

Executive Summary



State Of Rhode Island and Providence Plantations

Lincoln D. Chafee
Governor

March 8, 2011

To the Honorable, the General Assembly:

The Fiscal Year 2012 (FY 2012) Budget that I recommend to you takes bold steps to confront our state's deficit and structural problems so that Rhode Island can promote economic growth and continue to provide essential government services to current and future residents in a cost-effective manner. It is a comprehensive multi-year plan that relies on sustainable growing revenues over time instead of one-time fixes to achieve balance. The deficit resolution component is almost equally divided between increased revenues and expenditure cuts.

The FY 2012 Budget proposes changes to the sales tax and corporate tax structures which will make Rhode Island more competitive and promote economic growth. The sales tax modernization plan would impose a one percent (1%) tax on many goods previously exempt and would expand the base to include certain services not previously taxed. This modernization plan provides for an increased revenue flow less susceptible to economic downturns, while lowering the sales tax rate from seven percent (7%) to six percent (6%). This reduction will place Rhode Island's sales tax at or below our neighboring states' rates. The one percent (1%) portion of the tax modernization plan is designed to sunset upon Congress's enactment of the proposed Main Street Fairness Act, allowing us to recapture sales tax revenue lost to Internet sales and to protect the investments of Rhode Island's retail businesses.

The corporate tax proposal modifies the minimum tax by lowering it for most small business taxpayers, institutes combined reporting, and phases out one of the State's largest tax expenditures, the preferential rate provided under the Jobs Development Act. The State's corporate rate will be reduced over a three-year period from 9% to 7.5%. These changes will make our tax structure more transparent and fair and will place Rhode Island's corporate tax rate at or below those of our neighboring states.

To the Honorable, the General Assembly
March 8, 2011
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The budget would also significantly cut government expenditures, focusing primarily in the area of health and human services, which represents the largest and fastest-growing component of State spending. It also demonstrates our commitment to education by fully funding the local education funding formula and increasing aid to our higher education system.

The budget addresses other structural problems facing our state. It resolves funding crises in Rhode Island's Unemployment Trust Fund and the Department of Transportation's capital program. These reforms would be implemented over a multi-year period and would finally address issues that have plagued Rhode Island for years. The FY 2012 budget also includes a new municipal aid program to address the underfunding of certain local government long-term obligations, including pension plans and retiree health benefits. The new program would reward local governments that take steps to appropriately fund these obligations, and would reduce State aid to those that do not.

These changes are needed for structurally sound and sustainable budgets at the State and local level. I look forward to working with members of the General Assembly on the major issues facing us.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Chafee". The signature is fluid and cursive, with a large initial "L" and a distinct "Chafee" ending.

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

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Overview

Governor Chafee recommends a budget for fiscal year 2012 totaling \$7.661 billion in all sources of funds, a decrease of \$450.0 million, or 5.6 percent, from the recommended all funds FY 2011 revised budget of \$8.111 billion. Of this total, \$3.170 billion, or 41.4 percent, is from general revenue, \$2.557 billion, or 33.4 percent, from federal funds, \$1.725 billion, or 22.5 percent, from other sources, and \$209.5 million, or 2.7 percent, is from restricted or dedicated fee funds.

Recommended general revenue funding of \$3.170 billion represents an increase of \$204.5 million, or 6.9 percent, over the recommended FY 2011 revised budget of \$2.965 billion. Federal funds decrease from \$3.011 billion in the FY 2011 revised budget to \$2.557 billion in the recommended FY 2012 budget, due primarily to the loss of stimulus-related funding. Other funds also decrease from \$1.956 billion to \$1.725 billion, due primarily to the loss of unemployment insurance funding provided by the Federal Government.

***FY 2012 Budget
Restores Fiscal
Stability***

The significant challenge posed by the projected \$295.0 million budget deficit in FY 2012 is a result of both long-term structural imbalances between the projected growth in revenues and expenditures, as well as losses totaling \$233.3 million in federal stimulus funds for Medicaid and local educational programs.

Governor Chafee's FY 2012 Budget is based upon his goal to restore fiscal stability to Rhode Island's finances, while cognizant of the challenges facing our local governments. Solving the state's long-term fiscal imbalance requires fundamental changes to the state's revenue stream and high growth spending programs that drive the budget. Therefore, the Governor's FY 2012 Budget presents a comprehensive plan that brings the operating budget into balance without relying heavily on one time resources and reduces the projected out year deficits by addressing the high growth expenditures in Human Services programs. The deficit resolution in FY 2012 is derived roughly equally from increased revenues and expenditure reductions. These actions are necessary to ensure that future generations have a government capable of providing essential government services in a cost-effective manner.

The FY 2012 Budget includes proposed changes to the sales tax and corporate tax structures that will place Rhode Island in a more competitive position with respect to state tax rates. The sales tax modernization plan proposes to impose a one percent tax on most items previously exempt from the sales tax, and expand the base to include items not previously taxed, such as services. This modernization plan provides for an increased revenue flow which is forecast to be less susceptible in economic downturns, while lowering the current sales tax rate from seven percent (7.0%) to six percent (6.0%). This will make Rhode Island more competitive by placing our rates at or below those of our neighboring states. The one percent sales tax will sunset upon enactment by Congress of the Main Street Fairness Act or other legislation that requires remote sellers to collect sales and use taxes on behalf of the State. Such legislation will allow Rhode Island to recapture sales tax lost to Internet sales and protect the investments of Rhode Island's bricks and mortar retail businesses. The FY 2012 Budget promotes fairness and equity in Rhode Island's sales tax structure.

***Tax Policy Initiatives
Will Place Rhode
Island in Competitive
Position***

The corporate tax proposal modifies the minimum tax by lowering it for most taxpayers, institutes combined reporting, and phases out one of Rhode Island's largest tax expenditures, the preferential rate provided under the Jobs Development Act. The state's corporate income tax rate will be lowered over a three year period from nine percent (9.0%) to seven and one-half percent (7.5%). These changes will make the state corporate tax structure more transparent and fair and will place Rhode Island's rate at or below our neighboring states.

Overview

***FY 2012 Budget Presents
Disciplined Plans to
Address Funding
Dilemmas at State and
Local Levels***

In addition to addressing the persistent structural operating deficit, this budget plan also resolves the funding crises in the state's Unemployment Trust Fund and the Department of Transportation's capital program. The plans to resolve these funding dilemmas would be implemented over a multi-year period, and would finally address issues that have plagued Rhode Island for years. Governor Chafee's budget also includes a new program to address the underfunding of certain local government long term obligations, including pension plans and funding for Post Employment Benefits Other Than Pensions (OPEB). The program would reward local governments that take steps to appropriately fund these obligations and penalize communities that do not. The new Municipal Accountability, Stability and Transparency (MAST) Fund is designed to encourage local governments to focus on determining the sustainability of current plans and providing increased funding to these obligations where inadequately funded. Additionally, the Governor proposes to require members of the State Employees and Teachers Retirement Plan, State Police Retirement plan, and Judges Retirement plan to pay increased contributions to reduce the unfunded liability of those plans, while the State investigates the need to develop a more sustainable system that provides for a formula driven sharing of the actuarially required contributions. This will result in an additional \$40.7 million of increased assets flowing into the fund.

***FY 2012
Recommended
Budget***

While revenues are expected to grow by 6.8 percent or \$206.1 million in FY 2012 compared to the FY 2011 revised budget, expenditures, if unconstrained, would grow by 12.1 percent or \$332.7 million. Growth in social service programs, (including unfavorable changes in federal Medicaid participation due to the end of the stimulus program costing Rhode Island an estimated \$215.4 million), scheduled increases in local aid programs, and public employee pensions and benefits, resulted in an initially projected budget gap of approximately \$295.0 million. Additional spending requirements identified during the budget development process, increased the projected deficit to over \$331.9 million. This increased spending includes the Governor's commitment to fully fund the new education aid funding formula (requiring an additional \$7.5 million above previous estimates) and reversing the trend of reduced funding for Higher Education (requiring an additional \$6.7 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 are projected to total \$3.2 billion for FY 2012. By function, spending by Human Services agencies represents the largest share with expenditures, totaling \$1.260 billion, or 39.8 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 \$1.054 billion, or 33.2 percent, and includes local education aid, support for the university and colleges, and scholarships. General revenue expenditures for General Government and Public Safety comprise \$414.4 million (13.1 percent), and \$402.2 million (12.7 percent), respectively. General Government includes, along with state operations, state aid to municipalities and direct property tax relief. Finally, expenditures for Natural Resources comprise \$40.0 million, or 1.2 percent of total general revenue spending. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

Overview

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. The largest component is grants and assistance expenditures of \$1.125 billion, comprising 35.5 percent of total general revenue spending. Local aid expenditures of \$895.3 million represent 28.2 percent of total spending; personnel expenditures of \$841.8 million comprise 26.6 percent of the budget; operating expenditures total \$132.0 million, or 4.2 percent of the budget; and capital expenditures, including debt service, total \$168.8 million, or 5.3 percent of the total general revenue budget.

Compared to the recommended FY 2011 revised budget, FY 2012 personnel expenditures increase by \$43.6 million or 5.5 percent; operating expenditures increase by \$1.7 million or 1.3 percent; local aid expenditures increase by \$21.2 million or 2.4 percent; capital expenditures, including debt service, decrease by \$7.3 million or -4.1 percent.

*Shared Sacrifice Will Lead
to a More Sustainable
Budget in the Future*

Year after year, Rhode Island's budget process has included feverish efforts to offset non-recurring revenues to finance the growth in expenditures. The combined use of one-time revenues and the unrelenting pace of growth in entitlements and employee benefits has left the State with insufficient resources to reliably fund programs that are important to the citizens of Rhode Island. Important and necessary programs, such as local education aid, assistance for higher education, investments in technology and asset protection and many other issues cannot be addressed sufficiently and consistently, when certain areas of government grow at rates that significantly exceed general inflation and the rate of revenue growth. In recent years, local governments have experienced significant reductions in state aid as the state struggled to balance its budget. In addition, the state government workforce has declined by approximately 1,400 FTE positions or 9.2 percent since the start of FY 2007, and the cost of employer sponsored medical benefits for active employees and retirees has been increasingly shifted from the employer to the employee. Concessions were negotiated with employee unions in FY 2009, FY 2010, and FY 2011 to help balance those budgets. In the FY 2012 Budget, expenditure reductions fall primarily in the Human Services programs, which are those with the highest growth rates in recent years, yet have been the least impacted by reductions due to limitations placed on the state through the acceptance of stimulus funding.

Some of the major highlights contained in the expenditures of the FY2012 Budget include:

- Investment in higher education to position Rhode Island for future job growth, through an increase of \$10.0 million in the state's contribution over the FY 2011 enacted level.
- Local education aid increases by a net of \$13.2 million over the FY 2011 enacted budget, reflecting restoration of the stimulus funding, full financing of the new funding formula, withdrawal of the Education Jobs money in FY 2012 and increases in housing aid and teacher retirement funding.
- Reductions in the Human Services function totaling \$60.5 million, which do not impact eligibility for programs, including service delivery systems change initiatives, restructuring of rates, and consolidation of publically managed facilities.
- A three percent reduction in salary costs in cabinet agencies reflecting constrained hiring, to be negotiated concessions or reductions in wages and benefits and prioritization of activities using performance-based budgeting for savings of \$19.3 million.

Overview

The FY 2012 budget proposal makes great strides towards eliminating the structural imbalance that has plagued the Rhode Island budget for the past decade, while ensuring the continuity of fiscal support of programs and services that balance the critical needs of the Rhode Island's most vulnerable citizens and Rhode Island taxpayers.

General revenue funding for local education aid increases by a net of \$13.2 million in FY 2012, as compared to the FY 2011 enacted funding level. The Governor's budget restores \$17.6 million of education aid for expiring federal State Fiscal Stabilization Funding and provides \$17.1 million for year one of the new funding formula. However, the Governor's budget strategy for FY 2012 incorporates \$32.3 million of general revenue reductions to local education aid that will be offset by the funding provided through the federal Education Jobs Fund. Including the availability of these federal funds, education aid provided to local communities, charter schools, and state schools in FY 2012 will be \$726.3 million, or \$18.0 million more than provided in the FY 2011 enacted budget, when State Fiscal Stabilization Funding is taken into account.

***General Revenue
Funding for Local
Education Aid totals
\$849.2 million***

The Governor recommends full implementation of the new education funding formula in FY 2012 at a cost of \$17.1 million. Beginning July 1, 2011, the formula will distribute education aid to all local educational agencies (LEA), including districts, charter schools and state schools (with the exception of the School for the Deaf, which will be separately funded). The formula allows for the funding to follow the student and was developed with the following guiding principles: build a strong foundation for all children, improve equity among districts and schools, be transparent, and be financially responsible. The new education aid formula determines the amount of funding each LEA shall receive per year. In order for each LEA to achieve its full level of year one funding, the Education Jobs Fund resources can be used to offset any general revenue reductions that occur in FY 2012. The Governor's budget includes the best data available at the time of the budget submission; however these calculations will be updated using March 2011 student data, including final charter school lottery data, which is expected to be finalized by April 1, 2011.

The enacted formula legislation also allowed for additional funding from the state to districts for certain categorical programs, including high-cost special education, career and technical education, early childhood programs, certain transportation costs, and a limited two-year bonus for regionalized districts. The Governor's budget only recommends new funding for the transportation categorical and regionalized bonus, at a cost of \$1.9 million, and level funding for the early childhood program in FY 2012, with the expectation that the other programs will be added in FY 2013.

The Governor's budget includes an additional \$1.7 million as compared to the FY 2011 enacted funding level for school housing aid and funds the five percent increase in the minimum state share ratio for the school housing aid program. This minimum will increase to 35 percent for projects completed in FY 2011 that are eligible for FY 2012 housing aid. Total funding of \$72.5 million is recommended for FY 2012.

The State's share of teacher retirement costs also increases by \$7.1 million over FY 2011 enacted levels to \$82.7 million. In addition to anticipated payroll growth, the required rate of contribution for the State share rose from 7.76 percent to 9.09 percent in FY 2012.

***Restructuring Human
Services Programs***

In order to address the high growth in the human services programs, the Departments under the Executive Office of Health

Overview

and Human Services (EOHHS) came together to coordinate their budget proposals to assure that they were consistent and actionable, and to avoid cross-departmental conflicts. This was the first time that many of the staff that participated in this effort collaborated in such an intensive interagency work process and it produced a number of ideas that will be applied to improve programs and services for FY 2012 and beyond.

