Reintegration Center project increase is \$2.7 million) as well as expenditure rescheduling and completion of existing projects.

The Correctional Industries program will continue to provide landscaping and grounds maintenance services for the Capitol Hill offices and Waterplace Park. \$231,386 in general revenue is budgeted in FY 2006 and FY 2007 to Correctional Industries for this purpose. 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. Outsourcing of inmate commissary services has proven economically and strategically successful, and has been continued.

The Governor recommends the enacted level of 1,589.0 FTE positions in FY 2006 and 1,484.6 in FY 2007. The decrease includes a withdrawal of 75.4 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals, as well as a reduction of 17.0 FTEs resulting from the outsourcing of education initiative.

Judiciary

The Governor recommends a revised FY 2006 budget of \$91.2 million, which is 11.8 percent higher than FY 2005 expenditures. This includes \$76.7 million in general revenues, \$4.8 million in federal funds, \$8.2 million in restricted receipts, and \$1.6 million in other funds. The revised general revenue budget is \$4.5 million higher than the enacted level of \$72.2 million. Major general revenue increases recommended by the Governor include: \$3.9 million for cost of living adjustments (COLA), including FY 2005 retroactive payments of \$669,224 and FY 2006 COLA adjustments of \$3.3 million; \$383,438

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for legislatively mandated reappropriation of funding, which the Judiciary allocated for computer technology projects; \$297,528 for the increased cost of utilities; and \$262,424 for building maintenance, ground maintenance and fire protection. Major general revenue decreases include \$327,907 for turnover savings and \$200,000 for lower than anticipated expenditures for the Indigent Defense Fund program.

The FY 2006 revised budget provides an additional \$1.6 million in federal grant funding, \$1.3 of which is budgeted in Family Court for one-time Drug Court grant programs, as well as Truancy Outreach programs. The recommended expenditures from restricted receipts are \$320,242 greater than enacted levels. This increase is associated with operations of the Workers' Compensation Court.

For FY 2007, the Governor recommends expenditures of \$92.2 million, including \$50.9 million from general revenues, \$2.0 million from federal funds, \$38.5 million from restricted receipts, and \$850,000 from other funds. Legislation proposed in the Governor's FY 2007 budget will create within the general fund a Court Operations Account to finance a portion of the daily operations of the Judiciary. All revenues currently deposited as general revenue will be deposited in the Court Operations Fund as restricted receipts. Additionally, there is \$7.7 million of enhanced revenue that was estimated as part of the enacted FY 2006 Budget included in the restricted receipt estimates. Legislation enacted in Chapter 117 of the Public Laws of 2005 will assist the Judiciary in reducing the \$67.4 million backlog of uncollected revenues as of June 30, 2005.

In FY 2007, federal funds expenditures are projected to decline by \$2.8 million due to several large discretionary grants ending, or declining. These include reductions of \$259,325 in Supreme Court for Domestic Violence grants and Byrne Grant; and reductions of \$2.0 million in Family Court for Drug Court, Drug Court Family Treatments, and Truancy Outreach grants. The projected decline in federal grant funding may not be fully realized, however, because of uncertainties relating to the FY 2006 levels of expenditure, and because federal funding levels are undetermined at the time budgets are prepared.

The Governor's Capital Budget includes expenditures of \$60.1 million from certificates of participation to construct a new Kent County Courthouse. The courthouse is expected to be completed during the spring of 2006. The Capital Budget also includes expenditures of \$22.4 million from certificates of participation to construct a new Traffic Tribunal at the Pastore Government Center. This project is expected to be completed in December 2006.

The Governor recommends the enacted level of 742.0 FTE positions in FY 2006, and a level of 721.4 FTE in FY 2007, including a withdrawal of 20.6 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

Military Staff

In the FY 2006 revised budget, the Governor recommends total expenditures for the Military Staff of \$44.0 million, including \$2.7 million general revenues, \$40.0 million in federal funds, \$885,904 in other funds, and \$357,429 of restricted receipts. The FY 2006 revised general revenue budget is 17.2 percent greater than the enacted budget, and consists of a \$403,012 increase in general revenue. In addition, there are increases of \$13.5 million in federal funds and \$99,579 in other funds, as well as a decrease in restricted receipts of \$64,000. In addition to salary and benefit adjustments, as well as operating adjustments for electricity, natural gas, and fuel oil costs at various state armories, the Governor recommends additional funds for two guardsmen benefit programs, \$211,520 in the Educational Benefits and \$36,192 in the Life Insurance Subsidy for Guardsmen programs. The Governor recommends augmenting the coverage limit in the latter program from \$250,000 to \$400,000.

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The increase in federal funds relates to revised expenditure scheduling worth \$9.0 million for the federal Fiscal Year 2003, FY 2004, and FY 2005 homeland security grants in Emergency Management. The Governor recommends in FY 2006 total spending of \$24.7 million for various homeland security-related activities: state and municipal first responder equipment; equipment for local emergency response teams; interoperable communications; the Urban Search and Rescue program; municipal planning, exercises, and training; state homeland security equipment, training, exercise and planning activities; law enforcement terrorism prevention; and Citizens Corps and volunteer training programs. The federal fund budget also includes new National Guard Bureau grants of \$1.1 million to increase security at Army Guard facilities, including a new electronic security system and new security guards. Other federal fund increases (totaling \$3.5 million) result from federal reimbursements for Hurricane Katrina-related housing and for the 2005 Blizzard snow removal costs.

In the FY 2007 budget, the Governor recommends total expenditures of \$37.5 million for Military Staff programs, including \$3.2 million from general revenue, \$32.8 million from federal funds, \$430,385 from restricted receipts, and \$1.1 million from R.I. Capital Plan funds. Compared to the revised FY 2006 budget, general revenue expenditures increase by \$440,926, federal funds decrease by \$7.1 million, Rhode Island Capital Plan funds increase by \$185,976, and restricted funds increase by \$62,956.

The FY 2007 recommended budget finances current services for the National Guard and Emergency Management programs. The Governor recommends additional general revenue funds for staff salary and fringe benefit adjustments, further adjustments for utility and energy costs at state armories, and increase operating expenditures in Emergency Management. The Governor also recommends a new initiative for \$215,000 to equalize pay for state employees on active National Guard duty. In other funds, the Governor recommends on-going Rhode Island Capital Plan funding for repair projects including the roof rehabilitation at the Armory of Mounted Commands, the Command Readiness Center, and fire code-related improvements for all National Guard facilities. In federal funds, the Governor recommends \$21.2 million for continued homeland security funding from the Federal FY 2003, FY 2004 and FY 2005 State Homeland Security Grants, as well the inclusion of an estimated \$7.7 million in funds for a federal FY 2006 grant. The Governor recommends financing for the renovation of the Varley Building at the Pastore Complex to provide for the relocation of the Emergency Operations Center, as well as the E-911 headquarters and the State Computer Center.

The Governor recommends 105.0 FTE positions in FY 2006 and 103.1 FTE positions in FY 2007. An increase of 2.0 FTE's in FY 2006 from enacted levels is for new federal-financed positions in Emergency Management and the Air National Guard. The decrease in FY 2007 is due to a transfer to the Department of Administration's Human Resources Management Unit.

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payroll expenditures. The GIS and Technology Fund was established in FY 2005 to provide a dedicated revenue stream to complete and maintain the GIS database, improve system reliability by establishing a backup facility, and replace antiquated public service answering point equipment.

The FY 2006-revised budget provides \$780,897 for the geographic information system (GIS) database development project to continue the geo-coding of the state, including Woonsocket, Narragansett, Coventry, Cumberland, and North Kingstown. To date, about 30 percent of the State has been geo-coded, representing 12 of the 39 cities and towns. The project is expected to be completed in FY 2007. The GIS database provides the capability to locate wireless and wireline callers by relating latitude and longitude coordinates to a specific address or landmark. The GIS database includes coordinate locations of buildings served by wire line telephones, road centerlines, fire hydrants, public places, and driveway access points; street addresses; road names; and, other pertinent information. Rhode Island was the first state to be fully compliant with Phase II of a FCC-mandate that requires public safety answering points (PSAPs) to locate callers within certain distance and accuracy parameters. Approximately 55 percent of the 536,000 phone calls received last year were from wireless telephone callers.

For FY 2007, the Governor recommends expenditures of \$6.9 million for the E-911 Emergency Telephone System, including \$4,540,876 from general revenues, \$70,936 from federal funds, and \$2,312,113 from restricted receipts. In general revenues, \$4,098,817 is for personnel expenditures and \$442,059 is for operating expenditures. The \$2,312,113 of restricted receipt expenditures includes \$1,600,000 to complete the geo-coding project. Also, \$209,000 is budgeted for database maintenance and \$503,113 for completion of the temporary backup E-911 facility. The Governor recommends financing for the renovation of the Varley Building at the Pastore Complex to provide for the relocation of the E-911 headquarters, as well as the Emergency Operations Center and the State Computer Center.

For FY 2007, the Governor recommends an FTE authorization of 52.6 positions, which reflects the transfer of 1.0 FTE position to the Department of Administration Human Resources rotary, and the withdrawal of 2.7 FTEs pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

Fire Safety Code Board of Appeal and Review

For FY 2006, the Governor recommends revised general revenue appropriations of \$287,505, an increase of \$15,026 from FY 2006 enacted levels. The change reflects an increase of \$2,411 for FY 2005 retroactive cost of living adjustments, \$12,615 for FY 2006 cost of living adjustments, and a \$5,585 reappropriation for rent incurred from the start of a new lease beginning in February 2005.

The Governor recommends general revenues of \$292,554 for FY 2007, an increase of 1.8 percent from the FY 2006 revised budget. The general revenue increase of \$5,049 from the revised FY 2006 budget includes an additional year of employee COLAs plus adjustments to various statewide employee benefits rates. Staffing authorizations remain unchanged at 3.0 FTE positions in FY 2006. In FY 2007 the FTE level of 2.8 includes a withdrawal of 0.2 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

State Fire Marshal

The Governor recommends revised FY 2006 funds for the State Fire Marshal of \$3.0 million, including \$2.7 million in general revenue, \$367,298 in federal funds, and \$12,599 in other funds. The revised general revenue budget reflects an increase of \$287,525 to general revenue appropriations and an increase

Public Safety

of \$25,663 to federal funds. The major adjustments increasing general revenue appropriations for FY 2006 include \$104,328 for auto maintenance to account for increased gasoline prices and maintenance on a growing fleet, \$83,859 for the 2006 cost of living adjustments, \$75,470 in personnel adjustments, and \$24,794 for statewide utility adjustments.

The Governor recommends total expenditures of \$3.0 million in FY 2007, including \$2.8 million general revenue and \$191,000 of federal funds. The recommended general revenues represent an increase of \$157,980 over revised FY 2006 appropriations. An increase of \$208,202 for the annualization of six new deputy positions from FY 2006 and \$98,868 for auto maintenance is partially offset by \$65,000 in savings for reduced automotive equipment purchases and savings from adjustments to various statewide employee benefit rates. The Governor recommends 38.0 FTE positions in FY 2006 and 36.1 FTE positions in FY 2007, the latter reflecting the Governor's Reduction in Force initiative.

Commission on Judicial Tenure and Discipline

The Governor recommends general revenue expenditures of \$113,411 in the FY 2006-revised budget. This amount is \$6,761 greater than the FY 2006 enacted budget of \$106,650. The additional funding is for legal and stenographic expenditures projected in FY 2006 for judicial investigations.

For FY 2007, the Governor recommends expenditures of \$114,772 from general revenue, which is \$1,361 higher than the FY 2006-revised budget. The Governor recommends the enacted level of 1.0 FTE positions in FY 2006, and a level of 0.9 FTE in FY 2007, including a withdrawal of 0.1 FTE pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Rhode Island Justice Commission

The Governor recommends total revised expenditures of \$5.6 million for FY 2006, including \$254,020 in general revenue, \$5.3 million in federal funds and \$30,000 in restricted receipts. This revised funding level is \$143,213 less than the FY 2006 enacted budget and consists of an increase in general revenue of \$935 (payroll cost of living adjustment) that is offset by a net reduction in federal funds outlay of \$144,148 particularly for the Edward Byrne Memorial Justice Assistance Grant. This new federal program is the result of the consolidation of the Edward Byrne Memorial Drug Control and Systems Improvement Formula Grant and the Local Law Enforcement Block Grants authorized by Congress in its FY 2005 budget.

For FY 2007, the Governor recommends total expenditures of \$5.0 million, including \$263,972 from general revenues, \$4.7 million from federal funds, and \$30,000 from restricted receipts. This level of funding is \$588,785 less than the FY 2006 revised level recommended by the Governor. It consists of an increase in general revenue of \$9,952 for payroll current service requirements that is offset by a net reduction in federal funds of \$598,737. These reductions are significant for two federal programs: National Criminal Histories Improvement - \$249,655 and the Edward Byrne Memorial Justice Assistance Grant - \$318,674. While the reduction in the former is due to the anticipated spending down of all available funds in FY 2006 with no expected balance forward into FY 2007, the latter is predicated on reduced grants in FY 2007.

The Governor's FY 2006 FTE recommendation is 8.5, a reduction of 0.5 from FY 2006 authorized ceiling due to reduced federal (Edward Byrne Memorial Justice Assistance Grant) resources. For FY 2007, the Governor recommends 6.4 FTEs, a reduction of 2.1 FTEs from FY 2006-revised ceiling. It reflects a reduction of 2.0 FTEs for reduced Edward Byrne Memorial Justice Assistance Grant funds and a

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withdrawal of 0.1 FTE in general revenue pursuant to the Governor's reduction in force initiative recorded in the Department of Administration's budget.

Municipal Police Training Academy

The Governor recommends a revised FY 2006 budget of \$490,812, including \$373,710 of general revenue and \$117,102 of federal funds. The general revenue recommendation is the same as the FY 2006 enacted level. Federal funds are \$87,102, or 290.3 percent more than the enacted amount of \$30,000, adjusting for carry-over balances and annual awards through the Rhode Island Justice Commission for Hate Crimes Training and the Byrne Grant for In-Service Training. Fiscal year 2006 federal funds also includes \$50,392 for the Homeland Security grant award through the Emergency Management Agency not utilized in FY 2005, but expected to be required in FY 2006.

The Governor recommends total expenditures of \$470,910 for the Academy in FY 2007, consisting of \$425,910 in general revenue and \$45,000 in federal funds, to maintain its recruit and in-service training programs for approximately 1,200 officers each year. The FY 2007 general revenue recommendation is \$52,200 or 14.0 percent more than the FY 2006 revised amount, attributable to statewide personnel adjustments and provision of additional salary requirements for the Executive Director due to position upgrade. The federal funds allotment, which contributes financing for in-service, hate crime and homeland security courses, decreases 61.6 percent in relation to the FY 2006 revised level. The Governor recommends 4.0 FTE positions in FY 2006, and 3.7 in FY 2007. The FTE allotment in FY 2007 reflects withdrawal of 0.3 FTE pursuant to the reduction in force initiative included in the Department of Administration's budget.

State Police

The Governor recommends \$52.9 million in expenditures for the State Police in the FY 2006 revised budget, including \$47.3 million general revenues, \$2.1 million in federal funds, \$3.2 million in other funds, and \$356,592 of restricted receipts. This recommendation represents an increase of \$1.9 Million in general revenue expenditures from enacted levels. The largest component of the general revenue increase is for personnel costs (COLA). Other funds expenditures increase by \$535,092, for increased road construction reimbursements. Restricted receipts increase by \$55,492 and federal funds by \$79,137.

The Governor recommends \$54.1 million in expenditures from all funds for the State Police for FY 2007, including \$49.1 million general revenues, \$1.8 million in federal funds, \$3.1 million in other funds, and \$235,411 of restricted receipts. This represents an increase in all funds of \$1.2 million from the FY 2006 revised levels recommended by the Governor. This includes increases in general revenue expenditures of \$1.8 million. There were reductions in other funds of \$164,282, reductions in federal expenditures of \$299,454, and reductions in restricted receipts of \$121,181. Pension costs account for \$360,750 of the general revenue increase.

The Governor recommends 282.0 FTE positions in FY 2006, and a level of 268.5 FTE in FY 2007, including a withdrawal of 13.5 FTE pursuant to the reduction in force initiative recorded in Department of Administration budgeted totals.

Office of the Public Defender

The Governor recommends total expenditures of \$8.7 million in the FY 2006 revised budget for the Public Defender, including \$8.4 million in general revenue and \$266,069 in federal funds. The general revenue recommendation is \$692,352 more than the FY 2006 enacted level. The budget includes a net increase of

Public Safety

\$390,400 for negotiated salary and medical co-share payments, as well as steps, longevity, and vacancy adjustments. The budget also includes a net increase in operating expenditures of \$301,952 primarily to finance relocation of the Agency's offices (rent, moving costs, furniture, telecommunication and computer reconfiguration). The \$28,222 net increase in federal expenditures is due to the reallocation of unspent FY 2005 grants.

The Governor recommends total expenditures of \$9.1 million in FY 2007, including \$8.9 million in general revenue and \$135,986 in federal funds. The FY 2007 general revenue recommendation is \$494,944 greater than the Governor's FY 2006 revised recommendation, while federal funds decrease by \$130,083. The budget includes adjustments to current services such as statewide fringe benefits and salaries, full implementation of negotiated salary and medical co-share adjustments, position upgrades and step increases, and a vacancy adjustment. The budget also includes funds for an annualized rent increase, telecommunications and furniture operating increases associated with Agency relocation, and other office operating increases. The budget also includes replacement of federal funding for a parental rights attorney. The FY 2006 recommendation is for 93.5 FTE, the same as the FY 2006 enacted level. The FY 2007 recommended FTE cap is 87.9, and reflects the loss of federal funding for one position in the Adult Drug Court, as well as Reduction in Force targets.

Natural Resources

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management, the State Water Resources Board and the Coastal Resources Management Council. Certain debt service for general obligation bonds issued to finance capital projects of the Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are appropriated in the Department of Administration, though the agencies themselves are not part of the state budget.

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

The Coastal Resource Management Council seeks to preserve, protect and restore the coastal resources of the state. The council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, 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, amends, 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 all dredging and implements an extensive habitat restoration effort. It also conducts public outreach and public communication campaigns on its programs and activities, and coordinates its programs with other government agencies.

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-nine municipal water supply systems located in the state. The board regulates water supply distribution lines connecting water supply systems and is creating a computerized database for drought alert communication. The board also manages the Big River Management Area, a water supply reservation. The board is composed of thirteen appointed representatives from the public and from state and local government.

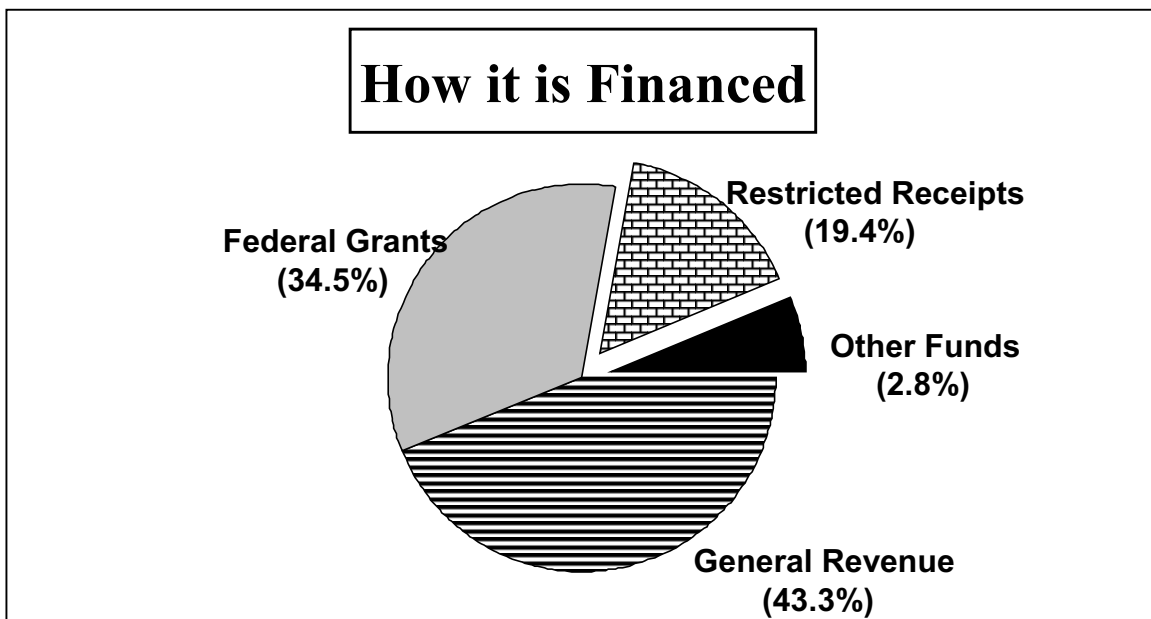
The FY 2006 revised recommendation from all funds for natural resource agencies is \$90.9 million, or \$3.5 million above enacted appropriations of \$87.3 million. General revenues increase by \$1.9 million, or 4.8 percent to a total allotment of \$41.1 million. Federal funds increase by \$1.8 million, or 5.4 percent, to \$34.2 million, attributable to carryover and new awards. Restricted receipts increase by \$721,775 to

Natural Resources

\$12.3 million, an increase of 6.3 percent over the enacted. Other funds decrease by \$823,388 to \$3.3 million – a decrease of 19.9 percent from the enacted level of \$4.1 million.

The Governor recommends total expenditures of \$97.9 million for natural resource agencies in FY 2007, an increase of \$7.1 million, or 7.8 percent from the revised FY 2006 level. Fiscal year 2007 financing consists of \$42.4 million in general revenue, \$33.8 million in federal grants, \$19.0 million in restricted receipt revenues, and \$2.7 million in other funds. Of the expenditures recommended in FY 2007 for natural resource agencies, \$89.4 million, or 91.3 percent, is for the Department of Environmental Management, \$6.1 million, or 6.3 percent is for the Coastal Resources Management Council, and \$2.4 million, or 3.2 percent is for the State Water Resources Board.

The recommended FY 2007 general revenue appropriation for the natural resource function is \$42.4 million; an increase of \$1.3 million or 3.2 percent above the revised FY 2006 budget. The increase is primarily in the Department of Environmental Management in the amount of \$1.2 million, or 3.2 percent above the FY 2006 revised level of \$37.5 million. The increase reflects: statewide cost of living and benefit adjustments; general revenue financing of \$1.8 million for the Rosehill Landfill Superfund Site in South Kingstown; compensation for reduced federal and restricted receipt offsets; and financing for utilities, fuel and vehicle lease requirements. In Coastal Resources, general revenue financing is increased by \$85,662 to reflect personnel adjustments. The State Water Resources Board's general revenue financing increases by \$56,323 from the FY 2006 revised level, to reflect salary and benefit adjustments.



Federal funds for natural resource agencies decrease by \$427,646, or 1.3 percent between the FY 2006 revised and the FY 2007 recommended budgets. Federal funds are recommended at \$34.2 million in the revised FY 2006, and \$33.8 million in the recommended FY 2007 budget. The decrease in federal financing is attributable to reduction of \$939,729 from the Coastal Resources Management Council and \$500,000 from the Water Resources Board, relating to current grant levels. In the Department of Environmental Management, federal funds increase by \$1.0 million, largely attributable to the federal requirement for the Rosehill Landfill Superfund project.

Natural Resources

Restricted receipt expenditures in FY 2007 in the natural resource agencies increase by \$6.8 million, or 55.2 percent from the FY 2006 revised level, with a total of \$19.1 million provided in the Governor's recommendation. For the Department of Environmental Management, \$4.0 million is added to accommodate the transfer of the Underground Storage Tank Responsibility Review Fund Board to the department and \$1.2 million is added for expected receipts in the fishing and game, commercial shellfish, environmental trust, water and air, and boating registration restricted accounts. In the Coastal Resources Management Council, \$1.5 million is added to provide financing for several aquatic habitat restoration projects.

Other funds expenditures for natural resources total \$2.7 million in the FY 2007 recommended budget, a decrease of \$593,817 or 18.0 percent, from FY 2006 revised levels. Other funds finance capital improvements and asset protection projects within the Rhode Island Capital Plan Fund and other third party financing resources. The Governor recommends RICAP projects for the FY 2007-2011 capital budget period including improvements to the Wickford Marine Base, dam and state pier rehabilitation projects, habitat restoration projects, and facilities maintenance at the Big River Management Area.



Of the \$97.9 million recommended for natural resources for FY 2007, personnel is budgeted at \$57.1 million, or 58.3 percent, operating at \$14.2 million, or 14.5 percent, capital improvements at \$15.7 million, or 16.0 percent, and assistance, grants, and benefits at \$11.0 million, or 11.2 percent.

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The Governor recommends total full-time equivalent positions of 570.3 FTE in FY 2006 and 540.5 in FY 2007 for the three natural resource agencies. Upward to 350 temporary positions may also be utilized for seasonal support at state parks and beaches.

Natural Resources

Department of Environmental Management

The Governor recommends revised appropriations of \$82.5 million in FY 2006 for the Department of Environmental Management, including \$37.5 million in general revenue, \$31.2 million in federal funds, \$10.6 million in restricted receipts, and \$3.1 million in other funds. The department's revised general revenue appropriation increases by \$1.7 million or 4.9 percent above the FY 2006 enacted budget.

General revenue appropriations in the Policy and Administration program increase by \$172,387 to accommodate the COLA and current service personnel requirements in the amount of \$288,837, offset by turnover savings of \$152,854. Financing in the amount of \$27,475 is also provided for the department's role in the annual Earth Day festival. General revenues in the Natural Resource program increase by \$1.1 million over the FY 2006 enacted level, including: \$560,623 for the COLA and current service personnel requirements, \$369,400 for fuel and energy requirements, \$246,659 for unachieved turnover in the enforcement division, and \$96,147 for vehicle lease requirements. These additions are offset by reduction of \$91,842 for turnover in the forestry and piers divisions. In Environmental Protection, general revenue financing increases by \$390,051 attributable to the COLA in the amount of \$520,743, and provision of current service personnel financing in the amount of \$349,895 for the water division and \$246,085 for the compliance division. The additions are offset by reduction of \$254,694 from the water division to be offset to restricted resources; \$300,000 removed from the state match portion for the Rosehill Landfill Superfund site delayed to FY 2008; and \$220,579 in vacancy savings throughout the bureau.

The Governor's revised FY 2006 budget recommendation for federal grant ceilings is .2(7 v)

Natural Resources

Administration; reduction of \$91,288 from legislative grants; and, \$50,000 removed for emergency environmental occurrences to be financed from other resources.

Federal funds in the Office of the Director decrease by \$31,576 to \$1.24 million, in comparison to the FY 2006 revised level of \$1.27 million. The decrease is in the One-Stop federal grant, to reflect expected federal award for this program. Restricted receipts in the Office of the Director increase by \$46,693 from \$1.86 million to \$1.91 million, reflecting increased opportunities for indirect cost recoveries in the amount of \$102,730 offset by anticipated reduction of \$56,037 in boat registration fees and penalties.

In the Bureau of Natural Resources, general revenue financing increases \$520,029 to a total of \$18.7 million, in comparison to the revised FY 2006 recommendation of \$18.2 million. Personnel and benefits adjustments relating to the COLA and other step and longevity requirements add \$427,943, including addition of \$287,954 for unachieved turnover in the enforcement division. Other additions include \$473,247 for utility, fuel, and heating requirements for the Bureau's sixteen divisions. Personnel financing is reduced in the amount of \$633,583 in parks, planning and development, forestry, and fish and wildlife, to reflect expected staffing levels in those divisions.

Federal funds in the Bureau of Natural Resources increase by \$1.3 million in FY 2007 to \$17.9 million, in comparison to the FY 2006 revised level of \$16.6 million. The increase is attributable to availability of federal grant awards in several grants, including: boating safety (increase of \$325,453); wildlife and hunter grants (\$297,419); fisheries management grants (\$218,708); NOAA enforcement grant (\$170,111); and forestry grants (\$340,446). Restricted receipts in the bureau increase by \$629,492 in FY 2007 to a total of \$4.1 million in comparison to the FY 2006 revised level of \$3.5 million. The increases are attributable to expected collections in the fishing and game land acquisition account, the shellfish and marine license receipt account, and the boating safety account. Other funds in the Bureau decrease by \$716,571, largely attributable to removal of Rhode Island Capital Plan financing based on available resources.

The Bureau of Environmental Protection, general revenues increase by \$633,105 over the FY 2006 revised recommendation, attributable to addition of \$574,026 for COLA, benefits and other personnel, addition of \$82,914 for operating expenditures, offset by reduction of \$23,835 for turnover. General revenue financing for the Rosehill Superfund project increases \$15,041 above the FY 2006 revised level, relating to deferment of some costs to FY 2008, and offset of \$500,000 to restricted receipt resources in FY 2007. Initially, the State's contribution to the project in FY 2007 was expected to be \$3.9 million. With adjustments and deferrals of the state portion payment, the State's obligation in FY 2007 is now \$1.7 million. Completion date is still scheduled for FY 2008.

Federal funds in the Bureau of Environmental Protection decrease by a total of \$270,036, from \$13.2 million in FY 2006 to \$12.9 million in FY 2007. Changes relate to expected grant awards from the federal government and include: reduction of \$241,800 from the Homeland Security Grant; \$120,225 from the Narragansett Bay Study grant; \$762,099 from the leaking underground storage tank grant; and, \$72,599 from the auto salvage program. These reductions are offset by addition of \$1.0 million for the federal share of the Rosehill Landfill Superfund grant.

Restricted receipts in the Bureau of Environmental Protection increase by \$4.6 million, largely attributable to the transfer of the Underground Storage Tank Responsibility and Review Fund Board (UST) to the department as part of the Governor's FY 2007 recommendation. This transfer includes \$493,750 in personnel and operating and \$3.5 million for remediation fund reimbursements to tank owners. Other changes include addition of \$500,000 to the Environmental Trust Fund for Rosehill Landfill project offsets, and increase of \$185,605 to the Water and Air account for eligible personnel offsets.

Natural Resources

The Governor recommends a \$25.0 million bond referenda to fund clean water initiatives, including \$19.0 million for the Clean Water State Revolving Fund to provide loans for wastewater treatment facilities for nutrient reduction and \$6.0 million to DEM for Narragansett Bay and Watershed Restoration. The Governor also recommends \$11.0 million in general obligation bonds for Roger Williams Park Zoo capital projects.

The Governor recommends 531.3 FTE positions in FY 2006 and 503.5 FTE positions in FY 2007. The FTE allotment for FY 2007 reflects removal of 13.8 FTE as part of the reduction in force initiative recorded in the Department of Administration and addition of 4.0 FTE from the transfer of the UST to the department. Additionally, 18.0 FTE are transferred to the Department of Administration as part of the human resources, legal and information technology centralizations.

Coastal Resources Management Council

In the revised FY 2006 budget, the Governor recommends appropriations for the Coastal Resources Management Council of \$5.5 million. This includes \$1.7 million of general revenue, \$2.5 million of federal funds, \$1.3 million in restricted receipts, and \$50,000 in other funds. General revenue personnel and operating expenditures increase by \$91,650, due to negotiated salary and medical co-share payments, as adjusted for turnover. Purchased services increase by \$5,000 due to revised current service estimates for clerical services. The net general revenue increase from the enacted budget is \$96,650. Federal funds increase by \$786,121 for both continuing program operations and special activities. Most of the increase finances URI contracts for a stormwater manual update, nitrogen studies and other work for the Providence Harbor and Greenwich Bay Special Area Management Plans, Bay Shoreline mapping, Greenwich Bay rights-of-way guide and geologic mapping. The increase also includes \$551,255 in unspent FY 2005 funds. Restricted receipt expenditure for the Coastal and Estuary Habitat Restoration Program and Trust Fund includes \$505,888 from the Oil Spill Prevention, Administration and Response Fund, and consists of unspent FY 2005 balances, the annual \$250,000 appropriation, and surplus funds from the Providence River dredging project for work on Ninigret and Green Hill ponds. Also included are funds for the South Coast and Brushneck Cove Restoration projects.

