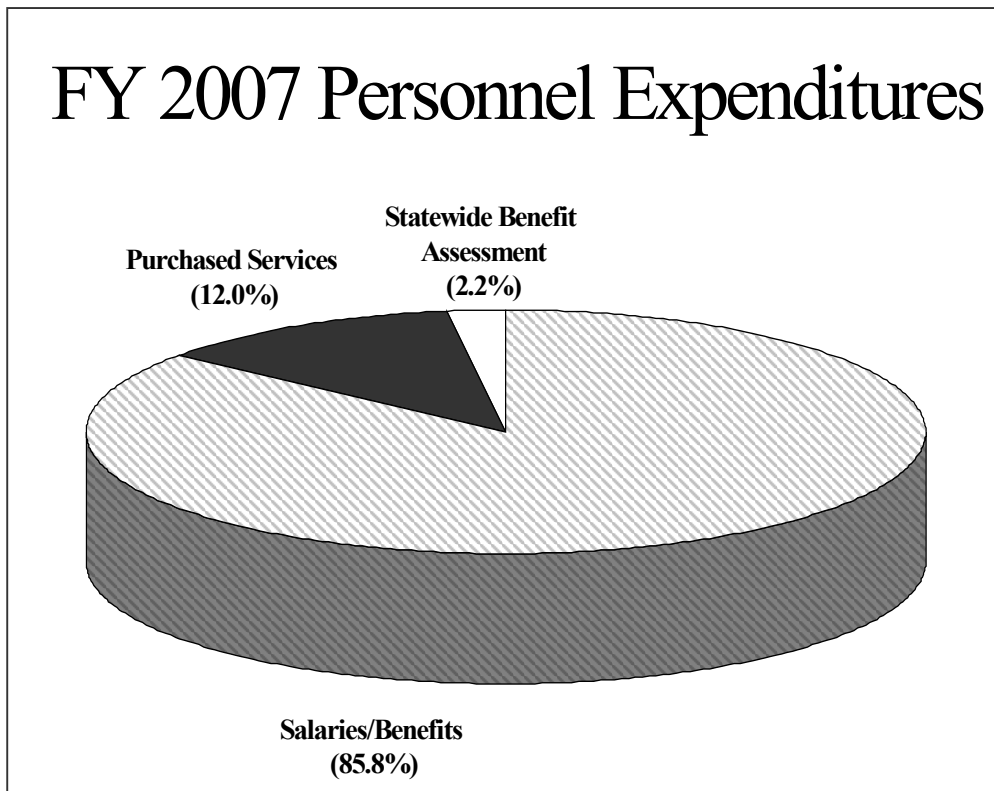


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## Introduction and Summary

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The Governor's FY 2007 recommended budget finances personnel at \$1.6 billion. This includes \$1.382 billion for salary and benefits (86.7 percent), \$180.6 million for purchased services (11.3 percent), and \$31.0 million (2.0 percent) for such statewide benefits as severance, unemployment and workers compensation that are funded by statewide assessment. This total includes expenditures financed from general revenue, federal grants, restricted receipts, other funds, and internal service funds. After adjusting to reflect internal service fund personnel expenditures in the personnel category rather than as an operating expense, personnel expenditures constitute approximately 23.4 percent of the state budget, the second largest category of spending (after assistance, grants and benefits).



Personnel expenditures recommended for FY 2007 include a net increase of \$31.0 million, or 2.0 percent, from the FY 2006-revised budget. Direct salaries grew by 2.63 percent. Greater than average growth occurs in Retirement (20.2 percent), and Health Benefits (6.4 percent). These increases are offset by decreases in overtime (4.7 percent) and purchased services (11.3 percent).

The FY 2006 final Enacted Budget contained 16,349.1 full-time equivalent (FTE) positions, including 785.0 FTE's that are federal/sponsored research positions in Higher Education. In order to both maintain the current level of services and augment staffing to address certain critical needs, while reflecting existing vacancies, the Governor recommends an increase of 68.3 FTE's in the FY 2006-revised FTE cap, producing a total FTE level of 16,417.4. The majority of the increase is due to the transfer of the Lottery into the Department of Administration. While this legislation was enacted during the 2005 legislative session, the enacted budget did not include authorization for the Lottery Division's spending or the FTE positions. The Governor's FY 2006 Revised Budget includes amendments to include both the personnel costs financed from lottery revenues and the associated FTE positions.

In FY 2007, the Governor is recommends a net decrease from the FY 2006 revised level of 44.1 FTE

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## **Introduction and Summary**

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positions for a total FTE level of 16,373.3, including Higher Education federal/sponsored research positions. This includes program reductions proposed for the Department of Corrections from outsourcing the educational programs at the prisons, resulting in a reduction of 17.0 FTE positions. There is a reduction of 42.0 FTE in the Department of Mental Health, Retardation and Hospitals associated with the proposed transfer of responsibility for four Intermediate Care Facilities (MR) located at the Zambarano campus to private providers of group home services. There are also reductions totaling 3.5 FTE's in the Rhode Island Justice Commission and the Office of the Public Defender due to the loss of federal funds. Finally, there is a reduction of 25.5 FTE's in the Division of Motor Vehicles associated with the closing of all but the main registry and the shift of school bus inspections to contractors. Also in FY2007, there are FTE transfers from various agencies to the Department of Administration that relate to the Governor's Fiscal Fitness initiative to centralize certain administrative functions such as Human Resources, Information Technology, Facilities Management, and Legal Services. For FY 2007, the Governor recommends the transfer of 321.0 FTE positions associated with these centralizations.