Several broad themes emerged from this effort. First are a series of service delivery systems change initiatives, all aimed at rationalizing and managing services supporting persons with behavioral health needs, persons with developmental disabilities, and children and youth in the child welfare system. Several of these initiatives will take advantage of opportunities to obtain enhanced federal matching funds under the new Medicaid Health Home option and/or Money Follows the Person Incentive Grants and the authority to use selective contracting, where appropriate, under the Global Waiver.

Second, rates paid to nursing facilities, hospitals, and home health agencies will be re-structured, and the EOHHS departments will examine the opportunity to selectively contract for home health services.

Third, operations at the Training School, the Veterans' Home, and the publically managed group homes for persons with developmental disabilities will be consolidated or restructured, with no reduction in either census or staffing.

Fourth, a number of structural and functional changes, across all Departments, will be undertaken, aimed at streamlining processes and improving allocation and prioritization of staff resources.

Going forward into FY2013 and beyond, the EOHHS Departments face many strategic challenges, including:

- Examining the implications of Federal Health Reform, as well as a series of federal Maintenance of Effort requirements across all of the Departments;
- Re-engineering Intake and Eligibility processes and identifying where they can be consolidated or merged to better serve the consumer;
- Defining the strategic future of the Rhode Island's 24/7 service programs and the patient and resident populations that they support;
- Developing a thoughtful and comprehensive strategy for licensure to assure value for the public and licensees alike.

The efforts of the EOHHS agencies described above resulted in various proposals that will generate approximately \$60.5 million in savings in FY 2012 that have been incorporated into the Governor's recommended budget, with potentially greater savings in later years.

In FY 2011, the Governor recommends a 50 percent increase in the \$10.4 million appropriated for distressed communities in the enacted budget. Under this proposal, an additional \$5.2 million will be distributed, for a total of \$15.7 million in FY 2011. Currently, as a result of the indices established by Rhode Island

***Additional State Aid to
Distressed Local
Governments with
Strings Attached***

Overview

General Laws 45-13-12, the following communities receive funds through the Distressed Communities Relief Fund: Burrillville, Central Falls, East Providence, North Providence, Pawtucket, Providence, West Warwick and Woonsocket (Based on current data, Burrillville and East Providence will no longer qualify going forward). In order to receive the additional state aid, distressed communities must submit a 5-year budget forecast to the Division of Municipal Finance by June 20, 2011 including underlying assumptions for the five year planning horizon. In FY 2012, the Governor recommends that \$10.4 million be distributed under this program.

Local governments are facing ever-increasing costs for retirement and retiree health care. These two components represent significant cost drivers for municipal budgets. Given this, Governor Chafee is proposing to create the Municipal Accountability, Stability and Transparency (MAST) Fund. The MAST Fund is designed to encourage local governments to focus on the sustainability of current plans and reduce the unfunded liability of significantly underfunded pension plans. In addition, the MAST Fund addresses the significant unfunded liabilities for Post Employment Benefits Other Than Pensions (OPEB). It is projected that this fund would total \$19.3 million, which would be available for municipal governments. Distribution of the MAST Fund receipts to each community is based on the 2009 General Revenue Sharing percent distribution.

Governor Chafee's proposed FY 2012 budget includes an appropriation to the City of Central Falls over two years, \$1.8 million in FY 2011 and \$4.9 million in FY 2012. The City has been operating under the oversight of a State-appointed Receiver pursuant to *An Act Relating to Cities and Towns – Providing Financial Stability*, codified as Rhode Island General Laws § 45-9-1 et seq., since July 2010. In December 2010, the Receiver issued a report detailing the structural fiscal problems plaguing the City and outlining a variety of reform measures for consideration to restore the City to long-term fiscal stability. Since that time, the City's FY 2010 audit has been completed, identifying an actual year-end deficit of \$2.4 million. The Receiver has identified \$623,000 in City assets which may be applied to reduce this deficit, leaving a balance of approximately \$1.8 million. In addition, the Receiver forecasts a deficit of approximately \$4.9 million for FY 2012 that must be resolved to avoid a liquidity crisis in early FY 2012. The City currently has severely limited access to financing and cannot otherwise raise the revenues necessary in the short term to resolve these deficits. The \$6.7 million appropriation will eliminate these deficits and resolve the City's projected liquidity problems for FY 2012.

State personnel costs comprise 22.6 percent of total recommended spending in FY 2012. Actual filled positions totaled 13,781.2 as of February 12, 2011, a 195.5 position increase from the 13,565.7 filled position level as of January 2, 2010, but still 1,301.6 FTE below the 15,082.8 FTE level in July 2007. The filled level of 13,781.2 FTE is 1,046.4 FTEs (7.1 percent) less than the enacted cap of 14,827.6.

<p><i>Personnel Funding and FTE Levels</i></p>

In order to maintain an acceptable level of critical services and reflecting the availability of federal funds, the Governor recommends an increase in the number of full-time equivalent positions. From the FY 2011 enacted level, the Governor recommends an increase of 180.0 FTE positions bringing the new authorized level to 15,007.6 FTE. This increase is due to 46.0 new federally funded positions in the Department of Health, 22.0 federally funded positions for the administration of the Supplemental Nutrition Assistance Program (SNAP) and 10.0 positions for the Office of Rehabilitation Services/Disability Determination Services in the Department of Human Services, 22.0 positions in the Department of Elementary and Secondary Education financed with the Race to the Top federal grant, 65.0 positions at the Community College of Rhode Island and 6.0 federally funded firefighter positions within the Air National Guard section of the Military Staff.

Overview

In FY 2012, the Governor recommends a total FTE level of 14,990.6, including 785.0 Higher Education federal/sponsored research positions, a net decrease of 17.0 FTE's from the revised FY 2011 level, but a 163.0 increase from the FY 2011 enacted level. The reduction in FTE primarily occurs in the Department of Labor and Training due to the elimination of limited period positions whose funding under the American Recovery and Reinvestment Act will cease in FY 2012. The Department's FTE level decreases by 36.8 in the Workforce Development program and by 5.5 in the Workforce Regulation program. The Department of Children, Youth and Families' FTE level decreases by 29.0 positions due to projected attrition from facilities consolidation and system of care transformation implementation. Offsetting these decreases are 17.5 new professor positions at the Rhode Island College for accreditation requirements and 39.0 additional positions at the new Department of Veterans' Affairs, including a new Director, benefit specialist staff and clinical staff due to an initiative that will result in an increased census at the Veterans' Home. These new positions will be funded from restricted revenues resulting from the increased census.

***Focus on the Future-
Technology
Infrastructure***

The FY 2012 budget continues projects to improve State Government information technology by funding projects with statewide interest in the areas of: 1) revenue forecasting and collection through additional enhancements to the Division of Taxation's data warehouse, 2) human resource management by implementing the first phase of the Oracle Human Resources module, and 3) funding for an Internet-based data sharing application for use by local governments when reporting data to the Division of Municipal Finance. Rhode Island must strengthen its technology to enable an innovation economy and to solve the real problems of our day. The Governor recommends \$11.5 million from the Rhode Island Capital Plan Fund (RICAP) over a four year period for the installation of the Human Resource module, followed by other modules that are part of the statewide financial management system. An additional \$15.5 million is also proposed from the RICAP fund over a five year period for other technology initiatives throughout state government. Ongoing State government projects include a replacement of the outdated system presently used by the Division of Motor Vehicles (\$12.8 million), enterprise infrastructure upgrades (\$3.9 million), and integrated, web-based licensing capability (\$1.0 million).

The Governor's Revenue Program

Addressing the Structural Deficit to Ensure a Future of Prosperity

At the Budget Summit hosted by then Governor-elect Lincoln D. Chafee in December 2010, the general revenue deficits projected by the Budget Office and the Office of Revenue Analysis started at \$295.0 million in FY 2012 rising incrementally to \$457.8 million in FY 2016. The cause of these projected deficits is two-fold. First, general revenue expenditures shoot up by 10.5 percent in FY 2012, primarily due to the expiration of federal stimulus monies, and then increase on average by 3.3 percent over the FY 2013 to FY 2016 period. Second, general revenues increase by only 0.5 percent in FY 2012, primarily due to the sluggish economic recovery, and then increase on average by 2.4 percent over the FY 2013 to FY 2016 period. To address this ongoing structural deficit, the Governor's FY 2012 Budget proposes to reduce the rate of growth in general revenue expenditures by reforming those expenditure categories with the highest rates of growth and to halt the erosion of the state's revenue base due to structural changes in the state's economy while improving the state's economic competitiveness.

Improving Rhode Island's Business Tax Competitiveness

During the 2010 session, the General Assembly passed and Governor Donald L. Carcieri signed into law historic tax reform legislation that significantly improved Rhode Island's tax rate competitiveness as it pertains to the personal income tax. Governor Lincoln D. Chafee proposes to take the next step in this process through his *Business Tax Competitiveness Proposal*. The Business Tax Competitiveness Proposal is a multi-faceted approach that is designed to support all businesses in the state and make Rhode Island's corporate tax rate competitive with neighboring states. The Governor's Business Tax Competitiveness Proposal consists of five parts: (1) a phased-in reduction in the State's business corporations tax rate beginning in tax year 2012; (2) a phased-in elimination of the Jobs Development Act rate reduction beginning in tax year 2012 for taxpayers that file under the business corporation tax; (3) the implementation of combined reporting for business entities subject to the business corporations tax effective for tax year 2012 and beyond; (4) the subjection of limited partnerships and limited liability partnerships to the state's corporate minimum tax; and (5) a restructuring of the corporate minimum tax and the minimum franchise tax from a flat \$500.00 for all filers to a graduated tax that is dependent on a business' Rhode Island gross receipts.

Currently, Rhode Island's business corporation (i.e., corporate income) tax rate is 9.0 percent, the highest in New England, similar to the situation Rhode Island found itself in with respect to the personal income tax prior to the passage of the reform last year. Rhode Island's Jobs Development Act rate reduction is unique among the New England states and was used by only 14 taxpayers in tax year 2008. The Governor proposes to phase-out the Jobs Development Act over a three year period. The proposed incremental changes in the business corporation tax rate and the Jobs Development Act rate reduction are shown below:

<u>Tax Year</u>	<u>Business Corporation Tax Rate</u>	<u>Change in Jobs Development Act</u>
2011	9.0 %	Full Rate Reduction Available
2012	8.5 %	1/3 of Full Rate Reduction Eliminated
2013	8.0 %	1/3 of Full Rate Reduction Eliminated
2014	7.5 %	1/3 of Full Rate Reduction Eliminated
2015 and thereafter	7.5 %	No Rate Reduction Available

The Governor's Revenue Program

The revenue loss to the State from the reduction in the business corporation tax rate from 9.0 to 8.5 percent for FY 2012 is estimated to be \$8,525,365 while the revenue gain to the State from the elimination of one-third of the full Jobs Development Act rate reduction is estimated to yield \$4,845,502.

***Combined Reporting
Levels the Playing
Field for Smaller
Regional Businesses
Vis-à-vis Large
Multistate
Corporations***

The implementation of combined reporting for business corporation tax filers effective for tax years beginning on or after January 1, 2012 will bring Rhode Island's corporate filing requirements in line with those of Maine, New Hampshire, Vermont and Massachusetts, with the latter two states adopting combined reporting filing requirements in 2006 and 2009 respectively. Combined reporting is also required by the federal government. Combined reporting will inure the State from tax planning activities engaged in by multistate corporations designed to shift income from higher corporate tax states to lower or no corporate tax states. The end result of these tax avoidance schemes is to shift the burden of state corporate taxation from multistate national firms to local or regional companies that have a smaller national footprint. The Department of Revenue estimates that the implementation of combined reporting will generate \$8,891,640 of additional revenue in FY 2012.

The final planks of the Governor's Business Tax Competitiveness Proposal are to treat businesses with similar limited liability protection equitably and to restructure the corporate minimum and minimum franchise taxes to lower the rate for small businesses. With respect to the treatment of businesses with similar limited liability protection, the Governor proposes to subject limited partnerships (LP) and limited liability partnerships (LLP) to the state's corporate minimum tax putting these business entities on par with limited liability companies (LLC) and subchapter S corporations. With respect to the restructuring of the corporate minimum and minimum franchise taxes, the Governor proposes tiered minimum taxes based on a business' Rhode Island gross receipts as follows:

<u>Rhode Island Gross Receipts</u>	<u>Business Structure</u>	<u>Minimum Tax</u>
\$0 to \$999,999	C-corporation	\$500
	S-corporation, LLC, LP or LLP	\$250
\$1,000,000 to \$2,499,999	C-corporation	\$1,000
	S-corporation, LLC, LP or LLP	\$1,000
\$2,500,000 to \$4,999,999	C-corporation	\$1,500
	S-corporation, LLC, LP or LLP	\$1,500
\$5,000,000 and over	C-corporation	\$2,000
	S-corporation, LLC, LP or LLP	\$2,000

The Department of Revenue estimates that the revenue impact of the combined restructuring of the corporate minimum and minimum franchise taxes and the inclusion of limited partnerships and limited liability partnerships is a revenue loss of \$6,117,310 in FY 2012.