In the FY 2007 budget, the Governor recommends appropriations of \$6.1 million. Of this amount, \$1.8 million is financed with general revenue, \$1.6 million is financed from federal funds, and \$2.7 million is financed from restricted receipt funds. General revenue funds increase by \$85,662 compared to FY 2006 revised levels, reflecting statewide and agency-specific benefit and payroll adjustments, including negotiated salary increases and medical co-share adjustments. Federal funds decrease by \$939,729, reflecting the current grant level in the Coastal Zone Management Program with no balance forward funds. The Governor recommends appropriations of restricted receipts from the Oil Spill Prevention, Administration and Response Fund in FY 2006 and FY 2007 of \$390,000 for the Coastal and Estuary Habitat Restoration Program and Trust Fund. The Governor also recommends restricted receipt expenditure of \$523,200 for the South Coast Restoration project, to dredge breachways and tidal deltas for habitat restoration, beach replenishment, and fish restoration efforts, and \$1.8 million for the Narrow River Aquatic Ecosystem restoration project.

The FTE position level for the council is unchanged at 30.0 for FY 2006, reflecting annualization of a coastal policy analyst position added in the FY 2006 enacted budget. The Governor recommends an FTE level of 28.5 FTE in FY 2007, reflecting Reduction in Force targets.

Natural Resources

State Water Resources Board

The Governor recommends revised expenditures for the Water Resources Board of \$2.9 million for FY 2006, including \$1.9 million in general revenue, \$500,000 in federal funds, \$361,792 in restricted receipts and \$131,156 in other funds. Total financing increased \$66,377 or 2.4 percent from FY 2006 enacted levels. The addition consists of \$31,640 in additional general revenue, including \$12,000 in reappropriated dollars from FY 2005 for lead paint inspections of structures in the Big River Management Area, and \$19,640 for personnel and operating adjustments. The general revenue appropriation increases 1.7 percent over the FY 2006 enacted level. Restricted receipts increase by \$22,893 or 6.8 percent to reflect allotments made available by the Department of Health for adjunct financing for the Water Allocation Plan and Supplemental Water Supplies projects. Other funds increase by \$11,844 or 9.9 percent over the enacted level, for improvements to the Big River Management area projects financed from the Rhode Island Capital Plan Fund. Federal financing is the same as the enacted level of \$500,000.

The Governor recommends FY 2007 expenditures of \$2.4 million, a decrease of \$456,025, or 15.9 percent, from revised FY 2006 levels. General revenue expenditures are budgeted at \$1.9 million, an increase of \$56,323 or 3.0 percent from FY 2006 adjusted levels. Of this amount, \$13,125 is removed from legislative grants, \$99,448 is added for Board personnel and operating requirements, \$170,000 is added for the Water Allocation project, and \$200,000 is removed from the Supplemental Water Supply project. Federal funds are not required in FY 2007 due to completion of the Pawtuxet River Basin study and modeling project, which had been financed by the Natural Resource Conservation Service. Restricted receipt financing is recommended in the amount of \$400,000 resulting from allocations by the Department of Health for continuing work on the Supplemental Water Supply Study. Restricted receipts increase \$38,208, or 10.6 percent from the FY 2006 revised level. Other fund financing is \$50,556, or 38.5 percent less than the FY 2006 revised level for planned improvements to structures at the Big River Management Area in FY 2007. The Governor recommends 9.0 FTE positions in FY 2006 and 8.5 in FY 2007, reflecting the withdrawal of .5 FTE pursuant to the reduction in force initiative recorded in the Department of Administration budgeted totals.

Transportation

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 provide financing for transportation expenditures from dedicated user-related revenue sources. This dedicated highway fund establishes a direct relationship between transportation project financing and the end-users of the projects, with a stable revenue stream capable of financing the projects on a pay-as-you-go basis. For the Department of Transportation the Governor recommends 809.7 FTE positions for FY 2006 and 779.7 FTE positions for FY 2007, reflecting the assignment of thirty positions to internal service funds in the Department of Administration.

The Intermodal Surface Transportation Fund is supported by the state's thirty-cent per gallon gasoline tax. Gasoline 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).

The revenue generated by the state's gas tax is allocated to these recipients on an individual cent basis. State law governs the amount of cents that are to be distributed to the agencies as well as the general fund. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax is established at each Revenue Estimating Conference. The Conference estimates gas tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gas tax supported operations.

Since the inception of this funding mechanism for transportation activities, there have been numerous revisions to the allocation plan. Each change has been initiated in order to direct more revenues to Transportation operations rather than to the general fund. The last change to the disbursement schedule was in the FY 2006 enacted budget and increased the RIPTA allocation by one cent. These increases were offset by a reduction in the allocation of gas tax directed to the general fund. In the FY 2007 proposed budget, 29.0 cents of the total 30.0-cent per gallon State gasoline tax (96.7 percent) is dedicated to transportation related activities.

Current Law Gas Tax Allocation (in cents)

<u>Recipient</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
DOT	19.5	20.5	20.5	20.75	20.75	20.75	20.75
RIPTA	5.75	6.25	6.25	6.55*	6.25	7.25	7.25
General Fund	1.75	0.25	2.25	1.70*	2.0	1.0	1.0
DEA	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total:	28.0	28.0	30.0	30.0	30.0	30.0	30.0

**Average rate for year.*

Transportation

The majority of funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA), under the authority of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This act, passed in August 2005, authorizes funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the five-year period 2005 - 2009. Under this program, Rhode Island may receive an average of \$189.0 million per year based on a limitation assumption of 87 percent of apportionments. This would represent an increase of \$25.2 million over the amounts provided by the previous Transportation Equity Act of the 21st Century (TEA-21), however the amount of “earmarked funds” has increased significantly reducing the amount available for the unrestricted program. The new act combines the improvements scheduled for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth.

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 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 a TIP adopted by the State Planning Council and approved by the Governor.

In Rhode Island, the TIP is the product of extensive public outreach to all communities, public interest groups, and citizens throughout the state by the agencies involved in transportation planning and project implementation. Following extensive public solicitation for the current TIP, highway projects are selected by a twenty-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 SAFETEA-LU 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 after years of under-investment in preventive maintenance.

FY 2004 marked the beginning of a major effort on the part of Rhode Island government to address the rebuilding and modernization of the state’s transportation systems. In November 2003, the State issued the first series in a bond program that will generate \$679.9 million in construction funds (including bond proceeds of approximately \$627.7 million and interest earnings thereon) for five major infrastructure projects to be completed over an 8 ½ year period. This undertaking will be financed through two funding mechanisms. The majority of the costs (\$555.6 million) will be provided through Grant Anticipation Revenue Vehicle bonds (GARVEE). GARVEE represents a program approved by FHWA that allows states to borrow funds, which are backed and repaid by the annual allocation of Federal Highway Administration construction funds. A supplemental revenue bond issue known as the Motor Fuel Revenue Bonds program, which is secured by two-cents of the department’s gasoline tax allocation, will provide another \$124.2 million to this infrastructure initiative. The State is planning to issue a second series of both the GARVEE and Motor Fuel Bonds program in 2006 and a third series in 2009. The projects being financed under this program are the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, and the Quonset Rt. 403 construction, plus amounts for completion of the Freight Rail Improvement Program. The debt

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service on the GARVEE bonds in FY 2006 and FY 2007, to be paid through the FHWA allocation, is \$41.8 million and \$44.5 million, respectively. The gas tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$9.5 million in FY 2006 and \$9.6 million in FY 2007. Unlike general obligation debt service costs that are budgeted in the Department of Administration, these debt service payments are reflected in the DOT operating budget.

The revised FY 2006 budget for DOT includes a \$3.0 million decrease in the availability of gasoline tax revenue over the enacted budget. This represents the elimination a previously projected \$3.1 million carry forward as well as increased gas tax funded general obligation debt service costs. The revised FY 2006 budget also reflects the reallocation of resources to address anticipated and reasonable winter maintenance expenses.

For FY 2006, the total amount of gas tax revenue estimated for the ISTF is \$138.0 million. The allocation of this revenue prior to debt service deductions includes \$98.8 million to the Department of Transportation of which \$9.5 million is associated with the GARVEE/Motor Fuel Revenue Bonds program, \$34.5 million to RIPTA, and \$4.76 million to the Department of Elderly Affairs. These figures are based upon an estimated yield of \$4.76 million per each cent of the State's gasoline tax. Projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs total \$649,753 for RIPTA and \$36.8 million for DOT.

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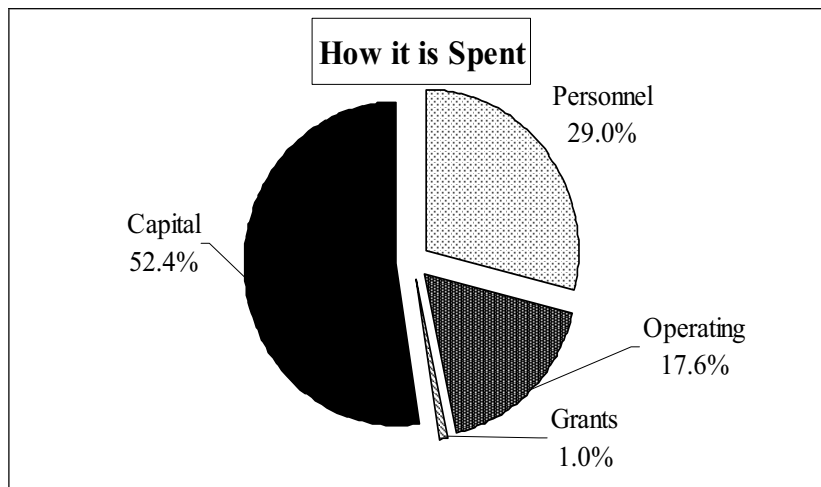
In FY 2007, recommended expenditures from all sources for transportation activities total \$342.4 million.

The following chart illustrates departmental expenditures by source of financing for FY 2007.



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The following chart illustrates departmental expenditures by category of expenditure for FY 2007.



*The category of capital includes \$144.5 million in capital improvement expenditures. Of this total, \$54.2 million is for debt service transfers (\$44.5 million of GARVEE-FHWA funded debt service and \$9.6 million for Motor Fuel Bonds-gas tax funded debt service).

Other/Gasoline Tax Funds total \$100.3 million, or 29.3 percent, of the expenditures for the Department of Transportation in FY 2007. For this source, \$30.5 million supports personnel costs, \$55.3 supports operating costs, \$34.2 million provides operating assistance for RIPTA, \$4.8 million is allocated to infrastructure maintenance, repairs, and construction, and \$9.6 million is allocated to debt service costs related to the motor fuel tax revenue bonds. In FY 2007, federal funding totals \$239.1 million. This equates to 69.8 percent of the total transportation operating budget. National Highway Traffic Safety Administration funds totaling approximately \$5.2 million support grants to municipalities and other activities that promote highway safety programs.

In FY 2007, 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. Through the Maintenance Program, the department dedicates funds to the preservation of road and bridge assets. These activities include pavement repair, 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 2007 is \$41.5 million. This recommendation represents a decrease of \$1.1 million from FY 2006.

The Engineering program, which totals \$289.1 million in FY 2007, finances personnel in public works, real estate, research and technology, construction, design, materials, and intermodal planning sections. RIPTA's portion of the state gasoline tax net of debt service costs, totaling \$34.2 million, as well as federal mass transit grants are also appropriated within this program. Total spending for Engineering consists of \$52.2 million in gasoline tax/other revenue, and federal appropriations of \$233.9 million. Included in the Engineering program is \$2.0 million in estimated revenue from the sale and/or lease of DOT properties. This revenue, along with \$18.0 million in general obligation bond funds, is utilized to meet matching requirements to federal funds provided under SAFETEA-LU. Additionally, the debt service costs associated with the GARVEE/Motor Fuel Revenue Bonds program is reflected in this program. For FY 2007, the motor fuel revenue bond debt service will be equal to the value of two cents of the DOT gas tax allocation. This equates to \$9.6 million. The FHWA funded debt service is \$44.5 million.

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The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$34.2 million to the Rhode Island Public Transit Authority will be financed from a 7.25-cent allocation of the gasoline tax. Not recorded in the DOT budget, but presented in the RIPTA FY 2006 and FY 2007 financial plans is RIPTA's estimate of \$13.3 million in enhanced funding from Department of Human Services accounts for Medicaid client transit passes. Another cent of the gas tax not included in the Department of Transportation budget, supports the efforts of the Department of Elderly Affairs to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite pass programs for the elderly, and to finance compliance costs statewide associated with Americans with Disabilities Act requirements.

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Five-Year Financial Projection

FY 2007 – FY 2011 Overview

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

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

The five-year projection includes tables that present anticipated revenues and expenditures during the five fiscal years ending in June 2011. 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.

Forecast and Revenues

The economic forecast was developed by the principals of the November 2005 Revenue Estimating Conference with input from the consulting economists at *Economy.com* and *Global Insight* and respective staff. This forecast truly serves as a “best guess” as to the future path of the Rhode Island economy since no formal economic model was employed by the conferees in arriving at the forecast. A detailed analysis of the conferees near-term economic forecast for the State is contained in *The Economy* section of this document. In that section, particular attention is paid to how the state fared relative to the other New England states during the past calendar year with respect to non-farm employment and personal income growth. In addition, a brief comparison of the actual economic performance of the State against the economic forecast contained in the FY 2006 budget is undertaken. Finally, the FY 2007 economic forecast is presented and it is contrasted with the economic forecast that was made for the FY 2006 budget with particular attention being paid to why and to what extent the current forecast was revised from the previous one.

The economic outlook presents the greatest risk to the economic forecast. Of particular note, the performance of the U.S. economy will have a substantial impact on the performance of the Rhode Island economy. As the U.S. economy recovers from the impact of Hurricanes Katrina and Rita, job growth is expected to strengthen and this should allow the Rhode Island economy to bounce back from a slowing in job growth that occurred in FY 2005. As a result, during FY 2006 – FY 2008 period, Rhode Island employment growth rates are expected to exceed the 1.0 percent growth rate attained during FY 2005. In FY 2009 – FY 2011, Rhode Island employment growth should gradually decline until it reaches the long-run steady-state growth rate of 0.8 percent. Growth in Rhode Island personal income will be strong over the FY 2006 – FY 2008 period exceeding 5.0 percent in both FY 2006 and FY 2007 before falling in FY 2008 to the long-run steady-state rate of growth of 4.6 percent where it is projected to remain for the FY 2009 – FY 2011 period. Finally, energy prices are a considerable risk to both the U.S. macroeconomic and Rhode Island forecasts. As an energy importer, Rhode Island’s economy is very vulnerable to sharp increases in energy prices, particularly if higher prices are sustained over the long term.

An upside risk to the forecast is attributable to the public and private capital investments that are currently underway in the state. The combined amount of these capital investments is in excess of \$6.6 billion,

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with \$4.9 billion from private sources. These investments encompass large public infrastructure projects, such as the \$323.2 million I-195 relocation project, state supported higher education facility projects, such as the \$190.0 million for the construction of biotechnology and science facilities at the University of Rhode Island, privately financed commercial investments such as the \$1.0 billion Amgen expansion, and mixed use residential and commercial developments such as the \$300.0 million Providence Piers project. A complete assessment of these investments requires one to calculate the direct, as well as the indirect, effects on the State's economy. These capital investments are designed to provide Rhode Island with the necessary infrastructure, human resources, and employment opportunities to foster greater economic growth in the state. Unfortunately, projecting the ancillary effects of such capital investments on employment and personal income is not a simple task. Typically, the value-added of such capital investments are known ex post and thus these types of projects are better suited to "scorecard" type assessments of effectiveness. In the five-year revenue projections, the beneficial effects associated with these capital investments (i.e., increased personal and corporate income tax collections that result from increased employment in the effected industries) are not directly captured.

A final risk to the forecast involves the actions of other economic agents over which the State has no control. These agents include neighboring states, the Base Realignment and Closure Commission (BRACC), and the Board of Governors of the U.S. Federal Reserve System (the Fed). The fiscal policies of neighboring states can potentially have a disproportionate impact on Rhode Island's small open economy. For example, an increase in Massachusetts' effective business taxes could provide Rhode Island with a competitive advantage vis-à-vis Massachusetts, ceteris paribus, and give the State's economy an unexpected boost. Conversely, a decrease in Massachusetts' effective business taxes could have the opposite impact on the State's economy. It is also the case that future BRACC decisions may be important to the State. In the last BRACC round, Rhode Island did well netting 500 new jobs and re-establishing Naval Station Newport as an officer training center. In spite of this success, there is no reason to believe that BRACC decisions favorable to Rhode Island will continue in the future. Such external policy choices are not explicitly incorporated in the five-year forecast. This is in contrast to the Fed's interest rate policy, which is incorporated into the November 2005 CEF. The risk here is that the anticipated actions of the Fed, especially with respect to the rate at which monetary policy is changed, are substantively incorrect. Such deviations could have an adverse impact on the State's construction industry and housing market, two primary drivers of the Rhode Island economy.

The five-year revenue forecast makes substantive assumptions concerning the Rhode Island Lottery's required transfer to the general fund. First, the five-year forecast includes the addition of 1,150 video lottery terminals (VLTs) that have been authorized but not yet installed Lincoln Park. As part of the legislation that allowed for the increase in VLTs at Lincoln Park, BLB Investors, the new owners of Lincoln Park, agreed to undertake a \$125.0 million refurbishment and expansion of the existing facility. The five-year forecast assumes that this investment will be completed by July 1, 2007 and that all of the additional 1,150 VLTs will be fully operational at that time. With respect to Newport Grand, the additional 281 VLTs that had been authorized in January 2003 but not yet installed are assumed to be put into operation simultaneously with the 800 additionally authorized VLTs that were included in the recently approved contract with Newport Grand. In exchange for the 800 newly authorized VLTs, Newport Grand's owners have committed to undertake a \$20.0 million expansion of the facility. The five-year forecast assumes that this expansion will be completed by July 1, 2007 and that all of the

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additional 1,081 VLTs will be fully operational at that time. The five-year forecast includes the revenue impact of all 2,231 additional VLTs beginning in FY 2008.

Second, the five-year revenue forecast does *not* include any potential revenue impact, positive or negative, to be derived from the possible construction of a destination resort casino anywhere in the State of Rhode Island. Given the Governor's opposition to the establishment of a resort casino in Rhode Island within the next five fiscal years, the prudent course is to assume the status quo with respect to the sources of State gaming revenues. Finally, the five-year revenue forecast does *not* take into account the possible revenue impacts of either the introduction of video lottery terminals at Massachusetts' four pari-mutuel facilities or the construction of two casinos in Massachusetts. The five-year revenue projections for The Lottery's transfer to the general fund are dependent on the actual events that transpire with each of these unknowns and, as a result, the revenue projections contained herein could differ considerably in the future. The forecast projects a substantial increase in video lottery net terminal income (NTI) for FY 2008 as a result of the addition of the 2,231 VLTs noted above. For the FY 2009 – FY 2011 period declining growth rates in NTI are forecast as the growth in video lottery NTI approaches its long run steady-state level.

The five-year projection does include the revenue impact of the Governor's proposal to permanently put in place a sales tax holiday for the Saturday and Sunday before Victory Day. The "Endless Summer" sales tax holiday is estimated to reduce sales tax revenues by \$5.3 million in FY 2007. In addition, the five-year projection also includes the Governor's proposal in the FY 2007 Budget to allow for a total tax credit of up to \$1.0 million for business corporations that make contributions to qualified private K–12 scholarship organizations. The five year forecast also incorporates the Governor's FY 2007 proposal to enact implementing legislation to conform the State's sales and use tax code with that of the Streamlined Sales Tax Agreement. This proposal is estimated to add \$2.4 million in revenue in FY 2007 and \$4.8 million in revenue in FY 2008. Further, the five-year projection includes the Governor's FY 2007 proposal to increase the interest rate charged on overdue taxes from 12.0 to 18.0 percent. This proposal is estimated to generate \$5.1 million in FY 2007. Finally, the Governor proposes to switch all fines and penalties collected by the Judiciary to restricted receipts for the financing of the Judiciary's operations effective July 1, 2006. This proposal will have the effect of reducing general revenues by \$22.5 million in FY 2007. This decline in general revenues will be offset by a concomitant decrease in the general revenue expenditures for the Judiciary.

The five-year forecast does account for the impact of the State's Historic Structures Tax Credit program. This program became effective in tax year 2002 but the initial impacts of the issuance of tax credit certificates did not surface until tax year 2003 (i.e., FY 2004). The Budget Office based the estimate of revenues foregone from the issuance of historic structures tax credits on the \$260.2 million in credits already issued or eligible to be issued as estimated by the Historic Preservation and Heritage Commission (HP&HC) as of October 10, 2005. The \$260.2 million figure reported by the HP&HC was \$22.1 million greater than the amount of potential eligible credits HP&HC reported in April 2005. It should be noted that the volume of potential eligible credits is likely to continue to grow in the future. The Budget Office estimated the spread of these credits across personal income taxes, business corporations taxes, and insurance companies gross premiums taxes for the FY 2003 – FY 2011. The Budget Office estimates \$108.0 million less in revenue in these three categories in FY 2006 and FY 2007. The following table shows the spread of the credits across tax categories as estimated by the Budget Office

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BO Jan 06 Estimate	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Income	\$25.32	\$35.65	\$49.17	\$33.10	\$27.26	\$12.22	\$13.04
Business Corporations	1.11	2.14	3.68	2.48	2.04	0.92	0.98
Insurance Companies	2.62	6.14	11.21	7.54	6.21	2.78	2.97
Total	\$29.04	\$43.93	\$64.07	\$43.12	\$35.51	\$15.91	\$16.99

The distribution of historic structures tax credits by project location is located in the *Historic Structures Tax Credit* section of this document.

Expenditures

Expenditure side risks must also be noted within the five-year projection. One of the greatest expenditure side risks relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that there will be a deceleration in the rate of growth through fiscal 2011. The forecast assumes that state employees will continue to share in the cost of medical insurance premiums in accordance with current contracts.

Most union contracts are effective through June 30, 2008. The projections assume annual wage increases of 3% through FY 2008 with COLAs that equal the rate of increase in the CPI applying thereafter. Step increases also contribute to the rising costs of salaries and fringe benefits.

Due to the rising costs for medical care and the anticipated reporting standards to be issued by the Governmental Accounting Standards Board (GASB) for Other Post Employment Benefits (OPEB), the state commissioned an actuarial study evaluating the accrued actuarial unfunded costs for the retiree health benefits program. Under the new reporting requirements the state will be required to reflect any accrued actuarial unfunded costs on its financial statements by fiscal year 2008. Based upon the initial study, these costs will have significant long-term implications for the state's finances. In fact, the annual actuarially-based employer contribution for retiree health costs would increase from a projected \$9.2 million pay as you go costs in fiscal 2007 to \$45.5 million in fiscal 2011 and have been incorporated in the five-year projection.

The State has requested that the actuary that completed the original OPEB study update its analysis of the State's unfunded OPEB liability to take into account numerous factors. The Administration anticipates that the results of the updated analysis will differ from the original study due to changes in the final standard adopted by GASB, changes resulting from pension reform for non-vested members (i.e. age of retirement), and changes in actuarial assumptions due to the experience study performed after the first retiree health valuation. Also, in the FY 2007 budget, the Governor recommends the establishment of the "Retiree Health Care Trust Fund" for the purpose of financing retiree health benefits and paying down the current unfunded

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liability beginning in FY 2008. The Governor further proposes that an initial deposit of approximately \$100.0 million be made into this trust fund from a portion of the proceeds from the securitization of the residual tobacco master settlement payments the State expects to begin receiving sometime after 2023. All these factors would be taken into account when the actuary calculates the actuarial required contribution. For purposes of the five year forecast, the 8.57 percent of payroll derived from the initial study was used; although it is expected that the amounts will differ.

With the Governor's successful efforts to modify retirement plans benefits for non-vested and new employees, employer contribution rate increases will moderate; however, these costs remain a significant cost factor for state government. Retirement contributions are anticipated to increase from an estimated 18.40 to 20.41 percent of payroll from FY 2007 to FY 2011. Pursuant to the provisions of the pension reform act, the five year forecast assumes that the expenditures will never be reduced due to a lowering of the rate. The forecast assumes expenditures will be incurred in the form of a transfer to a trust.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. The growth in the prison population also poses substantial risks for both operations costs and capital infrastructure needs. The projection assumes that future inmate population growth will quickly decelerate to reflect recent historical averages. The accuracy of this assumption will ultimately rest upon the success of efforts to create efficiencies in the criminal justice system and efforts to modify sentencing policy in the Judicial branch towards greater community-based versus institutional-based sentencing, as well as the exploration of early release options.

The five-year projection anticipates average annual revenue growth of approximately 5.7 percent beyond the budget year, based upon the November 2005 Revenue Estimating Conference 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 4.5 percent, employment at 0.9 percent, and wage and salary disbursements at 4.7 percent. These variables and other assumptions are shown in the tables that follow.

The expenditure-side of the budget is estimated to increase at an average annual rate of 6.25 percent from the FY 2007 base to FY 2011. Inflation however, 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. A brief explanation is provided below, followed by a more detailed discussion for each of the major categories of expenditure.

The largest factor in overall spending growth is anticipated to occur in the category of grants and benefits. Expenditures for grants and benefits are expected to expand by approximately \$311.0 million, driven primarily by growth in Human Services Managed Care and Medicaid Services. The Percentage growth in this total category of expenditure is projected to average 7.5 percent and is largely driven by an assumed percentage increase in Managed Care of 9.9 percent a year over this same time period. A major risk to the forecast relates to agreement by the General Assembly to significant cost saving measures proposed by the Governor in the FY 2007 budget.

The next largest dollar increase in overall spending is anticipated to occur in local aid at \$310.4 million followed by state operations cost increases of \$190.9 million. However, it is capital costs that are anticipated to display the largest percentage change over the forecast horizon with growth averaging 17.9

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percent annually. Capital costs are expected to increase by \$45.5 million from FY 2007 - FY 2011. This unusual rate of increase reflects the significant debt service requirements associated with financing of the Juvenile Training School, Kent County Courthouse, Traffic Tribunal, and the debt service on new general obligation bond issuances.

From the FY 2007 budget base, expenditures will exceed revenues in each of the outyears projected through FY 2010 with revenues exceeding expenses in FY 2011. The operating deficits in each year range from a high of \$134.6 million in fiscal 2008 to a surplus of \$59.4 million in fiscal 2011. Thus, revenue growth does exceed expenditure growth over the forecast horizon. In percentage terms, the deficits are projected to total 3.8 percent of spending in fiscal 2008, declining to a surplus of 1.5% at the end of the projection period.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume that a 3 percent COLA will be provided in fiscal years 2007 and 2008 in accordance with negotiated agreements. The final three years of the projection assume COLAs that equal the rate of increase in the CPI. In addition, step increases, longevity increases and educational incentives add 1.7 percent annually to the estimated salary and fringe benefit costs and have been incorporated into the analysis. Also, decreases in longevity payments as proposed by the Governor have been factored into the computation of the wage base.

The forecast reflects approved medical benefit cost sharing expected to offset 8.3% of health insurance costs in FY 2007 base year, increasing to 10% in FY 2008. As noted above, successful reforms relating to the retirement plan still result in significant employer contribution rates. For the state employees retirement system contributions are anticipated to increase from 18.40 percent of payroll in fiscal 2007 to 20.41 percent in fiscal 2009. The actuarial required rate would decline thereafter to 19.23% in FY 2011; however, the retirement reform legislation requires that the amount generated by declines in rates would be dedicated to reducing the unfunded liability of the system. Thus, retirement contribution costs are expected to increase from \$64.7 million in fiscal 2007 to \$80.7 million by fiscal 2011.

Finally, the personnel projections reflect the actuarially determined annual employer contribution that would be required to amortize the unfunded liability with respect to retiree health benefits. Based upon the study, this rate would be equal to 8.57 percent of payroll. This study was completed well over a year ago, and there is risk that an updated study will revise the required contribution rate. The projections assume implementation in fiscal 2008 and result in costs of \$35.3 million in FY 2008, increasing to \$43.5 million by the end of the forecast period.

As shown in the state operations expenditure tables, additional staffing is assumed to be required due to estimated caseload growth in the Department of Children, Youth and Families and the Department of Corrections. This increases the overall state personnel requirements in order to finance these additional staffing needs.

Caseloads in the Department of Children, Youth and Families are projected to grow 4.7 percent from the fiscal 2007 base. When combined with cost inflation, this growth increases personnel and operating expenditures by \$8.3 million and payments for provider services by \$13.8 million during the FY 2007 - FY 2011 period. The projections are based upon an analysis of actual caseload growth trends since FY 1994 and reflect an annual average growth rate of 1.1 percent. Caseload growth translates directly into increased costs for support services, and both contracted and purchase-of-service placements.

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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 3.4 percent per year from FY 1990 to FY 1996 overall, growth slowed after 1996 to 1.3 percent per year. Although in FY 2003 inmate population rose again by 6.9 percent, the FY 2004 population increased to a peak of 3,638 in September 2003 but fell to a FY 2004 year-end average of 3,554. In FY 2005 the average population fell by 4.1 percent to 3,361. This is in part due to the loss of federal detainees beginning in February 2004 to other federal and state facilities. From 112 in October 2003, the number of federal detainees has declined to 4 in December 2005. Other potential contributing factors include changes in court sentencing practices (the Intake Service Center sentenced population declined by 18.0 percent from July 2004 to June 2005) and the increased use of alternative punishments such as home confinement (up 22.8 percent in FY 2005) and diversion to treatment centers (the awaiting trial population at the ISC has declined by 4.2 percent from July 2004 to June 2005). These latter changes in sentencing behavior may in part be attributable to the work of the Office of the Public Defender's Defendant Advocacy program, which has reported an increase in the number of arraignments without sentencing from 40 to 100.

However, despite this FY 2005 performance, population trends remain very volatile. While the awaiting trial population has continued to decline (by 12.4 percent from June to December 2005), the sentenced population has increased by 56.2 percent in the same period. The use of the home confinement alternative seems to have declined as well, from 310 in June to 262 in December 2005. The total prison population rose from its lowest point of 3,220 in February to 3,389 in June 2005. Overall, the most recent monthly population figures show a continued increase of 2.5 percent from June (3,389), to December 2005 (3,474). The current FY 2006 average estimate, based on the first six months, is 3,447. These trend reversals highlight the impact of actions by non-corrections actors in the criminal justice system, particularly judges whose sentencing actions can drastically modify any population estimate, such as the increase use of the no-bail option for domestic violence cases. Also a factor is the large number of supervised probation and parole inmates (26,000, 3 percent of the total population, 1.5 percent of which are supervised) leading to an increase in violations. 3,553 inmates are admitted to the ACI each year because of mostly technical violations. The parole system also has an effect. The parole rate in the state is very low and has been declining. In addition, the scheduled release of a significant portion of paroled inmates is delayed due to the lack of residential substance abuse treatment beds.