### **Fiscal Fitness Initiatives**

Several major recommendations emerged from the Governor's Fiscal Fitness Program that would result in long term improvements in both the delivery and efficiency of State services. These recommendations included: the restructuring and centralization of the Department of Administration's major functions which are performed throughout Rhode Island government, and the creation of a Health and Human Services Secretariat.

#### **Centralize and Consolidate Functions into Department of Administration**

Fiscal Fitness examined twenty-eight separate departments and agencies. While each area works hard to be productive, its independence often 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 (HR), Facilities Management (Facilities), Information Technology (IT), 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 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 goal is to maximize federal funding under the new centralized model. Additionally, the state must strengthen its overall Financial Management by providing easy to use and fully integrated systems for the users of the state's financial data.

#### ***Human Resources***

The Fiscal Fitness Program found that Rhode Island's Human Resources (HR) staff is deployed unevenly across various agencies. Of the twenty-eight departments and agencies reviewed, only eight had fully functioning human resource departments, some of which had excess capacity, while twenty struggled with a lack of services in one more areas. Through consolidation, the State can eliminate redundant activities, offer a broader, more in-depth level of expertise implement a wider range of services and provide for the implementation of clear, consistent personnel policies across state service.

The current practice of each agency handling its own HR has hampered the State's ability to reform the personnel system. In three comprehensive surveys since 1999, The Government Performance Project and Governing Magazine, in 2001, consistently rated Rhode Island's HR system among the least effective.

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Despite several attempts to diversify, the cultural mix of state employees does not match that of the citizenry. The state has made very little advancement in the areas of performance review and merit pay. Managers are unable to reward excellent performance, except through promotion. Subsequently, inappropriate promotions have created organizations that are top-heavy with managers, and workplace morale suffers.

The Fiscal Year 2007 Budget incorporates the recommendation that the statewide personnel function be centralized and located within a restructured Department of Administration. Through the creation of several Human Resource Service Centers, groups of agencies will be served by a single “HR Center” which shares resources. The increased capacity within the Department of Administration’s central human resource office will result in improved policy development and cost savings. Implementation of other Administration initiatives such as the procurement of medical benefits provided to state employees, implementation of a co-share on medical benefits, and major pension reforms have already resulted in substantial savings.

### ***Facilities***

The Fiscal Fitness Program found that there is no central entity responsible for building maintenance. Further, the State does not have a complete inventory of the property under its control. There is no master plan for the use of State facilities, or any coherent effort to insure that property is fully utilized to the State’s benefit. The State holds numerous, costly leases while under-utilized state-owned buildings and property are left vacant and deteriorating. Decentralized facility management results in duplication of staff effort, little sharing of resources, and an inability to put strategic solutions into place. Since moving forward with the centralization, the Department of Administration has completed a state inventory of property. In addition, facility resources are being utilized where demand for services warrant.

The FY 2007 Budget incorporates the recommendation that facilities management be organized and coordinated across state government. The Fiscal Fitness team determined that future savings could result from sharing facilities resources across agencies and reducing the use of outside vendors for routine repairs and maintenance. Other Facilities-related Fiscal Fitness recommendations include monitoring potential opportunities for the sale of surplus property, and to identifying agencies that can be moved from leased properties to state owned buildings.

### ***Information Technology***

The Fiscal Fitness team found that Information Technology (IT) is overly decentralized. Each department has its own computer systems, servers, and staff. Departments employ differing management systems, and use different computer programs, severely limiting the capacity for data sharing across departments and agencies. There is no coherent investment strategy for IT, and therefore, Rhode Island continues to lag behind most states in IT performance. The lack of comprehensive and centralized license and software maintenance management leads to higher costs because volume discounts are not leveraged with the software providers.

In 1999, Governing Magazine rated Rhode Island’s IT a “D”. Subsequent surveys revealed little progress. Without integrated systems and coordinated IT management, employees do not have the tools needed to effectively and efficiently deliver public service. Additionally, the State lacks a disaster recovery plan and infrastructure for IT systems and servers.

The FY 2007 Budget incorporates the Fiscal Fitness recommendation that IT be centralized across State government. Standardization and centralization of IT, servers, phones, and mail will better address the needs of the State at a lower cost. An integrated IT division will result in higher quality financial

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information and data, improved services to citizens and State employees and savings to Rhode Island taxpayers.

### ***Legal Services***

The Fiscal Fitness team determined that Rhode Island's legal structure is uncoordinated and decentralized. In some of the agencies, attorneys are assigned legal matters that are inconsistent with their particular background or expertise. Additionally, the state is spending millions of dollars on outside legal counsel for service that could be handled internally through better coordination. There are existing state attorneys with expertise in a particular area who are confined to their agency of employment. Their expertise is not shared across agency lines. There is no standardization of legal policies or procedures across the Executive branch, and no centralized supervision of attorney performance.

The revised FY 2006 Revised Budget and the FY 2007 Budget further incorporate the recommendations for restructuring Legal Services. A consolidated structure of Legal Services creates several specialized practice groups within the Department of Administration. These practice groups will handle agency matters that fall within the purview of expertise of that particular practice group. The practice areas are Administrative Adjudication, Administrative Practice, Corporate, Labor and Employment, and Legislative and Legal Support. The majority of agency attorneys will continue to fall under their current agency budget, although they will report to centralized Legal Services. Some legal staff, however, will be moved from the agencies to the Department of Administration to supplement the practice groups.