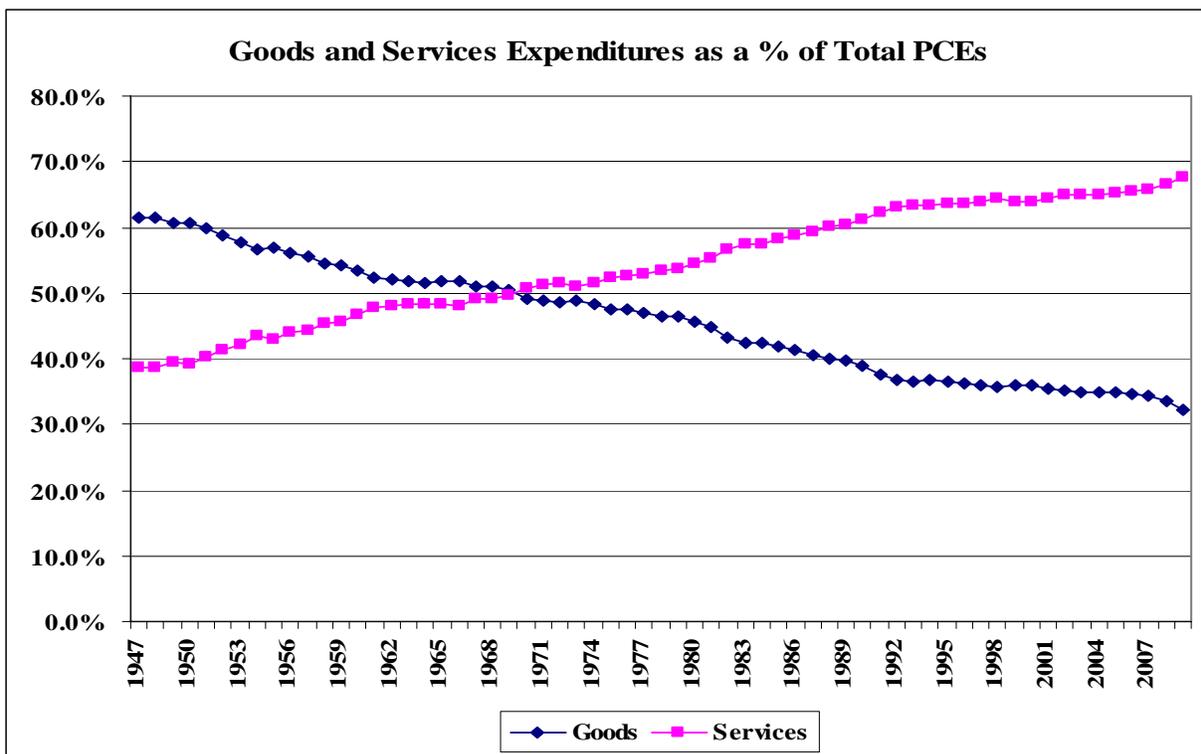
Taken as a whole, the net revenue impact of the Governor's Business Tax Competitiveness Proposal is a revenue loss in FY 2012 of \$905,533. The FY 2013 through FY 2016 revenue impact of the Governor's Business Tax Competitiveness Proposal by each component and in combination is shown in the table below:

The Governor's Revenue Program

Proposal	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Rate Reduction Phase-In	\$ (8,525,365)	\$ (20,005,564)	\$ (33,967,968)	\$ (35,345,444)	\$ (36,466,135)
Jobs Dev Act Phase-Out	4,845,502	9,345,814	15,367,882	15,991,083	16,498,109
Combined Reporting	8,891,640	9,993,357	10,955,116	11,399,371	11,760,808
Minimum Tax Restructure	(6,117,310)	(6,166,843)	(6,241,142)	(6,290,675)	(6,364,975)
Total	\$ (905,533)	\$ (6,833,236)	\$ (13,886,112)	\$ (14,245,665)	\$ (14,572,193)

Ensuring That Rhode Island's Revenue Base Keeps up with Changing Consumption Patterns

The first state to impose a sales tax on the purchase of tangible personal property was Mississippi in 1932. Twenty-five other states had adopted a sales tax by 1938. Rhode Island put in place a 1.0 percent sales tax on July 1, 1947. Rhode Island's sales tax rate was increased in FY 1952 to 2.0 percent, in FY 1958 to 3.0 percent, in FY 1965 to 3.5 percent, in FY 1966 to 4.0 percent, in FY 1968 to 5.0 percent, in FY 1977 to 6.0 percent, and in FY 1991 to 7.0 percent where it has remained. During this time period, a total of 82 exemptions to the sales tax have been enacted into law with 20 of those 82 being enacted since 1992.



Rhode Island's sales and use tax applies to a base that is largely tangible personal property and a very small number of services (primarily telecommunication services). When Rhode Island's sales tax was enacted spending on goods comprised 60.0 percent of total personal consumption expenditures (PCE), while spending on services made up the other 40.0 percent. By 1970 spending on services had surpassed

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spending on goods. In 2009, spending on services was nearly 70.0 percent of total expenditures while spending on goods was 30.0 percent.

In the mid- to late 1960s, the state sales tax rate was increased by two percentage points or 40.0 percent. These increases did not happen by accident but rather were the State's attempt to maintain the revenue product from the sales tax in the face of a declining sales tax base. More recently, the growing popularity of remote sales that is purchases from vendors that do not have a physical presence in the state, has further eroded sales tax collections, as these vendors are not required to charge, collect and remit the sales tax on the state's behalf. It is estimated that the revenue lost to Rhode Island from remote sales is approximately \$70.4 million in 2012.

As a means to shoring up the sales tax base from the erosion of the shift in consumption from goods to services and the increase in the number of transactions between Rhode Island consumers and remote sellers, Governor Chafee puts forth his *Sales Tax Modernization Proposal*. The Sales Tax Modernization Proposal has five component parts: (1) a reduction in the state sales tax rate to 6.0 percent; (2) a modernization of the sales tax base to include select services currently not subject to the sales tax and the removal of the current sales tax exemption for certain items with both to be taxed at the 6.0 percent rate; (3) a broadening of the sales tax base from the removal of the current sales tax exemption from certain items and the taxing of these items at a 1.0 percent rate; (4) maintaining the 8.0 percent tax rate for meals and beverages, currently consisting of the 7.0 percent state sales tax rate and the 1.0 percent local meals and beverage tax, with the 1.0 percent differential dedicated to the new Municipal Accountability, Stability and Transparency (MAST) Fund; and (5) retaining the 8.0 percent tax on lodging and room rentals, currently consisting of the 7.0 percent state sales tax and the 1.0 percent local hotel tax, with the incremental 1.0 percent allocated a new Tourism Asset Protection Fund.

***The Proposed Sales
Tax Rate of 6.0
Percent Will Be Lower
than Massachusetts'
Rate of 6.25 Percent
and Connecticut's
Proposed Rate of 6.35
Percent***

The reduction in the state sales tax rate from 7.0 percent to 6.0 percent will make Rhode Island's sales tax rate lower than Massachusetts' current state sales tax rate of 6.25 percent and lower than Connecticut's proposed state and local sales tax rate of 6.35 percent. (Connecticut's current general sales tax rate is 6.0 percent with no local option sales tax.) This reduction will provide Rhode Island based retailers of durable goods, particularly big ticket items such as motor vehicles, furniture and consumer electronics, with a competitive advantage over their counterparts in Massachusetts and Connecticut. The Department of Revenue estimates that the reduction in the sales tax rate to 6.0 percent will decrease revenues by \$117,714,286 in FY 2012.

The modernization of the sales tax base will allow the State to preserve its sales tax revenues in the face of increasing consumption by households and businesses of services relative to goods. In addition, removing the current exemption for certain items will help to restore the sales tax base by including more stable elements of consumption. The sales tax base modernization includes the following goods and services that would be subject to the state's sales tax at a rate of 6.0 percent:

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Goods Currently Exempt from Sales and Use Tax
Prewritten computer software delivered electronically
Corrective eyeglasses and contact lenses
Nonprescription drugs including medical marijuana
Newspapers
Insurance proceeds from destroyed or stolen passenger car as trade-in allowance
Property or supplies used in the processing or preparation of floral products and arrangements
Services Currently Not Subject to Sales and Use Tax
Garbage and trash collection including certain waste management and remediation services
Taxicabs and other road transportation services
Scenic and sightseeing transportation and support activities and package tours
Couriers and messengers
Moving, storage, including warehousing, and freight services
Photo studios including photographic and portrait photography services
Pet services except veterinary services including testing laboratories
Data processing, hosting, and related services
Facilities support services
Business support services
Investigation and security services including locksmiths
Services to building and dwellings including domestic services, extermination and pest controls services, landscaping services and other support services from commercial providers
Employment agency services
Personal care services including hairdressing salons and personal grooming establishments, diet and weight reducing centers and other personal services
Laundry and dry cleaning services
Recreation and Entertainment to be Subjected to Sales and Use Tax
Membership clubs and participant sports centers including bowling centers but excluding aircraft rental and leasing without pilots and marinas and boat storage
Amusement parks, campgrounds, and related recreational services including fitness and recreational sports centers but excluding sales by elementary and secondary schools, tuitions and fees paid to fine arts schools and promoters of performing arts, sports and similar events
Motion picture theaters including those of post secondary educational institutions
Live entertainment excluding sports and promoters of performing arts, sports and similar events and independent artists, writers, and performers
Spectator sports except elementary and secondary schools and promoters of performing arts, sports and similar events
Museums, historical sites, zoos, parks, art galleries and libraries

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Maintenance and Repair, Labor Separately Stated to be Subject to the Sales and Use Tax
Motor vehicle including car washes
Audio-visual, photographic and information processing equipment
Electronic and precision equipment
Commercial and industrial equipment except for manufacturers
Recreational and sports equipment except for boats
Furniture, furnishings, and floor coverings
Household appliances
Clothing and footwear repair, rental and alterations
Watch, clock and jewelry repair
Other Items Subject to the Sales and Use Tax
Professional association dues except for alumni associations, parent-teacher organizations, booster clubs, scouting organizations, veterans membership organizations, political organizations, athletic associations, regulatory or administrative associations, property owners' associations, condominium and homeowners' associations, tenant associations, and cooperative owners' associations

The sales tax base modernization taxed at 6.0 percent is projected to yield \$197,594,235 in FY 2012, including the sales tax on medical marijuana and the disallowance of insurance proceeds as the trade-in allowance on private passenger automobiles.

The Currently Exempt Items That Will Be Subject to the 1.0 Percent Sales Tax Does NOT Include Food, Prescription Drugs or Gasoline

The expansion of the sales tax base to include certain items that are currently exempt from the sales and use tax will provide the State with a more stable sales tax base upon which to levy a tax. The sales tax rate proposed for these items is 1.0 percent fulfilling the Governor's campaign pledge to tax at least some exempt items at a 1.0 percent rate. It is important to note that the currently exempt items that will be subject to the 1.0 percent sales tax rate do not include food and food ingredients, prescription drugs, durable medical equipment or gasoline. The list of the currently exempt items subject to the 1.0 percent sales tax is as follows:

Items Currently Exempt from the Sales and Use Tax
Agricultural products for human consumption
Air and water pollution control facilities
Aircraft, including aircraft rental and leasing without pilots, and aircraft parts
Banks and Regulated Investment Companies interstate toll-free calls
Boats or vessels brought in exclusively for winter storage, maintenance, repair or sale
Boats or vessels generally
Boats to nonresidents
Building materials used to rebuild after a disaster
Casual sales
Clothing and footwear
Coffins, caskets and burial garments

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Items Currently Exempt from the Sales and Use Tax (Continued)
Coins
Commercial fishing vessels in excess of five net tons
Commercial vessels of more than 50 tons burden
Compressed air
Containers
Dietary supplements
Educational institutions rental charges
Electricity, steam and thermal energy from the Rhode Island Economic Development Corp.
Equipment for research and development
Farm equipment
Farm structure construction materials
Flags
Heating fuels used in the heating of homes and residential premises
Horse food products
Jewelry display product
Manufacturers' machinery and equipment
Precious metal bullion
Promotional and product literature of boat manufacturers
Purchases used for manufacturing purposes
Renewable energy products
Rhode Island Economic Development Corporation project status designees
Rhode Island Industrial Facilities Corporation Lessees
Sales by writers, composers and artists
Sales in municipal economic development zones
Sales to charitable, educational or religious organizations
Sales of trailers ordinarily used for residential purposes
Supplies used in on-site hazardous waste recycling, reuse or treatment
Textbooks
Total loss or destruction of a motor vehicle within 120 days of tax payment
Trade-in value of boats and private passenger automobiles
Transfers or sales made to immediate family members
Transfers or sales related to a business dissolution or partial liquidation
Water for residential use

As a result of the sales tax base expansion to exempt items and the taxing of these items at a rate of 1.0 percent, the State will be put in noncompliance with the Streamlined Sales and Use Tax Agreement (SSUTA). Under the SSUTA, signatory vendors collect on behalf of the State sales and use taxes due on purchases made by state residents and remit the taxes collected to the State. Once Rhode Island is no longer in compliance with the SSUTA, signatory vendors would no longer be obligated to continue the collection and remittance of these taxes to the State. The Governor's proposed 1.0 percent tax on certain currently exempt items is set to sunset when federal legislation is passed requiring remote sellers to collect and remit to the State taxes on transactions between remote sellers and the state's residents. This

The Governor's Revenue Program

sunset provision would put Rhode Island back in compliance with the SSUTA contemporaneously with the State being granted the power to collect these taxes.

The Department of Revenue estimates that the imposition of a 1.0 percent sales tax on the above listed exempt items will generate \$86,840,462 in sales tax revenue in FY 2012. The revenue lost from the State falling into noncompliance with the Streamlined Sales and Use Tax Agreement is estimated at \$1,840,011. Thus, the net revenue impact from the expansion of the sales tax base to certain currently exempt items taxed at a 1.0 percent rate is \$85,000,451.

Currently, the state and local meals and beverage tax rate is 8.0 percent, comprised of the state's 7.0 percent sales tax rate and the 1.0 percent local meals and beverage tax rate. Under the Governor's sales tax modernization proposal, the state sales tax rate is being reduced to 6.0 percent. Rather than have the state and local meals and beverage tax rate decline to 7.0 percent with the decrease in the sales tax rate, Governor Chafee proposes to maintain the state and local meals and beverage tax rate at 8.0 percent and to designate the 1.0 percent that previously went to the state to finance the newly created Municipal Accountability, Stability and Transparency (MAST) Fund. The MAST Fund is intended to provide an incentive to cities and towns to employ fiscally prudent budgeting practices and address unfunded liabilities for pensions and Other Post Employment Benefits (OPEB). Cities and towns will receive additional state aid starting in FY 2012 and thereafter if they comply with certain requirements as set forth in statute. The Department of Revenue estimates that the maintenance of the state and local meals and beverage tax rate at 8.0 percent will generate \$19,330,231 for the MAST Fund in FY 2012.

***The Governor's Meals
and Beverage Tax
Proposal Will Provide
Financing for the Newly
Created MAST Fund***

***The Retention of an 8.0
Percent Tax on the
Rental of Rooms and
Lodging Will Finance the
Newly Created TAP Fund***

In a similar vein, the Governor proposes the creation of the Tourism Asset Protection (TAP) Fund to be financed by retaining the tax rate on the rental of rooms and lodging at 8.0 percent. Under current law, the state and local tax on the rental of rooms and lodging is comprised of the state sales tax rate of 7.0 percent and the local hotel tax rate of 1.0 percent. Under the Governor's sales tax modernization proposal, the state sales tax rate is being reduced to 6.0 percent. Rather than have the state and local tax on the rental of rooms and lodging decline to 7.0 percent with the decrease in the sales tax rate, Governor Chafee proposes to maintain the state and local tax rate on the rental of rooms and lodging at 8.0 percent and to designate the 1.0 percent that previously went to the state to finance the newly created TAP Fund. The TAP Fund is designed to provide monies for the construction, improvement, and/or preservation of state assets directly related to the tourism industry. The Department of Revenue projects that the retention of the state and local tax of 8.0 percent on the rental of rooms and lodging will provide \$2,620,180 to the TAP fund in FY 2012.