The Department of Corrections has contracted with JFA Associates of Washington D.C to provide a multi-year forecast of the State's adult inmate population. The model projects an increase in FY 2006 of 1.4 percent and an increase in FY 2007 of 3.1 percent. These rates would produce an inmate estimate of 3,403 in FY 2006 and 3,511 in FY 2007. For the longer term, however, the JFA forecasts an average growth of 1.7 percent. The Budget Office and the Department, taking into consideration that the model's forecasting strength is in long-term (five to ten year) trends, have recommended a lower estimate of 3,375 in both the base year FY 2006, and the first year of the forecast FY 2007. Also, beginning in FY 2006, the Governor recommended additional personnel to expand the Office of the Public Defender's Defendant Advocacy Program (DCAP) to Kent and other County Court systems in order to provide defendants during arraignment with various services (bail reduction, alternatives to incarceration such as home confinement, and treatment of substance abuse-related conditions). In recognition of the likelihood that such services would reduce the number of incarcerated inmates further, the Budget Office recommends a FY 2006 enacted inmate population estimate of 3,244. Because of some delays in the full operation of the expanded DCAP program, the base estimate has been increased by 131 to 3,375. It is anticipated that full operation of the program by the beginning of 2006 should enable the population to remain at that level in FY 2007.

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The Bureau of Justice Statistics' Bulletin (BJS), "Prisoners in 2004", reports that nationally, the prison growth rate (calculated for state and local prisoners) is 3.0 percent for the entire period 1995-2004. However, this overall growth includes significant fluctuations. The FY 2001 rate of increase was 0.8 percent (the lowest since 1979), compared to a FY 2004 rate of increase of 2.3 percent. Nevertheless, the average annual growth for the past five years (2000-2004) remains at 2.1 percent, as compared to the average growth (1995-1999) of 4.3 percent. For this reason, the Budget Office concurs with the Department in projecting the base estimates of the FY 2006 average population of 3,375 and no growth in the FY 2007 average population. For the longer term, from FY 2007 to FY 2010, the Budget Office recommends a growth rate of 2.1 percent, the BJS 2000-2004 estimate. This rate is the same as the previous five-year plan estimate. Prison population is forecast to increase from 3,375 inmates in FY 2007 to 3,740 inmates in FY 2011. This reflects annual growth of 2.1 percent over the period FY 2007-FY 2011, or approximately 73 additional inmates per year.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 7.5 percent annually, largely reflecting expanding demand for and utilization of medical care. Most of this growth is reflected in the Department of Human Services budget, since this department is responsible for managing the state's Medicaid program.

The forecast for Department of Human Services grants and benefits is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program (TANF) and the 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, and the forecast assumes that eligibility and economic influences on caseloads will result in reductions of approximately three percent of cases annually. Continuing reduction of adult clients is assumed for client attainment of a five-year limit on FIP eligibility. Federal provisions require the state to achieve eighty percent closure of these adult clients; children in such households will continue to receive cash assistance. Due to maintenance of effort requirements for general revenue support, savings accrue to the federal block grant account. The Governor's budget proposal to implement full family sanctions if the adult member(s) fail to satisfy employment plan requirements within three months is included in the FY 2007 recommendation, and its effects continue in the forecast years.

Savings in cash assistance will be offset by continuing additions for child care subsidies, which are extended to the working poor even after entry of cash assistance clients to unsubsidized employment. Child care slots are assumed to increase marginally through the forecast period, and include adjustments for increased utilization by clients exhausting cash assistance. A proposal in the Governor's FY 2007 budget to increase client co-payments is included in the base cost and continues through the forecast period. Market rate adjustments of 2.6 percent are assumed every other January, pursuant to state statutes; an exception to this is that the Governor proposed to defer the adjustment scheduled for January 2007 until January 2008. 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 will be reallocated to finance child care costs. Continuous expansion of child care slots is assumed at one percent annually, and results in annual increases in general revenue, with substantial offsets to block grant funds available from the cash assistance caseload declines noted above.

FY 2007 – FY 2011 Overview

By FY 2008, FIP cash assistance savings are estimated to reduce general revenue expenditures for child care by \$20.5 million; this is still within the ceiling of thirty percent for reallocation of the TANF grant to child care. Cash assistance expenditures and other eligible support costs by that will approximately equate to the 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 cash assistance and child care increase marginally in each year of the forecast period. Proposals to reduce the eligibility period for adults would have effects beginning in FY 2009, but are not included in the estimated number of cases at this time; because of the equilibrium in maintenance of effort by that time, any savings will not accrue to general revenues and cannot be reflected in the five year tables, which record general revenues only. Any savings beyond the maintenance of effort floors can be reinvested in future years for optional or increased benefits or support services.

SSI caseloads will increase slightly, as the elderly population is forecast to increase marginally over the five-year period. More influential are higher rates of increase in the disabled population.

Medicaid costs are assumed to reflect continuous changes in service delivery systems, such as reduced institutional care and greater participation in independent living and treatment arrangements, and managed care arrangements with client cost sharing. Based upon population trend data, marginal increases in long-term care caseloads are projected. Nursing home rates are forecast to inflate by approximately three percent annually.

All other Department of Human Services Medicaid costs, except managed care, are estimated to inflate by 7.9 percent annually. This category reflects increased participation by third party insurers and a suspension of uncompensated care payments to state and community hospitals in FY 2007, with resumption in FY 2008, at a level of approximately \$52.7 million general revenues. Pharmacy estimates also included in this category reflect a schedule reducing federal “clawback” assessment percentages for Part D Medicare benefits to dually eligible Medicaid clients, but increasing the expenditure base for inflation. Pharmacy estimates also reflect a reduction in Medicaid reimbursements to wholesale average cost.

The managed care forecast assumes that costs will increase in line with federal CMS assumptions regarding expenditure growth for national physician and clinical costs, at approximately 9.5 percent annually. Proposals in the Governor’s Budget to maximize reimbursements and client eligibility determinations, and to restrict parents eligibility and increase co-payments for managed care clients are included in the FY 2007 base and are assumed to continue through the forecast period.

The five-year projection for the Rhode Island Pharmaceutical Assistance for the Elderly program is significantly lower than last year’s five-year projection for drug cost, and is attributable in part, to implementation of the Medicare Prescription Drug Improvement and Modernization Act in late FY 2004.

In June, 2004 and into FY 2005, eligible seniors in the RIPAE program were provided with two separate \$600 discount cards as an interim benefit until the full prescription benefit was offered nationwide. The state automatically enrolled all eligible seniors as allowed under federal law, for a total participating population of approximately 7,900 RIPAE members. Usage of the drug cards by the seniors resulted in reduced drug usage of approximately 30.0 percent in FY 2005, from a base amount of \$14.9 million to a year-end expenditure amount of \$10.4 million.

Maximization of drug card use by the seniors may not fully explain lower than projected drug use and drug expenditure levels in the RIPAE program during FY 2005. Increased use of newly derived generic

FY 2007 – FY 2011 Overview

drugs, the slight demographic decline in the elderly population growth rate from calendar year 2003 through calendar year 2007, and movement of elders between subsidy levels based on income eligibility may also be contributing factors.

The expenditure patterns of FY 2005 and FY 2006 change the basis for future year projections, a trend which is expected to continue when Part D of the Medicare prescription drug benefit program begins in January 2006. The Part D benefit will allow persons in Medicare to enroll in private insurance plans that will cover most if not all of their prescription needs. Those seniors who are not on Medicare but still enrolled in RIPAE are expected to stay in the RIPAE program.

Fiscal year 2006 will be a hybrid year, with the first half reflecting drug usage activity similar to FY 2005, as remnant interim drug card benefits are utilized in addition to typical drug usage patterns for those seniors who have exhausted their interim benefit. The second half of FY 2006 should reflect the movement of seniors at or below 150% of the federal poverty limit to the Part D program, as enacted into law by the 2005 Rhode Island General Assembly, though the timeline for this movement is over the period from January to May 2006. The number of clients in the program is predicted to decline by 6,000 to 32,000 utilizers in the second half of FY 2006 from approximately 38,000 in FY 2005. In FY 2007, a full year of Part D utilization is predicted to reduce the number of RIPAE clients to an estimated 26,000 persons.

At the time of this writing, outstanding issues remain regarding provision of deductibles, and whether the RIPAE program will continue to offer RIPAE drug benefits for drugs that are not part of the Part D formulary. Finally, the 'clawback' provision, which charges savings from diverted eligible seniors back to the DHS Medicaid program, is likely to have some effect on savings from implementation of Part D.

The forecasted expenditures within the Developmental Disability system of \$90.3 million in FY 2007 to \$105.4 million in FY 2011 indicate an average growth rate of approximately 3.9 percent per year. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in Department of Human Services' grant costs. Although the growth in expenditures in the Developmental Disability system has been relatively stable over the past few years, there are several factors that could significantly impact expenditures during the forecast period. These include greater public awareness of the availability and therefore the utilization of services, the aging of caregivers and the aging of the existing population. 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 Revaluation program. Average growth in these programs is assumed to average 7.8 percent over the projection period. The major driver of this

FY 2007 – FY 2011 Overview

increase is the commitment to phase out the motor vehicle excise tax which will result in increased costs over the five year period of \$123.4 million. Almost \$108 million of this increase will be paid from new video lottery terminal (VLT) revenues. The values of motor vehicles have fluctuated significantly from one year to the next. The forecast assumes growth in values of 3% each year and is based upon historical growth rates in the number of taxable vehicles. Another \$28.5 million of VLT revenues will provide new support for general revenue sharing and distressed community aid.

In dollar terms, the largest driving force behind expenditure growth is accounted for by Education Aid programs, which is expected to increase by a total of \$126.4 million from the FY 2007 base level. This reflects an estimated 3 percent annual growth in education aid. The FY 2008 projection assumes that the Governor's proposal for the state to pay 50% of Teacher Retirement costs will be adopted. Housing Aid, the Metropolitan School and Charter Schools are considered separately in terms of growth assumptions. As previously noted, projections for future required employer contribution rates to the teacher's retirement fund reflect moderated growth rates as a result of successful retirement reform. State contributions for teacher's retirement increase from \$69.4 million in fiscal 2007 to \$96.1 million in fiscal 2011 as contributions in excess of the required contribution would be used to reduce the unfunded liability of the retirement system. Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to increase from \$49.7 million to \$63.7 million or 28.2%. Finally, it is assumed that one new Charter school is added each fiscal year commencing in FY 2008 and continuing through FY 2010 and that enrollment at each of the new schools grows by 60 students per year. Based on these assumptions for new schools and increases in enrollment for existing schools, Charter School costs are estimated to rise from \$24.0 million in fiscal 2007 to \$33.8 million by fiscal 2011, an increase of 55.2 percent.

The General Revenue Sharing program is the next largest contributor to growth, with a projected increase of \$29.7 million over five years with \$10 million of the increase financed by VLT revenues. The forecast assumes that the legislature will adopt the Governor's proposal to limit regular general revenue sharing to 3% of general revenues. The distressed community program will grow from \$11.8 million to \$31.7 million with over \$19 million of the increase funded from VLT revenues. The PILOT program is anticipated to add \$6.2 million in expenditures over the forecast period while the Library Aid program will add \$3.1 million to the forecasted base. The forecast also assumes that the police and fire incentive programs will be eliminated

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2007 – FY 2011 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from \$94.1 million in FY 2007 to \$143.1 million in FY 2011. The plan calls for the issuance of general obligation bonds in FY 2007 of \$137 million, \$120 million in FY2008-FY2010 and \$100 million thereafter. It is assumed that interest on the general obligation bonds issued will be 5.0 percent for twenty year fixed rate debt, and 4.0 percent for outstanding variable rate debt. It reflects the diminishing benefit of the debt service savings resulting from the debt defeasance using tobacco securitization proceeds.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. In FY 2002 through FY 2007, the budget recommendations to defer some capital projects provided budgetary relief, but resulted in a structural imbalance in FY 2008 when those funds are redirected to capital projects rather than debt service. The projection assumes that Rhode Island

FY 2007 – FY 2011 Overview

Capital Plan funding for debt service will decrease from \$41.6 million in FY 2006 to \$38.9 million in FY 2008. In FY 2008 and thereafter, zero debt service will be funded from the Rhode Island Capital Plan funds. This, combined with new general obligation bond issuance, results in increased general revenue appropriations for debt service of \$27.7 million from FY 2007 to FY 2011. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five-year report as operating costs.

It is assumed that the Department of Transportation general obligation debt service funded by gas tax revenues in FY 2007 through FY 2011 will total \$36.7 million, \$37.3 million, \$41.3 million, \$44.4 million, and \$44.7 million. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to approximately \$9.6 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2007 through FY 2011 will total \$0.7 million in FY2007, \$0.8 million in FY2008, and .9 million in FY2009. It reflects the issuance of \$20.48 million in FY2007, and \$40.0 million in FY 2008 – FY 2011 for the Department of Transportation. It reflects issuance of \$1.54 million, \$0.6 million, \$.5 million in FY 2007 to FY 2009 for the Rhode Island Public Transit Authority.

Obligations for McCoy Stadium are estimated at 2.5 percent, offsetting the more conservative estimate of variable rates to be incurred on the State's general obligation bond (4%). Obligations arising from the Varley Rehabilitation (\$20.5 million), and the School for the Deaf (\$31.2 million) are assumed to be financed by general revenues, and interest is assumed at 5.0 percent. Debt from the Innovative Technology Initiative (\$65.2 million) is assumed to be amortized over ten years and a rate of 4.5% is assumed. Debt service costs for these projects increase from \$0.9 million in FY 2007, which reflects only partial interest, to \$12.4 million in FY 2011, an increase of \$11.4 million. Additionally, the debt financing for the FY 2006 requirements for the Neighborhood Opportunities Program add \$1.5 million of debt service. Rhode Island Refunding Bond Authority costs are \$20.3 million lower in FY 2011 compared to FY 2007 due to final amortization of outstanding PBA debt.

The obligations arising from the performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2007 forecast includes \$2,488,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2008 and thereafter, it assumes the Fidelity I and Providence Place Mall obligations are funded at the maximum level of \$2.5 million, and \$3.6 million, respectively. The forecast assumes no requirement for the Fleet obligation or the second Fidelity transaction, which if earned would total approximately \$0.3 million and \$0.9 million respectively.

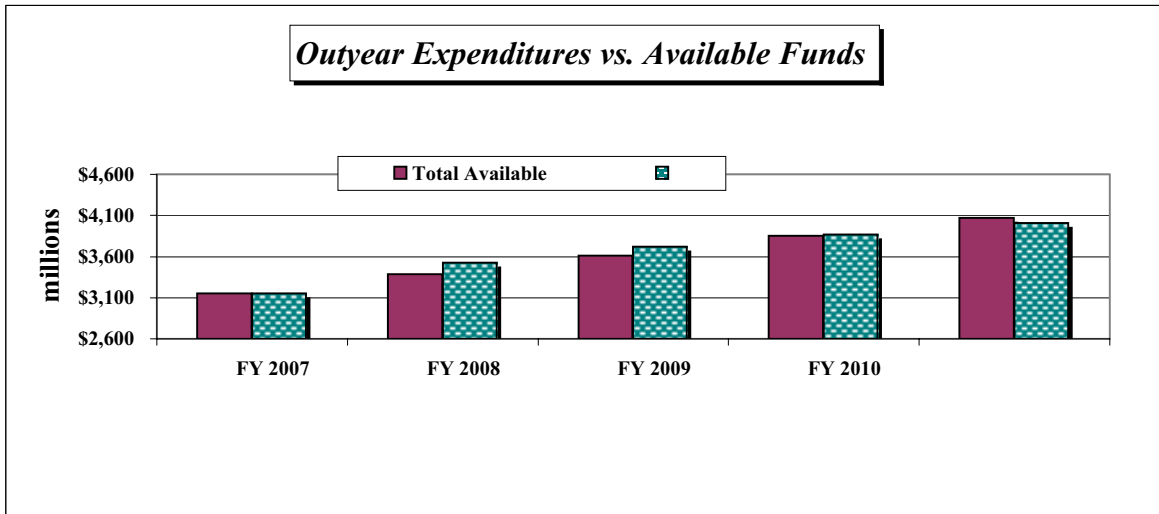
FY 2007 – FY 2011 Overview

Other

The projection also assumes that disbursements for capital projects from general revenues would be \$3.4 million in FY 2007, \$3.1 million in FY 2008, \$1.2 million in FY 2009, \$1.0 million in FY 2010 and \$1.5 million in FY 2011. This reflects capital projects funded by general revenues which are contained in the FY 2007 - 2011 Capital Budget, such as the Rose Hill Landfill remediation project and Water Allocation Plan.

General Revenue Outyear Estimates FY 2007 - FY 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Opening Surplus	\$14.2	\$0.0	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	2,806.8	2,955.4	3,101.0	3,262.4	3,404.1
Other Sources	397.4	502.5	585.5	668.9	750.3
Budget Stabilization Fund	(64.4)	(69.2)	(73.7)	(78.6)	(83.1)
Total Available	3,154.0	3,388.7	3,612.8	3,852.7	4,071.3
Minus Expenditures	3,154.0	3,523.3	3,719.8	3,871.2	4,011.9
Equals Ending Balance	\$0.0	(\$134.6)	(\$107.0)	(\$18.5)	\$59.4
<i>Operating Surplus or Deficit</i>	<i>(\$14.2)</i>	<i>(\$134.6)</i>	<i>(\$107.0)</i>	<i>(\$18.5)</i>	<i>\$59.4</i>
Rhode Island Capital Fund					
Budget Stabilization Balance	\$96.6	\$103.7	\$110.6	\$117.9	\$124.6
Capital Fund Balance	0.0	0.0	0.0	0.0	0.0
<i>Debt Service Disbursements</i>	<i>39.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Capital Projects Disbursements</i>	<i>24.8</i>	<i>62.1</i>	<i>66.8</i>	<i>71.3</i>	<i>76.4</i>
<i>Total Disbursements</i>	<i>\$63.8</i>	<i>\$62.1</i>	<i>\$66.8</i>	<i>\$71.3</i>	<i>\$76.4</i>



General Revenue Outyear Estimates

	FY 2008	FY 2009	FY 2010	FY 2011
Personal Income Tax	\$1,153,400,000	\$1,239,100,000	\$1,337,300,000	\$1,421,400,000
General Business Taxes:				
Business Corporations & Franchise	118,900,000	127,600,000	136,400,000	143,500,000
Public Utilities	98,600,000	101,900,000	105,100,000	108,300,000
Financial Institutions	3,600,000	3,900,000	4,100,000	4,300,000
Insurance Companies	59,400,000	61,800,000	66,100,000	66,800,000
Bank Deposits	1,600,000	1,700,000	1,700,000	1,800,000
Health Care Provider	51,400,000	53,500,000	55,600,000	57,500,000
General Business Taxes	\$333,500,000	\$350,400,000	\$369,000,000	\$382,200,000
Sales and Use Taxes:				
Sales and Use	964,200,000	1,004,700,000	1,047,700,000	1,090,000,000
Motor Vehicle	50,500,000	51,000,000	51,300,000	51,600,000
Motor Fuel	1,100,000	1,100,000	1,100,000	1,100,000
Cigarettes	123,700,000	120,700,000	117,100,000	113,200,000
Alcohol	11,800,000	12,300,000	12,800,000	13,400,000
Controlled Substances	0	0	0	0
Sales and Use Taxes	\$1,151,300,000	\$1,189,800,000	\$1,230,000,000	\$1,269,300,000
Other Taxes:				
Inheritance and Gift	30,000,000	31,400,000	32,800,000	34,300,000
Racing and Athletics	3,300,000	3,200,000	3,000,000	2,900,000
Realty Transfer Tax	16,500,000	16,600,000	16,600,000	16,800,000
Other Taxes	\$49,800,000	\$51,200,000	\$52,400,000	\$54,000,000
Total Taxes	\$2,688,000,000	\$2,830,500,000	\$2,988,700,000	\$3,126,900,000
Total Departmental Receipts	267,400,000	270,500,000	273,700,000	277,200,000
Taxes and Departmentals	\$2,955,400,000	\$3,101,000,000	\$3,262,400,000	\$3,404,100,000
Other Sources				
Gas Tax Transfers	4,800,000	4,900,000	4,900,000	5,000,000
Other Miscellaneous	10,600,000	10,300,000	10,300,000	10,300,000
Lottery Commission Receipts	477,100,000	560,100,000	643,300,000	724,300,000
Unclaimed Property	10,000,000	10,200,000	10,400,000	10,700,000
Other Sources	\$502,500,000	\$585,500,000	\$668,900,000	\$750,300,000
Total General Revenues	\$3,457,900,000	\$3,686,500,000	\$3,931,300,000	\$4,154,400,000

General Revenue Outyear Estimates

	FY 2008	FY 2009	FY 2010	FY 2011
Personal Income Tax	7.6%	7.4%	7.9%	6.3%
General Business Taxes:				
Business Corporations	5.7%	7.3%	6.8%	5.2%
Public Utilities	3.5%	3.4%	3.2%	3.0%
Financial Institutions	1720.4%	7.8%	5.4%	4.5%
Insurance Companies	9.7%	4.0%	7.0%	1.1%
Bank Deposits	2.6%	2.3%	2.3%	2.2%
Health Care Provider	3.6%	4.2%	3.9%	3.4%
General Business Taxes	6.5%	5.1%	5.3%	3.6%
Sales and Use Taxes:				
Sales and Use	3.9%	4.2%	4.3%	4.0%
Motor Vehicle	1.1%	0.8%	0.7%	0.6%
Motor Fuel	0.2%	0.9%	1.0%	0.7%
Cigarettes	-2.3%	-2.5%	-2.9%	-3.3%
Alcohol	3.6%	3.9%	4.3%	5.0%
Controlled Substances				
Sales and Use Taxes	3.1%	3.3%	3.4%	3.2%
Other Taxes:				
Inheritance and Gift	4.6%	4.6%	4.5%	4.4%
Racing and Athletics	-3.6%	-3.6%	-3.5%	-3.5%
Realty Transfer Tax	-4.4%	0.3%	0.2%	0.8%
Other Taxes	0.9%	2.6%	2.6%	2.8%
Total Taxes	5.4%	5.3%	5.6%	4.6%
Total Departmental Receipts	4.6%	1.1%	1.2%	1.3%
Taxes and Departmentals	5.3%	4.9%	5.2%	4.3%
Other Sources				
Gas Tax Transfers	-1.9%	0.9%	1.0%	0.7%
Other Miscellaneous	-39.7%	-2.7%	-0.2%	0.1%
Lottery Commission Receipts	31.0%	17.4%	14.9%	12.6%
Unclaimed Property	-7.1%	2.1%	2.1%	2.0%
Other Sources	26.4%	16.5%	14.3%	12.1%
Total General Revenues	7.9%	6.6%	6.7%	5.7%

General Revenue Outyear Expenditure Estimates

	FY 2008	FY 2009	FY 2010	FY 2011
State Operations				
Personnel	\$846,700,000	\$877,500,000	\$905,600,000	\$932,700,000
Other State Operations	200,500,000	204,900,000	209,400,000	214,000,000
DCYF Caseload Growth	2,100,000	3,300,000	4,600,000	6,000,000
DOC Inmate Growth	3,200,000	6,600,000	10,200,000	14,100,000
Subtotal	\$1,052,500,000	\$1,092,300,000	\$1,129,800,000	\$1,166,800,000
Grants and Benefits				
DCYF Services	\$103,100,000	\$105,400,000	\$107,700,000	\$110,100,000
TANF Cash/Child Care/MOE	44,400,000	43,300,000	42,200,000	41,100,000
SSI Cash	29,500,000	30,500,000	31,500,000	32,600,000
Home Health Care-DEA	5,300,000	5,700,000	6,200,000	6,700,000
Nursing Home Care	152,600,000	157,200,000	161,900,000	166,800,000
MHRH MR\DD	93,900,000	97,600,000	101,400,000	105,400,000
Other DHS Medicaid	290,100,000	314,700,000	341,300,000	370,000,000
RIPAE	5,200,000	5,900,000	6,700,000	7,500,000
Managed Care	223,900,000	245,100,000	268,400,000	293,900,000
Other Grants and Benefits	165,900,000	169,500,000	173,200,000	177,000,000
Subtotal	\$1,113,900,000	\$1,174,900,000	\$1,240,500,000	\$1,311,100,000
Local Aid				
Education Aid	\$873,400,000	\$905,200,000	\$934,400,000	\$962,300,000
General Revenue Sharing	73,200,000	76,500,000	80,600,000	84,900,000
GRS - VLT	5,200,000	8,300,000	10,000,000	10,000,000
Motor Vehicle Tax Reimbursements	126,700,000	130,500,000	134,400,000	138,500,000
Motor Vehicle - VLT	65,500,000	103,800,000	114,000,000	114,000,000
PILOT	31,800,000	33,600,000	35,400,000	37,400,000
Distressed Communities	11,000,000	11,200,000	11,500,000	11,700,000
Distressed - VLT	10,500,000	16,600,000	20,000,000	20,000,000
Library Aid	13,400,000	14,000,000	14,300,000	14,500,000
Property Revaluation Prgm	900,000	1,400,000	2,000,000	1,000,000
Police/Fire Incentive Payments	0	0	0	0
Subtotal	\$1,211,600,000	\$1,301,100,000	\$1,356,600,000	\$1,394,300,000
Capital				
<i>Debt Service</i>				
General Obligation	63,500,000	\$66,900,000	\$72,400,000	\$74,800,000
Refunding Bond Authority	19,100,000	18,200,000	6,000,000	0
COPS/Other Leases	32,700,000	36,500,000	36,000,000	35,000,000
Convention Center	23,500,000	23,400,000	23,400,000	23,400,000
Performance Based	6,000,000	6,000,000	6,000,000	6,000,000
TANS	-	-	-	-
<i>Capital Improvements</i>				
Other Projects	500,000	500,000	500,000	500,000
Subtotal	\$145,300,000	\$151,500,000	\$144,300,000	\$139,700,000
Total	\$3,523,300,000	\$3,719,800,000	\$3,871,200,000	\$4,011,900,000
Difference	\$369,200,000	\$196,500,000	\$151,400,000	\$140,700,000

General Revenue Outyear Expenditure Estimates

	FY 2008	FY 2009	FY 2010	FY 2011
State Operations				
Personnel	8.62%	3.64%	3.20%	2.99%
Other State Operations	2.09%	2.19%	2.20%	2.20%
DCYF Annual Caseload Growth	2.10%	2.10%	2.10%	
DOC Annual Inmate Growth	1.70%	1.70%	1.70%	
Subtotal	7.85%	3.78%	3.43%	3.27%
Grants and Benefits				
DCYF Services	2.08%	2.23%	2.18%	2.23%
TANF Cash/Child Care/MOE	-1.99%	-2.48%	-2.54%	-2.61%
SSI Cash	3.51%	3.39%	3.28%	3.49%
Home Health Care-DEA	10.42%	7.55%	8.77%	8.06%
Nursing Home Care	6.19%	3.01%	2.99%	3.03%
MHRH MR/DD	3.99%	3.94%	3.89%	3.94%
Other Medicaid	33.50%	8.48%	8.45%	8.41%
RIPAE	15.56%	13.46%	13.56%	11.94%
Managed Care	10.73%	9.47%	9.51%	9.50%
Other Grants and Benefits	2.09%	2.17%	2.18%	2.19%
Subtotal	11.38%	5.48%	5.58%	5.69%
Local Aid				
Education Aid	4.49%	3.64%	3.23%	2.99%
General Revenue Sharing	13.14%	4.51%	5.36%	5.33%
Motor Vehicle Tax Reimbursements	3.01%	3.00%	2.99%	3.05%
MV - VLT	973.77%	58.47%	9.83%	0.00%
PILOT	9.66%	5.66%	5.36%	5.65%
Distressed Communities	1.85%	1.82%	2.68%	1.74%
Distressed - VLT	950.00%	58.10%	20.48%	0.00%
Library Aid	17.54%	4.48%	2.14%	1.40%
Property Revaluation Prgm	-40.00%	55.56%	42.86%	-50.00%
Police/Fire Incentive Payments				
Subtotal	11.78%	7.39%	4.27%	2.78%
Capital				
<i>Debt Service</i>				
General Obligation	199.53%	5.35%	8.22%	3.31%
Refunding Bond Authority	-1.04%	-4.71%	-67.03%	-100.00%
COPS/Other Leases	35.12%	11.62%	-1.37%	-2.78%
Convention Center	12.44%	-0.43%	0.00%	0.00%
Performance Based	0.00%	0.00%	0.00%	0.00%
TANS				
<i>Capital Improvements</i>				
Other Projects	-80.77%	0.00%	0.00%	0.00%
Subtotal	54.25%	4.27%	-4.75%	-3.19%
Total	11.71%	5.58%	4.07%	3.63%
CPI-U	2.1%	2.2%	2.2%	2.2%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2008	FY 2009	FY 2010	FY 2011
Personal Income (billions) [1]	\$44.1	\$46.1	\$48.2	\$50.3
<i>Change</i>	4.6%	4.6%	4.5%	4.4%
Nonfarm Employment (thousands) [1]	509.2	513.8	517.9	522.0
<i>Change</i>	1.1%	0.9%	0.8%	0.8%
Personal Income Tax				
Wages and Salaries [1]	4.9%	4.8%	4.6%	4.4%
Taxable Nonwage [2]	4.2%	4.3%	4.4%	4.4%
Elasticity [3]	1.0	1.0	1.0	1.0
Business Corporation Tax [4]	6.6%	6.5%	5.4%	5.1%
Provider Tax [3]	3.6%	4.2%	3.9%	3.4%
Sales Tax				
Wages and Salaries [1]	4.9%	4.8%	4.6%	4.4%
Elasticity [3]	0.8	0.8	0.8	0.8
Gasoline Tax				
Real Consumption [5]	0.7%	0.9%	1.0%	0.8%
Other Taxes and Departmentals	2.1%	2.2%	2.2%	2.2%
CPI-U (U.S.) [1]	2.1%	2.2%	2.2%	2.2%
Salaries and Fringe Benefits				
Salary COLA - [12], CPI-U [1]	3.0%	2.2%	2.2%	2.2%
Steps and Longevity Increases [3]	1.7%	1.7%	1.7%	1.7%
Medical Benefits Costs [12], [11]	5.2%	7.5%	7.3%	7.3%
Retiree Health Costs [13], [11]	285.6%	7.3%	7.2%	7.1%
State Employees Retirement Costs [14]	20.1%	20.4%	19.9%	19.2%
Corrections Population, Including INS Detainees [3]	3,517	3,590	3,664	3,740
<i>Change</i>	2.1%	2.1%	2.1%	2.1%
Children in State Care	8,145	8,238	8,333	8,428
Caseload Change [3]	1.1%	1.1%	1.2%	1.1%
FIP Caseloads [3]	28,381	27,455	26,595	25,906
<i>Change</i>	-5.2%	-3.3%	-3.1%	-2.6%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2008	FY 2009	FY 2010	FY 2011
SSI Caseload [3]	32,157	32,834	33,518	34,205
Caseload Change	2.1%	2.1%	2.1%	2.0%
Percent Disabled	79.8%	80.2%	80.7%	81.2%
Estimated Disabled	25,669	26,310	26,968	27,642
Disabled Growth	2.5%	2.5%	2.5%	2.5%
Percent Elderly	20.2%	19.8%	19.3%	18.8%
Estimated Elderly	6,488	6,523	6,550	6,563
Growth Elderly [6]	0.5%	0.5%	0.4%	0.2%
Home Health Care				
Expenditure Growth [7]	9.0%	8.7%	8.4%	8.1%
Nursing Home Care				
Expenditure Growth [3]	6.2%	3.0%	3.0%	3.0%
Other Medicaid				
Expenditure Growth [9]	9.1%	8.9%	8.7%	8.4%
RIPAE				
Caseloads [3]	26,130	26,287	26,392	26,497
Caseload Change [3]	0.5%	0.6%	0.4%	0.4%
Price Inflation [3], [10]	4.3%	3.9%	3.7%	2.9%
Managed Care				
Expenditure Growth [8]	7.5%	7.5%	7.1%	6.9%
Education Aid [15]	4.7%	4.5%	3.6%	3.5%

[1] November 2005 Revenue Estimating Conference Consensus Economic Forecast.