### ***Financial Management***

The State does not have an integrated financial management system which allows administrators and financial managers to easily access important information. The Fiscal Fitness Program found that despite a rigorous budget process, a workable system for monitoring actual spending by allowing links between budget data and accounting data does not exist. Establishing an integrated financial management software system that cuts across government, will reduce inefficiency and allow for improved overseeing of taxpayer dollars and more effective oversight by the General Assembly and the Auditor General. Additionally, as a result of implementation, the State's purchasing procedures will become less burdensome, oversight will be improved, and the State will be better able to leverage its purchasing power.

The FY 2006 Revised Budget and the FY 2007 Budget incorporate the recommended funds needed to implement two additional Oracle suites of financial management software. The State is implementing the "Procure to Pay" module which will fully integrate the systems used by State Purchasing, the State Controller's Office, and the State Budget Office. As part of the implementation, the State is reviewing its purchasing procedures. Another result is that auditing of the State financial statements will be streamlined. The new purchasing system will allow for greater opportunities to leverage economies of scale by using consolidated data from the system when preparing for the procurement of goods or services.

In the FY 2006 enacted Budget, the General Assembly embraced the Fiscal Fitness recommendation for an Office of Tax Policy when it approved funding within the Department of Administration. The job specification for the position to lead this effort has been developed and a search is being held.

### ***Health and Human Services Secretariat***

There are five separate health and human service agencies in Rhode Island, as well as a host of smaller boards

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and commissions. While each agency has a unique mission, many services overlap and often target the same individuals. For example: 1) the State spends over one hundred million dollars in eleven separate pharmacy programs; 2) There are three divisions within different agencies addressing child health and welfare concerns; and 3) There are two separate departments that administer Medicaid long-term care programs. As a result, clients and community providers experience hardship and frustration in trying to navigate the confusing array of services. A well-coordinated human services organization would minimize duplication, improve customer services, and create a more comprehensive approach to health and human service policy in Rhode Island.

The FY 2007 Budget further pursues the recommendation that an Office of Health and Human Services, headed by a Secretariat, be created. The FY 2006 Revised Budget and the FY 2007 Budget incorporate the recommended funds to implement the Governor's Executive Order to establish a cabinet level Secretariat position. The Secretariat would coordinate the activities of the various health and human service agencies, resulting in a seamless system of care for citizens. Moreover, savings would be realized through shared service development, centralized purchasing, streamlined health care financing, and better staff development of activities. Field operations would be better organized across agencies, and fraud and abuse surveillance and asset recovery would be improved.

### Personnel System Reform Initiatives

The Governor also recommends several measures to reform the personnel system so as to reduce costs both in the payment of benefits and in reductions of personnel. In the *Personnel Supplement*, the following statewide items are shown as savings adjustments within the Department of Administration to be reallocated at a later date, in four separate sub-programs.

#### *Reduction in Force*

The Governor recommends that State Government operate with fewer state employees and that several measures be taken to reduce the overall cost of the workforce. A number of changes in personnel rules changes 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% of all accrued sick leave over 390 hours up to and including 630 hours and 75% pay for all accrued sick leave over 630 hours up to 875 hours. At the maximum payout, a retiree could get paid for over eight weeks of sick time. After July 1<sup>st</sup>, no state employees would receive any payout for sick leave.
- 2) Change practice of allowing employees to carry over two years of vacation time after providing one-year notice to allow discharge. This will result in long-term reductions in severance payouts as currently retirees can receive payment for up to two years of unused annual leave, in addition to several categories of frozen time associated with prior statewide personnel savings initiatives.
- 3) Eliminate statutory status- Currently employees with twenty year 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 would save \$32.2 million in state general revenues and reduce FTEs by 419.4.

#### *Shut Down Days*

The state would shut down all non-essential operations on Monday, July 3<sup>rd</sup>, and Friday November 24<sup>th</sup>, thus eliminating payroll costs. For fiscal 2007, it would be possible for employees to take leave without pay on these days. Any employees working in 24/7 operations would be compensated at straight time pay.

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## Introduction and Summary

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It is projected that implementation of this measure would save \$3.6 million in general revenues and \$6.7 million from all fund sources.

### *Longevity*

The Governor recommends the elimination of any new longevity payments that would be received in FY2007 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 from 5, 10, 15, 17.5 and 20 percent respectively. Cost of living adjustments are in addition, and are applied to longevity payments. This proposal would freeze longevity amounts at their levels on June 30, 2006, and no new longevity increment or cost of living adjustments would be applied to existing 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.

### *Limited Service Positions*

The state currently employs individuals funded through certain federal funds and other limited positions through an outside vendor. The vendor charges the state an additional 17% fee of the hourly rate to pay FICA and administrative costs. A new class of position would be created by legislation to make allow for individuals to be hired as "limited service" employees thereby avoiding the administrative costs. These limited period positions would be hired under a contractual arrangement that would allow for limiting the duration of the hire to a period. The positions would receive worker's compensation but no other benefits. This would satisfy the need to staff projects often funded by 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.