Taken as a whole, the net revenue impact of the Governor's Sales Tax Modernization Proposal is a revenue increase of \$164,880,400 in FY 2012. The FY 2013 through FY 2016 revenue impact of the Governor's Sales Tax Modernization Proposal by each component and in combination is shown in the table below:

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<u>General Revenue Proposal</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Sales Tax Rate to 6.0%	\$ (117,714,286)	\$ (120,734,637)	\$ (121,584,056)	\$ (122,431,472)	\$ (123,280,080)
Base Mod at 6.0%	195,908,719	200,935,408	202,349,074	203,759,406	205,171,721
Exempt Items at 1.0%	86,840,462	89,102,305	89,744,226	90,386,148	91,028,069
Lost Revenue from SSUTA	(1,840,011)	(1,863,398)	(1,878,916)	(1,873,824)	(1,876,279)
Med Marijuana at 6.0%	802,659	1,333,365	1,342,971	1,352,577	1,362,183
No Ins Proceeds as Trade-In	882,857	905,852	912,378	918,904	925,430
<i>General Revenues Total</i>	<i>\$ 164,880,400</i>	<i>\$169,678,895</i>	<i>\$ 170,885,678</i>	<i>\$ 172,111,739</i>	<i>\$ 173,331,044</i>
<u>Non-General Rev Proposal</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
MAST Fund	\$ 19,330,231	\$ 19,833,706	\$ 19,976,594	\$ 20,119,482	\$ 20,262,370
TAP Fund	2,620,180	2,688,425	2,707,793	2,727,162	2,746,530
<i>Non-General Rev Total</i>	<i>\$ 21,950,411</i>	<i>\$ 22,522,131</i>	<i>\$ 22,684,387</i>	<i>\$ 22,846,644</i>	<i>\$23,008,900</i>

In addition to the Business Tax Competitiveness and the Sales Tax Modernization Proposals, the Governor's FY 2012 Budget includes a variety of other tax and fee proposals. These items are detailed in the **General Revenues** section of the *Executive Summary*.

The Economy

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 prior fiscal year, its current fiscal year, and the budget year.

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

Economic Forecast

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

During its November 2010 meeting, a forecast of the U.S. and Rhode Island economies was presented by Moody's Economy.com. The Rhode Island Department of Labor and Training (DLT) also presented current employment and labor force trends in Rhode Island. The conferees heard the testimony of Andres Carbacho-Burgos, an economist with Moody's Economy.com, and Robert J. Langlais, Assistant Director for DLT's Labor Market Information unit.

The Revenue Estimating Conference adopted the economic forecast shown below on November 5, 2010 through a consensus process informed by the testimony of Dr. Carbacho-Burgos and Mr. Langlais. The updated economic forecast made significant changes to the consensus outlook adopted at the May 2010 Revenue Estimating Conference.

As reported at the November 2010 Revenue Estimating Conference, Rhode Island's labor market continued to feel the effects of the "Great Recession". The Rhode Island Department of Labor and Training reported that the unemployment rate decreased to 11.5 percent in September 2010 after peaking at 12.7 percent in December 2009. This was a decrease of 1.2 percentage points recording the lowest unemployment rate since July of 2009 when it was 11.4 percent and the first year over year decrease since before the national recession. There was a year-over-year increase of 3,600 employed Rhode Islanders in September 2010 while the number of unemployed Rhode Islanders declined by 2,500.

Rhode Island establishment employment declined over the period resulting in a decrease of 5,200 jobs from September 2009 to September 2010. The sector breakdown of these job losses were as follows: Retail Trade, -2,100; Accommodation and Food Services, -1,300; Professional and Business Services, -1,200; Manufacturing, -1,200; Wholesale Trade, -900; Arts and Entertainment, -700; Educational Services, -200; and Government, -100. The broad sectors of the Rhode Island economy which added jobs year-over-year in September 2010 were as follows: Health Care and Social Assistance, 1,100; Other Services, 500; Financial Activities, 300; Transportation and Utilities, 200; Information, 200; Natural Resources and Mining, 100; and Construction, 100. In fact, since the January 2007 peak employment of

The Economy

496,500 jobs, Rhode Island businesses have shed 47,900 jobs as of September 2010, a decline of 9.6 percent.

While there is no official measurement and dating of recessions at the state level, employment is usually used to gauge the cyclical status of the state economy. In FY 2009, total non-farm employment declined by 3.6 percent, followed by a further decline of 3.7 percent in FY 2010. Total non-farm employment is projected to increase by an additional 0.1 percent from 453,200 in FY 2010 to 453,600 in FY 2011. The principals anticipate an increase of 7,400 jobs in non-farm employment for FY 2012 and an increase of 14,700 jobs in FY 2013. Over the FY 2014 through FY 2016 period, Rhode Island's economy is expected to add 36,500 jobs. It should be noted that while adopted growth rates indicate a positive trend from FY 2011 through FY 2014, the adopted number for total non-farm employment during these years is below those adopted for the same period at the May 2010 Conference. It is not until FY 2015 that the estimate for total non-farm employment adopted at the November 2010 Conference exceeds the estimate adopted at the May 2010 Conference.

The unemployment rate for FY 2011 is projected to decline slightly from 12.3 percent in FY 2010 to 11.8 percent. As recovery takes hold, Rhode Island's unemployment rate is expected to decline rapidly from 11.3 percent in FY 2012 to 5.9 percent in FY 2016. Even at this lower rate, Rhode Island's unemployment rate will be 0.9 percentage points higher than the unemployment rate achieved when the economy peaked in FY 2007.

Personal income is expected to improve to a 2.0 percent rate of growth in FY 2011 up from 0.5 percent growth in FY 2010. The November 2010 Conference estimates for personal income growth suggest a positive upward trend from FY 2011 through FY 2016. It should be noted that the adopted estimates for personal income growth are below, except for FY 2013, the adopted estimates for the same period during the May 2010 Conference. For FY 2012, the projected growth rate for personal income is 3.2 percent, down from 3.7 percent that was adopted in May. For FY 2013 it is 5.0 percent, up from 4.9 percent that was adopted in May. The personal income growth rate is expected to decrease to 4.4 percent in FY 2014 and remain at or above 3.7 percent throughout the remainder of the forecast period. This projection is consistent with the forecast adopted in May 2010.

Similarly, estimates of dividend, interest and rents are expected to increase slightly in FY 2011 before bouncing back considerably in FY 2012 through FY 2016. Wage and salary income growth is estimated to increase in FY 2011 relative to the estimate growth adopted in May 2010 but then decrease relatively in FY 2012 before increasing from FY 2013 to FY 2016 again relative to the estimates adopted in May 2010. Wage and salary income growth is expected to improve beginning in FY 2012 with projected growth of 2.4 percent an increase of 0.8 percentage points from FY 2011. The rate of growth accelerates in FY 2013 to 5.4 percent and remains steady in FY 2014 at 5.3 percent before decelerating in FY 2015 and FY 2016 to 4.2 percent and 3.4 percent respectively.

The U.S. rate of inflation as measured by CPI-U is anticipated to increase to 1.2 percent in FY 2011 from 1.0 percent in FY 2010. The increase is mainly due to the increase in gasoline, fuel oil and natural gas prices combined with the expectation of quantitative easing from the Federal Reserve. The CPI-U is forecasted to increase further in FY 2012 to a 2.0 percent before rising to 2.8 percent in FY 2013. In FY 2014 through FY 2016, inflation is expected to decelerate and settle at 2.2 percent in FY 2016.

From FY 2011 through FY 2012, the interest rate on three month Treasury bills is expected to remain low with rates of 0.3 and 0.7 percent respectively. In FY 2013, the interest rate on three month Treasury bills rises to 2.4 percent then rises again to approximately 3.8 percent in FY 2014 before stabilizing at this rate

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through FY 2016. The interest rate on ten year Treasury notes is expected to fall from 3.5 percent in FY 2010 to 2.9 percent in FY 2011 but rise substantially to 4.4 percent in FY 2012. The interest rate on ten year Treasury notes is anticipated to peak at 5.2 percent in FY 2013 and then steadily decline to 4.5 percent in FY 2016.

Consistent with the perspective discussed here, the consensus economic forecast reflects the early stages of recovery from the nation's economic crisis in employment, income, and other coincidental economic indicators in the next six years. In particular, employment growth is expected to be positive in FY 2011 through FY 2016 for the first time since FY 2007. More rigorous employment growth is expected in FY 2014 before the rate of growth declines to more sustainable levels in FY 2015 and beyond. Personal income growth is expected to reach its peak in FY 2013 and follow a similar pattern to employment growth over the remaining forecast period.

The Consensus economic forecast for the fiscal years 2011 through 2016 agreed upon by the conferees at the November 2010 Revenue Estimating Conference is shown in the following table.

The November 2010 Consensus Economic Forecast						
Rates of Growth	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Employment	0.1	1.7	3.2	3.3	2.5	1.7
Personal Income	2.0	3.2	5.0	4.4	3.9	3.7
Wage and Salary Income	1.6	2.4	5.4	5.3	4.2	3.4
Dividends, Interest and Rent	0.1	3.2	6.8	7.2	6.3	5.5
Nominal Rates						
U.S. CPI-U	1.2	2.0	2.8	2.7	2.3	2.2
Unemployment Rate	11.8	11.3	9.2	7.4	6.4	5.9
Ten Year Treasury Notes	2.9	4.4	5.2	4.8	4.5	4.5
Three Month Treasury Bills	0.3	0.7	2.4	3.8	3.9	3.7

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.040 billion in FY 2011 and \$3.246 billion in FY 2012. Annual estimated growth during FY 2011 and FY 2012 is 0.8 percent and 6.8 percent, respectively. Estimated deposits of \$79.5 million and \$91.3 million will be made to the Budget Reserve and Cash Stabilization Fund during these fiscal years. The contributions to the Budget Reserve and Cash Stabilization Fund are funded by limiting annual appropriations to 97.4 percent of estimated revenues in FY 2011 and 97.2 percent of estimated revenues in FY 2012. The revenue estimates contained in the Governor's FY 2011 supplemental and FY 2012 recommended budgets are predicated upon the revenue estimates adopted at the November 2010 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 2011 Revised Revenues

The principals of the November 2010 Revenue Estimating Conference adopted revenue estimates that were \$17.5 million greater than the enacted FY 2011 revenue estimates, an increase of 0.7 percent. As shown in the *General Revenue Changes to Adopted Estimates* table in Appendix A of this document, the Governor's revised FY 2011 Budget recommends an increase of \$2.4 million in revenues. This \$2.4 million in recommended changes to the FY 2011 adopted estimates breaks down as follows:

- An increase of \$97,880 is attributable to the revenue generated by the agreement with the Council of State and Territorial Epidemiologists (CSTE) to develop and participate in an influenza hospitalization surveillance project.
- An increase of \$2.3 million is attributable to the transferring of excess bond proceeds from the State Police headquarters project to general revenues.

FY 2011 Revised Revenues vs. FY 2010 Final Revenues

Recommended revenues for FY 2011 are based upon a \$22.7 million increase in total general revenues over final FY 2010, or growth of 0.8 percent. Much of this increase can be found in personal income taxes, motor vehicle operator's licenses and registration fees, the lottery transfer, insurance companies gross premiums taxes, sales and use taxes, and public utilities gross earnings taxes. These increases are partially offset by estimated decreases in business corporations taxes, cigarette taxes, and financial institutions taxes.

Personal income tax collections continue to be the single largest source of state general revenues at 30.8 percent for FY 2011. Personal income tax collections are estimated to expand at an annual rate of 4.3 percent or \$38.4 million for FY 2011. Much of this increase is due to increased estimated income tax payments of \$22.6 million, followed by an increase in withholding payments of \$19.9 million. The overall increase, however, is slightly offset by an estimated increase of \$4.2 million in refund payments. Final income tax payments are expected to remain flat vis-à-vis final FY 2010 collections.

General business tax collections are projected to drop by \$21.8 million or -5.7 percent, due primarily to an estimated decrease in business corporations taxes of \$23.5 million and in financial institutions taxes of

General Revenues

\$2.1 million. The estimated decline in business corporations taxes is due to the testimony of the Division of Taxation at the November 2010 Revenue Estimating Conference which revealed the occurrence of large, one time payments that will not be repeated in FY 2011. These revenue decreases are partially offset by anticipated increases in insurance companies gross premiums taxes of \$2.3 million and public utilities gross earnings taxes of \$1.2 million.

Sales and use tax collections are projected to increase by \$2.1 million or 0.3 percent, over final FY 2010 collections. Sales and use taxes represent 26.5 percent of total general revenues in FY 2011. For FY 2011 sales and use tax collections are projected to be \$805.5 million.

Excise taxes other than the sales and use tax are expected to increase by \$1.1 million or 0.5 percent in FY 2011 over final FY 2010 collections due primarily to a projected increase in motor vehicle operator's licenses and registration fees of \$3.5 million. The Department of Revenue, Division of Motor Vehicles has implemented a new collection method beginning in late FY 2010 and as such has seen more timely deposits of receipts. Cigarette tax payments are projected to decrease by \$3.3 million in FY 2011 versus final FY 2010 collections. Alcohol excise taxes and motor carrier fuel use tax collections are estimated to increase by \$730,523 and \$131,130 respectively in FY 2011.

Other taxes are projected to decrease by \$1.6 million, or 4.2 percent in FY 2011 relative to final FY 2010 receipts. Of the total decrease in other taxes, inheritance and gift taxes are expected to decrease by \$756,952, realty transfer taxes are anticipated to decline by \$593,915, and racing and athletics tax collections are projected to decline by \$242,221. The expected decrease in inheritance and gift tax collections is due to the fact that the General Assembly increased the estate tax exemption amount from \$675,000 to \$850,000 effective January 1, 2010. Typically estate taxes are not due until nine months after a decedent's death. Racing and athletic taxes' downward trend is expected to accelerate as Twin River has eliminated live greyhound racing on the premises and now solely relies on simulcast racing for pari-mutuel wagering. Racing and athletics taxes are expected to total \$1.25 million in FY 2011 a decrease of 16.2 percent from final FY 2010 collections. Realty transfer taxes are expected to total \$6.4 million in FY 2011, a decrease of 8.5 percent from final FY 2010 collections.

In the Governor's FY 2011 Budget, departmental receipts are projected at \$334.8 million, an increase of \$1.7 million from final FY 2010 collections, or 0.5 percent. It should be noted that the increase in the departmental receipts incorporates the Governor's proposed revenue enhancement of \$97,880 from the CSTE Influenza Hospitalization Surveillance Project.