[2] Nov. 2005 REC estimates and Economy.com Fiscal Year Forecast of the Rhode Island Economy, November 2005.

[3] State of Rhode Island Budget Office Estimate.

[4] Economy.com Calendar Year Forecast of the U.S. Economy, November 2005, Corporate Profits Before Tax.

[5] Economy.com Calendar Year Forecast of the U.S. Economy, November 2005, Nondurables: Gasoline and Oil.

[6] Economy.com Fiscal Year Forecast of the R.I. Economy, November 2005, Growth in Population Ages 65+.

[7] HCFA (CMS) National Health Care Expenditures Projections 2004-2014, March 2005, Table 10: Home Health Care Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.

[8] HCFA (CMS) National Health Care Expenditures Projections 2004-2014, March 2005, Table 3: National Health Expenditures, Private Health Insurance, Average Annual Percentage Change from Previous Year, adjusted for State fiscal Year.

[9] HCFA (CMS) National Health Care Expenditures Projections 2004-2014, March 2005, Table 3: National Health Expenditures, Medicaid, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.

[10] [3] and HCFA (CMS) National Health Care Expenditures Projections 2004-2014, March 2005, Table 11: Prescription Drug Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.

[11] HCFA (CMS) National Health Care Expenditures Projections 2004-2014, March 2005, Table 5: Personal Health Care Expenditures, Private Health Insurance Payments, Average Annual Percentage Change from Previous Year, adjusted for State Fiscal Year.

[12] Negotiated rate - CPI thereafter.

[13] Reflects Compliance with GASB rules beginning with Fiscal 2008.

[14] Actuary % of payroll.

[15] State of Rhode Island Budget Office estimate of Education Aid Including Housing Aid, Teachers Retirement, Met Schools and Charter Schools

Appendix A

Schedules

General Revenue Budget Surplus Statement

	FY2004 Audited	FY2005 Unaudited	FY 2006		FY2007 Recommended
			Enacted	Revised	
Surplus					
Opening Surplus	\$ 42,633,628	\$ 24,451,367	\$ 40,802,481	\$ 38,593,085	\$ 14,172,794
Pending Audit Adjustments		\$ 800,000			
Reappropriated Surplus	7,346,513	10,145,888		13,489,214	-
Subtotal	49,980,141	35,397,255	40,802,481	52,082,299	14,172,794
General Taxes	2,156,633,422	2,376,745,342	2,468,556,474	2,468,556,474	2,547,000,000
Revenue estimators' revision	-	-	-	(28,856,474)	-
Changes to adopted revenue estimates				8,100,000	4,341,145
Subtotal	2,156,633,422	2,376,745,342	2,468,556,474	2,447,800,000	2,551,341,145
Departmental Revenues	285,004,989	267,079,817	312,586,831	312,586,831	207,500,000
Revenue estimators' revision	-	-	-	(37,486,831)	-
Changes to adopted revenue estimates				742,430	48,133,862
Subtotal	285,004,989	267,079,817	312,586,831	275,842,430	255,633,862
Other Sources					
Gas Tax Transfers	7,760,433	9,022,662	4,760,000	4,760,000	4,810,000
Changes to adopted revenue estimates					127,335
Other Miscellaneous	19,705,661	28,197,313	18,950,000	18,950,000	14,249,500
Rev Estimators' revision-Miscellaneous	-	-	-	(930,700)	-
Changes to adopted revenue estimates				61,987,032	3,300,000
Lottery	281,141,647	307,540,000	350,500,000	350,500,000	364,200,000
Revenue Estimators' revision-Lottery	-	-	-	(25,400,000)	-
Unclaimed Property	17,042,121	15,617,732	10,199,000	10,199,000	10,800,000
Revenue Estimators' revision-Unclaimed	-	-	-	6,001,000	-
Subtotal	325,649,862	360,377,707	384,409,000	426,066,332	397,486,835
Total Revenues	\$ 2,767,288,273	\$ 3,004,202,866	\$ 3,165,552,305	\$ 3,149,708,762	\$ 3,204,461,842
Budget Stabilization	(56,198,438)	(60,589,085)	(64,127,096)	(63,766,037)	(64,372,693)
Total Available	\$ 2,761,069,976	\$ 2,979,011,036	\$ 3,142,227,690	\$ 3,138,025,024	\$ 3,154,261,943
Actual/Enacted Expenditures	\$ 2,726,472,721	\$ 2,926,928,737	\$ 3,142,080,062	\$ 3,142,080,062	\$ 3,153,993,762
Reappropriations	-	-	-	13,489,214	-
Changes to appropriations	-	-	-	(31,717,046)	-
Total Expenditures	\$ 2,726,472,721	\$ 2,926,928,737	\$ 3,142,080,062	\$ 3,123,852,230	\$ 3,153,993,762
Free Surplus	\$ 24,451,367	\$ 38,593,085	\$ 147,628	\$ 14,172,794	\$ 268,181
Reappropriations	10,145,888	13,489,214	-	-	-
Total Ending Balances	\$ 34,597,255	\$ 52,082,299	\$ 147,628	\$ 14,172,794	\$ 268,181
Budget Reserve and Cash					
Stabilization Account	\$ 84,297,657	\$ 90,859,627	\$ 96,190,644	\$ 95,649,055	\$ 96,559,039

Expenditures from All Funds

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
General Government					
Administration	\$504,133,268	\$523,790,846	\$593,001,271	\$794,615,085	\$779,981,009
Business Regulation	9,885,090	9,754,827	11,343,606	11,333,680	12,065,720
Labor and Training	470,281,830	446,961,466	445,950,069	456,629,153	462,566,192
Legislature	25,851,141	28,031,704	30,228,786	33,963,024	33,697,225
Lieutenant Governor	841,746	848,006	917,362	958,767	967,512
Secretary of State	6,533,065	8,593,464	6,267,053	12,022,101	8,250,835
General Treasurer	37,585,650	35,665,017	30,045,868	39,635,940	29,239,448
Boards for Design Professionals	418,901	379,272	359,516	380,673	394,153
Board of Elections	2,268,661	2,569,068	2,508,556	2,463,256	4,602,956
Rhode Island Ethics Commission	850,786	969,234	1,207,394	1,191,330	1,322,186
Governor's Office	4,380,811	4,362,965	4,606,682	4,960,144	5,265,747
Public Utilities Commission	4,609,881	4,817,830	6,420,340	6,599,484	6,924,526
Rhode Island Commission on Women	65,185	83,741	86,557	91,820	99,915
Subtotal - General Government	\$1,067,706,015	\$1,066,827,440	\$1,132,943,060	\$1,364,844,457	\$1,345,377,424
Human Services					
Children, Youth, and Families	252,281,073	263,113,618	278,707,878	283,995,164	289,725,844
Elderly Affairs	45,782,712	42,345,683	43,089,254	45,458,816	37,797,500
Health	110,852,272	104,931,884	110,327,338	118,445,184	112,095,170
Human Services	1,546,320,461	1,629,207,079	1,781,887,713	1,733,551,813	1,621,074,658
Mental Health, Retardation, & Hospitals	456,741,976	465,965,281	488,752,255	496,162,935	503,165,186
Office of the Child Advocate	598,228	420,874	546,681	546,681	602,596
Commission on Deaf & Hard of Hearing	236,615	262,320	352,942	352,084	373,729
RI Developmental Disabilities Council	481,413	598,694	511,924	458,614	463,053
Governor's Commission on Disabilities	585,205	706,319	911,942	1,061,092	1,023,634
Commission for Human Rights	1,101,206	1,107,462	1,249,102	1,318,390	1,404,894
Office of the Mental Health Advocate	322,571	339,922	351,329	374,432	397,798
Subtotal - Human Services	\$2,415,303,732	\$2,508,999,136	\$2,706,688,358	\$2,681,725,205	\$2,568,124,062
Education					
Elementary and Secondary	929,629,298	976,722,321	1,021,591,220	1,019,525,913	1,064,545,457
Higher Education - Board of Governors	615,252,583	631,770,050	682,476,495	678,348,799	708,981,244
RI Council on the Arts	2,186,617	2,507,198	3,982,358	3,916,434	4,118,380
RI Atomic Energy Commission	967,810	976,442	1,247,939	1,306,426	1,382,908
Higher Education Assistance Authority	22,500,404	23,290,988	28,689,247	29,118,154	29,758,012
Historical Preservation and Heritage Comm.	1,611,544	1,965,282	2,231,145	2,581,396	2,243,581
Public Telecommunications Authority	2,348,499	3,170,445	2,042,817	3,853,604	2,219,167
Subtotal - Education	\$1,574,496,755	\$1,640,402,726	\$1,742,261,221	\$1,738,650,726	\$1,813,248,749

Expenditures from All Funds

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
Public Safety					
Attorney General	18,223,562	19,628,994	20,522,639	22,607,020	22,808,544
Corrections	148,463,054	151,740,062	160,624,173	175,435,875	181,597,593
Judicial	77,534,188	81,579,576	83,957,104	91,248,944	92,225,771
Military Staff	24,737,549	19,928,040	30,032,698	43,958,715	37,513,061
E-911 Emergency Telephone System	4,037,237	4,662,876	6,046,223	6,262,724	6,923,925
Fire Safety Code Board of Appeal & Review	211,693	237,485	266,894	287,505	292,554
State Fire Marshal	1,615,060	2,221,107	2,722,739	3,035,927	3,005,010
Commission on Judicial Tenure & Discipline	95,720	129,108	106,650	113,411	114,772
Rhode Island Justice Commission	4,931,034	5,295,881	5,734,692	5,591,479	5,002,694
Municipal Police Training Academy	365,117	389,141	403,710	490,812	470,910
State Police	43,295,892	46,460,587	50,344,373	52,948,240	54,117,790
Office Of Public Defender	6,675,442	7,155,719	7,994,972	8,715,546	9,080,122
Subtotal - Public Safety	\$330,185,548	\$339,428,576	\$368,756,867	\$410,696,198	\$413,152,746
Natural Resources					
Environmental Management	57,089,852	64,728,697	80,391,127	82,456,995	89,416,706
Coastal Resources Management Council	8,381,456	3,830,827	4,139,088	5,529,947	6,109,259
Water Resources Board	2,204,822	2,635,204	2,803,450	2,869,827	2,413,802
Subtotal - Natural Resources	\$67,676,130	\$71,194,728	\$87,333,665	\$90,856,769	\$97,939,767
Transportation					
Transportation	321,209,122	332,152,249	311,924,072	350,465,109	342,407,872
Subtotal - Transportation	\$321,209,122	\$332,152,249	\$311,924,072	\$350,465,109	\$342,407,872
Total	\$5,776,577,302	\$5,959,004,855	\$6,349,907,243	\$6,637,238,464	\$6,580,250,620

Expenditures from General Revenues

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
General Government					
Administration	\$336,916,338	\$416,002,357	\$469,270,013	\$446,609,576	\$441,954,450
Business Regulation	9,330,043	9,278,429	10,535,244	10,539,584	11,260,362
Labor and Training	7,534,669	7,096,275	7,441,870	7,706,093	7,532,903
Legislature	24,362,256	26,933,113	28,956,307	32,611,520	32,240,992
Lieutenant Governor	841,746	848,006	917,362	958,767	967,512
Secretary of State	4,554,708	5,288,648	4,799,470	5,245,812	5,657,590
General Treasurer	2,731,693	3,166,378	2,898,672	2,802,656	2,991,870
Boards for Design Professionals	418,901	379,272	359,516	380,673	394,153
Board of Elections	1,315,570	1,502,197	1,421,683	1,434,137	3,784,056
Rhode Island Ethics Commission	850,786	969,234	1,207,394	1,191,330	1,322,186
Governor's Office	4,380,811	4,362,965	4,530,495	4,771,168	4,962,015
Public Utilities Commission	639,946	628,341	710,111	693,544	746,530
Rhode Island Commission on Women	65,185	83,741	86,557	91,820	99,915
Subtotal - General Government	\$393,942,652	\$476,538,956	\$533,134,694	\$515,036,680	\$513,914,534
Human Services					
Children, Youth, and Families	141,197,300	155,364,630	164,678,493	165,600,390	171,984,600
Elderly Affairs	29,279,214	25,660,265	21,093,567	22,208,708	19,230,920
Health	33,719,333	29,859,395	31,829,313	36,266,504	33,255,571
Human Services	633,285,805	694,484,822	773,199,536	741,035,999	722,197,463
Mental Health, Retardation, & Hospitals	214,539,342	230,338,122	240,055,689	249,493,430	257,467,252
Office of the Child Advocate	497,068	339,721	498,621	536,189	562,596
Commission on Deaf & Hard of Hearing	236,615	262,320	307,606	337,084	358,729
RI Developmental Disabilities Council	-	-	-	-	-
Governor's Commission on Disabilities	538,148	535,199	531,409	548,321	602,509
Commission for Human Rights	1,038,517	997,419	979,397	1,005,908	1,075,216
Office of the Mental Health Advocate	322,571	339,922	351,329	374,432	397,798
Subtotal - Human Services	\$1,054,653,913	\$1,138,181,815	\$1,233,524,960	\$1,217,406,965	\$1,207,132,654
Education					
Elementary and Secondary	776,026,245	793,955,132	837,487,852	835,339,739	877,187,462
Higher Education - Board of Governors	171,028,239	173,432,404	182,368,837	178,932,477	190,585,120
RI Council on the Arts	1,605,871	1,791,045	2,623,921	2,641,572	2,373,685
RI Atomic Energy Commission	695,635	716,418	765,890	770,250	836,702
Higher Education Assistance Authority	11,051,447	9,956,900	9,900,422	7,729,028	9,372,402
Historical Preservation and Heritage Commission	1,022,293	1,221,109	1,410,602	1,415,285	1,489,494
Public Telecommunications Authority	1,217,692	1,039,184	1,285,906	1,316,268	1,390,669
Subtotal - Education	\$962,647,422	\$982,112,192	\$1,035,843,430	\$1,028,144,619	\$1,083,235,534

Expenditures from General Revenues

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
Public Safety					
Attorney General	16,077,703	17,141,816	18,231,163	19,686,252	20,515,081
Corrections	144,082,968	146,860,786	146,939,175	159,505,789	166,278,333
Judicial	67,428,309	71,715,433	72,187,967	76,676,577	50,863,408
Military Staff	2,019,613	2,336,253	2,331,813	2,734,825	3,175,751
E-911 Emergency Telephone System	4,037,237	3,881,544	4,170,299	4,129,917	4,540,876
Fire Safety Code Board of Appeal & Review	211,693	237,485	266,894	287,505	292,554
State Fire Marshal	1,514,606	2,099,879	2,368,505	2,656,030	2,814,010
Commission on Judicial Tenure and Discipline	95,720	129,108	106,650	113,411	114,772
Rhode Island Justice Commission	161,663	253,856	253,085	254,020	263,972
Municipal Police Training Academy	343,298	342,853	373,710	373,710	425,910
State Police	39,147,188	42,443,124	45,368,538	47,302,684	49,057,151
Office Of Public Defender	6,291,199	6,871,288	7,757,125	8,449,477	8,944,421
Subtotal - Public Safety	\$281,411,197	\$294,313,425	\$ 300,354,924	\$322,170,197	\$307,286,239
Natural Resources					
Environmental Management	31,448,346	33,277,951	35,796,460	37,539,885	38,728,932
Coastal Resources Management Council	1,457,694	1,416,887	1,580,355	1,677,005	1,762,667
Water Resources Board	911,497	1,087,511	1,845,239	1,876,879	1,933,202
Subtotal - Natural Resources	\$33,817,537	\$35,782,349	\$ 39,222,054	\$ 41,093,769	\$ 42,424,801
Transportation					
Transportation	-	-	-	-	-
Subtotal - Transportation	-	-	-	-	-
Total	\$2,726,472,721	\$2,926,928,737	\$3,142,080,062	\$3,123,852,230	\$3,153,993,762

Expenditures from Federal Funds

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
General Government					
Administration	\$82,293,909	\$32,942,033	\$25,888,496	\$31,160,309	\$27,147,961
Business Regulation	-	-	-	-	-
Labor and Training	31,357,468	31,986,628	28,569,144	35,850,895	31,983,168
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-
Secretary of State	1,502,841	2,913,387	981,955	6,301,396	2,106,890
General Treasurer	2,372,572	1,713,752	1,499,239	2,338,078	1,024,419
Boards for Design Professionals	-	-	-	-	-
Board of Elections	953,091	1,066,871	1,086,873	1,029,119	818,900
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	-	-	-
Public Utilities Commission	60,539	56,367	75,437	83,562	88,567
Rhode Island Commission on Women	-	-	-	-	-
Subtotal - General Government	\$118,540,420	\$70,679,038	\$58,101,144	\$76,763,359	\$63,169,905
Human Services					
Children, Youth, and Families	109,087,004	106,338,985	109,771,324	114,530,214	112,480,150
Elderly Affairs	11,776,519	11,769,152	13,910,687	16,140,108	12,556,580
Health	67,324,256	64,504,296	66,802,877	70,944,891	67,134,754
Human Services	909,408,857	931,182,907	1,003,025,555	987,227,767	894,483,826
Mental Health, Retardation, & Hospitals	241,479,073	232,779,398	242,185,305	241,477,557	240,557,934
Office of the Child Advocate	84,478	81,153	48,060	10,492	40,000
Commission on Deaf & Hard of Hearing	-	-	45,336	15,000	15,000
RI Developmental Disabilities Council	481,413	598,694	511,924	458,614	463,053
Governor's Commission on Disabilities	17,568	39,209	116,928	226,439	195,681
Commission for Human Rights	62,689	110,043	269,705	312,482	329,678
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$1,339,721,857	\$1,347,403,837	\$1,436,687,701	\$1,431,343,564	\$1,328,256,656
Education					
Elementary and Secondary	151,504,398	178,847,178	178,766,858	179,673,323	182,778,989
Higher Education - Board of Governors	1,882,161	2,527,352	3,085,532	3,085,532	3,146,976
RI Council on the Arts	568,614	677,768	758,437	674,862	736,500
RI Atomic Energy Commission	123,663	64,899	325,000	375,000	375,000
Higher Education Assistance Authority	7,481,024	7,360,608	12,390,339	12,380,178	12,927,312
Historical Preservation and Heritage Comm.	511,398	569,714	583,881	605,643	487,267
Public Telecommunications Authority	194,865	360,905	-	-	-
Subtotal - Education	\$162,266,123	\$190,408,424	\$195,910,047	\$196,794,538	\$200,452,044

Expenditures from Federal Funds

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
Public Safety					
Attorney General	1,477,922	1,585,915	1,158,544	1,468,281	1,055,397
Corrections	1,800,395	2,889,866	9,473,800	8,338,120	
	986,119	97			
TJ 675 0 TD [(70,93681)-] 2770019,0,800	-881				
	-881				
	45,0,800				
544	1,8,36281	7,8,90397			
Water Resources Boardt-13839355473,395					

Expenditures From Restricted Receipts

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
General Government					
Administration	\$10,244,668	\$8,285,544	\$10,145,202	\$4,315,371	\$3,098,413
Business Regulation	555,047	476,398	808,362	794,096	805,358
Labor and Training	22,053,116	22,322,945	20,684,521	22,588,326	23,954,322
Legislature	1,488,885	1,098,591	1,272,479	1,351,504	1,456,233
Lieutenant Governor	-	-	-	-	-
Secretary of State	475,516	391,429	485,628	474,893	486,355
General Treasurer	27,669,550	24,810,938	20,148,483	26,849,577	18,396,066
Boards for Design Professionals	-	-	-	-	-
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	-	103,611	211,603
Public Utilities Commission	3,909,396	4,133,122	5,634,792	5,822,378	6,089,429
Rhode Island Commission on Women	-	-	-	-	-
Subtotal - General Government	\$66,396,178	\$61,518,967	\$59,179,467	\$62,299,756	\$54,497,779
Human Services					
Children, Youth, and Families	1,976,012	1,409,503	1,628,401	2,284,900	1,661,094
Elderly Affairs	-	-	3,325,000	2,350,000	1,250,000
Health	9,729,391	10,530,235	11,580,072	11,203,829	11,674,885
Human Services	3,625,799	3,539,350	5,612,622	5,238,047	4,393,369
Mental Health, Retardation, & Hospitals	45,970	50,000	100,000	90,000	90,000
Office of the Child Advocate	16,682	-	-	-	-
Commission on Deaf & Hard of Hearing	-	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-	-
Governor's Commission on Disabilities	12,489	22,634	63,605	86,332	25,444
Commission for Human Rights	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$15,406,343	\$15,551,722	\$22,309,700	\$21,253,108	\$19,094,792
Education					
Elementary and Secondary	1,900,632	2,843,754	4,859,230	3,989,445	4,527,067
Higher Education - Board of Governors	446,842	571,695	607,689	1,137,680	1,179,479
RI Council on the Arts	12,132	38,385	600,000	600,000	1,008,195
RI Atomic Energy Commission	-	-	-	-	-
Higher Education Assistance Authority	-	-	-	-	-
Historical Preservation and Heritage Commissio	77,853	174,459	236,662	560,468	266,820
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$2,437,459	\$3,628,293	\$6,303,581	\$6,287,593	\$6,981,561

Expenditures From Restricted Receipts

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
Public Safety					
Attorney General	667,937	698,341	861,932	986,909	1,073,066
Corrections	1,811,063	217,362	-	2,812	-
Judicial	7,209,394	6,730,331	7,390,042	8,236,254	38,526,244
Military Staff	80,254	156,049	421,429	357,429	430,385
E-911 Emergency Telephone System	-	714,707	1,656,924	1,827,871	2,312,113
Fire Safety Code Board of Appeal & Review	-	-	-	-	-
State Fire Marshal	-	-	-	-	-
Commission on Judicial Tenure & Discipline	-	-	-	-	-
Rhode Island Justice Commission	20,421	24,110	30,000	30,000	30,000
Municipal Police Training Academy	-	-	-	-	-
State Police	379,015	248,488	301,100	356,592	235,411
Office Of Public Defender	-	-	-	-	-
Sheriffs of Several Counties	-	-	-	-	-
Subtotal - Public Safety	\$10,168,084	\$8,789,388	\$10,661,427	\$11,797,867	\$42,607,219
Natural Resources					
Environmental Management	9,856,218	9,171,245	10,394,288	10,635,082	15,886,924
Coastal Resources Management Council	5,210,304	134,912	805,733	1,263,821	2,747,200
Water Resources Board	537,975	848,273	338,899	361,792	400,000
Subtotal - Natural Resources	\$15,604,497	\$10,154,430	\$11,538,920	\$12,260,695	\$19,034,124
Transportation					
Transportation	31,105,365	5,720,556	6,000	3,061,001	3,066,699
Subtotal - Transportation	\$31,105,365	\$5,720,556	\$6,000	\$3,061,001	\$3,066,699
Total	\$141,117,926	\$105,363,356	\$109,999,095	\$116,960,020	\$145,282,174

Expenditures From Other Funds

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
General Government					
Administration	\$74,678,353	\$66,560,912	\$87,697,560	\$312,529,829	\$307,780,185
Business Regulation	-	-	-	-	-
Labor and Training	409,336,577	385,555,618	389,254,534	390,483,839	399,095,799
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-
Secretary of State	-	-	-	-	-
General Treasurer	4,811,835	5,973,949	5,499,474	7,645,629	6,827,093
Boards for Design Professionals	-	-	-	-	-
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	76,187	85,365	92,129
Public Utilities Commission	-	-	-	-	-
Rhode Island Commission on Women	-	-	-	-	-
Subtotal - General Government	\$488,826,765	\$458,090,479	\$482,527,755	\$710,744,662	\$713,795,206
Human Services					
Children, Youth, and Families	20,757	500	2,629,660	1,579,660	3,600,000
Elderly Affairs	4,726,979	4,916,266	4,760,000	4,760,000	4,760,000
Health	79,292	37,958	115,076	29,960	29,960
Human Services	-	-	50,000	50,000	-
Mental Health, Retardation, & Hospitals	677,591	2,797,761	6,411,261	5,101,948	5,050,000
Office of the Child Advocate	-	-	-	-	-
Commission on Deaf & Hard of Hearing	-	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-	-
Governor's Commission on Disabilities	17,000	109,277	200,000	200,000	200,000
Commission for Human Rights	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$5,521,619	\$7,861,762	\$14,165,997	\$11,721,568	\$13,639,960
Education					
Elementary and Secondary	198,023	1,076,257	477,280	523,406	51,939
Higher Education - Board of Governors	441,895,341	455,238,599	496,414,437	495,193,110	514,069,669
RI Council on the Arts	-	-	-	-	-
RI Atomic Energy Commission	148,512	195,125	157,049	161,176	171,206
Higher Education Assistance Authority	3,967,933	5,973,480	6,398,486	9,008,948	7,458,298
Historical Preservation and Heritage Commis	-	-	-	-	-
Public Telecommunications Authority	935,942	1,770,356	756,911	2,537,336	828,498
Subtotal - Education	\$447,145,751	\$464,253,817	\$504,204,163	\$507,423,976	\$522,579,610

Expenditures From Other Funds

	FY 2004 Actual	FY 2005 Prelim. Actual	FY 2006 Enacted	FY 2006 Revised	FY 2007 Recommended
Public Safety					
Attorney General	-	202,922	271,000	465,578	165,000
Corrections	768,628	1,772,048	4,211,198	4,377,325	6,981,140
Judicial	245,356	529,033	1,250,000	1,570,242	850,000
Military Staff	233,333	125,231	798,825	885,904	1,071,880
E-911 Emergency Telephone System	-	-	-	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-	-
State Fire Marshal	-	-	12,599	12,599	-
Commission on Judicial Tenure & Discipline	-	-	-	-	-
Rhode Island Justice Commission	-	-	-	-	-
Municipal Police Training Academy	-	-	-	-	-
State Police	2,446,386	2,625,172	2,695,511	3,230,603	3,066,321
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$3,693,703	\$5,254,406	\$9,239,133	\$10,542,251	\$12,134,341
Natural Resources					
Environmental Management	1,149,269	5,861,649	4,010,041	3,124,809	2,631,548
Coastal Resources Management Council	172,000	-	-	50,000	-
Water Resources Board	201,545	92,546	119,312	131,156	80,600
Subtotal - Natural Resources	\$1,522,814	\$5,954,195	\$4,129,353	\$3,305,965	\$2,712,148
Transportation					
Transportation	127,301,341	127,676,006	104,065,552	103,216,986	100,288,745
Subtotal - Transportation	\$127,301,341	\$127,676,006	\$104,065,552	\$103,216,986	\$100,288,745
Total	\$1,074,011,993	\$1,069,090,665	\$1,118,331,953	\$1,346,955,408	\$1,365,150,010

Full-Time Equivalent Positions

	FY 2004	FY 2005	FY 2006 Enacted	FY 2006 Revised	FY 2007	FY 2007 Reduced
General Government						
Administration	1,261.2	1,303.2	1,200.4	1,269.9	1,576.4	1,529.9
Business Regulation	109.0	109.0	110.0	110.0	108.0	102.7
Labor & Training	536.7	513.7	512.7	510.7	469.7	467.9
Legislature	280.0	280.0	289.0	289.0	289.0	275.2
Office of the Lieutenant Governor	10.0	10.0	10.0	10.0	10.0	9.5
Secretary of State	59.0	59.0	59.0	59.0	58.4	55.9
General Treasurer	84.5	87.5	87.5	87.5	87.5	86.2
Boards for Design Professionals	4.0	4.0	4.0	4.0	4.0	3.8
Board Of Elections	15.0	15.0	15.0	15.0	15.0	14.3
Rhode Island Ethics Commission	9.0	12.0	12.0	12.0	12.0	11.4
Office of the Governor	47.5	47.5	48.5	49.5	49.5	47.0
Public Utilities Commission	45.0	46.0	46.0	46.0	46.0	45.7
Rhode Island Commission on Women	2.0	1.0	1.0	1.0	1.0	0.9
Subtotal - General Government	2,462.9	2,487.9	2,395.1	2,463.6	2,726.5	2,650.4
Human Services						
Children, Youth, and Families	849.8	849.8	849.8	849.8	821.8	790.8
Elderly Affairs	52.6	52.0	52.0	52.0	52.0	50.5
Health	502.9	497.9	499.4	499.4	478.4	466.6
Human Services	1,058.6	1,069.6	1,174.4	1,173.4	1,140.4	1,113.0
Mental Health, Retardation, & Hospitals	2,021.7	1,992.7	1,992.7	1,992.7	1,819.7	1,776.3
Office of the Child Advocate	5.8	5.8	5.8	6.1	6.1	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0	2.8
RI Developmental Disabilities Council	2.0	2.0	2.0	2.0	2.0	2.0
Governor's Commission on Disabilities	6.6	6.6	6.6	6.6	6.6	6.3
Commission for Human Rights	15.0	15.0	15.0	15.0	15.0	14.4
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	3.7	3.5
Subtotal - Human Services	4,521.7	4,498.1	4,604.4	4,603.7	4,348.7	4,232.0
Education						
Elementary and Secondary Education	326.7	333.1	339.1	339.1	339.1	325.5
Office of Higher Education Non-Sponsored Research	-	22.0	22.0	22.0	22.0	
URI Non-Sponsored Research	-	1,952.6	1,959.6	1,959.6	1,971.6	
RIC Non-Sponsored Research	-	856.2	859.2	859.2	859.2	
CCRI Non-Sponsored Research	-	725.9	748.9	748.9	765.9	
Higher Education - Total Non-Sponsored	3,472.1	3,556.7	3,589.7	3,589.7	3,618.7	3,554.8
RI Council On The Arts	7.0	7.0	8.0	8.0	8.0	7.6
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6	8.2
Higher Education Assistance Authority	45.6	46.0	46.0	46.0	46.0	45.6
Historical Preservation and Heritage Commission	17.6	17.6	17.6	17.6	17.6	17.0
Public Telecommunications Authority	22.0	22.0	22.0	22.0	22.0	21.4
Subtotal - Education	3,899.6	3,991.0	4,031.0	4,031.0	4,060.0	3,980.1

Full-Time Equivalent Positions

	FY 2004	FY 2005	FY 2006 Enacted	FY 2006 Revised	FY 2007	FY 2007 Reduced
Public Safety						
Attorney General	228.5	230.5	234.5	234.5	231.5	220.9
Corrections	1,522.0	1,586.0	1,589.0	1,589.0	1,560.0	1,484.6
Judicial	734.5	743.5	742.0	742.0	742.0	721.4
Military Staff	93.0	98.0	103.0	105.0	104.0	103.1
E-911	50.6	50.6	53.6	53.6	52.6	49.9
Fire Safety Code Board of Appeal and Review	3.0	3.0	3.0	3.0	3.0	2.8
RI State Fire Marshal	27.0	32.0	38.0	38.0	38.0	36.1
Commission on Judicial Tenure and Discipline	1.0	1.0	1.0	1.0	1.0	0.9
Rhode Island Justice Commission	9.0	9.0	9.0	8.5	6.5	6.4
Municipal Police Training Academy	4.0	4.0	4.0	4.0	4.0	3.7
State Police	257.0	274.0	282.0	282.0	282.0	268.5
Office of the Public Defender	86.2	87.5	93.5	93.5	92.5	87.9
Subtotal - Public Safety	3,015.8	3,119.1	3,152.6	3,154.1	3,117.1	2,986.2
Natural Resources						
Environmental Management	539.7	538.7	531.3	531.3	517.3	503.5
Coastal Resources Management Council	28.0	29.0	30.0	30.0	30.0	28.5
Water Resources Board	9.0	9.0	9.0	9.0	9.0	8.5
Subtotal - Natural Resources	576.7	576.7	570.3	570.3	556.3	540.5
Transportation						
Transportation	812.7	811.7	810.7	809.7	779.7	779.7
Subtotal - Transportation	812.7	811.7	810.7	809.7	779.7	779.7
Total Non Sponsored	15,289.4	15,484.5	15,564.1	15,632.4	15,588.3	15,168.9
Higher Education Sponsored Research *						
Office	-	1.0	1.0	1.0	1.0	1.0
CCRI	-	100.0	100.0	100.0	100.0	100.0
RIC	-	78.0	82.0	82.0	82.0	82.0
URI	-	602.0	602.0	602.0	602.0	602.0
Subtotal Sponsored Research		781.0	785.0	785.0	785.0	785.0
Total Personnel Authorizations	15,289.4	16,265.5	16,349.1	16,417.4	16,373.3	15,953.9
Higher Education Exempt Sponsored Research *	319.8	-	-	-	-	-
Total Personnel **	15,609.2	16,265.5	16,349.1	16,417.4	16,373.3	15,953.9