### *Medical Savings*

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

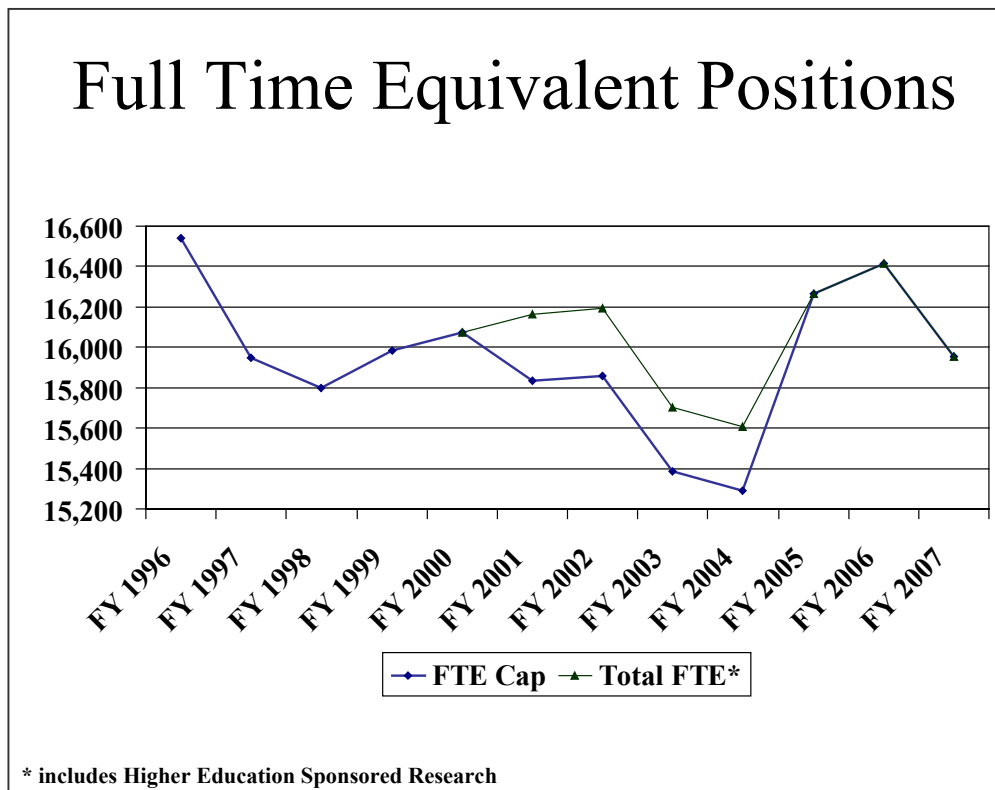
- Discontinue COBRA for retirees by moving retirees directly to retiree plan. This is estimated to save \$0.3 from general revenue sources, and \$0.6 million from all fund sources.
- Carve Out Pharmacy from the State's medical insurance contract. This is estimated to save \$1.1 million from general revenue sources and \$2.2 million from all fund sources.
- Lower 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.

This totals \$3.7 million from general revenues and \$7.0 million from all fund sources.

Since FY 2004, the total FTE authorized level has increased from 15,289.4 to 16,373.3, an increase of 1,083.9 FTE. The increase is primarily due to the expansion in the number of Higher Education Sponsored Research positions, and their inclusion within the budgeted FTE cap. The 16,373.3 FTE authorization includes 785.0 Sponsored research FTE. Excluding Higher Education sponsored research positions, the FTE authorization increases by 298.9 from 15,289.4 in FY 2004 to 15,588.3 in FY2007, including 147 in Public Higher Education, 101 in Public Safety (including Corrections, State Police, Military Staff, and the State Fire Marshall). While there is an increase 80 in Human Services, it is attributable to the transfer of child support enforcement from the Department of Administration.

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As part of the Fiscal Fitness program initiative, the Governor has recommended an intense review of State organizational structures and business practices, as positions are vacated through retirements or attrition. Nevertheless, the Governor's FY 2007 budget addresses specific needs in individual departments and agencies as well as program reduction and administrative centralization initiatives. In **General Government**, the Governor recommends a net increase of 68.5 FTE's in FY 2006 and a net increase of 262.9 FTE's in FY 2007 in the following agencies. In the Department of **Administration**, 69.5 additional FTE's in **FY 2006**-revised are recommended, reflecting the transfer of 4.0 FTE's from other agencies for the Human Resources Service Centers initiative, as well as new positions in the Capital Properties and Property Management program (1.0), Information Technology (5.0), and the Kent County Sheriffs (2.0). The increase also reflects the transfer of 64.5 FTE's for the Lottery Commission, newly included in the Personnel Supplement, as well as a reduction of 2.0 FTE's on the worker's compensation rotary account. In the **Governor's Office**, the FTE increase is 1.0 due to the transfer of an FTE for the Office of Housing and Human Services. In **FY 2007**, the Governor recommends the transfer of a net increase of 321.0 FTE's from various State departments and agencies to Administration for the centralized rotaries



accounts: Human Resources (101.0), Facilities Management (120.0), Legal Services (7.0), and Information Technology (93.0). Other changes in Administration include the transfer of a position from Human Services (1.0), reductions in the Division of Motor Vehicles (25.5), and 3.0 new positions in the Sheriffs' Division and 2.0 new positions in the Retiree Health Trust Fund. With the elimination of the technical adjustment of (0.6) in the **Secretary of State**, the total FY 2007 non-rotary variance in General Government is a decrease of 21.1 from the revised level.