In addition to the above general revenue components, an increase is expected in FY 2011 for the lottery transfer to the general fund of \$2.8 million, or 0.8 percent from final FY 2010. The increased lottery transfer in FY 2011 is due to the results of the November 2010 REC which increased the estimated transfer amount from the video lottery terminals installed at Twin River and Newport Grand by \$4.4 million and decreased instant tickets and on-line games by \$1.6 million. The gas tax transfer to the general fund no longer occurs and the unclaimed property transfer to the general fund is forecasted to decline by \$567,150 in FY 2011 or 9.7 percent. The decrease in the unclaimed property transfer is attributable to the testimony provided by the Office of the General Treasurer at the November 2010 REC.

For FY 2011, other miscellaneous general revenues are projected to increase by \$656,768. The increase in other miscellaneous general revenues incorporates the Governor's proposal to transfer the excess bond proceeds of \$2.3 million from the State Police headquarters project to general revenues.

General Revenues

FY 2012 Proposed Revenues

The Governor's recommended FY 2012 Budget estimates general revenues of \$3.246 billion, an increase of 6.8 percent from the revised FY 2011 level. The Governor's recommendation is comprised of \$2.938 billion of revenue estimated at the November 2010 Revenue Estimating Conference and \$307.8 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 2012 general revenues is the personal income tax, with estimated receipts of \$950.0 million, \$2.2 million more than the November 2010 REC adopted estimate for FY 2012 or growth of 1.4 percent from the revised FY 2011 amount. This revenue increase is the net result of the Governor's proposal to eliminate an existing tax credit, institute a new top 100 delinquent taxpayers list, and offset lottery winnings for taxes owed to the State Tax Administrator. The Governor proposes the elimination of the Rhode Island Motion Picture Production Company Tax Credit effective July 1, 2011 which is estimated to increase personal income tax collections by \$1.3 million in FY 2012. The Governor further proposes for the Department of Revenue's Division of Taxation to publish two top 100 delinquent taxpayer lists; one for individual and one for business taxes. Currently the Division of Taxation publishes a single list of the top 100 tax delinquents that includes both individual and business taxpayers. By publishing a list of 100 individual delinquent taxpayers the number of delinquent taxpayers contacted will increase thereby increasing the amount of collections from delinquent taxpayers. The proposal is estimated to increase personal income tax receipts in FY 2012 by \$779,965. Finally, the Governor proposes to require that lottery winnings in excess of \$600.00 be offset against debts owed to the State Tax Administrator. The payment of taxes owed from lottery winnings in excess of \$600.00 would be the third priority after child support debts and benefit overpayments by the Department of Labor and Training. This proposal is estimated to increase personal income tax collections by \$141,457.

General Business taxes are projected to represent 11.5 percent of total general revenue collections in the FY 2012 Budget. Business corporations tax revenues are expected to yield \$130.4 million, a decrease of \$635,462 from the FY 2012 estimate adopted at the November 2010 REC. This decrease is the result of the Governor's Business Tax Competitiveness Proposal (BTCP). This proposal reduces the corporate income tax rate from 9.0 percent to 7.5 percent over a three year period beginning on January 1, 2012. In addition, the BTCP restructures the corporate minimum and minimum franchise taxes from a flat rate to graduated rates based on Rhode Island gross receipts. These proposals are expected to reduce business corporations tax collections by \$8.5 million, and \$6.1 million respectively in FY 2012. These revenue reductions are offset by the implementation of combined reporting and the phasing out of the Jobs Development Act over a three year period beginning in 2012, increasing revenues by \$8.9 million and \$4.8 million respectively. The total Business Tax Competitiveness Proposal reduces business corporation taxes by \$905,533 in FY 2012. These revenue reductions are offset by increased business corporations tax collections that result from the repeal of the Motion Picture Production Company Tax Credit effective July 1, 2011, an increase of \$139,656, and the publishing of a top 100 delinquent business taxpayers list through the Department of Revenue's, Division of Taxation, an estimated increase of \$130,415. The estimated growth rate in business corporations taxes over the FY 2011 revised level is 5.7 percent.

Insurance companies gross premiums taxes are projected to reach \$100.9 million in FY 2012. This amount is equal to the revenue estimate for insurance companies gross premiums taxes adopted at the November 2010 Revenue Estimating Conference plus an increase in revenue of \$204,966 from the repeal of the Motion Picture Production Company Tax Credit effective July 1, 2011. The recommended growth rate in FY 2012 insurance companies gross premiums taxes over the FY 2011 revised estimate is 2.8 percent.

General Revenues

FY 2012 recommended revenues for the public utilities gross earnings tax, the financial institutions tax, and the bank deposits tax are at the same levels as were adopted at the November 2010 REC. The respective FY 2012 recommended growth rates for these taxes relative to the FY 2011 revised estimates are 2.1 percent, 100.0 percent, and 2.6 percent respectively.

The health care provider assessment on nursing homes is forecasted to yield \$41.4 million, a decrease of \$428,112 from the estimate that was adopted at the November 2010 REC. This decrease can be attributed to the estimated decline in revenues of \$704,000 from the Governor's proposal for nursing home provider rate reform. The decrease is partially offset by increased health care provider assessment tax receipts of \$275,888 due to the establishment of a top 100 delinquent business taxpayers list by the Division of Taxation.

Sales and use tax collections are expected to yield \$989.5 million in FY 2012, \$165.5 million more than was adopted at the November 2010 Revenue Estimating Conference for FY 2012. The Governor's Sales Tax Modernization Proposal includes a reduction in the sales tax rate from 7.0 percent to 6.0 percent which will reduce sales tax collections by \$117.7 million; the modernization of the sales tax base to cover some services and items currently exempt from the sales tax, both of which will be taxed at 6.0 percent and are projected to increase sales tax collections by \$195.9 million; the taxation of the retail sale of medical marijuana at 6.0 percent, which is estimated to increase sales tax collections by \$802,659; the expansion of the sales tax base by taxing certain currently exempt items at a 1.0 percent rate, which is anticipated to increase sales tax collections by \$86.8 million; and the disallowance of the use of insurance proceeds from a totaled or stolen motor vehicle as the trade-in allowance for a passenger car which is forecasted to increase sales tax collections by \$882,659. As a result of the sales tax base expansion, the state will lose revenues of \$1.8 million from becoming non-compliant with the Streamlined Sales and Use Tax agreement. The Governor's proposal to publish a top 100 delinquent business taxpayer list is expected to increase sales and use tax collections by \$602,399. Sales and use taxes are anticipated to contribute 30.5 percent to total general revenues in FY 2012.

Motor vehicle operator license and vehicle registration fees are forecasted to equal \$42.1 million in FY 2012, a decrease of \$9.8 million from what was adopted at the November 2010 REC. This decrease is due to the phase-in of the transfer of the first 20.0 percent of motor vehicle license, registration and title fees to the Intermodal Surface Transportation Fund (ISTF) for use by the Department of Transportation (DOT). Motor carrier fuel use taxes are estimated to reach \$1.1 million in FY 2012 and cigarettes tax revenues are expected to total \$131.8 million. Each of these recommended revenue amounts are the same as the estimates adopted at the November 2010 Revenue Estimating Conference. Alcohol tax revenues are projected to increase by \$200,000 or 1.7 percent in FY 2012 from the revised FY 2011 estimate.

Inheritance and gift taxes are projected to equal \$28.9 million, the same amount adopted at the November 2010 REC. Realty transfer taxes are estimated at the same level adopted at the November 2010 Revenue Estimating Conference with anticipated collections of \$6.5 million, an increase of \$100,000 from the revised FY 2011 estimate. Racing and athletics taxes are also estimated at the level adopted at the November 2010 REC. The adopted estimate of \$1.1 million for FY 2012 represents a decline of \$150,000, or -12.0 percent, from the revised FY 2011 estimate. Other taxes are expected to comprise 1.1 percent of total general revenues in FY 2012.

FY 2012 departmental receipts are expected to generate \$9.8 million more than the revised FY 2011 estimate. Inclusive of the Governor's proposed changes to departmental receipts, total departmental revenues are expected to be \$344.6 million in FY 2012, or 10.6 percent of total general revenues. In the licenses and fees category, \$146.3 million more is expected due primarily to the Governor's proposal to reinstate the Hospital Licensing fee for one year using the rate of assessment of 5.465 percent and the

General Revenues

current base of FY 2009 net patient revenues. The FY 2012 recommended departmental revenues figure includes the following proposals:

- An increase of \$141.8 million from reinstating the hospital licensing fee;
- An increase of \$3.0 million from mandating insurance companies to obtain official Division of Motor Vehicles driving record abstracts at least every three years for insurance ratings;
- An increase of \$18,720 from implementing a charge for checks returned to the Division of Motor Vehicles due to non-sufficient funds;
- An increase of \$1.9 million from increasing the daily and annual pass fees for residents and non-residents on both weekdays and weekends to park at state beaches;
- An increase of \$1.2 million from increasing the license fee for securities sales representatives to \$75 annually;
- An increase of \$41,000 from increasing the license fee for a federally covered advisor to \$300 annually;
- An increase of \$108,915 from increasing the estate tax filing fee to \$50;
- An increase of \$122,925 from increasing the letter of good standing fee to \$50;
- An increase of \$556,092 by levying a surcharge of 4.0 percent on the net revenues of compassion centers;
- An increase of \$40,000 from increasing the assessment for fire code violations to \$125;
- An increase of \$110,000 from instituting a fee of \$10 for the Department of Children, Youth, and Families' conducting of applicant background clearances;
- An increase of \$786,248 from increasing the Veteran's Home board and support fee to 100.0 percent of resident countable income;
- An increase of \$153,576 in probation and parole monies owed from the offset of personal income tax refunds by the Division of Taxation;
- An increase of \$74,160 from the indirect cost recovery assessment on the Telecommunication Education Access Fund's restructured fees;
- A decrease of \$74,902 from the phase-in of the transfer of the first 20.0 percent of commercial driver's license fees to the ISTF for use by the DOT;
- A decrease of \$166,489 from the phase-in of the transfer of the first 20.0 percent of operator control registration reinstatement fees to the ISTF for use by the DOT;
- A decrease of \$677,486 from the phase-in of the transfer of the first 20.0 percent of drivers license reinstatement and assessment fees to the ISTF for use by the DOT;
- A decrease of \$1.3 million from the phase-in of the transfer of the first 20.0 percent of motor vehicle title fees to the ISTF for use by the DOT;
- A decrease of \$371,320 from the dissolution of the Health Services Council within the Department of Health;

The FY 2012 recommended revenues for the other sources component totals \$364.0 million, a decrease of \$1.9 million, or 0.5 percent, compared to the revised revenue estimate for FY 2011. The largest component of this decline is the decrease in other miscellaneous revenues of \$5.8 million. Other

General Revenues

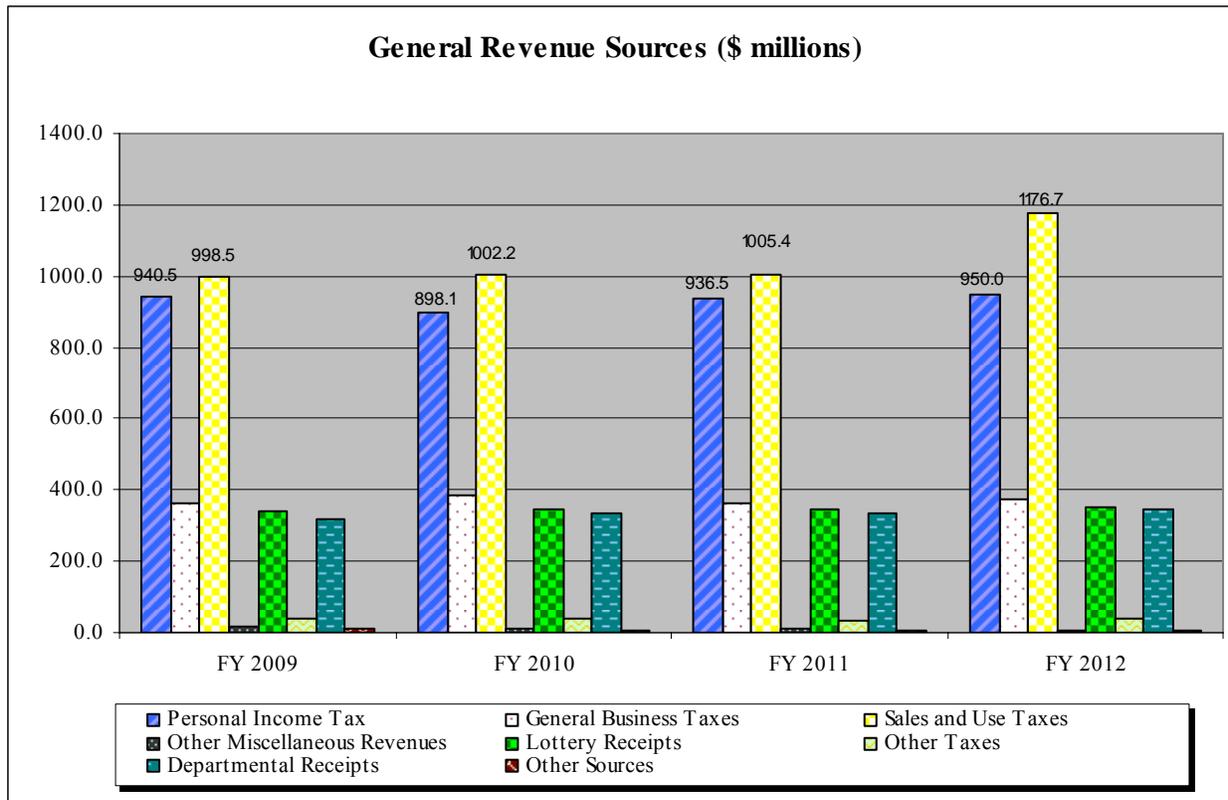
miscellaneous revenues are anticipated to generate \$7.3 million in FY 2012 an increase of \$3.5 million from the level adopted at the November 2010 Revenue Estimating Conference. This increase can be attributed to the Governor’s proposal to transfer \$3.5 million in excess reserves from the Rhode Island Resource Recovery Corporation.

Within the gas tax transfer component, the Governor’s FY 2012 Budget shows no change from the FY 2011 revised estimate. Effective July 1, 2009, the state’s general fund no longer receives any of the revenues generated by the state’s \$0.32 per gallon gas tax.