*A total of 319.8 FTE positions in Higher Education in FY 2004 represent FTE's supported by sponsored research funds. Commencing in FY2005, these positions are included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

**See Targeted Reduction in Force By Agency section for explanation of FY 2007 Reduced

Changes in Full-Time Equivalent Positions from FY 2006 to FY 2007

	FY 2006 Revised	Transfers Related to Centralizations (1)					Other Changes (2)	Unadjusted FY 2007	Targeted Reduction	FY2007 Reduced
		Human Resources	Facilities	Legal	Information Technology					
General Government										
Administration	1,269.9	101.0	120.0	7.0	93.0	(14.5)	1,576.4	(46.5)	1,529.9	
Business Regulation	110.0	(1.0)				(1.0)	108.0	(5.3)	102.7	
Labor & Training	510.7	(5.0)	(9.0)	(2.0)	(25.0)		469.7	(1.8)	467.9	
Legislature	289.0						289.0	(13.8)	275.2	
Office of the Lieutenant Governor	10.0						10.0	(0.5)	9.5	
Secretary of State	59.0					(0.6)	58.4	(2.5)	55.9	
General Treasurer	87.5						87.5	(1.3)	86.2	
Boards for Design Professionals	4.0						4.0	(0.2)	3.8	
Board Of Elections	15.0						15.0	(0.7)	14.3	
Rhode Island Ethics Commission	12.0						12.0	(0.6)	11.4	
Office of the Governor	49.5						49.5	(2.5)	47.0	
Public Utilities Commission	46.0						46.0	(0.3)	45.7	
Rhode Island Commission on Women	1.0						1.0	(0.1)	0.9	
Subtotal - General Government	2,463.6	95.0	111.0	5.0	68.0	(16.1)	2,726.5	(76.1)	2,650.4	
Human Services										
Children, Youth, and Families	849.8	(8.0)	(3.0)		(17.0)		821.8	(31.0)	790.8	
Elderly Affairs	52.0						52.0	(1.5)	50.5	
Health	499.4	(6.0)			(15.0)		478.4	(11.8)	466.6	
Human Services	1,173.4	(13.0)	(21.0)			1.0	1,140.4	(27.4)	1,113.0	
Mental Health, Retardation, & Hospitals	1,992.7	(36.0)	(87.0)	(1.0)	(7.0)	(42.0)	1,819.7	(43.4)	1,776.3	
Office of the Child Advocate	6.1						6.1	(0.3)	5.8	
Commission On the Deaf & Hard of Hearing	3.0						3.0	(0.2)	2.8	
RI Developmental Disabilities Council	2.0						2.0	-	2.0	
Governor's Commission on Disabilities	6.6						6.6	(0.3)	6.3	
Commission for Human Rights	15.0						15.0	(0.6)	14.4	
Office of the Mental Health Advocate	3.7						3.7	(0.2)	3.5	
Subtotal - Human Services	4,603.7	(63.0)	(111.0)	(1.0)	(39.0)	(41.0)	4,348.7	(116.7)	4,232.0	
Education										
Elementary and Secondary Education	339.1						339.1	(13.6)	325.5	
Office of Higher Educ. Non-Spon.Research	22.0						22.0			
URI Non-Sponsored Research	1,959.6					12.0	1,971.6			
RIC Non-Sponsored Research	859.2						859.2			
CCRI Non-Sponsored Research	748.9					17.0	765.9			
Higher Education - Total Non-Sponsored	3,589.7	-	-	-	-	29.0	3,618.7	(63.9)	3,554.8	
RI Council On The Arts	8.0						8.0	(0.4)	7.6	
RI Atomic Energy Commission	8.6						8.6	(0.4)	8.2	
Higher Education Assistance Authority	46.0						46.0	(0.4)	45.6	
Historical Preservation and Heritage Comm.	17.6						17.6	(0.6)	17.0	
Public Telecommunications Authority	22.0						22.0	(0.6)	21.4	
Subtotal - Education	4,031.0	-	-	-	-	29.0	4,060.0	(79.9)	3,980.1	

Changes in Full-Time Equivalent Positions from FY 2006 to FY 2007

	Transfers Related to Centralizations (1)							
FY 2006 Revised	Human Resources	Facilities	Legal Information Technology	Other Changes (2)	Unadjusted FY 2007	Targeted Reduction	FY2007 Reduced	
Public Safety								
Attorney General	234.5			(3.0)	231.5	(10.6)	220.9	
Corrections	1,589.0	(14.0)	(1.0)	(14.0)	1,560.0	(75.4)	1,484.6	
Judicial	742.0				742.0	(20.6)	721.4	
Military Staff	105.0	(1.0)						

General Revenues as Recommended

	FY 2004 Actual	FY 2005 Preliminary	FY 2006 Revised	FY 2007 Recommended
Personal Income Tax	\$870,203,448	\$978,922,876	\$1,015,900,000	\$1,071,727,868
General Business Taxes				
Business Corporations*	75,996,096	116,143,553	107,300,000	112,490,936
Public Utilities Gross Earnings	92,209,614	86,357,789	97,300,000	95,200,000
Financial Institutions	(7,296,194)	(1,480,365)	(300,000)	200,000
Insurance Companies	43,418,735	53,333,488	57,000,000	54,100,000
Bank Deposits	1,579,935	1,524,111	1,600,000	1,600,000
Health Care Provider Assessment	40,317,507	46,827,408	48,400,000	49,600,000
Sales and Use Taxes				
Sales and Use	822,855,222	847,726,627	881,500,000	927,742,698
Motor Vehicle	47,355,716	47,137,097	48,900,000	50,000,000
Motor Fuel	859,502	1,978,991	900,000	1,106,029
Cigarettes	117,263,392	136,342,162	129,700,000	126,700,000
Alcohol	10,342,162	10,536,807	11,000,000	11,400,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	23,904,508	32,980,957	28,000,000	28,773,614
Racing and Athletics	4,587,070	3,990,803	3,600,000	3,400,000
Realty Transfer	13,036,709	14,423,038	17,000,000	17,300,000
Total Taxes	\$2,156,633,422	\$2,376,745,342	\$2,447,800,000	\$2,551,341,145
Departmental Receipts	\$285,004,989	\$267,079,817	\$275,842,430	\$255,633,862
Taxes and Departmentals	\$2,441,638,411	\$2,643,825,159	\$2,723,642,430	\$2,806,975,007
Other Sources				
Gas Tax Transfer	\$7,760,433	\$9,022,662	\$4,760,000	\$4,937,335
Other Miscellaneous	19,705,661	28,197,313	80,006,332	17,549,500
Lottery	281,141,647	307,540,000	325,100,000	364,200,000
Unclaimed Property	17,042,121	15,617,732	16,200,000	10,800,000
Other Sources	\$325,649,862	\$360,377,707	\$426,066,332	\$397,486,835
Total General Revenues	\$2,767,288,273	\$3,004,202,866	\$3,149,708,762	\$3,204,461,842

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2006 Enacted Revenue Estimates

	Enacted	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	\$1,033,494,978	(\$17,594,978)	\$0	\$1,015,900,000
General Business Taxes				
Business Corporations	109,524,714	(2,224,714)	-	107,300,000
Public Utilities Gross Earnings	90,000,000	7,300,000	-	97,300,000
Financial Institutions	100,000	(8,500,000)	8,100,000	(300,000)
Insurance Companies	58,078,018	(1,078,018)	-	57,000,000
Bank Deposits	1,640,000	(40,000)	-	1,600,000
Health Care Provider Assessment	49,300,000	(900,000)	-	48,400,000
Sales and Use Taxes				
Sales and Use	887,888,065	(6,388,065)	-	881,500,000
Motor Vehicle	49,210,699	(310,699)	-	48,900,000
Motor Fuel	1,000,000	(100,000)	-	900,000
Cigarettes	126,300,000	3,400,000	-	129,700,000
Alcohol	11,400,000	(400,000)	-	11,000,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	31,700,000	(3,700,000)	-	28,000,000
Racing and Athletics	4,020,000	(420,000)	-	3,600,000
Realty Transfer	14,900,000	2,100,000	-	17,000,000
Total Taxes	\$2,468,556,474	(\$28,856,474)	\$8,100,000	\$2,447,800,000
Departmental Receipts	\$312,586,831	(\$37,486,831)	\$742,430	\$275,842,430
Taxes and Departmentals	\$2,781,143,305	(\$66,343,305)	\$8,842,430	\$2,723,642,430
Other Sources				
Gas Tax Transfer	\$4,760,000	\$0	\$0	\$4,760,000
Other Miscellaneous	18,950,000	(930,700)	61,987,032	80,006,332
Lottery	350,500,000	(25,400,000)	-	325,100,000
Unclaimed Property	10,199,000	6,001,000	-	16,200,000
Other Sources	\$384,409,000	(\$20,329,700)	\$61,987,032	\$426,066,332
Total General Revenues	\$3,165,552,305	(\$86,673,005)	\$70,829,462	\$3,149,708,762

Changes to FY 2007 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to the Adopted Estimates	Total
Personal Income Tax	\$1,066,900,000	\$4,827,868	\$1,071,727,868
General Business Taxes			
Business Corporations	111,600,000	890,936	112,490,936
Public Utilities Gross Earnings	95,200,000	-	95,200,000
Financial Institutions	3,600,000	(3,400,000)	200,000
Insurance Companies	54,100,000	-	54,100,000
Bank Deposits	1,600,000	-	1,600,000
Health Care Provider Assessment	49,600,000	-	49,600,000
Sales and Use Taxes			
Sales and Use	925,800,000	1,942,698	927,742,698
Motor Vehicle	50,000,000	-	50,000,000
Motor Fuel	1,100,000	6,029	1,106,029
Cigarettes	126,700,000	-	126,700,000
Alcohol	11,400,000	-	11,400,000
Controlled Substances	-	-	-
Other Taxes			
Inheritance and Gift	28,700,000	73,614	28,773,614
Racing and Athletics	3,400,000	-	3,400,000
Realty Transfer	17,300,000	-	17,300,000
Total Taxes	\$2,547,000,000	\$4,341,145	\$2,551,341,145
Departmental Receipts	\$207,500,000	\$48,133,862	\$255,633,862
Taxes and Departmentals	\$2,754,500,000	\$52,475,007	\$2,806,975,007
Other Sources			
Gas Tax Transfer	\$4,810,000	\$127,335	\$4,937,335
Other Miscellaneous	14,249,500	3,300,000	17,549,500
Lottery	364,200,000	-	364,200,000
Unclaimed Property	10,800,000	-	10,800,000
Other Sources	\$394,059,500	\$3,427,335	\$397,486,835
Total General Revenues	\$3,148,559,500	\$55,902,342	\$3,204,461,842

General Revenue Changes to Adopted Estimates

FY 2006

Taxes

General Business Taxes

Financial Institutions: Policy on Overpayment of Tax Liabilit \$8,100,000

Subtotal: General Business Taxes **\$8,100,000**

Subtotal: All Taxes **\$8,100,000**

Departmental Revenues

Licenses and Fees

DOH: Impose a \$200.00 Breathalyzer Refusal Fee \$125,000

Subtotal: Licenses and Fees **\$125,000**

Miscellaneous Departmental Revenues

DOA: Increased Energy Grants from National Gric \$592,430

DEA: Access to Benefits Coalition (ABC) Foundation Grant 25,000

Subtotal: Miscellaneous Departmental Revenues **\$617,430**

Subtotal: All Departmental Revenues **\$742,430**

Other Sources

Other Miscellaneous

DEA: Recovery of RIPAE Rebates Earnec \$2,100,000

UST Review Board: \$0.01 Surcharge to General Revenue 2,000,000

Resource Recovery Corporation: Increase Retained Earnings Transfe 3,000,000

Blue Cross Recovery from Prior Year Overpayment 1,434,604

RI Health & Education Building Corp: Transfer of Fund Balance Surplu 3,700,000

Tobacco Settlement Financing Corporation: Surety Polic 49,000,000

Real Estate Recovery: Transfer of Fund Balance Surplu 100,000

Motor Carrier Surety Fees: Capture of Aged Deposit 652,428

Subtotal: Other Miscellaneous **\$61,987,032**

Subtotal: Other Sources **\$61,987,032**

Total FY 2006 General Revenue Adjustments **\$70,829,462**

General Revenue Changes to Adopted Estimates

FY 2007

Taxes

Personal Income Tax

Tax Amnesty \$4,827,868

Subtotal: Personal Income Taxes **\$4,827,868**

General Business Taxes

Financial Institutions: Policy on Overpayment of Tax Liability (\$3,400,000)

Corporate Income Tax: Tax Credit for K-12 Scholarship Contributions (1,000,000)

Corporate Income Tax: Tax Amnesty 1,890,936

Subtotal: General Business Taxes **(\$2,509,064)**

Sales and Use Taxes

Sales & Use Tax: Tax Amnesty \$4,848,093

Sales & Use Tax: "Endless Summer" Sales Tax Holiday (5,332,019)

Sales & Use Tax: Streamlined Sales Tax Implementation 2,426,624

Motor Carrier Fuel Use Tax: Tax Amnesty 6,029

Subtotal: Sales and Use Taxes **\$1,948,727**

Other Taxes

Inheritance & Gift Tax: Tax Amnesty \$73,614

Subtotal: Other Taxes **\$73,614**

Subtotal: All Taxes **\$4,341,145**

Departmental Revenues

Licenses and Fees

DHS: Reinstitute Hospital Licensing Fee \$70,790,577

DOH: Impose a \$200.00 Breathalyzer Refusal Fee 300,000

DOA: Increase State's Share of Emissions Testing Fee by \$3.00 525,000

Subtotal: Licenses and Fees **\$71,615,577**

Fines and Penalties

Judicial: Convert base November Revenue Estimate to Restricted Receipts (\$22,451,488)

DOA: Apply all Overdue Tax Payments to Outstanding Interest First 115,000

DOA: Increase Interest Rate on Overdue Taxes to 18.0 percent 5,088,803

DOA: Decrease Interest Rate on Overpaid Taxes to 6.0 percent 567,939

Subtotal: Fines and Penalties **(\$16,679,746)**

General Revenue Changes to Adopted Estimates

FY 2007

Sales and Services

DHS: Delay "dish" Payment to FY 2008 - Slater "dish" Revenue Deferral (\$12,904,969)
DOH: Newborn Testing Fee Increase from \$59.00 to \$110.00 663,000

Subtotal: Sales and Services (\$12,241,969)

Miscellaneous Departmental Revenues

DOA: Proceeds from Agreement to Sell Land for Garrahy Courthouse
Parking Garage for Residential Development and Parking \$5,000,000
DEM: Indirect Cost Recoveries from Underground Storage Tank Merger 440,000

Subtotal: Miscellaneous Departmental Revenues \$5,440,000

Subtotal: All Departmental Revenues \$48,133,862

Other Sources

Gas Tax

Tax Amnesty \$127,335

Subtotal: Gas Tax \$127,335

Other Miscellaneous

Resource Recovery Corporation: Transfer of Retained Earnings \$3,300,000

Subtotal: Other Miscellaneous \$3,300,000

Subtotal: Other Sources \$3,427,335

Total FY 2007 General Revenue Adjustments \$55,902,342

Other Revenue Enhancements

FY 2007

Restricted Receipts

Judicial: Convert FY2006 Collection Initiative to Restricted Receipts	\$7,670,000
Judicial: Convert base November Revenue Estimate to Restricted Receipts	22,451,488
Underground Storage Tank Review Board: Merge operations into DEM	4,400,000

Subtotal: Restricted Receipts **\$34,521,488**

Total FY 2007 Other Revenue Adjustments **\$34,521,488**

Appendix B

Changes to FY 2006

Changes to FY 2006 Enacted General Revenue Budget

	FY 2006		Difference
	Enacted	Revised	
Surplus			
Opening Surplus*	\$ 40,802,481	\$ 38,593,085	\$ (2,209,396)
Reappropriated Surplus		13,489,214	13,489,214
Subtotal	40,802,481	52,082,299	11,279,818
General Taxes	2,468,556,474	2,468,556,474	-
Revenue estimators' revision	-	(28,856,474)	(28,856,474)
Changes to adopted revenue estimates		8,100,000	8,100,000
Subtotal	2,468,556,474	2,447,800,000	(20,756,474)
Departmental Revenues	312,586,831	312,586,831	-
Revenue estimators' revision	-	(37,486,831)	(37,486,831)
Changes to adopted revenue estimates		742,430	742,430
Subtotal	312,586,831	275,842,430	(36,744,401)
Other Sources			
Gas Tax Transfers	4,760,000	4,760,000	-
Other Miscellaneous	18,950,000	18,950,000	-
Rev Estimators' revision-Miscellaneous	-	(930,700)	(930,700)
Changes to adopted revenue estimates		61,987,032	61,987,032
Lottery	350,500,000	350,500,000	-
Revenue Estimators' revision-Lottery		(25,400,000)	(25,400,000)
Unclaimed Property	10,199,000	10,199,000	-
Revenue Estimators' revision-Unclaimed		6,001,000	6,001,000
Subtotal	384,409,000	426,066,332	41,657,332
Total Revenues	\$ 3,165,552,305	\$ 3,149,708,762	\$ (15,843,543)
Budget Stabilization	(64,127,096)	(63,766,037)	361,059
Total Available	\$ 3,142,227,690	\$ 3,138,025,024	\$ (4,202,666)
Actual/Enacted Expenditures	\$ 3,142,080,062	\$ 3,142,080,062	-
Reappropriations		13,489,214	13,489,214
Changes to appropriations		(31,717,046)	(31,717,046)
Total Expenditures	\$ 3,142,080,062	\$ 3,123,852,230	\$ (18,227,832)
Free Surplus	\$ 147,628	\$ 14,172,794	\$ 14,025,166
Reappropriations	-	-	-
Total Ending Balances	\$ 147,628	\$ 14,172,794	\$ 14,025,166
Budget Reserve and Cash			
Stabilization Account	\$ 96,190,644	\$ 95,649,055	(541,589)

Changes to FY 2006 Enacted Revenue Estimates

	Enacted	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	\$1,033,494,978	(\$17,594,978)	\$0	\$1,015,900,000
General Business Taxes				
Business Corporations	109,524,714	(2,224,714)	-	107,300,000
Public Utilities Gross Earnings	90,000,000	7,300,000	-	97,300,000
Financial Institutions	100,000	(8,500,000)	8,100,000	(300,000)
Insurance Companies	58,078,018	(1,078,018)	-	57,000,000
Bank Deposits	1,640,000	(40,000)	-	1,600,000
Health Care Provider Assessment	49,300,000	(900,000)	-	48,400,000
Sales and Use Taxes				
Sales and Use	887,888,065	(6,388,065)	-	881,500,000
Motor Vehicle	49,210,699	(310,699)	-	48,900,000
Motor Fuel	1,000,000	(100,000)	-	900,000
Cigarettes	126,300,000	3,400,000	-	129,700,000
Alcohol	11,400,000	(400,000)	-	11,000,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	31,700,000	(3,700,000)	-	28,000,000
Racing and Athletics	4,020,000	(420,000)	-	3,600,000
Realty Transfer	14,900,000	2,100,000	-	17,000,000
Total Taxes	\$2,468,556,474	(\$28,856,474)	\$8,100,000	\$2,447,800,000
Departmental Receipts	\$312,586,831	(\$37,486,831)	\$742,430	\$275,842,430
Taxes and Departmentals	\$2,781,143,305	(\$66,343,305)	\$8,842,430	\$2,723,642,430
Other Sources				
Gas Tax Transfer	\$4,760,000	\$0	\$0	\$4,760,000
Other Miscellaneous	18,950,000	(930,700)	61,987,032	80,006,332
Lottery	350,500,000	(25,400,000)	-	325,100,000
Unclaimed Property	10,199,000	6,001,000	-	16,200,000
Other Sources	\$384,409,000	(\$20,329,700)	\$61,987,032	\$426,066,332
Total General Revenues	\$3,165,552,305	(\$86,673,005)	\$70,829,462	\$3,149,708,762

General Revenue Changes to Adopted Estimates

FY 2006

Taxes

General Business Taxes

Financial Institutions: Policy on Overpayment of Tax Liabilit \$8,100,000

Subtotal: General Business Taxes \$8,100,000

Subtotal: All Taxes \$8,100,000

Departmental Revenues

Licenses and Fees

DOH: Impose a \$200.00 Breathalyzer Refusal Fee \$125,000

Subtotal: Licenses and Fees \$125,000

Miscellaneous Departmental Revenues

DOA: Increased Energy Grants from National Gric \$592,430

DEA: Access to Benefits Coalition (ABC) Foundation Grant 25,000

Subtotal: Miscellaneous Departmental Revenues \$617,430

Subtotal: All Departmental Revenues \$742,430

Other Sources

Other Miscellaneous

DEA: Recovery of RIPAE Rebates Earnec \$2,100,000

UST Review Board: \$0.01 Surcharge to General Revenue 2,000,000

Resource Recovery Corporation: Increase Retained Earnings Transfe 3,000,000

Blue Cross Recovery from Prior Year Overpayment 1,434,604

RI Health & Education Building Corp: Transfer of Fund Balance Surplu 3,700,000

Tobacco Settlement Financing Corporation: Surety Polic 49,000,000

Real Estate Recovery: Transfer of Fund Balance Surplu 100,000

Motor Carrier Surety Fees: Capture of Aged Deposit 652,428

Subtotal: Other Miscellaneous \$61,987,032

Subtotal: Other Sources \$61,987,032

Total FY 2006 General Revenue Adjustments \$70,829,462

Changes to FY2006 Enacted General Revenue Expenditures

	FY 2006 Enacted	Reappropriation	Energy Costs	Retroactive COLA
General Government				
Administration	\$469,270,013	\$9,503,677	\$1,050,070	(\$7,027,802)
Business Regulation	10,535,244	-	-	78,665
Labor and Training	7,441,870	-	69,215	1,159
Legislature	28,956,307	2,451,780	-	223,097
Lieutenant Governor	917,362	1,100	-	-
Secretary of State	4,799,470	-	1,061	46,158
General Treasurer	2,898,672	-	-	26,277
Boards for Design Professionals	359,516	-	-	-
Board of Elections	1,421,683	14,510	1,910	-
Rhode Island Ethics Commission	1,207,394	-	-	-
Governor's Office	4,530,495	76,566	-	-
Public Utilities Commission	710,111	-	-	3,480
Rhode Island Commission on Women	86,557	399	-	-
Subtotal - General Government	\$533,134,694	\$12,048,032	\$1,122,256	(\$6,648,966)
Human Services				
Children, Youth, and Families	164,678,493	-	296,392	743,323
Elderly Affairs	21,093,567	-	-	11,170
Health	31,829,313	44,790	8,994	145,050
Human Services	773,199,536	400,000	156,436	299,765
Mental Health, Retardation, & Hosp.	240,055,689	31,000	5,831,992	267,146
Office of the Child Advocate	498,621	-	-	-
Comm. on Deaf & Hard of Hearing	307,606	20,000	-	2,581
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	531,409	-	-	6,597
Commission for Human Rights	979,397	-	-	2,992
Office of the Mental Health Advocate	351,329	-	-	4,386
Subtotal - Human Services	\$ 1,233,524,960	\$495,790	\$6,293,814	\$1,483,010
Education				
Elementary and Secondary	837,487,852	95,401	129,719	160,726
Higher Education - Board of Governors	182,368,837	-	1,143,698	-
RI Council on the Arts	2,623,921	22,060	-	-
RI Atomic Energy Commission	765,890	-	4,360	2,317
Higher Education Assistance Authority	9,900,422	-	-	-
Historical Preservation & Heritage Comm	1,410,602	3,629	-	-
Public Telecommunications Authority	1,285,906	-	-	10,975
Subtotal - Education	\$ 1,035,843,430	\$121,090	\$1,277,777	\$174,018
Public Safety				
Attorney General	18,231,163	89,999	49,757	167,427
Corrections	146,939,175	279,600	20,463	1,502,318
Judicial	72,187,967	383,438	297,528	669,224
Military Staff	2,331,813	-	126,514	11,785
E-911	4,170,299	-	-	36,531
Fire Safety Code Bd. of Appeal	266,894	5,585	-	2,411
Fire Safety & Training Academy	2,368,505	-	24,794	14,081
Comm. on Judicial Tenure	106,650	-	-	946
Rhode Island Justice Commission	253,085	-	-	-
Municipal Police Training Academy	373,710	-	-	-
State Police	45,368,538	53,680	188,928	331,915
Office Of Public Defender	7,757,125	-	-	79,897
Subtotal - Public Safety	\$300,354,924	\$812,302	\$707,984	\$2,816,535
Environmental Management	35,796,460	-	503,410	-
Coastal Resources Management Council	1,580,355	-	-	-
Water Resources Board	1,845,239	12,000	-	-
Subtotal - Natural Resources	\$39,222,054	\$12,000	\$503,410	-
Total	\$3,142,080,062	\$13,489,214	\$9,905,241	(\$2,175,403)
		Net Other	FY 2006	

Changes to FY2006 Enacted General Revenue Expenditures

	COLA/co-share FY 2006	Supplemental Inc/(Dec)	Projected Expenditures
General Government			
Administration	(\$29,227,904)	\$3,041,522	\$446,609,576
Business Regulation	457,218	(531,543)	\$10,539,584
Labor and Training	177,572	16,277	\$7,706,093
Legislature	1,232,926	(252,590)	\$32,611,520
Lieutenant Governor	11,223	29,082	\$958,767
Secretary of State	344,395	54,728	\$5,245,812
General Treasurer	113,518	(235,811)	\$2,802,656
Boards for Design Professionals	13,757	7,400	\$380,673
Board of Elections	63,677	(67,643)	\$1,434,137
Rhode Island Ethics Commission	49,802	(65,866)	\$1,191,330
Governor's Office	271,294	(107,187)	\$4,771,168
Public Utilities Commission	18,715	(38,762)	\$693,544
Rhode Island Commission on Women	4,864	-	\$91,820
Subtotal - General Government	(\$26,468,943)	\$1,849,607	\$515,036,680
Human Services			
Children, Youth, and Families	2,821,598	(2,939,416)	\$165,600,390
Elderly Affairs	284,385	819,586	\$22,208,708
Health	1,077,046	3,161,311	\$36,266,504
Human Services	2,167,357	(35,187,095)	\$741,035,999
Mental Health, Retardation, & Hosp.	3,615,821	(308,218)	\$249,493,430
Office of the Child Advocate	25,335	12,233	\$536,189
Comm. on Deaf & Hard of Hearing	10,370	(3,473)	\$337,084
RI Developmental Disabilities Council	-	-	\$0
Governor's Commission on Disabilities	28,235	(17,920)	\$548,321
Commission for Human Rights	(23,067)	46,586	\$1,005,908
Office of the Mental Health Advocate	21,944	(3,227)	\$374,432
Subtotal - Human Services	\$10,029,024	(\$34,419,633)	\$1,217,406,965
Education			
Elementary and Secondary	785,606	(3,319,565)	\$835,339,739
Higher Education - Board of Governors	-	(4,580,058)	\$178,932,477
RI Council on the Arts	32,938	(37,347)	\$2,641,572
RI Atomic Energy Commission	3,048	(5,365)	\$770,250
Higher Education Assistance Authority	28,606	(2,200,000)	\$7,729,028
Historical Preservation & Heritage Comm	3,965	(2,911)	\$1,415,285
Public Telecommunications Authority	61,052	(41,665)	\$1,316,268
Subtotal - Education	\$915,215	(\$10,186,911)	\$1,028,144,619
Public Safety			
Attorney General	1,001,567	146,339	\$19,686,252
Corrections	9,432,207	1,332,026	\$159,505,789
Judicial	3,272,874	(134,454)	\$76,676,577
Military Staff	75,047	189,666	\$2,734,825
E-911	188,265	(265,178)	\$4,129,917
Fire Safety Code Bd. of Appeal	12,615	-	\$287,505
Fire Safety & Training Academy	83,859	164,791	\$2,656,030
Comm. on Judicial Tenure	4,573	1,242	\$113,411
Rhode Island Justice Commission	5,497	(4,562)	\$254,020
Municipal Police Training Academy	13,699	(13,699)	\$373,710
State Police	1,724,250	(364,627)	\$47,302,684
Office Of Public Defender	348,503	263,952	\$8,449,477
Subtotal - Public Safety	\$16,162,956	\$1,315,496	\$322,170,197
Environmental Management	1,281,207	(41,192)	\$37,539,885
Coastal Resources Management Council	97,242	(592)	\$1,677,005
Water Resources Board	8,116	11,524	\$1,876,879
Subtotal - Natural Resources	\$1,386,565	(\$30,260)	\$41,093,769
Total	\$2,024,817	(\$41,471,701)	\$3,123,852,230

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
<u>General Government</u>				
Administration				
Central Management	1,775,142			
FY2005 Retroactive COLA			2,176	
FY2006 COLA/Medical Co-Pay			48,412	
Other Personnel Adjustments			20,281	
Reallocation of 10% Consultant Code Reduction			(950)	
Other Operating Costs			40,813	
	1,775,142	-	110,732	1,885,874
Legal Services	2,163,909			
Other Personnel Adjustments			(137,173)	
FY2006 COLA/Medical Co-Pay			117,109	
Reallocation of 10% Consultant Code Reduction			(6,000)	
Labor Negotiations - Outside Legal Counsel			126,000	
Other Operating Costs			32,979	
	2,163,909	-	132,915	2,296,824
Accounts & Control	4,264,946			
FY2005 Retroactive COLA			4,511	
FY2006 COLA/Medical Co-Pay			153,528	
Other Personnel			(56,196)	
Debt Management Software			29,000	
Other Operating Costs			8,313	
	4,264,946	-	139,156	4,404,102
Budgeting	3,057,986			
FY2005 Retroactive COLA			10,819	
FY2006 COLA/Medical Co-Pay			153,390	
Other Personnel Costs			(274,682)	
Reallocation of 10% Consultant Code Reduction			(5,500)	
Equalization Study			10,000	
Other Operating Costs			(8,000)	
Cost Allocation Plans - Consultant			85,000	
	3,057,986	-	(28,973)	3,029,013
Purchasing	2,102,230			
FY2005 Retroactive COLA			2,106	
FY2006 COLA/Medical Co-Pay			117,592	
Other Personnel Costs			(92,198)	
Reallocation of 10% Consultant Code Reduction			(2,500)	
MBE Program (from Human Resources)			143,910	
Other Operating Costs			(9,384)	
Operating Costs - Reappropriation		37,270		
	2,102,230	37,270	159,526	2,299,026
Auditing	1,801,761			
FY2005 Retroactive COLA			1,167	
FY2006 COLA/Medical Co-Pay			100,975	
Interns/Temporary Services			77,404	
Other Personnel Costs			(192,546)	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Other Operating Costs	1,801,761	-	13,000 -	1,801,761
Human Resources	6,554,273			
FY2006 COLA/Medical Co-Pay			263,450	
Human Resources Service Centers			217,249	
Other Personnel Costs			(385,744)	
Reallocation of 10% Consultant Code Reduction			34,223	
Wellness Initiative (to Health Dept.)			(225,000)	
URI - College of Pharmacy			90,000	
MBE Program (to Purchasing)			(143,910)	
Consultant - Hewitt - Health Benefits		64,904		
Retiree Health Trust Fund - Legal/Actuarial			86,000	
Other Operating Costs			18,474	
	6,554,273	64,904	(45,258)	6,573,919
Personnel Appeal Board	93,666			
FY2006 COLA/Medical Co-Pay			1,279	
Other Personnel Costs			(1,300)	
Reallocation of 10% Consultant Code Reduction			(2,600)	
	93,666	-	(2,621)	91,045
Taxation	18,223,648			
FY2005 Retroactive COLA			15,973	
FY2006 COLA/Medical Co-Pay			815,130	
Other Personnel Costs			(422,442)	
Reallocation of 10% Consultant Code Reduction			36,840	
Restoration of Consultant Code Reduction			20,210	
Other Operating Costs/Grants			(39,603)	
	18,223,648	-	426,108	18,649,756
Registry	16,381,072			
FY2005 Retroactive COLA			10,049	
FY2006 COLA/Medical Co-Pay			565,601	
Other Personnel Costs			(31,307)	
Reallocation of 10% Consultant Code Reduction			(36,071)	
Printing			150,000	
Other Operating Costs/Grants			221,670	
Utility/Energy Costs			140,000	
	16,381,072		1,019,942	17,401,014
Facilities Management	11,197,657			
FY2005 Retroactive COLA			7,234	
FY2006 COLA/Medical Co-Pay			167,427	
Other Personnel Costs			12,604	
Reallocation of 10% Consultant Code Reduction			(1,500)	
Building and Grounds Maintenance			99,000	
Energy Costs			910,070	
Other Operating Costs			199,976	
Energy Office Grants			592,430	
Renewable Energy Program		936,662	(500,000)	
	11,197,657	936,662	1,487,241	13,621,560