In **Human Services**, the Governor recommends a net decrease of 0.70 FTE in **FY 2006**, (the Housing Office transfer to the Governor's Office, offset by a technical adjustment in the Office of the Child Advocate), and a

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net decrease of 255.0 in FY 2007. Besides the 208.0 FTE centralized rotary transfers to Administration from **Children, Youth, and Families** (28.0), **Health** (21.0), **Human Services** (34.0), and **Mental Health, Retardation, and Hospitals** (131.0), the Department of **Human Services** will transfer 1.0 FTE to the Office of Housing in Administration. Also in Human Services, the Governor recommends 2.0 FTE's in the Health Care Quality and Financing program for a program integrity unit. The Department of **Mental Health, Retardation, and Hospitals** will reduce 42.0 FTE's to reflect the transfer of four group homes to private providers. The total FY 2007 non-rotary variance in General Government is a decrease of 41.0 from the revised level.

In **Education**, the Governor recommends no change in FY 2006 and an increase of 29.0 FTE's in **FY 2007**, all in **Public Higher Education**. 17.0 FTE's are for the Community College of R.I. to address the increased enrollment and student demand for courses. 12.0 FTE's are in URI, 3.0 for the Pharmacy program, 4.0 for the Nursing program, and 5.0 auxiliary FTE's.

In **Public Safety**, the Governor recommends a net increase of 1.5 FTE's in **FY 2006**, reflecting 2.0 additional FTE's funded by new federal National Guard grants in the **Military Staff** and reduced federal grants for the **Rhode Island Justice Commission** (0.5). In **FY 2007**, the Governor recommends a net decrease of 37.0 FTE's. 17.0 of the decrease reflects a transfer to Administration from **Corrections** (15.0), **Military Staff** (1.0), and **E-911** (1.0) for the Human Resources Service Center and Legal Services. 6.0 of the decrease reflect the loss of federal Byrne Grant funds by the **Attorney General** (3.0), **R.I. Justice Commission** (2.0), and the **Office of the Public Defender** (1.0). In the Department of **Corrections**, the remaining decrease of 14.0 FTE's reflects the outsourcing of educational instruction to private contractors (17.0), as well as the addition of 3.0 probation and parole positions to addressed caseload increases.

In **Natural Resources and Transportation**, apart from a Human Resources transfer from the latter to Administration, there is no net FTE change from the enacted level in **FY 2006**. In **Environmental Management**, in **FY 2007** the Governor recommends a transfer of 18.0 FTE's to Administration for the Human Resources (6.0), Legal Services (2.0), and Information Technology (10.0) rotary accounts. In addition, the Governor recommends the transfer of 4.0 FTE's from the Underground Storage Tank Financial Responsibility Review Fund Board, newly included in the Personnel Supplement. In **Transportation**, the Governor's recommends the transfer of 30.0 FTE's to Administration for the Human Resources (10.0), Legal Services (1.0), and Information Technology (19.0) centralized rotary accounts.

As directed by the Governor, the overall filled FTE level will be constrained through careful management by cabinet directors of existing and upcoming vacancies. Actual filled FTE positions as of December 24, 2005 were 15,101.6, 91.7 more than the 2004 level of 15,009.9. While at this time last year the number of filled FTE's was at its lowest point since FTE tracking began in 1994, the current filled level reflects the hiring of State Police troopers and Correctional Officers recruits from the training classes held during FY 2005. The filled level of 15,101.6 FTE is 1,247.5 FTE's (8.2 percent) less than the enacted cap of 16,349.1. In the FY 2007 budget, turnover (all funds) is estimated to be 3.8 percent of salaries, compared to the FY 2006 enacted rate of 3.4 percent (The FY 2006 revised rate is 4.9 percent). The turnover level reflects in part the on-going centralization of Legal Services, Human Resource, Facilities Maintenance, and Information Technology functions.

General revenue finances 48.1 percent of FY 2007 personnel expenditures. Federal funds finance 21.6 percent. Other Funds (primarily college tuition funds) finance 21.0 percent. Restricted receipts and internal service funds finance the remaining 9.3 percent. This document contains all expenditures for personnel,



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including those of the internal service funds, as noted above. Since internal service positions are financed through charges to state agencies categorized as operating expenses, totals shown in this document will differ in some cases from personnel costs shown in complementary documents of the FY 2007 Budget.

The largest category of personnel expenditures is for **salaries and benefits**. Salaries and benefits (including temporary and seasonal) represent \$1,382.7 billion or 86.7 percent of total personnel costs. Salaries, including payroll accrual, overtime, holiday and other salary-related items, equal \$969.7 million and fringe benefits equal \$412.5 million. Fringe benefit payments include \$153.4 million for retirement costs, \$185.4 million for medical benefits (including \$183.7 million for benefit plans and \$1.7 million for medical benefits-salary disbursements), \$69.5 million for FICA, and \$4.2 million for other benefits, including group life insurance and other contract stipends. In addition, the statewide benefit assessment, consistent with federal OMB Circular A-87, is included to finance severance, unemployment, employee assistance, workers' compensation payments and administrative costs, and DLT employer assessments, and totals \$30.5 million.