Within the lottery category, the recommended FY 2012 budget is \$4.0 million greater than the revised FY 2011 Budget, an increase of 1.2 percent. The Governor recommends no changes from the November 2010 REC estimate for the lottery transfer. In FY 2012, the lottery transfer is expected to be \$351.5 million and comprise 10.8 percent of total general revenues.

The final category of general revenue receipts is the unclaimed property transfer. In FY 2012, this transfer is expected to decrease by \$100,000, or 1.9 percent, from the revised FY 2011 estimate. The unclaimed property transfer is projected to be \$5.2 million in FY 2012, and comprises 0.2 percent of all general revenues.

The chart below shows the sources of general revenues for the period FY 2009 – FY 2012. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted.



Restricted Receipts and Other Sources of Revenue

Introduction

The Governor's recommended budget proposes changes to revenue sources other than general revenues for FY 2011 and FY 2012. The revenue estimates in the Governor's FY 2011 supplemental budget contains no additional money allocated to restricted receipts. The FY 2012 recommended budget contains an additional \$29.7 million in restricted receipts.

FY 2011 Revised Non-General Revenues

For FY 2011, the Governor's Budget proposes no additional money to be allocated as restricted receipts. The FY 2011 supplemental budget proposes restricted receipt amounts as originally enacted.

FY 2012 Recommended Non-General Revenues

The Governor's FY 2012 Budget proposes enhancing the Intermodal Surface Transportation Fund (ISTF) by phasing in the transfer of various Division of Motor Vehicle general revenue fees over a five year period. The Governor proposes the following transfer schedule: 20.0 percent of the total fees in FY 2012, 40.0 percent of the total fees in FY 2013, 60.0 percent of the total fees in FY 2014, 80.0 percent of the total fees in FY 2015 and 100.0 percent of the total fees in FY 2016. The deposit of these transfers into the ISTF will support the Department of Transportation and reduce its need to borrow money to provide for the required state match when leveraging federal highway funds. The net result to the Governor's FY 2012 Budget is an increase in other sources of revenue by \$12.0 million in FY 2012. The various fees consist of \$9.8 million in motor vehicle registration and driver license fees, \$74,902 in commercial driver license fees, \$166,489 in registration reinstatement fees, \$677,486 driver license reinstatement fees, and \$1.3 million in motor vehicle title fees.

In FY 2012, the Governor recommends maintaining the meals and beverage tax at the 8.0 percent rate. The meals and beverage tax is currently comprised of the sales tax rate of 7.0 percent and the local 1.0 percent tax on meals and beverages. The difference between the current 7.0 percent rate and the 6.0 percent sales tax rate included in the Governor's Sales Tax Modernization Proposal will be deposited into the newly created Municipal Accountability, Stability and Transparency (MAST) Fund. The MAST Fund is a restricted receipt account that is dedicated to improving the financial integrity of the cities and towns. It is estimated that \$19.3 million will be deposited into the MAST Fund in FY 2012.

The Governor also recommends maintaining the tax on the rental of rooms and lodging at the 8.0 percent rate. The tax on the rental of rooms and lodging is currently comprised of the sales tax rate of 7.0 percent and the local 1.0 percent hotel tax. The difference between the current 7.0 percent sales tax rate and the 6.0 percent sales tax rate included in the Governor's Sales Tax Modernization Proposal will be deposited into the newly created Tourism Asset Protection (TAP) Fund. The TAP Fund is a restricted receipt account that is dedicated to the construction and improvement of state owned tourism assets. It is estimated that \$2.6 million will be deposited into the TAP Fund in FY 2012.

The Governor's recommended FY 2012 Budget proposes to expand the Department of Human Services' Children's Health Account Enhancements which currently bills the first \$6,000 of expenses to insurance companies that provide coverage to children with special health care needs and have some form of comprehensive third party liability. The Governor's recommendation is to increase the billing limit from \$6,000 per child to \$7,500 per child. The increase in the billing limit to \$7,500 is estimated to generate \$4.2 million in FY 2012. These monies will be used to offset the cost of other Medicaid services.

Restricted Receipts and Other Sources of Revenue

The 2010 General Assembly enacted legislation which changed the funding formula for the William M. Davies School. Prior to FY 2012, the William M. Davies School was funded strictly from state aid. In the Governor's recommended FY 2012 Budget the William M. Davies School will be jointly funded by the state and local education agencies. As a result of this proposal, local education agencies will be required to pay the educational costs of local students that attend the William M. Davies School. The Budget Office estimates that this proposal will increase non-general revenues by \$685,495. For the FY 2012 Budget the Governor also proposes to require local education agencies to pay the education costs of local children residing at the Department of Children, Youth, and Families' Training School. The Budget Office estimates that this proposal will increase non-general revenues by \$2.1 million.

The Governor recommends a reduction in the Telecommunication Education Access fee on land line phones from the current monthly surcharge of \$0.26 to \$0.15 and the application of this reduced fee to wireless phones. These two fee changes are estimated to reduce Telecommunication Education Access receipts from land line phones by \$591,480 and increase Telecommunication Education Access receipts from wireless phones by \$1.3 million in FY 2012. The net result is an increase in revenue of \$667,440 to the Telecommunication Education Access Fund which supports internet access for schools and libraries.

The Governor also recommends in the FY 2012 Budget the dissolution of the Department of Health's Health Services Council. The resulting dissolution will decrease restricted receipt revenue by \$125,000 in FY 2012. Finally, the Governor recommends in FY 2012 increasing the Board and Support fees for residents of the state Veterans' Home from 80.0 percent of a patient's monthly countable income to 100.0 percent of the same dedicating the \$196,562 increase in revenue to a restricted receipt account to support the Veterans' Home's operations.

Unemployment Insurance

A Proposal to Restore Trust Fund Solvency

HISTORY

In 1998, The RI General Assembly, at the request of business, enacted a significant change in the computation of the taxable wage base for the Unemployment Insurance (UI) program. Prior to the change which took effect in 1999, the UI taxable wage base was set at 70% of the average annual wage in UI covered employment. In 1998 that amounted to a taxable wage base of \$18,200. Starting in 1999, the new law set the UI taxable wage base based on the level of reserves in the Employment Security Fund ranging from a low of \$12,000 if reserves exceeded \$225 million to a high of \$19,000 if reserves fell to \$75 million or less on the prior September 30th. Under the new formula, the UI taxable wage base fell to \$14,000 in 1999 and then to \$12,000 for CY 2000 through 2003. In 2011, our UI taxable wage base is set at the highest level, \$19,000. Under the pre-1999 law, the UI taxable wage base would have been \$28,800 in 2011.

The problem with this change was that the UI taxable wage base and UI taxes were no longer tied to the rise in employee wages while the benefits paid to unemployed workers remain tied to their wages. So, over time, wages and benefit costs grew with inflation while tax receipts failed to keep up. The reserve targets, which determined the taxable wage base, were set in fixed dollar amounts and the taxable wage base values as a percentage of total wages eroded each year.

In November 2008, the Employment Security Fund had a reserve of \$230.1 million. RI's relatively low unemployment rate at the time allowed reserves to continue to grow over the next two years and they peaked at \$301.3 million in August 2001. Over the first ten years (1999-2008) after the change in the taxable wage base calculation took effect, it is estimated that employers saw a reduction of over \$600 million in the amount of UI taxes that they paid compared to what they would have paid under the pre-1999 UI taxable wage base formula.

At the end of February 2011, the RI had borrowed \$229.4 million from the federal government to maintain payments to its unemployed workers. Our total borrowing from the federal government for UI benefits is expected to peak at \$291.0 million this spring. While the severity of the current recession has played a major role in the rapid depletion of Employment Security fund reserves, it is clear that if the changes made to the UI taxable wage base calculation in 1998 had not occurred, RI's Trust fund would have weathered the recession and would not have had to borrow from the federal government to maintain UI benefit payments.

EMPLOYMENT SECURITY ADVISORY COUNCIL

The Employment Security Advisory Council (ESAC) convened in October 2009 to begin addressing the problems facing the Unemployment Insurance program and the insolvency of the Employment Security Trust Fund. They reviewed various adjustments that could be made to the UI tax and benefit provisions to bring the financing of the UI program into balance and to help repay the RI's outstanding federal loans for its UI program.

The set of recommendations outlined in this budget article were forwarded to the Governor's office in the spring of 2010 without a formal endorsement of the council. The council felt that it did not have sufficient time to thoroughly understand the complexities of the UI system, but thought that the proposals should go forward for consideration by the legislature. Unfortunately, the proposals were received too late in the legislative process to be considered in the 2010 General Assembly session. The proposals in this article

Unemployment Insurance

reflect the same basic recommendations as those forwarded in the spring of 2010, but have been modified to phase in some of the UI benefit adjustments over several years.

The table below provides an estimate of the effect of the proposed revenue and benefit adjustments from CY 2012 through CY 2017.

RI DEPARTMENT OF LABOR AND TRAINING						
Proposal to Restore Unemployment Insurance Trust Fund Solvency						
Summary of Revenue Increases and Benefit Savings by Year						
Revenue Items	Projected Increase in Revenue (in millions)					
	2012	2013	2014	2015	2016	2017
1 Taxable Wage Base Change Set equal to 47% of average annual wage in CY 2012 and raise to 50% of average annual wage by 2015.	\$4.0	\$4.0	\$5.9	\$7.8	\$11.5	\$14.2
2 Set the Taxable Wage Base \$3,000 higher for the employers at the highest tax rate.	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1
Total Projected Revenue Increase by Year	\$7.1	\$7.1	\$9.0	\$10.9	\$14.6	\$17.3
Benefit Adjustments	Projected Benefit Savings (in millions)					
	2012	2013	2014	2015	2016	2017
1 Freeze the Maximum Weekly Benefit Amount (MWBA) at its July 2011 figure and compute annually thereafter at 57.5% of the State Average Weekly Wage (SAWW).	\$1.3	\$3.8	\$6.0	\$8.6	\$11.4	\$13.0
2 Lower the Wage Replacement percentage from 60% to 50% of the individuals Average Weekly Wage over the next three years.	\$2.6	\$9.9	\$17.9	\$24.9	\$25.6	\$26.3
3 Use the Average of the Two Highest Quarter Wages instead of the Highest Quarter Wages to Compute the claimant's Weekly Benefit Amount.	\$2.2	\$4.1	\$3.9	\$4.1	\$4.2	\$4.3
4 Reduce the Maximum Potential Total Benefits from 36% of the Base Period Wages to 33% of the Base Period Wages.	\$0.0	\$2.3	\$2.2	\$2.2	\$2.3	\$2.4
5 Delay UI Benefit Eligibility by the number of weeks of Severance pay the claimant receives (up to a maximum of 26 weeks).	\$1.1	\$2.1	\$2.0	\$2.0	\$2.1	\$2.1
6 Reduce the Maximum Dependents' Allowance from 5% of the claimant's Weekly Benefit Amount (WBA) to 3% of the WBA over the next two years.	\$1.1	\$1.9	\$2.6	\$2.7	\$2.7	\$2.8
7 Require individuals disqualified from collecting UI for a Voluntary Quit, Misconduct Discharge or a Refusal of Suitable Work to work 8 weeks & earn wages equal to their Weekly Benefit Amount (WBA) in each week to overcome the disqualification.	Unable to determine potential benefit reduction. It is dependent on number of disqualifications each year that are overcome with wages below the WBA.					
Total Estimated Benefit Savings by Year	\$8.3	\$24.0	\$34.6	\$44.5	\$48.3	\$50.9
Sum of Revenue & Benefit Adjustments	\$15.4	\$31.1	\$43.6	\$55.4	\$62.9	\$68.2

Unemployment Insurance

The table below is a projection of RI's Employment Security fund, the level UI taxes and benefits expected to be paid through CY 2020 under our current laws. Absent any action to make changes, it is expected that the Employment Security Fund would remain insolvent until CY 2017. And our ability to grow reserves in ensuing years would be very limited.

RI DEPARTMENT OF LABOR AND TRAINING									
Projected UI Fund Taxes, Benefits & Federal Loans if No Action Taken									
<i>(revised 2-10-11)</i>									
	Taxable Wage Base	Regular State UI Taxes	Balance of 0.3% Interest Assess.	Federal Interest Charge	FUTA* Credit Reduction	Additional FUTA* Taxes	Regular State UI Benefits	RI Dec. 31 Federal UI Loan Balance	Dec. 31 ES Fund Balance
	<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>		<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>
2009	\$18,000	\$184.7	\$0.0	\$0.0	na	\$0.0	\$387.3	\$127.5	(\$127.5)
2010	\$19,000	\$210.0	\$0.0	\$0.0	na	\$0.0	\$289.3	\$225.5	(\$194.3)
2011	\$19,000	\$216.0	\$6.5	\$9.0	0.3%	\$0.0	\$249.5	\$291.0	(\$251.0)
2012	\$19,000	\$219.6	\$5.6	\$12.4	0.6%	\$9.0	\$215.7	\$265.9	(\$265.9)
2013	\$19,000	\$220.7	\$7.1	\$10.9	0.9%	\$18.0	\$206.5	\$226.6	(\$226.6)
2014	\$19,000	\$221.9	\$8.7	\$9.3	1.2%	\$27.0	\$197.1	\$166.0	(\$166.0)
2015	\$19,000	\$223.3	\$11.2	\$6.8	1.5%	\$36.0	\$202.5	\$98.0	(\$98.0)
2016	\$19,000	\$224.7	\$14.0	\$4.0	1.8%	\$45.0	\$208.1	\$22.4	(\$22.4)
2017	\$19,000	\$226.5	\$0.0	\$0.0	0.0%	\$54.0	\$213.8	\$0.0	\$44.3
2018	\$19,000	\$228.0	\$0.0	\$0.0	0.0%	\$0.0	\$219.7	\$0.0	\$52.6
2019	\$19,000	\$229.7	\$0.0	\$0.0	0.0%	\$0.0	\$224.3	\$0.0	\$58.0
2020	\$19,000	\$231.4	\$0.0	\$0.0	0.0%	\$0.0	\$229.5	\$0.0	\$59.9
Totals 2009-2020		\$2,636.6	\$53.2	\$52.3		\$189.0	\$2,843.3		

If the changes proposed in this article are implemented, it is projected that RI would be able to fully repay its federal UI loans in 2015 through a combination of \$211.6 million in additional federal and state UI taxes and savings of \$111.4 million in benefit adjustments. In addition, these changes would allow the RI Employment Security fund to rebuild reserves in preparation for the next recession.