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Capital Projects and Property Management	2,737,301			
FY2005 Retroactive COLA			1,448	
FY2006 COLA/Medical Co-Pay			175,844	
Other Personnel Costs			316,701	
LEEDS Consultant			11,000	
Temporary Steno Services - Code Hearings			1,620	
Other Operating Costs			37,968	
	2,737,301	-	544,581	3,281,882
Information Technology	2,470,752			
FY2005 Retroactive COLA			724	
FY2006 COLA/Medical Co-Pay			24,829	
Other Personnel Costs			(18,359)	
Reallocation of 10% Consultant Code Reduction			9,855	
RI-FANS Implementation			3,882,004	
Technology Initiative Fund		493,481	(598,305)	
Data Sharing - Enhanced Tax Collections		68,634		
	2,470,752	562,115	3,300,748	6,333,615
Library and Information Services	1,007,261			
FY2005 Retroactive COLA			9,920	
FY2006 COLA/Medical Co-Pay			53,476	
Other Personnel Costs			(40,100)	
Reallocation of 10% Consultant Code Reduction			(8,500)	
Other Operating Costs			(14,796)	
	1,007,261	-	0	1,007,261
Statewide Planning	1,684,772			
FY2005 Retroactive COLA			7,363	
FY2006 COLA/Medical Co-Pay			98,136	
Other Personnel Costs			(9,682)	
Transfer Housing Resources Commission			3,690,741	
Emergency Apartments Program			136,000	
Other Operating Costs			13,928	
	1,684,772	-	3,936,486	5,621,258
Security Services	17,022,922			
FY2005 Retroactive COLA			174,136	
FY2006 COLA/Medical Co-Pay			915,918	
Capitol Police for Kent County Courthouse			46,194	
Other Personnel Costs			283,149	
Overtime			70,000	
Temporary Clerical Services			18,500	
	17,022,922	-	1,606,256	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Property Revaluation		212,288		
General Revenue Sharing			(648,908)	
New VLTs- General Revenue Sharing			275,000	
Distressed Communities Relief Program			700,000	
New VLTs- Distressed Communities			550,000	
New VLTs- Circuit Breaker			137,500	
Motor Vehicle Excise Tax Rev Estimate			5,639,701	
Retiree Health Subsidy			698,681	
Domestic Partners IRS Penalty			474,864	
	262,199,224	764,471	3,861,098	266,824,793
Debt Service Payments				
Debt Service - GO Bonds	83,189,918		(458,518)	
Refunding Savings			(1,300,000)	
Debt Service -Shift to RICAP			(7,300,000)	
Debt Service - COPS			(233,228)	
Debt Service - Other			62,500	
Convention Center Authority			(1,577,977)	
Interest on TDI Borrowing			475,000	
	83,189,918	-	(10,332,223)	72,857,695
Retirement Alternative				
Retirement Savings	(1,658,427)		1,658,427	
	(1,658,427)	-	1,658,427	-
Salary Adjustment Fund				
Salary Adjustment Fund	33,000,000	7,138,255	(40,138,255)	
	33,000,000	7,138,255	(40,138,255)	-
	469,270,013	9,503,677	(32,164,114)	446,609,576
Business Regulation				
Central Management	1,733,036			
FY2005 Retroactive COLA			7,667	
FY2006 COLA/Medical Co-Pay			68,707	
Personnel/Turnover			(8,174)	
Other Operating Costs			30,585	
Employee Co-Share			(8,951)	
FY2006 Medical Co-Pay Option Adjustment			483	
Purchased Services			6,850	
	1,733,036	-	97,167	1,830,203
Banking Regulation	1,758,524			
FY2005 Retroactive COLA			16,892	
FY2006 COLA/Medical Co-Pay			83,790	
Personnel/Turnover			(4,733)	
Other Operating Costs			3,878	
Employee Co-Share			(16,932)	
FY2006 Medical Co-Pay Option Adjustment			7,645	
	1,758,524	-	90,540	1,849,064

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Securities Regulation	817,326			
FY2005 Retroactive COLA			6,151	
FY2006 COLA/Medical Co-Pay			36,559	
Personnel/Turnover			17,363	
Other Operating Costs			4,346	
Employee Co-Share			(8,466)	
FY2006 Medical Co-Pay Option Adjustment			2,639	
	817,326	-	58,592	875,918
Commercial Licensing and Regulation	1,253,819			
FY2005 Retroactive COLA			7,489	
FY2006 COLA/Medical Co-Pay			49,802	
Personnel/Turnover			(154,785)	
Other Operating Costs			6,678	
Employee Co-Share			(10,520)	
FY2006 Medical Co-Pay Option Adjustment			3,179	
Grants & Benefits			310	
	1,253,819	-	(97,847)	1,155,972
Racing and Athletics	417,172			
FY2005 Retroactive COLA			2,673	
FY2006 COLA/Medical Co-Pay			23,154	
Personnel/Turnover			59,507	
Other Operating Costs			8,577	
Employee Co-Share			(3,638)	
FY2006 Medical Co-Pay Option Adjustment			849	
Grants & Benefits			36	
Purchased Services			55	
	417,172	-	91,213	508,385
Insurance Regulation	4,415,873			
FY2005 Retroactive COLA			36,462	
FY2006 COLA/Medical Co-Pay			196,418	
Personnel/Turnover			(175,415)	
Positions Upgrades-Health Commissioner			(234,361)	
Other Operating Costs			(45,254)	
Employee Co-Share			(40,253)	
FY2006 Medical Co-Pay Option Adjustment			16,197	
Grants & Benefits			310	
	4,415,873	-	(245,896)	4,169,977
Board of Accountancy	139,494			
FY2005 Retroactive COLA			1,331	
Employee Co-Share			(1,212)	
FY2006 COLA/Medical Co-Pay			5,773	
Personnel/Turnover			3,620	
Other Operating Costs			59	
Purchased Services			1,000	
	139,494		10,571	150,065
Total	10,535,244	-	4,340	10,539,584

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Labor and Training				
Central Management	423,321			
Personnel Adjustments/Turnover Savings			(20,763)	
Decrease Payroll (allocated costs)			(170,254)	
FY2005 Retroactive COLA			33	
FY2006 COLA/Medical Co-Pay			7,101	
Purchased Services			1,121	
Other Operating Costs			11,545	
Increase Grants, Benefits			1,535	
Increase Capital			16,953	
	423,321	-	(152,729)	270,592
Workforce Development	673,000			
Arbitration of Teacher Disputes				
	673,000	-	-	673,000
Workforce Regulation and Safety	3,076,120			
Personnel Adjustments/Turnover Savings			(67,111)	
Decrease Payroll (allocated costs)			(21,821)	
FY2005 Retroactive COLA			996	
FY2006 COLA/Medical Co-Pay			152,616	
Purchased Services			(14,933)	
Utility/Energy Costs			69,215	
Other Operating Costs			(16,551)	
Increase Grants, Benefits			11,179	
Increase Capital			8,691	
	3,076,120		122,281	3,198,401
Income Support	2,941,805			
Personnel Adjustments			11,571	
FY2005 Retroactive COLA			33	
FY2006 COLA/Medical Co-Pay			5,222	
Purchased Services			(308)	
Other Operating			(1,462)	
Police and Fire Relief Payments			170,232	
Increase Grants, Benefits			248	
Increase Capital			81	
	2,941,805	-	185,617	3,127,422
Labor Relations Board	327,624			
Personnel Adjustments/Turnover Savings			85,227	
FY2005 Retroactive COLA			97	
FY2006 COLA/Medical Co-Pay			12,633	
Purchased Services			1,201	
Other Operating			9,896	
	327,624	-	109,054	436,678
Total	7,441,870	-	264,223	7,706,093

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Legislature				
Legislature	28,956,307	2,451,780		31,408,087
FY2005 Retroactive COLA			223,097	223,097
FY2006 COLA/Medical Co-Pay			1,232,926	1,232,926
Other Personnel Costs			327,769	327,769
Other Operating			152,753	152,753
Management/Audit Services			(103,500)	(103,500)

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Referenda/Legal Services	379,685		90,594	470,279
State Library	698,938	-		698,938
FY2005 Retroactive COLA			3,513	3,513
FY2006 COLA/Medical Co-Pay			26,132	26,132
Other Personnel Costs			(15,451)	(15,451)
Utility/Energy Costs			-	-
Other Operating			(371)	(371)
Grants and Benefits			(10,537)	(10,537)
	698,938	-	3,286	702,224
Office of Public Information	455,798	-		455,798
FY2005 Retroactive COLA			5,260	5,260
FY2006 COLA/Medical Co-Pay			32,628	32,628
Other Personnel Costs			(78,578)	(78,578)
Utility/Energy Costs			-	-
Other Operating			(10,402)	(10,402)
	1,061	-	(51,092)	404,706
	46,158	-		
Total	4,799,470	-	446,342	5,245,812
Office of the General Treasurer			(10,955)	
Treasury	2,587,681			
FY2005 Retroactive COLA			23,505	
FY2006 COLA/Medical Co-Pay			101,543	
Other Personnel Costs			(253,294)	
Operating			49,825	
	2,587,681	-	(78,421)	2,509,260
RI Refunding Bond Authority	53,011			
FY2005 Retroactive COLA			446	
FY2006 COLA/Medical Co-Pay			1,927	
Other Personnel Costs			(822)	
Operating			180	
	53,011	-	1,731	54,742
Crime Victim Compensation Program	257,980			
FY2005 Retroactive COLA			2,326	
FY2006 COLA/Medical Co-Pay			10,048	
Other Personnel Costs			(36,651)	
Operating			4,951	
	257,980	-	(19,326)	238,654
Total	2,898,672	-	(96,016)	2,802,656
Boards For Design Professionals				
Boards For Design Professionals	359,516			
FY2005 Retroactive COLA			-	
FY2006 COLA/Medical Co-Pay			13,757	
Other Personnel Costs			4,374	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Other Operating			841	
Legal Services			2,185	
Total	359,516	-	21,157	380,673
Board of Elections				
Board Of Elections	1,421,683	14,510	-	1,436,193
FY2006 COLA/Medical Co-Pay			63,677	63,677
Other Personnel			(56,764)	(56,764)
Utility/Energy Costs			1,910	
Other Operating			(10,879)	(10,879)
Total	1,421,683	14,510	(2,056)	1,434,137
R I Ethics Commissions				
RI Ethics Commission	1,207,394			
FY2006 COLA/Medical Co-Pay			49,802	
Other Personnel Costs			(49,939)	
Contracts			(34,376)	
Other Operating			18,449	
Total	1,207,394	-	(16,064)	1,191,330
Office of the Governor				
Office Of Governor	4,530,495			
Reappropriation		76,566	(76,566)	
FY2006 COLA/Medical Co-Pay			271,294	
Interns			(10,000)	
Operating			(20,621)	
Total	4,530,495	76,566	164,107	4,771,168
Public Utilities Commission				
Public Utilities Commission	710,111			
FY 2005 Retroactive COLA			3,480	
FY2006 COLA/Medical Co-Pay			18,715	
Payroll - Current Service			(26,907)	
Other Personnel Costs			(4,090)	
Other Operating			(7,765)	
Total	710,111	-	(16,567)	693,544
Rhode Island Commission on Women				
Rhode Island Commission on Women	86,557			
FY 2006 COLA/Medical Co-Pay			4,864	
Other Personnel Costs		399		
Total	86,557	399	4,864	91,820
Sub-Total General Government	533,134,694	12,048,032	(30,146,046)	515,036,680
<u>Human Services</u>				
Children, Youth, and Families				
Central Management	8,238,151			
FY2005 Retroactive COLA			63,064	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Reallocation- 2 FTE			245,154	
Information Systems			130,547	
FY2006 COLA/Medical Co-Pay			321,772	
Other Personnel Costs			(394,111)	
Utility/Energy Costs			15,680	
Other Operating			(9,566)	
Consultants			(175,700)	
Retro for Clinical Training Specialists			78,393	
Additional Training Per Federal Report			33,623	
Computer Supply Reduction			(75,000)	
Rent			27,953	
	8,238,151	-	261,809	8,499,960
Children's Behavioral Health	30,777,152			
FY2005 Retroactive COLA			23,577	
FY2006 COLA/Medical Co-Pay			109,565	
Consultants			33,582	
Other Personnel Costs			(202,719)	
Utility/Energy Costs			4,787	
Other Operating			546	
Caseload			1,478,728	
Reallocation- 2 FTE			170,245	
DHS Reimbursement			680,000	
Delayed Program Start Up			(257,000)	
New Certified Vendors/Medicaid Clean up			(399,818)	
Additional Turnover			(70,659)	
	30,777,152	-	1,570,834	32,347,986
Juvenile Corrections	30,019,893			
FY2005 Retroactive COLA			141,788	
Overtime			234,586	
FY2006 COLA/Medical Co-Pay			1,178,002	
Other Personnel Costs			(554,331)	
Utility/Energy Costs			69,023	
Other Operating			(33,119)	
Consultants			(33,865)	
Grants and Benefits			(11,751)	
Provider/ Caseloads			847,686	
Reallocation- 2 FTE			191,169	
Mileage Increase			18,055	
	30,019,893	-	2,047,243	32,067,136
Child Welfare	95,443,297			
FY2005 Retroactive COLA			514,894	
FY2006 COLA/Medical Co-Pay			1,212,259	
Other Personnel Costs			(738,474)	
Reallocations (6 FTE)			(606,568)	
Utility/Energy Costs			206,902	
Other Operating			(120,269)	
Consultants			15,430	
Caseloads			(1,290,156)	
Mileage Increase			133,768	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Rent			148,496	
Additional Turnover			(376,852)	
Increased SSI, SSA Revenues			(295,443)	
Increased Title IV-E Revenues			(895,000)	
POS Reduction			(215,084)	
New Certified Vendor/Medicaid Clean up			(348,909)	
Eliminate Provider Rate Increase			(276,093)	
Mileage Rate Change Adjustment			(26,890)	
	95,443,297	-	(2,957,989)	92,485,308
Higher Education Opportunity Incentive Grant	200,000	-	-	
Total	200,000	-	-	200,000
Total	164,678,493	-	921,897	165,600,390
Elderly Affairs				
Elderly Affairs	21,093,567			-
FY2005 Retroactive COLA			11,170	-
FY2006 COLA/Medical Co-Pay			284,385	-
Additional Turnover			(51,412)	
ABC Grant			45,000	-
Management/Audit Services			23,700	-
Offset Costs to One-Stop Grant			(45,600)	
Other Operating			38,823	-
In-Home and Case Management			18,543	-
RIPAE - Drug Cost			806,570	-
RIPAE - Management Services			(112,238)	-
Provider COLA - Allocated to Accounts			(24,870)	-
Waiver Program			595,355	
Home & Community Care Programs			(374,375)	
Provider COLA -Revoked			(99,460)	
Legislative Grants Correction			(450)	
Total	21,093,567	-	1,115,141	22,208,708
Health				
Central Management	7,066,701			
FY 2005 Retroactive COLA			9,050	
FY 2006 COLA/Medical Co-Pay			102,332	
Payroll - Current Services			212,966	
Indirect Cost Recovery Revenues Shortfall			216,313	
Worksite Wellness Initiative			225,000	
Other Personnel Costs			6,205	
Other Operating			(1,588)	
	7,066,701	-	770,278	7,836,979
State Medical Examiner	1,830,258			
FY 2005 Retroactive COLA			736	
Payroll - Current Service			(128,107)	
FY 2006 COLA/Medical Co-Pay			93,748	
Utility and Gasoline			(611)	
Transportation Services			50,000	
Other Operating			26,090	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
	1,830,258	-	41,856	1,872,114
Family Health	2,213,925			
FY 2005 Retroactive COLA			7,775	
Payroll - Current Service			32,641	
FY 2006 COLA/Medical Co-Pay			60,363	
Other Personnel Costs			36,661	
Other Operating			(61,661)	
Grantee Services			5,000	
Targeted Case Management - RIH's CDC			(136,307)	
	2,213,925	-	(55,528)	2,158,397
Health Services Regulation	4,962,160			
Nursing Home Patient Safety Tracking		44,790	(44,790)	
FY 2005 Retroactive COLA			28,308	
Payroll - Current Service			(258,749)	
FY 2006 COLA/Medical Co-Pay			255,413	
Other Personnel Costs			184,964	
Utility and Gasoline			54	
Other Operating			3,347	
	4,962,160	44,790	168,547	5,175,497
Environmental Health	4,696,140			
FY 2005 Retroactive COLA			26,564	
Payroll - Current Service			(303,463)	
Contract Services			(100,000)	
Utility and Gasoline			1,014	
FY 2006 COLA/Medical Co-Pay			230,501	
	4,696,140	-	(145,384)	4,550,756
Health Laboratories	6,000,295			
FY 2005 Retroactive COLA			62,786	
Payroll - Current Service			(156,658)	
FY 2006 COLA/Medical Co-Pay			262,013	
Other Personnel Costs			86,100	
Utility and Gasoline			8,537	
Other Operating			(135,493)	
	6,000,295	-	127,285	6,127,580
Disease Prevention and Control	5,059,834			
FY 2005 Retroactive COLA			9,831	
Payroll - Current Service			156,277	
FY 2006 COLA/Medical Co-Pay			72,676	
HIV Federal Shortfall			3,300,000	
Other Operating			9,631	
Net Anti-Tobacco Programs			(63,068)	
	5,059,834	-	3,485,347	8,545,181
Total	31,829,313	44,790	4,392,401	36,266,504

Human Services

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Central Management	8,889,833			
FY2005 Retroactive COLA			14,159	
FY2006 COLA/Medical Co-Pay			105,707	
Other Personnel Costs			(412,698)	
Increased foundation grant			100,000	
Reduced indirect recoveries			642,401	
Other Operating			(7,565)	
	8,889,833	-	442,004	9,331,837
Child Support Enforcement	3,463,716			
FY2005 Retroactive COLA			5,357	
FY2006 COLA/Medical Co-Pay			120,251	
Other Personnel Costs			(218,218)	
Utility/Energy Costs			7,427	
Reallocations for InRhodes			120,153	
Other Operating			115,587	
	3,463,716	-	150,557	3,614,273
Individual and Family Support	22,791,531			
FY2005 Retroactive COLA			156,117	
FY2006 COLA/Medical Co-Pay			745,255	
Other Personnel Costs			(406,212)	
Utility/Energy Costs			2,258	
Homemakers Services			267,850	
Reallocations to Child Support			(40,153)	
Grants, Employment and Training			(96,043)	
Other Operating			(57,254)	
	22,791,531	-	571,818	23,363,349
Veterans' Affairs	17,891,642			
FY2005 Retroactive COLA			57,905	
FY2006 COLA/Medical Co-Pay			684,429	
Other Personnel Costs			(175,646)	
Utility/Energy Costs			146,751	
Pharmaceuticals and Medical Supplies			104,480	
Other Operating			35,519	
Increased allocations to federal per diem			(89,750)	
	17,891,642	-	763,688	18,655,330
Health Care Quality, Financing and Purchasing	29,542,024			
FY2005 Retroactive COLA			66,227	
FY2006 COLA/Medical Co-Pay			511,715	
Other Personnel Costs			71,385	
Special Education Imputed Match			(8,500,000)	
Reallocations to Child Support			(80,000)	
Disproportionate share hospitals audit			-	
Other Operating			(2,034)	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Contract Services		400,000	(435,336)	
340B Contractor			(400,000)	
	29,542,024	400,000	(8,768,043)	21,173,981
Medical Benefits	597,318,517			
Caseload Conference- S-CHIP federal Funds			(3,992,757)	
Caseload Conference- Special Education Imputed Local Share			(16,631,706)	
Caseload Conference- Inflation and Caseloads			2,555,946	
Enroll Dual Eligibles in Medicare Part D			(875,000)	
Enhanced federal claiming			(262,050)	
Reverse Provider COLA			(225,445)	
Reduce Pharmacy Reimbursement to WAC plus zero			(481,342)	
	597,318,517	-	(19,912,354)	577,406,163
S.S.I. Program- Caseload Conference	28,195,198			
Caseload Conference			(482,157)	
	28,195,198	-	(482,157)	27,713,041
Family Independence Program	62,042,133			
TANF/FIP Caseload Conference			(234,857)	
Child Care- Caseload Conference- Federal Grants balances			(1,100,000)	
Child Care- Caseload Conference- Federal Performance Bonus			(4,751,079)	
Child Care- Caseload Conference- Caseloads			611,582	
Advance Employment Plan for FIP eligibility			(77,927)	
Child Care- Increase Copayments			(109,024)	
	62,042,133	-	(5,661,305)	56,380,828
State Funded Programs	3,064,942			
<u>General Public Assistance</u>				
GPA- Caseload Conference			61,145	
GPA Hardship			271,110	
	3,064,942	-	332,255	3,397,197
Total	773,199,536	400,000	(32,563,537)	741,035,999
Mental Health, Retardation, & Hospitals				
Central Management	2,448,761			
FY2006 COLA/Medical Co-Pay			132,938	
Turnover Savings			(312,149)	
Contract Services			-	
	2,448,761	-	(179,211)	2,269,550
Hosp. & Community System Support	22,883,374			
FY2006 COLA/Medical Co-Pay			489,017	
Other Personnel Costs			(489,017)	
Electricity			313,146	
Natural Gas			2,153,341	
Fuel Oil Number 2 and 6			3,365,505	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Water (Campus Steam/Providence Water)			414,000	
Other Operating			667,548	
Contract Services			59,264	
Retiree Pensions			(154)	
Total	22,883,374	-	6,972,650	29,856,024
Services. for the Developmentally Disabled	110,527,346			
FY2005 Retroactive COLA			29,009	
FY2006 COLA/Medical Co-Pay			826,744	
Lead Paint Mitigation Reappropriation		31,000	-	
Turnover Savings			(926,744)	
Other Operating			(269,244)	
Purchased Medical Services			(39,633)	
Withdraw Provider COLA 2.2%			(1,164,979)	
Defer RICLAS Vehicle Purchase Plan			(179,214)	
Unachieved Savings/Utilization State Clients			1,468,866	
	110,527,346	31,000	(255,195)	110,303,151
Integrated Mental Health Services	41,367,980			
FY2005 Retroactive COLA			686	
FY2006 COLA/Medical Co-Pay			76,999	
Turnover Savings			(151,999)	
Unachieved 340B Drug Savings/CMAP Drugs			618,000	
Miscellaneous Operating			(21,500)	
Consolidate Operating From Substance Abuse			58,900	
Medicaid Utilization - Inpatient Butler			136,378	
Withdraw Provider COLA 2.2 Percent			126,171	
Shift 3 POS Grants to Int Mental Health			262,599	
Miscellaneous Grants and Benefits			35,631	
	41,367,980	-	1,141,865	42,509,845
Hosp. & Community Rehab. Services	47,515,173			
FY2005 Retroactive COLA			231,565	
FY2006 COLA/Medical Co-Pay			1,991,411	
Payroll/Overtime			(691,411)	
Purchased Medical Services			260,847	
Misc Operating/Retiree Medical			109,987	
	47,515,173	-	1,902,399	49,417,572
Substance Abuse	15,313,055			
FY2005 Retroactive COLA			5,886	
FY2006 COLA/Medical Co-Pay			98,712	
Turnover Savings			(25,438)	
Withdraw Provider COLA 2.2 Percent			74,644	
Consolidate Operating to Int Mental Health			(58,900)	
Shift 3 POS Grants to Int Mental Health			(262,599)	
Misc Operating			(8,072)	
	15,313,055	-	(175,767)	15,137,288

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Total	240,055,689	31,000	9,406,741	249,493,430
Office of the Child Advocate	498,621			
FY2005 Retroactive COLA			-	
FY2006 COLA/Medical Co-Pay			25,335	
Stenographic Services			10,000	
Turnover Savings			(49,098)	
Case Management Coordination			37,568	
Misc Operating			13,763	
Total	498,621	-	37,568	536,189
Commission on Deaf and Hard of Hearing	307,606	20,000		
FY2005 Retroactive COLA			2,581	
FY2006 COLA/Medical Co-Pay			10,370	
Other Operating			2,680	
Assisted Listening & CART Services			(12,079)	
Staff Upgrades			5,926	
Total	307,606	20,000	9,478	337,084
Governor's Commission on Disabilities	531,409			
FY2005 Retroactive COLA			6,597	
FY2006 COLA/Medical Co-Pay			28,235	
Other Personnel Costs			(19,350)	
Other Operating			1,430	
Total	531,409	-	16,912	548,321
Commission for Human Rights	979,397			
FY 2005 Retroactive COLA			2,992	
Payroll - Current Service			(23,067)	
FY 2006 COLA/Medical Co-Pay			46,586	
Utility/Energy Costs			-	
Total	979,397	-	26,511	1,005,908
Office of the Mental Health Advocate	351,329			
FY2005 Retroactive COLA			4,386	
FY2006 COLA/Medical Co-Pay			21,944	
Other Personnel Costs			(3,480)	
Utility/Energy Costs				
Other Operating			253	
Total	351,329	-	23,103	374,432
Sub-Total Human Services	1,233,524,960	495,790	(16,613,785)	1,217,406,965

Education

Elementary and Secondary Education

State Education Aid	642,631,258			
FY2005 Retroactive COLA			1,423	
FY2006 COLA/Medical Co-Pay			18,690	
Charter Schools			872,315	
Group Home Financing			75,000	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Telecommunication Access Fund	642,631,258	-	(626,000) 341,428	642,972,686
School Housing Aid	47,172,045			
Housing Aid Adjustment	47,172,045	-	(548,389) (548,389)	46,623,656
Teacher's Retirement	58,632,638			
Payroll Base change			(2,348,475)	
Teacher Retirement Alternative	58,632,638	-	(2,348,475)	56,284,163
RI School for the Deaf	5,981,028			
FY2005 Retroactive COLA			18,863	
FY2006 COLA/Medical Co-Pay			202,561	
Other Personnel Costs			(18,376)	
Consultant Services			(14,392)	
Utility/Energy Costs			9,150	
Other Operating			27,268	
	5,981,028	-	225,074	6,206,102
Central Falls School District	41,240,904			
Adjustment	41,240,904	-	599 599	41,241,503
Davies Career & Technical School	12,810,692			
Reappropriation		95,401		
FY2006 COLA/Medical Co-Pay			54,321	
Other Personnel Costs			(64,590)	
Consultant Services			(10,000)	
Utility/Energy Costs			120,569	
Renovation Costs			160,000	
	12,810,692	95,401	260,300	13,166,393
Met. Career & Tech. School	8,814,530			
	8,814,530	-	-	8,814,530
Administration of the Comp. Education Strategy	20,204,757			
FY2005 Retroactive COLA			140,440	
FY2006 COLA/Medical Co-Pay			510,034	-
Other Personnel			(89,804)	
Perkins Tuition			(100,000)	
Insurance Costs-Career and Technical Schools			(132,000)	
Other Operating			123,000	
Career and Technical Education Study			(400,000)	
Vision Services Accounts Payable			(75,721)	
CEIS Data Warehouse			(150,000)	
	20,204,757	-	(174,051)	20,030,706
Total	837,487,852	95,401	(2,243,514)	835,339,739

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Higher Education				
Board of Governors/Office of Higher Education	7,314,286			
Other Operating			(200,000)	
	7,314,286		(200,000)	7,114,286
University of Rhode Island	84,303,400			
Other Personnel Costs			200,791	
Other Operating			(2,000,000)	
Utility/Energy Costs			1,143,698	
Revenue Bond Refunding-general revenue			(1,344,489)	
	84,303,400		(2,000,000)	82,303,400
Rhode Island College	44,980,878			
Other Personnel Costs			(82,088)	
Other Operating			(829,377)	
	44,980,878		(911,465)	44,069,413
Community College of Rhode Island	45,770,273			
Other Personnel Costs			(124,895)	
Other Operating			(200,000)	
	45,770,273		(324,895)	45,445,378
Total	182,368,837	-	(3,436,360)	178,932,477
RI Council On The Arts				
	2,623,921			
FY2005 Retroactive COLA			-	
FY2006 COLA/Medical Co-Pay			32,938	
Other Personnel Costs			(37,347)	
Grants		22,060	-	
Total	2,623,921	22,060	(4,409)	2,641,572
RI Atomic Energy Commission				
	765,890			
Atomic Energy Commission				
FY2005 Retroactive COLA			2,317	
FY2006 COLA/Medical Co-Pay/Overtime			3,048	
Other Personnel Costs			(15,375)	
Utility/Energy Costs			4,360	
Other Operating			10,010	
Total	765,890	-	4,360	770,250
RI Higher Education Assistance Authority				
	9,900,422			
FY2005 Retroactive COLA				
FY2006 COLA/Medical Co-Pay			28,606	
Other Personnel Costs			(14,705)	
Utility/Energy Costs				
Other Operating				