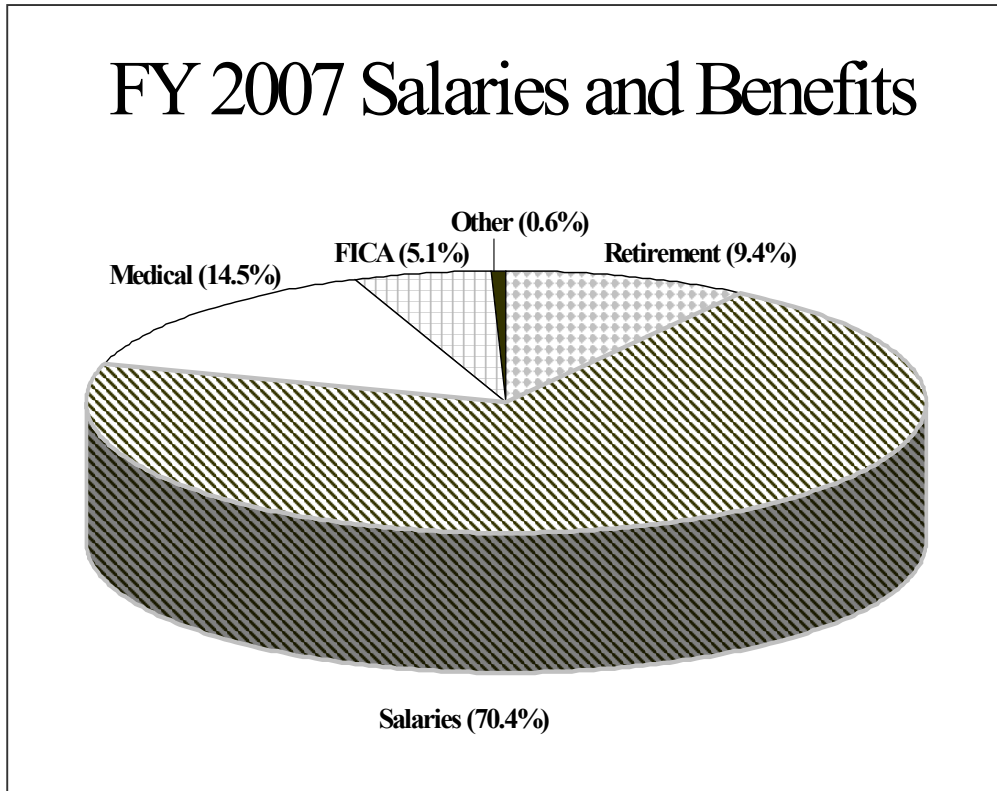
**Salaries** have increased by 10.7 percent in the FY 2006 Revised Budget over FY 2005 (unaudited expenditures). The increase reflects both step and longevity increases and 70.0 additional personnel, including 64.5 FTE's transferred from the Lottery Commission and 2.0 new National Guard federal funded positions. The increase includes a salary adjustment of \$4.96 million in FY 2006, (and \$7.0 million in FY 2007) for the Department of Corrections, reflecting estimated increase resulting from salary and benefit increases currently under negotiated (or remaining to be negotiated) with correctional officers and other unions. Retroactive payments of FY 2005 COLA and medical co-pay adjustments of \$6.8 million are also included. The overall increase from FY 2006 revised to FY 2007 is 2.6 percent. A 7.0 percent increase due to step, longevity COLA/medical co-pay adjustments (discussed below) are offset by changes in personnel benefits and other measures designed to reduce the impact of rising salary and benefit costs. These latter reductions are depicted in the Department of Administration as separate programs. The proposed distribution of these reductions among the state departments and agencies is shown in the accompanying table.

By executive authority, the Governor has authorized a revised compensation plan for non-union classified state employees. Beginning with the fourth pay period of FY 2005, a two-percent salary cost of living adjustment was extended to the members of this class; effectively a 1.77 percent increase of annual compensation in FY 2005. Concurrent with this COLA adjustment was the establishment of a co-pay of

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health insurance premiums by these employees. The co-pay is five percent of health, vision and dental insurance premiums for all single and family plans. However, for employees with gross wages less than \$35,000 (after recognizing the two percent COLA), the co-pay was three percent on family plans. For Council 94 (the State's largest union), and certain other collective bargaining units, a cost of living adjustment of 4%, 4%, 3%, 3% was negotiated for FY2005-FY2008 at the close of FY2005. This was paired with co-sharing of health insurance premiums equal to 2.5% of salary, plus 0.5% of other wages, for each period. This package was accepted with a 1.5% lump-sum retroactive payment for salaries for FY2005 to reflect a netting of the insurance co-share obligation. The retroactive payment was accrued back to FY2005 as an expenditure for Council 94, and a similar adjustment was accrued back for the non-union classified personnel, the Office of the Governor, and unclassified State Police and Lottery.

In FY 2006, a four percent salary cost of living adjustment is budgeted. For Council 94 and any union that agreed to the percent of salary co-share for health insurance, the co-share will remain at 2.5% of salary, plus 0.5% of other wages. For non-union, and other groups agreeing to the percent of premium plan, there will be an additional adjustment to employee health insurance co-pays. For employees with salaries over \$75,000, the share is eight, twelve, and fifteen percent of health, vision and dental insurance premiums for all single and family plans for FY 2006, FY 2007 and FY 2008. For employees with salaries over \$35,000 but less than \$75,000, the share is six, nine, and twelve percent of health, vision and dental insurance premiums for all single and family plans. However, for employees with gross wages less than \$35,000 who are accessing family plans, the co-premium will be four, six, and eight percent on family plans. For both fiscal years, the COLA is recorded as an increase to salaries, overtime, holiday pay, retirement, FICA, payroll accrual and assessed fringe benefit. The health insurance co-pays are recorded as reductions to the various health codes.