RI DEPARTMENT OF LABOR AND TRAINING									
Projected UI Fund Taxes, Benefits & Federal Loans Under Proposed Changes									
<i>(revised 2-11-11)</i>									
	Taxable Wage Base	Regular State UI Taxes	Balance of 0.3% Interest Assessment	Federal Interest Charge	FUTA* Credit Reduction	Additional FUTA* Taxes	Regular State UI Benefits	RI Dec. 31 Federal UI Loan Balance	Dec. 31 ES Fund Balance
	<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>		<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>	<i>(In millions)</i>
2009	\$18,000	\$184.7	\$0.0	\$0.0	na	\$0.0	\$387.3	\$127.5	(\$127.5)
2010	\$19,000	\$210.0	\$0.0	\$0.0	na	\$0.0	\$289.3	\$225.5	(\$194.3)
2011	\$19,000	\$216.0	\$6.5	\$9.0	0.3%	\$0.0	\$249.5	\$291.0	(\$251.0)
2012	\$19,800	\$226.7	\$5.6	\$12.4	0.6%	\$9.0	\$207.5	\$250.7	(\$250.7)
2013	\$20,200	\$227.8	\$7.8	\$10.2	0.9%	\$18.0	\$182.5	\$179.6	(\$179.6)
2014	\$20,600	\$230.9	\$10.7	\$7.3	1.2%	\$27.0	\$162.4	\$73.4	(\$73.4)
2015	\$21,400	\$234.2	\$15.0	\$3.0	0.0%	\$36.0	\$158.0	\$0.0	\$53.8
2016	\$22,000	\$239.3	\$0.0	\$0.0	0.0%	\$0.0	\$159.8	\$0.0	\$133.3
2017	\$22,600	\$243.8	\$0.0	\$0.0	0.0%	\$0.0	\$162.9	\$0.0	\$214.2
2018	\$23,400	\$245.5	\$0.0	\$0.0	0.0%	\$0.0	\$167.4	\$0.0	\$292.2
2019	\$24,000	\$247.4	\$0.0	\$0.0	0.0%	\$0.0	\$170.9	\$0.0	\$368.8
2020	\$24,600	\$249.4	\$0.0	\$0.0	0.0%	\$0.0	\$174.9	\$0.0	\$443.3
Totals 2009-2020		\$2,755.8	\$45.5	\$42.0		\$90.0	\$2,472.4		

Transportation Funding

Recognizing the importance of investing in our aging transportation infrastructure, the Governor is recommending that transportation needs to be addressed through a multi-year plan that dedicates increasing amounts of transportation-related revenues to fund the operating and capital costs of the Department of Transportation.

Primary 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 has received an average of \$207.2 million per year through FY 2009. SAFETEA-LU expired in 2009, but was extended through by Congress for one year in 2010 with Rhode Island receiving \$220.9 million in funding. In 2011 financing for the federal highway program has relied on short term continuing resolutions to provide funding. No new program has been introduced to replace the SAFETEA-LU program. The State has chosen over the years to seek approval from the voters through biennial referenda which authorize the issuance of general obligation bonds. This process has resulted in growing debt service expenditures, which consume a growing share of the Department's stagnant gas tax allocation.

This over-reliance on debt to fund transportation improvements has long been recognized as a problem by independent reviewers. In 1996, Governor Almond's Blue Ribbon Panel to Address Transportation Infrastructure Capital Funding identified the debt service problem stating, "the debt service on transportation bonds is a large and increasing burden on the state budget which reduces the amount of gas tax funds available for other purposes." Upon predicting that the debt service burden would peak at \$57 million per year with \$30 million per year issuance, the 1996 Blue Ribbon Panel recommended that "Rhode Island needs to reduce its reliance on general obligation bonds for transportation funding."

Transportation 2020, the State's long range transportation guide plan, in 2002, highlighted the problem of the increasing debt service eroding the funding available for transportation operations and maintenance. The Rhode Island Public Expenditure Council (RIPEC) cited the Transportation 2020 analysis in recommending that transportation system funding should be reformed with one objective of the reformation to be "diminishing reliance on general obligation bonds for future capital project financing". With the goal of dedicating transportation revenues for transportation purposes, RIPEC further recommended that motor vehicle registrations and driver's license fees be transferred to a transportation fund over a five year period at 20% per year

Governor Donald Carcieri's Blue Ribbon Panel on Transportation Funding, which examined the transportation financing structure in 2008, echoed the findings of the prior studies in its condemnation of routine bonding to fund transportation improvements. The Panel's report states:

"Continued borrowing and sole reliance on the gas tax is not the solution. The practice of issuing general obligation bonds every two years to match federal funds is unsustainable. This has resulted in very high annual debt service which has severely limited the amount of state gas tax available for maintenance. Gas tax revenue has decreased significantly over time, as has its purchasing power."

While the fundamental problem with the current transportation funding structure has been long identified, no change has been forthcoming.

Governor Chafee proposes to resolve the structural funding dilemma facing the Department of Transportation by dedicating current revenues to transportation purposes to enable the Department to fund

Transportation Funding

Rhode Island's required match on a pay-as-you-go basis. The program, to be implemented over a five year period, would reduce debt service costs over time, such that Rhode Island would be positioned similar to other state's with pay-as-you-go capital programs. The chart below shows the funding progress over the five year period.

Revenue Item	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Motor Vehicle Registration and License Fees	49,000,000	49,736,415	50,689,262	51,660,432	52,650,279
Commercial Drivers License Fees*	374,508	378,253	382,036	385,856	389,715
Operator Control Registration Reinstatement Fee*	832,445	840,769	849,177	857,669	866,246
Drivers License Reinstatement & Assessment Fees*	3,387,430	3,421,304	3,455,517	3,490,073	3,524,973
Motor Vehicle Title Fees*	6,516,097	6,581,258	6,647,071	6,713,541	6,780,677
Total Available Revenue	\$ 60,110,480	\$ 60,958,000	\$ 62,023,063	\$ 63,107,571	\$ 64,211,889
Phase-in of Transfer to DOT at 20.0 Percent per Year	\$ 12,022,096	\$ 24,383,200	\$ 37,213,838	\$ 50,486,057	\$ 64,211,889
Net General Revenues	\$ 48,088,384	\$ 36,574,800	\$ 24,809,225	\$ 12,621,514	\$ -

* FY 2012 figure was adopted at the November 2010 REC. Growth is assumed at 1.0 percent rate.

Notes: The value of Motor Vehicle Registration and License Fees does *not* include revenues received from the imposition of the rental vehicle surcharge.

The Governor's proposed plan will provide approximately \$64.2 million by FY 2016, which will enable Rhode Island to eliminate the use of general obligation bonds to provide the state match for federal funds. When the State eliminates the reliance on annual bond issues, debt service will decline, freeing up gas tax revenues for other purposes. The revenues to be transferred to the Intermodal Surface Transportation Fund are not new revenues, but are transferred from the General Fund, and therefore result in decreased resources available for other state expenditures.

Referenda Year	Referenda Recommended	Fiscal Year	Bonds to Be		Total Bonds and Paygo Cash for State Match
			Issued Per Year	Pay Go Match	
November 2010	\$ 80,000,000	FY 2011	\$ 40,000,000	\$ -	\$ 40,000,000
		FY 2012	40,000,000	0	40,000,000
November 2012	\$ 61,000,000	FY 2013	39,000,000	1,000,000	40,000,000
		FY 2014	22,000,000	18,000,000	40,000,000
November 2014	\$ 16,000,000	FY 2015	16,000,000	24,000,000	40,000,000
		FY 2016	0	40,000,000	40,000,000

Additionally, the Governor recommends that the Department of Transportation seek federal approval for tolling of certain roads in Rhode Island, which will provide additional new revenues to address unmet infrastructure needs. This program is expected to take several years to implement and therefore is not expected to impact the capital program until the end of the five year planning horizon. The proceeds from tolls would be utilized to help address the backlog of transportation infrastructure needs.

Municipal Accountability, Stability, and Transparency Fund

***Governor
Recommends \$19.3
Million Incentives to
Municipalities for
Prudent Fiscal
Practices***

Local governments are facing ever-increasing costs for retirement and retiree health care. These two components represent significant cost drivers for municipal budgets. Given this, Governor Chafee is proposing to create the Municipal Accountability, Stability and Transparency (MAST) Fund. The MAST Fund is designed to encourage local governments to focus on the sustainability of current plans and reduce the unfunded liability of significantly underfunded pension plans. In addition, the MAST Fund addresses the significant unfunded liabilities for Post Employment

Benefits Other Than Pensions (OPEB).

Furthermore, Governor Chafee's proposal includes an incentive to employ fiscally prudent budgeting practices for cities and towns by requiring, for example, cities and towns to provide for a Five-Year Budget Forecast and a fiscal impact statement for changes in health care benefits, pension benefits and OPEB. This information would be submitted to the Division of Municipal Finance.

To partially offset the additional funding requirements for local pension plans and OPEB as set forth under MAST, and to provide an incentive for fiscally prudent budgeting practices, Governor Chafee proposes to finance the newly created MAST Fund by maintaining the state and local meals and beverage tax rate at 8.0 percent. The state and local meals and beverage tax rate consists of the state sales tax rate of 7.0 percent and the 1.0 percent local meals and beverage tax rate. The Governor's Sales Tax Modernization Proposal lowers the state sales tax rate to 6.0 percent. By maintaining the state and local meals and beverage tax rate at 8.0 percent the Governor is able to designate the 1.0 percent that previously went to the state to finance the newly created MAST Fund. It is projected that this fund would total \$19.3 million, which would be available for municipal governments. Distribution of the MAST Fund receipts to each community is based on the 2009 General Revenue Sharing percent distribution.

In FY 2012, and thereafter, cities and towns will be eligible for MAST Fund aid if they comply with certain fiscally prudent management practices, and meet the minimum requirements towards adequately funding pensions and Post Employment Benefits Other Than Pensions (OPEB). Commencing in FY 2014 cities and towns will be expected to comply with the statutory requirements, or face a loss in state aid as a result of the reduction of the state's share in the teacher retirement contributions.

The MAST Fund is designed in a three-tiered approach, increasing municipal accountability every year. **Starting in FY 2012**, all cities and towns will receive additional state aid if they comply with the following fiscally prudent practices:

***Requirement #1
Prudent Fiscal
Practices in FY 2012***

- Provide Five-Year Forecast to the Division of Municipal Finance for major funds as defined by generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). The forecast has to include two scenarios: One scenario would show a baseline forecast, the other forecast would include pensions and Post Employment Benefits Other Than Pensions (OPEB) funded at 100 percent of the Annually Required Contribution (ARC), separately for the general and unrestricted school funds. The forecast also has to show underlying actuarial assumptions.
- Provide fiscal impact statements to the Division of Municipal Finance for changes in health care benefits, pension benefits and OPEB, reflecting the impact on the unfunded liability and ARC, as well as the impact on the Five-Year Forecast. Fiscal impact statements have to show underlying actuarial assumptions and support for underlying assumptions.
- Provide financial data, such as quarterly reports, adopted budget surveys and the Comprehensive Annual Financial Report (CAFR) on time.

Municipal Accountability, Stability, and Transparency Fund

- Join electronic reporting/implement Municipal Uniform Chart of Accounts (UCOA), within six months of implementation.

***Requirement #2
Funding Progress for
Municipal Pensions in
FY 2013 and OPEB
Liabilities in FY 2014***

Starting in FY 2013, all cities and towns will receive MAST Fund state aid if they comply with the fiscally prudent practices, as spelled out above, and the following requirements to increase funding of pensions:

(A) Cities and towns will be given a maximum of 5 years to achieve 100 percent of their Annually Required Contribution (ARC) or their Annual Pension Cost (APC), whichever is higher, for municipal pension plans. Municipalities shall be required to make their ARC in accordance with

generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In the first year, the municipality's actual contribution would increase by the difference between the prior year's ARC or APC, whichever is greater and its actual contribution divided by five. For years two through five, the annual actual contribution would increase by the difference between the ARC or APC of the most recent valuation of the immediately preceding year and the actual contribution made by the municipality in the prior year divided by the remaining years. (B) Beginning in FY 2013, cities and towns that have not previously met the goal of 100 percent funding of ARC or APC, whichever is greater, cannot decrease the dollar amount of contribution compared to the preceding year. (C) Starting in FY 2013, cities and towns that have any municipal pension plan that has a funded ratio below 50 percent, as determined in the latest valuation, will be required to make an additional contribution equal to 10 percent over and above the actual contribution made in the prior fiscal year, not including the additional funding as defined in (A). This additional contribution would continue until the municipality's funding ratio is 50 percent or higher.

Starting in FY 2014, all cities and towns will receive MAST Fund state aid if they comply with the fiscally prudent practices and the pension requirements, as spelled out above. In addition, municipalities will be required to increase/start funding for Post Employment Benefits Other Than Pensions (OPEB). Commencing in FY 2014, in any fiscal year in which a municipality does not annually fund its OPEB ARC at 100 percent, as determined in the latest valuation, a municipality would be required over each of the next successive ten years to increase its actual contribution to its ARC. In the first year, the municipality's actual contribution would increase by the difference between the prior year's ARC and its actual contribution divided by ten. For years two through ten, the annual contribution would increase by the difference between the ARC of the most recent valuation of the immediately preceding year and the actual contribution made by the municipality in the prior year divided by the remaining years. In addition, all cities and towns will be required to join a multiple employer trust once this trust is established. Cities and towns that have already established a trust as of June 30, 2010 will not be required to join a multiple employer trust for OPEB, if the city/town adheres to minimum standards established by the state.

The Division of Municipal Finance will monitor the progress of the cities and towns to fund its ARC. As part of its monitoring, and to determine if a city/town is eligible to receive additional aid under the MAST Fund, the Division of Municipal Finance will use the municipality's audited financial statements and applicable actuarial valuations to make determinations of compliance.

***Penalties for Non-
Compliance Begin in
FY 2014- Lost Teacher
Retirement Aid***

Starting in FY 2014, all cities and towns will continue to be eligible for the MAST funding allocation if they comply with the fiscally prudent practices, and the requirements to increase funding for pensions and OPEB. However, there will be a penalty for non-compliance. Those cities and towns not complying with fiscally prudent practices and the requirements relating to pension and OPEB will experience a decrease of 5 percentage points each year in the state's share of contribution towards the employer cost of the teacher retirement fund, starting in FY 2014.

Retirement System Funding

The Governor recommends that the State take action in FY 2012 to increase funding to the State Employee, Teacher, State Police and Judicial Retirement Systems in order to bolster the assets in those funds. None of the State's pension funds are fully funded, and in fact each of these funds has seen an increase in their unfunded liability over the last year. The sustainability of public pensions needs to be addressed, and once determined, the funding of the appropriate amounts to amortize the unfunded liability must be made a priority. The table below shows the actuarial unfunded liability and projected contributions based upon the 2009 valuation prepared by the actuary.