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
New England Board of Higher Educ. Dues Scholarships			14,705 (2,200,000)	
Total	9,900,422	-	(2,171,394)	7,729,028
RI Historical Preservation & Heritage Commission	1,410,602	-		
FY2006 COLA/Medical Co-Pay			3,965	
Eisenhower House		3,629		
Eisenhower House Seasonal			7,141	
Other Operating			3,896	
Eisenhower House Operating/Maintenance			(13,948)	
Total	1,410,602	3,629	1,054	1,415,285
RI Public Telecommunications Authority	1,285,906			
FY2005 Retroactive COLA			10,975	
FY2006 COLA/Medical Co-Pay			61,052	
Other Personnel Costs			(35,202)	
Other Operating			(6,463)	
	1,285,906	-	30,362	1,316,268
Sub-Total Education	1,035,843,430	121,090	(7,819,901)	1,028,144,619
<u>Public Safety</u>				
Attorney General	11,762,923			
Criminal				
FY2005 Retroactive COLA			102,054	
FY2006 COLA/Medical Co-Pay			637,970	
Other Personnel Costs		59,999	(16,081)	
Station Fire- Trial Witnesses			50,000	
	11,762,923	59,999	773,943	12,596,865
Civil	3,672,422			
FY2005 Retroactive COLA			32,625	
FY2006 COLA/Medical Co-Pay			198,225	
Utility/Energy Costs			16,799	
Expert Witnesses			70,000	
	3,672,422	-	317,649	3,990,071
Bureau of Criminal Identification	849,017			
FY2005 Retroactive COLA			8,678	
FY2006 COLA/Medical Co-Pay			43,886	
Other Personnel Costs			39,701	
Other Operating			2,691	
	849,017	-	94,956	943,973
General	1,946,801			
FY2005 Retroactive COLA			24,070	
FY2006 COLA/Medical Co-Pay			121,486	
Grants and benefits			28	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Other Operating		30,000		
Utility/Energy Costs	1,946,801		32,958	
		30,000	178,542	2,155,343
Total	18,231,163	89,999	1,365,090	19,686,252
Corrections				
Central Management	10,422,167			
FY2005 Retroactive COLA			-	
FY2006 COLA/Medical Co-Pay			363,727	
Turnover			(113,373)	
Legal services FTE Transfer to DOA			(47,342)	
Training Academy Overtime			47,771	
MIS Overtime			(96,412)	
Other Personnel Costs			(73,770)	
Purchased Services			18,773	
Telephone			8,663	
Office Expenses			16,542	
Recruitment Class Costs			28,765	
Other Operating			47,312	
	10,422,167	-	200,656	10,622,823
Parole Board	1,140,970			
FY2006 COLA/Medical Co-Pay			59,288	
Turnover			(9,849)	
Sex Offender Supervision FTE			24,907	
Other Personnel Costs			(5,913)	
Purchased Services			9,440	
Office Relocation			(16,490)	
Other Operating			10,226	
	1,140,970	-	71,609	1,212,579
Institutional Corrections	123,003,047			
Reappropriation		279,600		
FY2005 Retroactive COLA			1,502,318	
FY2006 COLA/Medical Co-Pay			8,118,610	
Turnover			(1,953,708)	
Special Investigation Unit Overtime			(40,477)	
New Weapons Training-Overtime			1,225,440	
C.O. Overtime			1,336,963	
Nursing Incentives			565,345	
SCAAP Adjustment			(103,411)	
Other Personnel Costs			(506,815)	
Purchased Services			59,421	
Buildings & Grounds Services			31,483	
Medical Services Contracts			256,974	
Other Medical Services			334,151	
Psychiatric Services			45,700	
Utility/Energy Costs			20,463	
Telephone			(77,223)	
Master Lease			(27,163)	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
New Weapons Training-Firing Range			33,750	
Per Capita Inmate Operating			397,883	
Pharmacy (340b)			700,000	
Prescription Drugs			(118,493)	
Medical Supplies			(14,603)	
Automotive Repair			22,464	
Loss of Federal Grant			20,000	
Other Operating			(169,760)	
	123,003,047	279,600	11,659,312	134,941,959
Community Corrections	12,372,991			
FY2005 Retroactive COLA				
FY2006 COLA/Medical Co-Pay			890,582	
Turnover			(366,268)	
Women's Transitional Housing			(247,828)	
Other Personnel Costs			41,317	
Purchased Services			8,664	
Telephone			3,414	
Office Expenses			17,898	
Woonsocket P&P Office			10,900	
Other Operating			(3,242)	
	12,372,991	-	355,437	12,728,428
Total	146,939,175	279,600	12,287,014	159,505,789
Judiciary				
Supreme Court	24,618,969			
FY2005 Retroactive COLA			161,224	
FY2006 COLA/Medical Co-Pay			769,885	
Turnover Savings			(370,854)	
Indigent Defense Fund			(200,000)	
Purchased Services			(25,502)	
Building/Ground Maint/Fire Protection			262,424	
Utilities			297,528	
Operating			153,125	
Capital Improvements			17,305	
Judicial Technology		383,438		
	24,618,969	383,438	1,065,135	26,067,542
Superior Court	18,138,389			
FY2005 Retroactive COLA			185,046	
FY2006 COLA/Medical Co-Pay			902,092	
Turnover Savings			(354,159)	
Purchased Services			(15,698)	
Operating			(27,633)	
Capital Improvements			16,719	
	18,138,389	-	706,367	18,844,756

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Family Court	13,917,290			
FY2005 Retroactive COLA			181,175	
FY2006 COLA/Medical Co-Pay			832,885	
Payroll			431,065	
Purchased Services			34,496	
Operating			(34,607)	
	13,917,290	-	1,445,014	15,362,304
District Court	8,650,732			
FY2005 Retroactive COLA			91,792	
FY2006 COLA/Medical Co-Pay			451,970	
Payroll			107,641	
Purchased Services			27,311	
Operating			(4,681)	
Capital Improvements			2,402	
	8,650,732	-	676,435	9,327,167
Traffic Tribunal	6,862,587			
FY2005 Retroactive COLA			49,987	
FY2006 COLA/Medical Co-Pay			316,042	
Turnover Savings			(141,600)	
Purchased Services			30,610	
Operating			(46,040)	
Capital Improvements			3,222	
	6,862,587		212,221	7,074,808
Total	72,187,967	383,438	4,105,172	76,676,577
Military Staff				
National Guard	1,759,766			
FY2005 Retroactive COLA				
FY2006 COLA/Medical Co-Pay			27,050	
Overtime			(2,373)	
Firefighter's Overtime			(20,251)	
Other Personnel Costs			(86,547)	
Purchased Services			(18,652)	
Utility/Energy Costs			126,514	
Repairs			(50,091)	
Automobile			22,000	
Supplies			(10,934)	
Other Operating			(2,147)	
Educational Benefits			211,520	
Life Insurance Subsidy			36,192	
Distance Learning			(30,000)	
	1,759,766	-	202,281	1,962,047

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Emergency Management	572,047			
FY2005 Retroactive COLA			11,785	
FY2006 COLA/Medical Co-Pay			47,997	
Overtime			10,000	
Other Personnel Costs			49,283	
Purchased Services			5,197	
Utility/Energy Costs			24,276	
Telephone			34,575	
Other Operating			17,618	
	572,047	-	200,731	772,778
Total	2,331,813	-	403,012	2,734,825
 E-911 Emergency Telephone System				
E-911 Emergency Telephone System	4,170,299			
FY2005 Retroactive COLA			36,531	
FY2006 COLA/Medical Co-Pay			188,265	
Other Personnel Costs			(261,867)	
Purchased Services			(7,706)	
Other Operating			4,395	
	4,170,299	-	(40,382)	4,129,917
Total	4,170,299	-	(40,382)	4,129,917
 Fire Safety Code Commission				
Fire Code Commission	266,894	5,585		
Statewide - Non- Union Retro 2005 COLA			2,411	
Unbudgeted FY 2006 COLA			12,615	
Utility/Energy Costs			-	
	266,894	5,585	15,026	287,505
Total	266,894	5,585	15,026	287,505
 State Fire Marshal				
State Fire Marshal	2,368,505			
FY2005 Retroactive COLA			14,081	
FY2006 COLA/Medical Co-Pay			83,859	
Other Personnel Costs			66,592	
Statewide Utility (not including auto maintenance)			24,794	
Other Operating			98,199	
	2,368,505	-	287,525	2,656,030
Total	2,368,505	-	287,525	2,656,030
 Commission on Judicial Tenure and Discipline				
Commission on Judicial Tenure and Discipline	106,650			
FY2005 Retroactive COLA			946	
FY2006 COLA/Medical Co-Pay			4,573	
Other Personnel Costs			(7,174)	
Purchased Legal Services			6,338	
Other Operating			2,078	
	106,650	-	6,761	113,411
Total	106,650	-	6,761	113,411
 Rhode Island Justice Commission				

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
Rhode Island Justice Commission	253,085			
Payroll - Current Service			(654)	
FY 2006 COLA/Medical Co-Pay			5,497	
Other Operating			(3,908)	
Total	253,085	-	935	254,020
Municipal Police Training Academy	373,710			
Other Personnel Costs			(19,766)	
Executive Director - Salary Requirements			7,039	
FY 2006 COLA/Medical Co-Pay			13,699	
Other Operating			1,028	
Reduce Overtime			(2,000)	
Total	373,710	-	-	373,710
State Police				
State Police	45,368,538			
Reappropriation		53,680		
FY2005 Retroactive COLA			331,915	
FY2006 COLA/Medical Co-Pay			1,724,250	
Turnover			(383,257)	
Other Personnel Costs			34,228	
Utility/Energy Costs			188,928	
Other Operating			(121,009)	
Contract Services			5,197	
Printers for Patrol Vehicles			73,460	
Pay-as-you-go Pension Costs			43,909	
Vehicle Purchase-Master Lease			(17,155)	
Total	45,368,538	53,680	1,880,466	47,302,684
Office Of Public Defender				
Public Defenders Office	7,757,125			
FY2005 Retroactive COLA			79,897	
FY2006 COLA/Medical Co-Pay			348,503	
Other Personnel Costs			(38,000)	
Relocation			305,752	
Other Operating			(3,800)	
Total	7,757,125	-	692,352	8,449,477
Sub-Total Public Safety	300,354,924	812,302	21,002,971	322,170,197
<u>Natural Resources</u>				
Environmental Management				
Office of the Director	7,309,360			
FY2006 COLA/Medical Co-Pay			199,841	
Other Personnel Costs			88,996	
Earth Day - Operating & Advertising			27,475	
Turnover			(148,025)	
Operating			4,100	

Changes to FY 2006 Enacted Agency General Revenue Expenditures

	FY2006 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2006 Projected Expenditures
	7,309,360	-	172,387	7,481,747
Natural Resources	17,073,559			
FY2006 COLA/Medical Co-Pay			560,623	
Other Personnel Costs			(87,435)	
Vehicle Lease Requirements			96,147	
Utility/Energy Costs			468,396	
Other Operating Turnover			(3,081) (100,322)	
Unachieved Turnover - Enforcement			246,659	
	17,073,559	-	1,180,987	18,254,546
Environmental Protection	11,413,541			
FY2006 COLA/Medical Co-Pay			520,743	
Other Personnel Costs			(267,886)	
Utility/Energy Costs			35,014	
Unachieved Turnover - Water Resources			349,895	
Water Resources - Offset to Water & Air			(254,694)	
Unachieved Turnover - Compliance & Inspection			246,085	
Rosehill Landfill - Delay payment to FY 2008			(300,000)	
Tech & Cust. Assistance - Current Service Adj.			60,894	
	11,413,541	-	390,051	11,803,592
Total	35,796,460	-	1,743,425	37,539,885
Coastal Resources Management Council	1,580,355			
FY2006 COLA/Medical Co-Pay			97,242	
Other Personnel Costs			(5,592)	
Purchased Services			5,000	
Total	1,580,355	-	96,650	1,677,005
State Water Resources Board	1,845,239	-		
1 2 FY2006 COLA/Medical Co-Pay			8,116	
General Manager - Salary and Benefits			7,391	
Utility/Energy Costs			-	
Other Operating			4,133	
Lead Paint Inspections - Big River		12,000		
Total	1,845,239	12,000	19,640	1,876,879
Sub-Total Environment	39,222,054	12,000	1,859,715	41,093,769
Statewide General Revenue Total	3,142,080,062	13,489,214	(31,717,046)	3,123,852,230

Changes to FY 2006 Enacted Transportation Expenditures

	FY 2006 Enacted Appropriation	Supplemental Changes	FY 2006 Revised
Transportation ISTEA Fund Changes			
Central Management	3,613,697		
FY 2005 Retroactive COLA		12,784	
FY 2006 COLA		273,366	
Salaries & Benefits		(125,528)	
Purchased Services		(4,711)	
Operating		(20,357)	
Insurance		5,154	
Grants & Benefits		(6,300)	
Capital Improvements		(98,409)	
	3,613,697	35,999	3,649,696
Management & Budget	2,067,463		
FY 2005 Retroactive COLA		15,240	
FY 2006 COLA		158,942	
Salaries & Benefits		62,966	
Operating		729,810	
Insurance		(81)	
Grants & Benefits		1,264	
Capital Improvements		10,144	
	2,067,463	978,285	3,045,748
Infrastructure-Engineering	50,814,802		
FY 2005 Retroactive COLA		9,415	
FY 2006 COLA		198,426	
Salaries & Benefits		(694,135)	
Purchased Services		22,000	
Operating		33,763,734	
Insurance		429	
Energy Costs		(3,500)	
Motor Fuel Bonds - debt service	1	-	
Grants & Benefits		(33,805,815)	
Capital Improvements		(3,754,595)	
	50,814,802	(4,264,041)	46,550,761
Infrastructure-Maintenance	42,259,025		
FY 2005 Retroactive COLA		154,449	
FY 2006 COLA		1,259,626	
Salaries & Benefits		(1,811,617)	
Purchased Services		(197,155)	
Operating		245,960	
Insurance		(33,631)	
Energy Costs		(148,891)	
Grants & Benefits		20,561	

Changes to FY 2006 Enacted Transportation Expenditures

	FY 2006 Enacted Appropriation	Supplemental Changes	FY 2006 Revised
Transportation ISTEA Fund Changes			
Capital Improvements		(1,262,541)	
Winter Maintenance		2,005,448	
	42,259,025	232,209	42,491,234
Total Transportation	98,754,987	(3,017,548)	95,737,439
Gas tax budgeted outside DOT			
DOT Debt service	36,127,723 ²	679,720	36,807,443
RIPTA Debt Service	705,285 ²	(55,532)	649,753
Gas tax budgeted in DOA-planning	36,833,008	624,188	37,457,196
Salary for Governor's Office Transfer	76,187	9,178	85,365
Gas Tax Budgeted outside of DOT	36,909,195	633,366	37,542,561
DEA - Elderly Transportation	4,760,000	-	4,760,000
Total Gas Tax for Transportation	140,424,182	(2,384,182)	138,040,000

¹ Budget correction to Appropriation Act to reflect appropriate yield

² Debt service numbers as reflected in House Fiscal Advisory Staff Analysis (Pg. 314)

Appendix C
Aid to Cities and
Towns

Formula Aid to Cities and Towns

The Governor's FY 2007 budget recommends formula aid to cities and towns totaling \$278.7 million. This represents a 5.5 percent, or \$14.5 million, increase from the FY 2006 revised level of funding. The tables on the following pages display FY 2006 and FY 2007 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 was 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 funding for this program in FY 2007 be set at \$65.2 million, \$212,500 higher than FY 2006 and to fix future distributions at three percent (3.0%) of tax revenues in FY 2008 and thereafter.

Payment in Lieu of Taxes - Legislation creating this program requires the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property that are exempted from taxation by state law. This includes property owned by nonprofit educational institutions, nonprofit hospitals, or any state owned hospital, veteran's facility, or correctional facility. Reimbursement is made for twenty-seven percent of all tax that would have been collected had the property been taxable, prorated to 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. The Governor proposes to set the amount of funding distributed under this program to the amount enacted in the annual appropriations act, as opposed to the amounts collected from the Real Estate Conveyance Tax and a share of Video Lottery Terminal revenue.

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. This legislation was amended in 2002 to make the full phase out of the tax subject to the annual review and appropriation of the General Assembly and further amended in 2004 by providing for state reimbursement of lost excise tax revenues to cities and towns based upon the *prior* local fiscal year. The change in reimbursement from a concurrent to a prior local fiscal year basis begin in state fiscal 2005.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempt 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.

Meals and Beverage Local Sales and Use Tax - During the January 2003 session, the General Assembly enacted a one percent gross receipts tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered.

Fiscal Year 2006 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2006 Total Appropriated State Aid
Barrington	259,555	51,885	-	306,140	2,519,485	3,137,065
Bristol	1,039,674	541,562	-	65,294	1,240,864	2,887,394
Burrillville	768,637	76,004	-	74,370	2,395,501	3,314,512
Central Falls	1,693,857	21,449	331,391	63,103	1,347,205	3,457,005
Charlestown	413,891	-	-	44,392	432,542	890,825
Coventry	909,356	-	-	153,472	2,517,677	3,580,505
Cranston	5,644,004	3,590,332	-	528,702	10,692,387	20,455,425
Cumberland	1,287,982	88	-	227,806	2,354,321	3,870,197
East Greenwich	215,603	7,772	-	96,606	1,202,496	1,522,477
East Providence	2,801,112	57,965	-	462,377	5,473,931	8,795,385
Exeter	123,532	-	-	8,495	846,775	978,802
Foster	274,156	259	-	32,927	709,101	1,016,443
Glocester	573,692	-	-	61,275	1,013,902	1,648,869
Hopkinton	217,544	-	-	36,259	707,122	960,925
Jamestown	160,979	9	-	66,151	372,550	599,689
Johnston	2,543,347	-	-	113,932	4,500,637	7,157,916
Lincoln	743,316	-	-	178,322	2,565,312	3,486,950
Little Compton	108,622	-	-	24,385	257,450	390,457
Middletown	1,028,122	-	-	142,579	1,020,862	2,191,563
Narragansett	862,695	-	-	105,684	1,088,662	2,057,041
Newport	1,959,634	632,176	-	338,300	1,714,712	4,644,822
New Shoreham	91,107	-	-	81,499	77,757	250,363
North Kingstown	1,014,310	6,631	-	231,438	2,478,693	3,731,072
North Providence	2,316,767	443,308	636,890	166,022	4,376,518	7,939,505
North Smithfield	641,962	37,392	-	60,484	1,726,578	2,466,416
Pawtucket	5,573,666	314,165	1,799,377	370,173	8,935,002	16,992,383
Portsmouth	680,619	-	-	105,447	1,341,978	2,128,044
Providence	15,536,990	19,609,384	6,392,480	1,321,747	20,834,614	63,695,215
Richmond	170,980	468	-	22,998	684,237	878,683
Scituate	440,227	-	-	85,358	1,332,368	1,857,953
Smithfield	1,807,118	415,240	-	229,928	3,089,250	5,541,536
South Kingstown	1,041,896	111,380	-	186,603	1,831,926	3,171,805
Tiverton	604,647	-	-	83,613	1,214,359	1,902,619
Warren	482,593	-	-	40,908	882,509	1,406,010
Warwick	4,911,046	758,470	-	620,165	11,852,255	18,141,936
Westerly	631,967	125,744	-	286,605	2,572,359	3,616,675
West Greenwich	187,739	-	-	20,216	476,870	684,825
West Warwick	1,484,272	-	1,080,481	189,057	2,667,910	5,421,720
Woonsocket	3,726,785	173,509	976,049	210,568	4,700,931	9,787,842
Subtotal	64,974,003	26,975,194	\$11,216,667	\$7,443,400	\$116,049,609	226,658,870
Statewide Reference Library Resource Grant (Providence)				924,116		924,116
Library Construction Reimbursement				2,651,643		2,651,643
Motor Vehicle Excise Tax Reimbursement - Fire Districts					1,875,837	1,875,837
Total	\$64,974,003	\$26,975,195	\$11,216,667	\$11,019,159	\$117,925,446	\$232,110,466

Fiscal Year 2006 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2006 Total Shared Taxes State Aid	FY 2006 Total Shared & Appropriated Aid
Barrington	195,648	97,145	292,793	3,429,858
Bristol	261,371	271,248	532,619	3,420,013
Burrillville	183,748	148,084	331,832	3,646,344
Central Falls	220,181	100,222	320,403	3,777,408
Charlestown	91,420	110,707	202,127	1,092,952
Coventry	391,644	295,849	687,493	4,267,998
Cranston	922,100	1,205,677	2,127,777	22,583,202
Cumberland	370,380	308,146	678,526	4,548,723
East Greenwich	150,618	368,282	518,900	2,041,377
East Providence	566,365	731,620	1,297,985	10,093,370
Exeter	70,319	48,243	118,562	1,097,364
Foster	49,717	18,941	68,658	1,085,101
Glocester	115,721	56,819	172,540	1,821,409
Hopkinton	91,152	28,718	119,870	1,080,795
Jamestown	65,398	102,502	167,900	767,589
Johnston	327,980	391,192	719,172	7,877,088
Lincoln	243,097	410,702	653,799	4,140,749
Little Compton	41,796	31,806	73,602	464,059
Middletown	201,638	464,551	666,189	2,857,752
Narragansett	190,320	383,698	574,018	2,631,059
Newport	307,972	1,440,879	1,748,851	6,393,673
New Shoreham	11,749	212,024	223,773	474,136
North Kingstown	306,238	358,950	665,188	4,396,260
North Providence	377,022	386,608	763,630	8,703,135
North Smithfield	123,515	173,025	296,540	2,762,956
Pawtucket	848,686	605,198	1,453,884	18,446,267
Portsmouth	199,486	156,920	356,406	2,484,450
Providence	2,019,618	3,665,836	5,685,454	69,380,669
Richmond	84,010	103,776	187,786	1,066,469
Scituate	120,095	35,269	155,364	2,013,317
Smithfield	239,782	445,788	685,570	6,227,106
South Kingstown	324,792	464,004	788,796	3,960,601
Tiverton	177,512	131,694	309,206	2,211,825
Warren	132,146	226,961	359,107	1,765,117
Warwick	998,165	2,166,423	3,164,588	21,306,524
Westerly	267,153	602,853	870,006	4,486,681
West Greenwich	59,151	74,666	133,817	818,642
West Warwick	344,102	368,812	712,914	6,134,634
Woonsocket	502,805	486,426	989,231	10,777,073
Subtotal	\$12,194,610	\$17,680,265	\$29,874,874	\$256,533,744
Statewide Reference Library Resource Grant (Providence)				924,116
Library Construction Reimbursement				2,651,643
Motor Vehicle Excise Tax Reimbursement - Fire Districts				1,875,837
Total	\$12,194,610	\$17,680,265	\$29,874,874	\$261,985,340

Fiscal Year 2007 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2007 Total Appropriated State Aid
Barrington	243,898	53,961	-	314,971	2,783,792	3,396,622
Bristol	993,997	561,841	-	57,181	1,362,689	2,975,708
Burrillville	706,306	79,032	349,213	79,855	2,626,350	3,840,756
Central Falls	1,693,857	-	351,165	66,132	1,457,745	3,568,899
Charlestown	408,708	-	-	45,568	474,899	929,175
Coventry	1,016,876	-	-	167,177	2,767,853	3,951,906
Cranston	5,440,453	3,590,332	-	548,485	11,739,096	21,318,366
Cumberland	1,563,548	140	-	240,606	2,585,205	4,389,499
East Greenwich	177,197	7,954	-	102,399	1,326,742	1,614,292
East Providence	2,687,346	61,740	-	499,380	6,008,944	9,257,410
Exeter	90,741	-	-	28,066	930,174	1,048,981
Foster	310,987	271	-	29,271	778,192	1,118,721
Glocester	568,668	-	-	64,709	1,113,409	1,746,786
Hopkinton	226,378	-	-	31,238	774,946	1,032,562
Jamestown	146,926	-	-	70,379	410,295	627,600
Johnston	2,559,832	-	-	121,452	4,935,805	7,617,089
Lincoln	961,399	-	-	172,879	2,824,409	3,958,687
Little Compton	106,061	-	-	25,425	283,298	414,784
Middletown	981,499	-	-	149,936	1,119,719	2,251,154
Narragansett	884,151	-	-	111,496	1,199,506	2,195,153
Newport	1,850,754	659,506	-	346,433	1,882,306	4,738,999
New Shoreham	91,698	-	-	88,246	85,105	265,049
North Kingstown	891,999	6,848	-	234,608	2,728,664	3,862,119
North Providence	2,404,365	534,103	1,270,669	174,550	4,812,123	9,195,810
North Smithfield	657,724	38,887	-	60,768	1,897,968	2,655,347
Pawtucket	5,476,767	330,969	1,777,834	395,734	9,733,796	17,715,100
Portsmouth	656,137	-	-	109,462	1,462,521	2,228,120
Providence	15,536,990	20,160,248	5,951,391	1,285,939	22,747,703	65,682,271
Richmond	148,648	628	-	22,769	748,866	920,911
Scituate	453,690	-	-	93,610	1,463,829	2,011,129
Smithfield	1,871,460	438,387	-	240,145	3,400,560	5,950,552
South Kingstown	1,018,036	121,356	-	194,843	2,016,569	3,350,804
Tiverton	647,665	-	-	87,145	1,331,169	2,065,979
Warren	503,262	-	-	46,087	968,953	1,518,302
Warwick	4,883,625	2,014,729	-	666,767	13,027,993	20,593,114
Westerly	759,362	132,526	-	287,135	2,825,446	4,004,469
West Greenwich	223,784	-	-	196,189	524,739	944,712
West Warwick	1,473,614	-	1,079,562	21,394	2,928,706	5,503,276
Woonsocket	3,868,095	173,509	961,835	219,987	5,139,020	10,362,446
Subtotal	\$65,186,503	\$28,966,967	\$11,741,667	\$7,698,411	\$127,229,102	\$240,822,654
Statewide Reference Library Resource Grant (Providence)				970,322		970,322
Library Construction Reimbursement				2,705,348		2,705,348
Motor Vehicle Excise Tax Reimbursement - Fire Districts					1,875,837	1,875,837
Total	\$65,186,503	\$28,966,967	\$11,741,667	\$11,374,081	\$129,104,939	\$246,374,161

Fiscal Year 2007 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2007 Total Shared Taxes State Aid	FY 2007 Total Shared & Appropriated Aid
Barrington	195,648	105,637	301,285	3,697,907
Bristol	261,371	274,633	536,004	3,511,712
Burrillville	183,748	156,989	340,737	4,181,493
Central Falls	220,181	113,474	333,655	3,902,554
Charlestown	91,420	111,379	202,799	1,131,974
Coventry	391,644	315,339	706,983	4,658,889
Cranston	922,100	1,284,439	2,206,539	23,524,905
Cumberland	370,380	326,472	696,852	5,086,351
East Greenwich	150,618	377,465	528,083	2,142,375
East Providence	566,365	789,309	1,355,674	10,613,084
Exeter	70,319	48,806	119,125	1,168,106
Foster	49,717	19,349	69,066	1,187,787
Glocester	115,721	60,781	176,502	1,923,288
Hopkinton	91,152	27,158	118,310	1,150,872
Jamestown	65,398	91,209	156,607	784,207
Johnston	327,980	401,472	729,452	8,346,541
Lincoln	243,097	416,001	659,098	4,617,785
Little Compton	41,796	29,518	71,314	486,098
Middletown	201,638	495,171	696,809	2,947,963
Narragansett	190,320	396,317	586,637	2,781,790
Newport	307,972	1,483,439	1,791,411	6,530,410
New Shoreham	11,749	173,696	185,445	450,494
North Kingstown	306,238	367,946	674,184	4,536,303
North Providence	377,022	409,055	786,077	9,981,887
North Smithfield	123,515	178,408	301,923	2,957,270
Pawtucket	848,686	644,647	1,493,333	19,208,433
Portsmouth	199,486	166,318	365,804	2,593,924
Providence	2,019,618	3,909,455	5,929,073	71,611,344
Richmond	84,010	123,387	207,397	1,128,308
Scituate	120,095	37,065	157,160	2,168,289
Smithfield	239,782	473,137	712,919	6,663,471
South Kingstown	324,792	478,915	803,707	4,154,511
Tiverton	177,512	111,686	289,198	2,355,177
Warren	132,146	248,157	380,303	1,898,605
Warwick	998,165	2,334,495	3,332,660	23,925,774
Westerly	267,153	613,081	880,234	4,884,703
West Greenwich	59,151	81,587	140,738	1,085,450
West Warwick	344,102	398,058	742,160	6,245,436
Woonsocket	502,805	495,342	998,147	11,360,593
Subtotal	\$12,194,610	\$18,568,791	\$30,763,404	\$271,586,058
Statewide Reference Library Resource Grant (Providence)				970,322
Library Construction Reimbursement				2,705,348
Motor Vehicle Excise Tax Reimbursement - Fire Districts				1,875,837
Total				\$277,137,565

Changes in Formula Aid - FY 2007 vs. FY 2006

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Total Appropriated Difference
Barrington	(15,657)	2,076	-	8,831	264,307	259,557
Bristol	(45,677)	20,279	-	(8,114)	121,825	88,314
Burrillville	(62,331)	3,028	349,213	5,485	230,849	526,244
Central Falls	-	(21,449)	19,774	3,029	110,540	111,894
Charlestown	(5,183)	-	-	1,176	42,357	38,350
Coventry	107,520	-	-	13,705	250,176	371,401
Cranston	(203,551)	-	-	19,783	1,046,709	862,941
Cumberland	275,566	52	-	12,800	230,884	519,302
East Greenwich	(38,406)	182	-	5,793	124,246	91,815
East Providence	(113,766)	3,775	-	37,003	535,013	462,024
Exeter	(32,791)	-	-	19,571	83,399	70,179
Foster	36,831	12	-	(3,656)	69,091	102,278
Glocester	(5,024)	-	-	3,434	99,507	97,917
Hopkinton	8,834	-	-	(5,021)	67,824	71,637
Jamestown	(14,053)	(9)	-	4,228	37,745	27,911
Johnston	16,485	-	-	7,520	435,168	459,173
Lincoln	218,083	-	-	(5,443)	259,097	471,737
Little Compton	(2,561)	-	-	1,040	25,848	24,327
Middletown	(46,623)	-	-	7,357	98,857	59,591
Narragansett	21,456	-	-	5,812	110,844	138,112
Newport	(108,880)	27,330	-	8,133	167,594	94,177
New Shoreham	591	-	-	6,747	7,348	14,686
North Kingstown	(122,311)	217	-	3,170	249,971	131,046
North Providence	87,598	90,795	633,779	8,528	435,605	1,256,305
North Smithfield	15,762	1,495	-	284	171,390	188,931
Pawtucket	(96,899)	16,804	(21,543)	25,561	798,794	722,716
Portsmouth	(24,482)	-	-	4,015	120,543	100,076
Providence	-	550,864	(441,089)	(35,808)	1,913,089	1,987,057
Richmond	(22,332)	160	-	(229)	64,629	42,229
Scituate	13,463	-	-	8,252	131,461	153,176
Smithfield	64,342	23,147	-	10,217	311,310	409,015
South Kingstown	(23,860)	9,976	-	8,240	184,643	178,999
Tiverton	43,018	-	-	3,532	116,810	163,360
Warren	20,669	-	-	5,179	86,444	112,292
Warwick	(27,421)	1,256,259	-	46,602	1,175,738	2,451,178
Westerly	127,395	6,782	-	530	253,087	387,794
West Greenwich	36,045	-	-	175,973	47,869	259,887
West Warwick	(10,658)	-	(919)	(167,663)	260,796	81,556
Woonsocket	141,310	-	(14,214)	9,419	438,089	574,604
Subtotal	212,500	\$1,991,774	\$525,000	\$255,011	\$11,179,493	\$14,163,785
Statewide Reference Library Resource Grant (Providence)				46,206	-	46,206
Library Construction Reimbursement				53,705	-	53,705
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-	-	-
Total	\$212,500	\$1,991,774	\$525,000	\$354,922	\$11,179,493	\$14,263,696

Changes in Pass Through and All Aid - FY 2007 vs. FY 2006

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	8,492	8,492	268,049
Bristol	-	3,385	3,385	91,699
Burrillville	-	8,905	8,905	535,149
Central Falls	-	13,252	13,252	125,146
Charlestown	-	672	672	39,022
Coventry	-	19,490	19,490	390,891
Cranston	-	78,762	78,762	941,703
Cumberland	-	18,326	18,326	537,628
East Greenwich	-	9,183	9,183	100,998
East Providence	-	57,689	57,689	519,713
Exeter	-	563	563	70,742
Foster	-	408	408	102,686
Glocester	-	3,962	3,962	101,879
Hopkinton	-	(1,560)	(1,560)	70,077
Jamestown	-	(11,293)	(11,293)	16,618
Johnston	-	10,280	10,280	469,453
Lincoln	-	5,299	5,299	477,036
Little Compton	-	(2,288)	(2,288)	22,039
Middletown	-	30,620	30,620	90,211
Narragansett	-	12,619	12,619	150,731
Newport	-	42,560	42,560	136,737
New Shoreham	-	(38,328)	(38,328)	(23,642)
North Kingstown	-	8,996	8,996	140,042
North Providence	-	22,447	22,447	1,278,752
North Smithfield	-	5,383	5,383	194,314
Pawtucket	-	39,449	39,449	762,165
Portsmouth	-	9,398	9,398	109,474
Providence	-	243,619	243,619	2,230,676
Richmond	-	19,611	19,611	61,840
Scituate	-	1,796	1,796	154,972
Smithfield	-	27,349	27,349	436,364
South Kingstown	-	14,911	14,911	193,910
Tiverton	-	(20,008)	(20,008)	143,352
Warren	-	21,196	21,196	133,488
Warwick	-	168,072	168,072	2,619,250
Westerly	-	10,228	10,228	398,022
West Greenwich	-	6,921	6,921	266,808
West Warwick	-	29,246	29,246	110,802
Woonsocket	-	8,916	8,916	583,520
Subtotal	-	\$888,526	\$888,528	\$15,052,312
Statewide Reference Library Resource Grant (Providence)				44,006
Library Construction Reimbursement				159,989
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total		\$888,526	\$888,528	\$15,256,307

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Appendix D

Aid to Schools

Education Aid to Local Units of Government

Education Aid to Local Governments totals \$856.3 million in FY 2007, a \$41.0 million increase in state support relative to the FY 2006 revised budget. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, and the Metropolitan Career and Technical School, as well as support for teacher retirement and school construction. Distributed aid to school districts for FY 2007 is financed at \$706.6 million, inclusive of changes in support of the Davies School, Metropolitan School and the Rhode Island School for the Deaf. This is \$20.7 million greater than revised FY 2006 aid levels.