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There continues to be a waiver which affords a \$2,004 payment to employees opting out of the State's health plan. Higher Education employees have adopted slightly different packages, but the co-share is based upon the percent of premium option.

In the FY 2005 supplemental and FY 2006 enacted budgets, the amount set aside for the net cost of living adjustment/co-share was budgeted in the Department of Administration in a statewide salary adjustment fund. In FY 2005, there was \$10.0 million budgeted, but only \$2.9 million expended. The remaining \$7.1 million was reappropriated into FY 2006 and will finance the remaining retroactive payments and contract RN costs for the remaining employees.

Fringe benefit adjustments increase by 17.5 percent in FY 2006 over FY 2005, and by 8.8 percent in FY 2007 over FY 2006 revised. Within these increases, **retirement** has increased by 35.3 percent in FY 2006 over FY 2005, and an additional 20.2 percent in FY 2007 over FY 2006 revised. Within state agency budgets, state employer retirement contributions are budgeted at 14.84 and 18.4 percent of payroll for FY 2006 and FY2007 respectively and have risen from 11.51 percent in FY 2005. **FICA** increases by 10.2 percent in FY 2006 and by 2.0 percent in FY 2007, reflecting increased personnel costs from COLA adjustments.

For **medical benefits**, the recommended budget for FY 2006 includes an increase of 7.4 percent over FY 2005 actual expenditure levels. The FY 2006 increase of \$14.1 million reflects no change in the values of the medical and dental premiums. For FY 2007, the recommendation of \$183.7 million in medical benefits is an increase of 6.4 percent (or \$11.0 million) from the recommended revised budget amount for FY 2006. Fiscal 2007 budget instructions were initially based on an estimated increase of 7.0 percent from the FY 2006 revised level. This increase was predicated on a 7.0 percent increase in the working rate for medical benefits on July 1, 2006 and was based upon the estimated trend in medical costs as projected by the Centers for Medicare and Medicaid (CMS). Vision costs were assumed to mirror those for the medical component. Medical benefit costs were revised in the final planning stages to reflect an increase in medical premiums of 8.2 percent and a decrease in dental premiums of 5.7 percent. Medical benefits have also been reduced by centralized personnel reform initiatives (see above), producing \$8.9 million in savings.

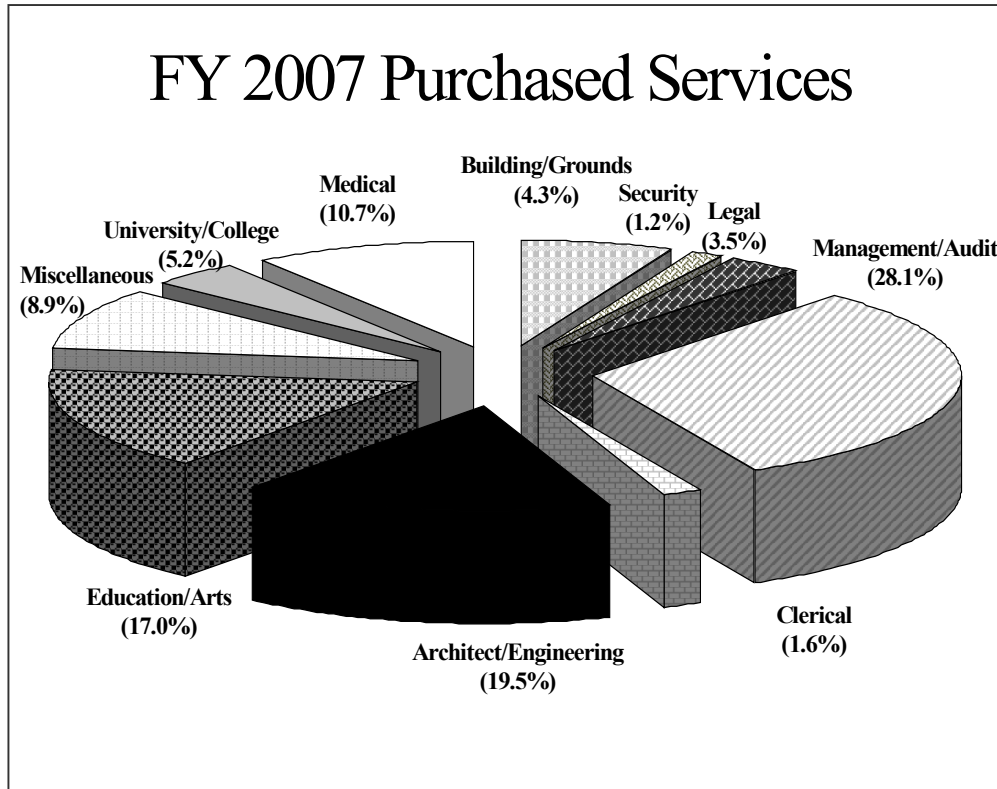
**Workers' compensation** costs budgeted directly in the agencies in FY 2006 and FY 2007 are \$76,975 and \$73,266 respectively and are funded in the Departments of Corrections and Children, Youth and Families. These amounts reflect the continuation of wages in excess of those amounts received as a result of the Workers' Compensation statute (primarily as a result of assault cases). Since FY 2001, all workers' compensation costs, as well as unemployment insurance and unused leave severance payments, have been paid from a separate Assessed Fringe Benefits Administrative Fund. The fund will be financed by a **statewide benefit assessment** of 3.52 percent of direct salaries that is charged to every department and agency in this document. (See the Glossary section of the book for an explanation of the components of the Assessed Fringe Benefit Fund recommended in FY 2007).