Distributed education aid increases (decreases) are as follows:

- General Aid, \$18.7 million;
- Metropolitan School, \$592,426;
- Vocational Equity, \$398,000;
- Davies School, \$589,601;
- Charter Schools (Indirect), \$14,040;
- School for the Deaf, \$272,246;
- Group Home Aid, (\$165,000);
- Full-Day Kindergarten, \$326,000;
- Central Falls School District, \$7,057.

Increases are also recommended for non-distributed and other education aid. Additional financing is recommended for Teacher Retirement obligations totaling \$13.1 million, and increases in School Construction cost reimbursements of \$3.0 million are also supported. Direct aid supporting charter schools increases \$2.0 million over the FY 2006 revised level. Progressive Support and Intervention is recommended to increase by \$213,113, and the Telecommunications Access Fund will receive an additional \$101,000. Professional Development funds utilized at the RIDE administrative level are increased by \$1.8 million, primarily as a result of the Governor's special initiatives in mathematics and science.

The following table displays the FY 2006 and FY 2007 education aid budgets. Definitions for the columns in the Education Aid table are noted below.

FY 2006 and FY 2007 Education Aid to Local Units of Government is composed of the following two subdivisions. "Distributed Aid" consists of the various categories of aid that are distributed to local school districts on a regular (usually monthly) basis, such as General Aid, Targeted Aid, and funds for Student Equity. For completeness, general revenue financing of Central Falls and the state schools are also displayed in this section. For both years, "Non-Distributed Aid" includes allocations for Capital Construction Aid, state contributions to the Teachers' Retirement Fund, as well as several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. For the purposes of this table, direct aid to charter schools is categorized as non-distributed.

Education Aid to Local Units of Government

	FY 2006 Revised	FY 2007 Recommend	Difference
Local Education Authorities			
Barrington	\$2,479,907	\$2,906,626	\$426,719
Burrillville	13,150,857	13,540,919	390,062
Charlestown	1,910,676	1,909,676	(1,000)
Coventry	19,151,316	19,903,170	751,854
Cranston	33,943,639	35,253,290	1,309,651
Cumberland	12,654,786	13,206,064	551,278
East Greenwich	1,860,042	2,178,616	318,574
East Providence	25,530,776	26,284,707	753,931
Foster	1,351,283	1,378,500	27,217
Glocester	3,065,960	3,159,848	93,888
Hopkinton	5,954,153	5,957,653	3,500
Jamestown	507,431	587,030	79,599
Johnston	10,413,716	10,903,894	490,178
Lincoln	7,064,696	7,545,267	480,571
Little Compton	351,839	396,888	45,049
Middletown	10,014,086	10,423,773	409,687
Narragansett	1,809,860	2,091,859	281,999
Newport	11,253,278	11,581,802	328,524
New Shoreham	101,451	135,660	34,209
North Kingstown	11,434,463	12,008,646	574,183
North Providence	12,624,509	13,091,637	467,128
North Smithfield	4,616,141	4,806,225	190,084
Pawtucket	63,784,560	64,874,304	1,089,744
Portsmouth	5,962,443	6,574,703	612,260
Providence	185,050,151	188,940,591	3,890,440
Richmond	5,903,843	5,912,343	8,500
Scituate	3,250,400	3,474,634	224,234
Smithfield	5,483,207	5,802,003	318,796
South Kingstown	9,948,816	10,516,526	567,710
Tiverton	5,659,091	5,896,220	237,129
Warwick	35,894,621	37,365,858	1,471,237
Westerly	6,528,189	7,060,711	532,522
West Warwick	19,499,965	19,972,977	473,012
Woonsocket	45,455,694	45,937,020	481,326
Bristol/Warren	19,554,956	20,024,144	469,188
Exeter/W Greenwich	7,308,493	7,511,299	202,806
Chariho District	380,004	888,008	508,004
Foster/Glocester	5,466,199	5,641,416	175,217
Met School	8,814,530	9,406,956	592,426
Davies	13,166,393	13,755,994	589,601
School for the Deaf	6,206,102	6,478,348	272,246
Central Falls	41,320,564	41,335,813	15,249
LEA Subtotal	\$685,883,086	\$706,621,618	\$20,738,532

Education Aid to Local Units of Government

	FY 2006 Revised	FY 2007 Recommend	Difference
LEA Subtotal	\$685,883,086	\$706,621,618	\$20,738,532
Non-Distributed Aid			
Teacher Retirement	\$56,284,163	\$69,381,696	\$13,097,533
Capital Construction	46,623,656	49,672,045	3,048,389
On-Site Visits	407,935	407,935	-
Prog. Support & Intervention	2,916,996	3,130,109	213,113
Professional Developmen	120,000	1,905,000	1,785,000
Textbook Expansion	240,000	240,000	-
Hasbro Children's Hospital	100,000	100,000	-
Direct Aid-Charter Schools	21,956,232	23,990,663	2,034,431
School Breakfast	600,000	600,000	-
Telecommunications Acces	176,965	277,965	101,000
Non-Distributed Subtota	\$129,425,947	\$149,705,413	\$20,279,466
Total Aid	\$815,309,033	\$856,327,031	\$41,017,998

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Appendix E
Historic Structures
Tax Credit

Historic Structures Tax Credit

In 2001, the General Assembly amended the Rhode Island General Laws and added Section 44-33.2-1 titled *Historic Structures – Tax Credit*. According to the law’s general purpose, the General Assembly stated that historic structures in the state “are not viable for the redevelopment and reuse by modern commercial, residential, or manufacturing enterprises” unless an “economic incentive” was provided to stimulate “the reuse and redevelopment of historic structures”. The General Assembly declared that the “reuse and redevelopment of historic structures...will improve property values, foster civic beauty, and promote public education, pleasure, and welfare.”

In order to provide the economic incentive required to redevelop and reuse historic structures, the General Assembly created a “credit against the taxes imposed” by Chapters 11 (Business Corporation Tax), 12 (Franchise Tax), 13 (Public Service Corporation Tax), 14 (Taxation of Banks), 17 (Taxation of Insurance Companies) or 30 (Personal Income Tax) “in an amount equal to thirty percent (30.0%) of the qualified rehabilitation expenditures” incurred “for the substantial rehabilitation of a certified historic structure”. Qualified rehabilitation expenditures consist of “any amounts expended in the rehabilitation of a certified historic structure properly capitalized to the building and either: (i) depreciable under the Internal Revenue Code..., or (ii) made with respect to property (other than the principal residence of the owner) held for sale by the owner.” Substantial rehabilitation requires “that the qualified rehabilitation expenses of the building...exceed fifty percent (50%) of the adjusted basis in such building and its structural components as of the beginning of” the redevelopment project.

The historic structures tax credit can only be used for the taxable year in “which such certified historic structure or an identifiable portion of the structure is placed in service”. If the amount of the historic structures tax credit earned “exceeds the taxpayer's total tax liability for the year in which the substantially rehabilitated property is placed in service, the amount that exceeds the taxpayer's tax liability may be carried forward for credit against the taxes imposed for the succeeding ten (10) years, or until the full credit is used, whichever occurs first for the tax credits.” In addition, a taxpayer eligible for the tax credits that “has not claimed the tax credits in whole or part,...may assign, transfer or convey the credits, in whole or in part, by sale or otherwise to any individual or entity” who then “may use acquired credits to offset up to one hundred percent (100%) of the tax liabilities otherwise imposed pursuant to Chapter 11, 12, 13, (other than the tax imposed under § 44-13-13), 14, 17 or 30” of the Rhode Island General Laws.

The first projects completed under this new tax credit provision were in CY 2002, when a total of \$4.0 million dollars of tax credits were made available. In CY 2003, a total of \$18.3 million of tax credits were issued, while in CY 2004 a total of \$32.9 million in additional tax credits were approved. The Budget Office estimates that in CY 2005 \$52.2 million of credits will be made available and, in CY 2006, \$84.6 million of historic structures tax credits will be certified. It is important to note that due to the carryforward provisions for the application of historic structures tax credits to taxpayer liabilities not all of the historic structures tax credits issued in a given year will be used contemporaneously to their issuance. As a result, the amount of historic tax credits used in a given fiscal year will differ from the amount of tax credits issued in the prior calendar year.

The table on the next page shows the Budget Office’s estimate of the impact of the issuance of historic structures tax credits by fiscal year and distributed across the State’s 39 cities and towns for the FY 2003 – FY 2007 period. These figures represent the State’s investment in each of these communities property tax base through the historic structures tax credit program.

Historic Structures Tax Credits by Cities and Towns

City or Town	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total 2003 - 2007	FY FY
	Actual	Actual	Unaudited	Revised	Recommend		
Barrington	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Bristol	-	-	549,370	1,106,892	299,057	1,955,319	
Burrillville	-	-	-	-	215,321	215,321	
Central Falls	-	-	-	-	-	-	-
Charlestown	-	-	-	-	-	-	-
Coventry	-	-	-	-	8,096,044	8,096,044	
Cranston	-	-	-	-	-	-	-
Cumberland	-	542,421	572,928	418,833	5,816,333	7,350,514	
East Greenwich	-	-	-	-	-	-	-
East Providence	-	-	-	-	-	-	-
Exeter	-	-	-	-	-	-	-
Foster	-	-	-	-	-	-	-
Glocester	-	-	-	-	-	-	-
Hopkinton	-	-	-	-	-	-	-
Jamestown	-	-	-	-	-	-	-
Johnston	-	-	-	-	-	-	-
Lincoln	-	-	-	-	315,445	315,445	
Little Compton	-	-	-	-	-	-	-
Middletown	-	-	-	-	-	-	-
Narragansett	-	-	-	-	-	-	-
Newport	35,715	381,036	1,262,348	3,944,672	1,298,566	6,922,336	
New Shoreham	-	-	415,925	10,000	218,496	644,420	
North Kingstown	-	-	-	-	-	-	-
North Providence	-	-	-	-	-	-	-
North Smithfield	-	-	-	-	6,818,499	6,818,499	
Pawtucket	-	-	5,507,564	1,771,828	2,031,238	9,310,630	
Portsmouth	-	-	-	-	-	-	-
Providence	8,887	10,690,836	20,550,266	36,399,419	36,261,568	103,910,975	
Richmond	-	-	-	-	-	-	-
Scituate	-	-	-	-	-	-	-
Smithfield	-	-	-	-	-	-	-
South Kingstown	-	-	-	-	-	-	-
Tiverton	-	-	-	-	-	-	-
Warren	-	-	-	175,132	-	175,132	
Warwick	-	-	-	-	385,784	385,784	
Westerly	-	-	182,187	99,658	152,519	434,364	
West Greenwich	-	-	-	-	-	-	-
West Warwick	-	-	-	-	-	-	-
Woonsocket	-	-	-	-	2,157,702	2,157,702	
Totals	\$44,602	\$11,614,293	\$29,040,586	\$43,926,434	\$64,066,571	\$ 148,692,485	

Note: Budget Office estimate of the distribution of historic structures tax credits per Historical Preservation & Heritage Commission report of October 20, 2005.

Appendix F

Capital Budget

Schedule 1 - Summary of Proposed G.O. Bond Issuance by Agency

<u>Agency</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Totals</u>
Administration	-	-	-	-	-	-
Quonset Development Corporation	12,175,000	14,824,000	9,115,000	5,886,000	-	42,000,000
Subtotal: General Government	12,175,000	14,824,000	9,115,000	5,886,000	-	42,000,000
Children, Youth and Families	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Mental Health, Retardation & Hospitals	1,220,000	-	-	-	-	1,220,000
Governor's Commission on Disabilities	-	-	-	-	-	-
Subtotal: Human Services	1,220,000	-	-	-	-	1,220,000
Elementary & Secondary Education	6,605,000	3,825,000	1,180,000	-	-	11,610,000
Higher Education	52,440,000	36,685,000	54,274,667	86,863,604	69,621,729	299,885,000
Atomic Energy Commission	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	2,000,000	1,500,000	5,800,000	-	-	9,300,000
Public Telecommunications Authority	-	-	-	-	-	-
Subtotal: Education	61,045,000	42,010,000	61,254,667	86,863,604	69,621,729	320,795,000
Attorney General	-	-	-	-	-	-
Corrections	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Military Staff	-	-	-	-	-	-
State Police	14,400,000	13,670,000	15,000,000	-	-	43,070,000
State Fire Marshal	-	3,411,200	-	-	-	3,411,200
Subtotal: Public Safety	14,400,000	17,081,200	15,000,000	-	-	46,481,200
Environmental Management	21,575,000	21,730,000	17,305,000	11,000,000	2,000,000	73,610,000
Coastal Resources Management Council	-	-	-	-	-	-
Clean Water Finance Agency	3,800,000	8,800,000	8,800,000	9,300,000	4,000,000	34,700,000
Narragansett Bay Commission	-	-	-	-	-	-
Water Resources Board	2,000,000	4,500,000	4,500,000	4,000,000	1,000,000	16,000,000
Subtotal: Natural Resources	27,375,000	35,030,000	30,605,000	24,300,000	7,000,000	124,310,000
Transportation	20,680,000	46,477,500	42,387,500	45,065,625	45,065,625	199,676,250
Airport Corporation	-	-	-	-	-	-
RI Public Transit Authority	265,000	365,000	2,840,000	2,265,000	2,010,000	7,745,000
Subtotal: Transportation	20,945,000	46,842,500	45,227,500	47,330,625	47,075,625	207,421,250
Totals	137,160,000	155,787,700	161,202,167	164,380,229	123,697,354	742,227,450
Adjustment for Cash Flow Refinement	-	(30,787,700)	(36,202,167)	(39,380,229)	(23,697,354)	
	137,160,000	125,000,000	125,000,000	125,000,000	100,000,000	

Schedule 2 - Statewide Summary by Source of Funds

	<u>Pre-FY 2006</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<u>By Source of Funds</u>				
General Obligation - Issued Proceeds	428,461,309	179,139,718	14,585,439	-
General Obligation - Unissued Proceeds	-	-	137,160,000	98,375,200
General Obligation - New Referenda	-	-	-	57,412,500
Certificates of Participation	68,513,991	59,195,928	62,737,510	67,333,110
Rhode Island Capital Plan Fund	95,796,091	47,874,765	24,844,249	61,732,886
Federal Funds	18,224,544	16,969,487	21,810,611	7,273,700
Federal Funds - Congestion Mitigation	1,367,000	330,000	664,000	-
Federal Highway Administration (TEA21)	357,226,046	175,961,247	202,836,104	222,537,250
Federal Transit Administration	37,173,600	20,713,036	19,344,835	27,885,497
Federal - Environmental Protection Agency	202,341,445	17,125,000	17,130,000	17,135,000
Federal Aviation Administration	16,169,885	21,943,268	27,270,493	18,921,101
Federal Emergency Management Agency	10,000	-	-	-
Federal Railroad Administration	54,924,601	-	-	-
National Guard Bureau - Federal	1,021,747	2,766,870	19,079,370	20,590,000
Gas Tax	42,601,757	7,337,741	9,131,389	7,066,098
General Revenue	14,118,782	3,227,918	3,389,743	3,121,146
GARVEE Bonds	69,468,362	134,188,473	101,334,879	90,631,480
Insurance Proceeds	78,496	-	-	-
Interest Earnings on Bond Funds	1,707,560	50,000	1,400,000	50,000
Customer Facility Charge	-	-	10,740,000	10,740,000
Internal Service Funds	387,000	445,000	186,000	-
Lease Financing	8,200,000	3,460,000	10,980,000	5,320,000
Local Funds	193,173	99,951	-	-
Motor Fuel Tax Revenue Bonds	14,858,058	31,006,730	22,886,369	20,500,768
Massachusetts Bay Transit Authority	3,429,899	615,601	2,302,000	-
Other Funds	17,471,122	59,700,863	61,109,000	56,884,000
Paratransit Revolving Fund	1,261,857	199,017	871,910	187,529
Passenger Facility Charge	264,590	17,675,295	8,300,000	-
Private Funding	961,888	4,802,441	2,947,458	5,158,055
RIAC General Revenues	2,072,912	1,879,023	2,039,326	324,562
RIAC Revenue Bonds	6,786,742	51,096,106	37,836,367	14,084,654
Restricted Receipt Funds	9,454,861	5,463,484	5,095,200	1,734,400
Revenue Bonds	562,989,752	90,280,000	79,000,000	37,000,000
Revolved Capitalization Grants	50,094,119	10,105,273	3,360,503	3,360,741
RIHEBC Bonds	33,966,593	65,422,714	24,607,685	15,734,228
RIPTA Operating Funds	582,122	339,937	169,088	72,000
RIPTA Revolving Loan Fund	1,188,416	1,212,420	264,340	-
Special Facility Bonds	-	-	12,260,000	12,260,000
Third Party Financing	10,000,000	7,500,000	7,500,000	-
TIFIA Loan	-	-	15,600,000	15,600,000
University/College Funds	3,351,467	3,912,593	5,325,384	-
Totals	2,136,719,787	1,042,039,899	976,099,252	899,025,905

Schedule 2 - Statewide Summary by Source of Funds

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Post-FY 2011</u>	<u>Totals</u>
<u>By Source of Funds</u>					
General Obligation - Issued Proceeds	-	-	-	-	622,186,466
General Obligation - Unissued Proceeds	52,040,000	19,186,000	1,000,000	-	307,761,200
General Obligation - New Referenda	109,162,167	145,194,229	122,697,354	54,131,250	488,597,500
Certificates of Participation	29,350,000	30,400,000	7,300,000	-	324,830,539
Rhode Island Capital Plan Fund	68,924,503	76,921,535	42,103,875	17,020,706	435,218,610
Federal Funds	4,237,500	2,620,000	200,000	-	71,335,842
Federal Funds - Congestion Mitigation	-	-	-	-	2,361,000
Federal Highway Administration (TEA21)	229,171,000	231,902,013	231,902,013	-	1,651,535,673
Federal Transit Administration	18,079,442	30,257,881	31,322,756	40,525,000	225,302,047
Federal - Environmental Protection Agency	17,135,000	17,135,000	17,135,000	-	305,136,445
Federal Aviation Administration	23,686,843	38,221,100	18,974,094	47,783,191	212,969,975
Federal Emergency Management Agency	-	-	-	-	10,000
Federal Railroad Administration	-	-	-	-	54,924,601
National Guard Bureau - Federal	150,000	-	-	-	43,607,987
Gas Tax	7,391,932	7,908,945	7,908,945	-	89,346,807
General Revenue	1,210,000	1,065,000	1,435,000	2,500,000	30,067,589
GARVEE Bonds	67,791,416	43,480,998	21,064,240	6,120,912	534,080,760
Insurance Proceeds	-	-	-	-	78,496
Interest Earnings on Bond Funds	50,000	50,000	50,000	-	3,357,560
Customer Facility Charge	5,370,000	-	-	-	26,850,000
Internal Service Funds	-	-	-	-	1,018,000
Lease Financing	-	-	-	-	27,960,000
Local Funds	-	-	-	-	293,124
Motor Fuel Tax Revenue Bonds	14,521,653	8,655,406	3,042,427	537,064	116,008,475
Massachusetts Bay Transit Authority	-	-	-	-	6,347,500
Other Funds	37,357,000	16,094,000	23,018,000	137,543,000	409,176,985
Paratransit Revolving Fund	579,464	232,107	597,677	-	3,929,561
Passenger Facility Charge	5,700,663	7,585,113	11,688,116	34,819,228	86,033,005
Private Funding	4,218,685	8,140,247	730,214	-	26,958,988
RIAC General Revenues	12,167	-	-	-	6,327,990
RIAC Revenue Bonds	8,807,470	13,120,699	14,327,441	26,664,635	172,724,114
Restricted Receipt Funds	812,500	800,000	550,000	550,000	24,460,445
Revenue Bonds	37,000,000	37,000,000	37,000,000	-	880,269,752
Revolved Capitalization Grants	3,360,983	3,435,239	3,485,324	-	77,202,182
RIHEBC Bonds	30,354,636	49,606,892	35,388,408	78,255,318	333,336,474
RIPTA Operating Funds	72,000	-	-	-	1,235,147
RIPTA Revolving Loan Fund	-	-	-	-	2,665,176
Special Facility Bonds	6,130,000	-	-	-	30,650,000
Third Party Financing	-	-	-	-	25,000,000
TIFIA Loan	7,800,000	-	-	-	39,000,000
University/College Funds	-	-	-	-	12,589,444
Totals	790,477,024	789,012,404	632,920,884	446,450,304	7,712,745,459

Schedule 3 - Statewide Summary by Agency

	<u>Pre-FY 2006</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
By Agency				
Administration	43,196,004	19,358,543	35,417,880	47,527,500
Legislature	-	-	-	-
Labor and Training	646,119	1,175,281	232,500	-
Public Utilities Commission	35,287	300,000	300,000	300,000
Quonset Development Corporation	921,934	5,078,066	12,175,000	18,259,125
Subtotal: General Government	44,799,344	25,911,890	48,125,380	66,086,625
Children, Youth & Families	3,275,186	23,047,467	30,396,302	14,033,110
Elderly Affairs	7,500	25,000	135,541	-
Human Services	3,136,969	2,752,650	2,711,371	2,794,045
Mental Health, Retardation & Hospitals	39,978,178	13,475,564	6,360,000	11,200,000
Governor's Commission on Disabilities	5,164,711	879,601	200,000	600,000
Subtotal: Human Services	51,562,544	40,180,282	39,803,214	28,627,155
Elementary & Secondary Education	29,789,385	4,606,107	11,690,939	28,944,985
Higher Education	170,664,330	140,434,153	97,554,682	72,282,158
Atomic Energy Commission	-	-	-	50,000
Historical Preservation & Heritage Commission	2,890,935	2,374,966	2,510,000	1,500,000
Public Telecommunications Authority	2,023,661	1,736,387	-	-
Subtotal: Education	205,368,311	149,151,613	111,755,621	102,777,143
Attorney General	950,359	590,641	165,000	150,000
Corrections	10,501,199	12,455,578	12,451,446	9,535,260
Judicial	38,123,705	36,811,272	11,341,208	1,940,000
Military Staff	1,474,148	3,652,774	21,788,750	21,692,565
Fire Marshal	837	199,163	2,788,800	3,411,200
State Police	2,367,421	4,174,194	15,090,000	13,820,000
Subtotal: Public Safety	53,417,669	57,883,622	63,625,204	50,549,025
Environmental Management	131,790,863	68,257,698	34,786,000	30,621,146
Coastal Resources Management Council	4,524,018	1,666,401	9,799,956	1,714,055
Clean Water Finance Agency	846,413,135	111,649,083	103,340,503	66,345,741
Narragansett Bay Commission	94,386,673	63,549,855	57,609,000	56,884,000
Water Resources Board	17,855,000	7,583,998	6,752,274	5,467,576
Subtotal: Natural Resources	1,094,969,689	252,707,035	212,287,733	161,032,518
Transportation	630,542,903	401,937,209	377,607,021	403,663,096
Airport Corporation	27,034,259	92,753,562	114,046,186	71,930,317
RI Public Transit Authority	29,025,068	21,514,686	8,848,893	14,360,026
Subtotal: Transportation	686,602,230	516,205,457	500,502,100	489,953,439
Totals	2,136,719,787	1,042,039,899	976,099,252	899,025,905

Schedule 3 - Statewide Summary by Agency

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Post-FY 2011</u>	<u>Totals</u>
By Agency					
Administration	29,432,500	29,512,500	1,360,000	-	205,804,927
Legislature	3,000,000	5,000,000	7,000,000	-	15,000,000
Labor and Training	-	-	-	-	2,053,900
Public Utilities Commission	300,000	300,000	300,000	300,000	2,135,287
Economic Development Corporation	9,652,500	9,614,338	-	-	55,700,963
Subtotal: General Government	42,385,000	44,426,838	8,660,000	300,000	280,695,077
Children, Youth & Families	6,080,000	2,210,000	-	-	79,042,065
Elderly Affairs	-	-	-	-	168,041
Human Services	825,000	150,000	150,000	-	12,520,035
Mental Health, Retardation & Hospitals	13,750,000	13,800,000	11,700,000	-	110,263,742
Governor's Commission on Disabilities	600,000	600,000	-	-	8,044,312
Subtotal: Human Services	21,255,000	16,760,000	11,850,000	-	210,038,195
Elementary & Secondary Education	3,955,000	815,000	160,000	-	79,961,416
Higher Education	97,700,485	151,857,405	113,990,351	128,755,318	973,238,882
Atomic Energy Commission	-	-	-	-	50,000
Historical Preservation & Heritage Commission	5,800,000	-	-	-	15,075,901
Public Telecommunications Authority	-	-	-	-	3,760,048
Subtotal: Education	107,455,485	152,672,405	114,150,351	128,755,318	1,072,086,247
Attorney General	150,000	150,000	150,000	-	2,306,000
Corrections	21,075,998	29,231,435	17,352,875	12,920,706	125,524,497
Judicial	2,120,000	840,000	150,000	100,000	91,426,185
Military Staff	1,490,000	750,000	-	-	50,848,237
Fire Marshal	-	-	-	-	6,400,000
State Police	17,350,000	7,400,000	-	-	60,201,615
Subtotal: Public Safety	42,185,998	38,371,435	17,652,875	13,020,706	336,706,534
Environmental Management	26,345,261	18,621,100	3,700,000	-	314,122,068
Coastal Resources Management Council	250,000	250,000	250,000	250,000	18,704,430
Clean Water Finance Agency	66,345,986	66,920,239	61,670,324	-	1,322,685,011
Narragansett Bay Commission	37,357,000	16,094,000	23,018,000	137,543,000	486,441,528
Water Resources Board	5,305,744	4,701,500	2,066,000	-	49,732,092
Subtotal: Natural Resources	135,603,991	106,586,839	90,704,324	137,793,000	2,191,685,129
Transportation	368,876,001	358,775,487	331,245,750	57,314,226	2,929,961,693
Airport Corporation	57,507,143	58,926,912	44,990,651	109,267,054	576,456,084
RI Public Transit Authority	15,208,406	12,492,488	13,666,933	-	115,116,500
Subtotal: Transportation	441,591,550	430,194,887	389,903,334	166,581,280	3,621,534,277
Totals	790,477,024	789,012,404	632,920,884	446,450,304	7,712,745,459

Office of Budget

Carmela Barone**Budget Analyst I**

Office of the Secretary of State
Board of Elections
Transportation
Rhode Island Airport Corporation
Capital Center Commission
Rhode Island Public Transit Authority
Rhode Island Turnpike and Bridge Authority

Andres Blanco**Technical Support Specialist II**

Network Database Management
Information Processing Liaison
Technical Support
Oracle Budget Module Implementation

Ronald Davidson**Budget Analyst I**

Department of Administration
State Police

Paul L. Dion, Ph.D.**Chief Budget Analyst**

Office of the General Treasurer
Revenue Estimating, Five Year Forecast
Tax Modeling
Rhode Island Lottery Commission
Economic Impact Studies
Medical Benefits

Rosemary Booth Gallogly**Executive Director/State Budget Officer**

State Investment Commission
State Employee Retirement Board
Depositors Economic Protection Corporation
Tobacco Securitization Financing Corporation

Shanika Doctor**Data Control Clerk****Bill Golas****Senior Budget Analyst**

Public Higher Education
Department of Labor and Training
Business Regulation
Higher Education Assistance Authority
Atomic Energy Commission
Children's Crusade for Higher Education
Health and Educational Building Corporation
Student Loan Authority

Christy Healey**Supervising Budget Analyst**

Legislature
Governor's Office
Lieutenant Governor
Rhode Island Industrial Facilities Corporation
Industrial-Recreational Building Corporation
Convention Center Authority
Housing and Mortgage Finance Corporation
Refunding Bond Authority
Housing Resources Commission
Capital Budget

Elizabeth Leach**Budget Analyst II**

Department of Environmental Management
Department of Elderly Affairs
Water Resources Board
Water Resources Board Corporate
Deaf and Hard of Hearing
Historical Preservation & Heritage Commission
Municipal Police Training Academy
NASBO Surveys

Susan E. McCarthy**Chief Implementation Aide**

Personnel Actions
Office Management

Dennis A. Michaud**Budget Analyst II**

Department of Corrections
Military Staff
Coastal Resources Management Council
Office of the Public Defender
Narragansett Bay Commission
Clean Water Finance Agency

Thomas A. Mullaney**Chief Budget Analyst**

Oracle Budget Module Implementation
Economic Development Corporation
Economic Policy Council
Quonset Development Corporation
Partnership for Science and Technology

Office of Budget

Daniel Orgel**Budget Analyst I**

Department of Elementary and Secondary
Education
Public Telecommunications Authority
Mental Health Advocate

Jayne Reuter**Budget Analyst I/Economist**

Monthly Revenue Report
Ethics Commission
State Fire Marshal
Fire Safety Code Commission

Kimberly Reynolds**Budget Analyst I**

Department of Children, Youth and Families
Office of the Attorney General
Commission on Women
Boards for Design Professionals
Governor's Commission on Disabilities

Sharon R. Savicki**Implementation Aide**

Fiscal Note Database

Peder Schaefer**Supervising Budget Analyst**

Local Government Finance
Information Statement
Retirement
Five Year Forecast

Gregory B. Stack**Principal Budget Analyst**

Mental Health, Retardation and Hospitals
Judicial
Child Advocate
E-911 Commission
Commission on Judicial Tenure and Discipline
Resource Recovery Corporation
Rhode Island Underground Storage Tank
Financial Responsibility Review Board
Appropriations Act

Theo Toe**Budget Analyst II**

Department of Health
Rhode Island Justice Commission
Commission on Human Rights
Public Utilities Commission
Rhode Island Developmental Disabilities Council

George Welly**Deputy Budget Officer**

Department of Human Services
Council on the Arts
Caseload Estimating

Office of Strategic Planning**Robert K. Griffith****Chief, Office of Strategic Planning**

Monitoring and Analysis

William P. McKenna**Principal Strategic Planner**

Performance Measures