**Purchased Services** costs in the FY 2007 Budget are \$180.6 million, and represent 11.3 percent of total personnel costs. Expenditures in this category are for services provided by outside contractors in cases where special expertise is needed or where it would be less efficient to hire full-time employees. Major categories of expenditure are management/audit services (comprising 33.4 percent of the total), architectural/engineering services (comprising 17.3 percent), educational/professional/artistic services (comprising 17.1 percent), and medical services (comprising 10.2 percent).

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## Introduction and Summary

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Expenditures in FY 2007 are \$23.0 million less than the FY 2006 revised level, an 11.3 percent decrease in spending for these services. In addition to the \$12.1 million reduction in unspecified consultant services, the greatest decreases are in management/audit services (\$7.1 million), medical services (\$2.0 million), architect/engineering services, (\$1.7 million), miscellaneous special services (\$1.3 million), educational and artistic services (\$1.5 million), university/college services (\$1.0 million), and special clerical services (\$1.0 million). Major reductions occur in the following purchased services. In **Management/Audit Services**, the Office of the General Treasurer decreases by \$854,000 due primarily to the completion of work on the Anchor retirement reporting system. In Elderly Affairs, the decrease of \$2.3 million reflects the completion of a one-time federal grant for Part D Medicaid Prescription Drug Benefit implementation. In Human Services the decrease of \$268,000 is due to the end of “Choices”, “Paths” and Traumatic Brain” federal grants. In Labor and Training a \$757,000 decrease is in unemployment administrative costs, as well as in other federal grant programs. In E-911, a net increase reflects a shift of \$819,000 in development costs for GIS database development project from FY 2006 to FY 2007, to allow funding for a call facility in FY 2006, and a decrease of \$219,000 due to finalization of another project in FY 2007. In Health, a reduction of \$885,000 reflects the completion of projects for bioterrorism training and for health information technology to convert personal; health data into an electronic format. In Administration, the reduction of \$2,402,000 is due to the implementation of the new financial information system and the upgrading to the Oracle system.

In **Medical Services**, The Department of Elderly Affairs decreases by \$424,000 in benefit manager costs due to implementation of the Part D program. In Mental Health, Retardation, and Hospitals, a \$1,054,000 reduction is associated with program reductions in consulting contracts for special medical, psychiatric, nursing, and therapy services in the Hospital and Community Rehabilitative Services program. In **Educational/Professional/Artistic Services**, the R.I. Council on the Arts increases expenditure by \$408,195

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due to an expansion of the 1% for Arts projects. In Elementary and Secondary Education, the \$420,000 reduction is due to changes in federal financing for Title I Teacher Quality partnership, Center for Disease Control Health Education, and other federal programs. In Health, a \$325,000 reduction relates to eliminating general revenue funding for the anti-tobacco education program. Other reductions in federal funds are due to the utilization of balance forward funds to complete bioterrorism training (\$130,000), genetic services (\$246,000), Immunization (\$110,000) and the health information technology project (\$295,000). In **Architect and Engineering Services**, the Environmental Management reduction of \$1.5 million is due to changes in the federal grant awards in forestry, NOAA Enforcement, brownfields, and the underground storage tank program, as well as the reassignment of \$545,000 in costs to **Security and Fire Protection Services** for non-point source pollution, Narragansett Bay studies, and the Groundwater 106 grant. In Transportation, the increase of \$3.4 million is due to increased federal funding for highway projects.

In **Buildings and Grounds Maintenance Services**, the reduction of \$383,000 in the Department of Human Services results from the transfer of all such expenses to the Facilities Maintenance rotary account Administration. In **Special Clerical Services**, the decrease in Judicial is related to the end of one-time federal grants for the Drug Court, the Domestic Violence grant, and the Justice Link grant. In **Miscellaneous Special Services**, Mental Health decreases by \$1.8 million due to the transfer of expenditures in the Central Power Plan to the Facilities and Maintenance Rotary in Administration. In Administration, the total increase due to Facilities Management centralization is \$1,911,000. In Judicial, the decrease is due to a reduction in federal funds for the Drug Court (\$370,000) and the Mental Health Court Clinic (\$323,000). In the Military Staff, the \$473,000 reduction is due to completion of the Department of Justice Information Technology federal grant. In **University/College Services**, the Coastal Resources Management Council reduction is \$900,000 in federal funds and results from the completion of contracts with the University of Rhode Island that are financed from prior-year unspent funds.

The various sections of the Personnel Supplement contain the personnel costs for each agency and program in state government for FY 2006 and FY 2007. All positions and their respective costs are displayed. Footnotes will assist readers in understanding variances between the years. Footnotes are included in the back section of this document. Additionally, there are a number of terms used in the Personnel Supplement that are not part of every day usage. A Glossary with extended explanations is included in the back of the Personnel Supplement. Also included in this Personnel Supplement is an appendix reflecting the current pay schedules of selected classified and unclassified positions. For more information on the codes used to identify the pay scales, refer to the Glossary. Pay scales are also reflected on the state's web site.