State Retirement Systems' Unfunded Actuarial Liabilities, Contributions, and Member Counts							
	Unfunded						
	Actuarial Liability	Funded Ratio	2009 Actuarial Contribution	Active Members	Retired Members	Inactive Members	Total Membership
State Employees' System	1,836,163,271	59.0%	126,344,715	11,023	11,142	2,496	24,661
Teachers' System	2,892,031,771	58.1%	188,858,198	13,689	9,749	2,466	25,904
State Police System	15,247,960	79.8%	3,340,746	176	4	2	182
Judicial System	4,898,819	88.3%	1,700,174	45	10	-	55
	4,748,341,821		320,243,833	24,933	20,905	4,964	50,802

* Source: FY2009 Actuarial Valuations prepared by Gabriel, Roeder, Smith & Company

The Governor proposes that members contribute 11.75% of pay reflecting an increase of 3.0 percent of pay for state employee members and 2.25 percent of pay for teacher members during FY 2012, while the State investigates the need to develop a new sustainable system that provides for a formula driven sharing of the actuarial required contributions. Under current law, the employee contribution is set in statute, so if the required contribution increases as a rate of pay, currently the State's taxpayers pick up the difference. The proposed increase in contributions will not be offset by a reduction in employer contributions, but rather will result in increased cash flowing into the trust funds. The table below provides a historical perspective on the required payroll rates, and the sharing of those required contributions.

Fiscal Year	State Employees				Teachers						
	Total ARC Contribution Rate	Employer Share as a Percent of Total ARC	Employee Share as a Percent of Total ARC	Employer Share as a Percent of Total ARC	Total ARC Contribution Rate	Employer - State Share	Employer - Local Share	Employee Share as a Percent of Total ARC	Employee Share as a Percent of Total ARC		
1995	19.07%	11.32%	7.75%	59.4%	40.6%	24.52%	6.76%	9.26%	8.50%	65.3%	34.7%
1996	18.20%	9.45%	8.75%	51.9%	48.1%	24.21%	6.22%	8.49%	9.50%	60.8%	39.2%
1997	18.80%	10.05%	8.75%	53.5%	46.5%	24.07%	6.17%	8.40%	9.50%	60.5%	39.5%
1998	19.58%	10.83%	8.75%	55.3%	44.7%	23.75%	6.00%	8.25%	9.50%	60.0%	40.0%
1999	18.60%	9.85%	8.75%	53.0%	47.0%	21.02%	4.90%	6.62%	9.50%	54.8%	45.2%
2000	17.32%	8.57%	8.75%	49.5%	50.5%	24.14%	6.21%	8.43%	9.50%	60.6%	39.4%
2001	16.74%	7.99%	8.75%	47.7%	52.3%	21.51%	5.15%	6.86%	9.50%	55.8%	44.2%
2002	14.34%	5.59%	8.75%	39.0%	61.0%	19.45%	4.22%	5.73%	9.50%	51.2%	48.8%
2003	16.43%	7.68%	8.75%	46.7%	53.3%	21.47%	5.04%	6.93%	9.50%	55.8%	44.2%
2004	18.35%	9.60%	8.75%	52.3%	47.7%	23.22%	5.73%	7.99%	9.50%	59.1%	40.9%
2005	20.26%	11.51%	8.75%	56.8%	43.2%	24.34%	6.12%	8.72%	9.50%	61.0%	39.0%
2006	23.59%	14.84%	8.75%	62.9%	37.1%	25.97%	6.75%	9.72%	9.50%	63.4%	36.6%
2007	27.15%	18.40%	8.75%	67.8%	32.2%	29.14%	8.02%	11.62%	9.50%	67.4%	32.6%
2008	29.52%	20.77%	8.75%	70.4%	29.6%	31.51%	8.97%	13.04%	9.50%	69.9%	30.1%
2009	30.39%	21.64%	8.75%	71.2%	28.8%	29.57%	8.18%	11.89%	9.50%	67.9%	32.1%
2010	29.53%	20.78%	8.75%	70.4%	29.6%	28.51%	7.76%	11.25%	9.50%	66.7%	33.3%
2011	29.53%	20.78%	8.75%	70.4%	29.6%	28.51%	7.76%	11.25%	9.50%	66.7%	33.3%
2012	31.73%	22.98%	8.75%	72.4%	27.6%	31.82%	9.09%	13.23%	9.50%	70.1%	29.9%
Governor's Proposal											
ARC 2012	31.73%	22.98%	8.75%	72.4%	27.6%	31.82%	9.09%	13.23%	9.50%	70.1%	29.9%
Supplemental			3.00%						2.25%		
Total	34.73%	22.98%	11.75%	66.2%	33.8%	34.07%	9.09%	13.23%	11.75%	65.5%	34.5%

Retirement System Funding

As shown above, the employer share of the annual required contribution for State employees has increased from 59.4 percent to 72.4 percent from 1995 to 2012. The employer share of annual required contribution for Teachers, which is shared 60 percent local government/40 percent State government, has increased from 63.5 percent to 70.1 percent from 1995 to 2012.

State Police						Judges						
Fiscal Year	Total ARC Contribution Rate		Employer	Employee	Employer Share as a Percent of Total ARC	Employee Share as a Percent of Total ARC	Total ARC Contribution Rate		Employer	Employee	Employer Share as a Percent of Total ARC	Employee Share as a Percent of Total ARC
	Rate	Employer					Rate	Employer				
1995	27.80%	20.05%	7.75%	72.1%	27.9%	14.85%	7.10%	7.75%	47.8%	52.2%		
1996	29.62%	20.87%	8.75%	70.5%	29.5%	19.55%	10.80%	8.75%	55.2%	44.8%		
1997	21.21%	12.46%	8.75%	58.7%	41.3%	32.40%	23.65%	8.75%	73.0%	27.0%		
1998	21.41%	12.66%	8.75%	59.1%	40.9%	34.09%	25.34%	8.75%	74.3%	25.7%		
1999	20.18%	11.43%	8.75%	56.6%	43.4%	32.11%	23.36%	8.75%	72.7%	27.3%		
2000	35.37%	26.62%	8.75%	75.3%	24.7%	39.24%	30.49%	8.75%	77.7%	22.3%		
2001	34.64%	25.89%	8.75%	74.7%	25.3%	39.84%	31.09%	8.75%	78.0%	22.0%		
2002	36.42%	27.67%	8.75%	76.0%	24.0%	40.33%	31.58%	8.75%	78.3%	21.7%		
2003	36.23%	27.48%	8.75%	75.8%	24.2%	42.17%	33.42%	8.75%	79.3%	20.7%		
2004	35.52%	26.77%	8.75%	75.4%	24.6%	42.65%	33.90%	8.75%	79.5%	20.5%		
2005	37.62%	28.87%	8.75%	76.7%	23.3%	44.94%	36.19%	8.75%	80.5%	19.5%		
2006	40.10%	31.35%	8.75%	78.2%	21.8%	44.26%	35.51%	8.75%	80.2%	19.8%		
2007	40.53%	31.78%	8.75%	78.4%	21.6%	44.82%	36.07%	8.75%	80.5%	19.5%		
2008	39.75%	31.00%	8.75%	78.0%	22.0%	40.82%	32.07%	8.75%	78.6%	21.4%		
2009	34.78%	26.03%	8.75%	74.8%	25.2%	32.81%	24.06%	8.75%	73.3%	26.7%		
2010	34.78%	26.03%	8.75%	74.8%	25.2%	32.81%	24.06%	8.75%	73.33%	26.7%		
2011	33.33%	24.58%	8.75%	73.7%	26.3%	24.94%	16.19%	8.75%	64.92%	35.1%		
2012	34.14%	25.39%	8.75%	74.4%	25.6%	27.44%	18.69%	8.75%	68.11%	31.9%		
Governor's Proposal												
ARC 2012	34.14%	25.39%	8.75%	74.4%	25.6%	27.44%	18.69%	8.75%	68.1%	31.9%		
Supplemental			3.00%					3.00%				
Total	37.14%	25.39%	11.75%	68.4%	31.6%	30.44%	18.69%	11.75%	61.4%	38.6%		

As shown above, the employer share of the annual required contribution for the State Police system has increased from 72.1 percent to 74.4 percent from 1995 to 2012. The employer share of annual required contribution for the Judges has increased from 47.8 percent to 68.1 percent from 1995 to 2012. Both these plans are relatively new plans, including only those employees hired after December 31, 1987 and December 31, 1989, respectively.

The proposed supplemental payment would be made by employees for all pay days after July, 2011. This payment would be in addition to the annual required contribution, and would enhance assets on a bi-weekly basis and would increase the cash flow of the Retirement Fund. As shown below, this supplemental payment will increase the assets of the systems by an estimated \$40.7 million. This will have a direct impact on the unfunded liabilities of these systems and will increase their funding ratios.

Membership Group	FY2012 ARC Contribution	ARC Rate of Payroll	Estimated Payroll Base	Proposed Percentage Supplemental Contribution	Estimated Dollar Value of Supplemental Contribution
State Employees	\$149,885,956	22.98%	\$652,245,239	3.00%	\$19,567,357
Judges	1,605,947	18.69%	8,592,547	3.00%	257,776
State Police	4,265,295	25.39%	16,799,114	3.00%	503,973
Teachers-State Share	82,671,070	9.09%	909,472,717	2.25%	20,463,136
Subtotal -State	\$238,428,268		\$1,587,109,617		\$40,792,243
Teachers-Local Share	120,323,240	13.23%	n/a	n/a	n/a
Total- State and Local Membership	\$358,751,508		\$1,587,109,617		\$40,792,243

Retirement System Funding

The Five Year Forecast reveals the significant growth which is projected in the contributions over the next five years. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required employer contribution rate for state employees is expected to increase from 22.98 percent in FY 2012 to 35.88 percent in FY 2016. This reflects an increase in the rate of 12.9 percentage points over a five year period. Based upon projected payroll growth and the forecasted retirement contribution rates, the general revenue funded contribution for state employee members would grow from a projected \$88.1 million in FY 2012 to \$162.1 million in FY 2016, reflecting growth of \$74.1 million in retirement costs for state employees. This pension funding growth of 84 percent from FY 2012 to FY 2016 reflects the largest growth item in terms of percentage growth for a major categorical item.

According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required employer contribution rate for teacher members is expected to increase from 22.32 percent in FY 2012 to 34.2 percent in FY 2016. This reflects an increase in the rate of 11.88 percentage points over a five year period. State contributions towards the Teacher Retirement System are projected to increase by \$57.7 million, from \$82.7 million in FY 2012 to \$140.4 million in FY 2016.

Combined, the State's employer share contribution for state employees and teachers is projected to grow by \$131.8 million from FY 2012 to FY 2016. In terms of dollar growth, this ranks second only to the \$210 million growth in the whole category of grants and benefits (Medicaid) as largest dollar growth item in the budget over the planning horizon.

All Sources

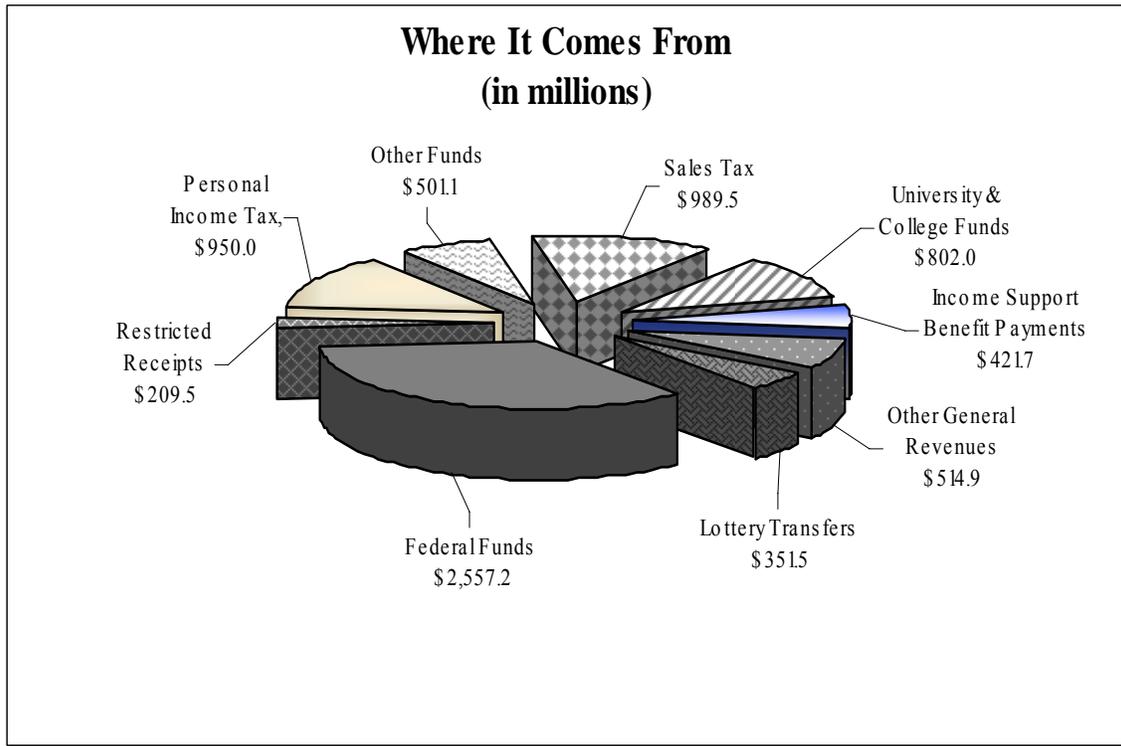
The total budget of \$7,297.3 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 35.0 percent of all funds. Over 69.3 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales Taxes combined represent 26.6 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 11.0 percent, and 5.8 percent of the total, respectively.

Remaining sources include: Other General Revenues, 7.1 percent; the Lottery Transfer, 4.8 percent; Restricted Receipts, 2.9 percent; and Other Funds 6.9 percent.



All Expenditures

The Governor's FY 2012 Budget recommendation is \$7,661.3 million in all funds comprised of six functional units of state government: human services, education, general government, public safety, transportation, and natural resources.

Approximately 40.7 percent of all expenditures are for human services, comprised of agencies that engage in a broad spectrum of activities including income support, client subsidies, case management and residential support, and medical regulation, prevention, treatment, and rehabilitation services. The FY 2012 recommended budget for all human service agencies is \$3,119.6 million.

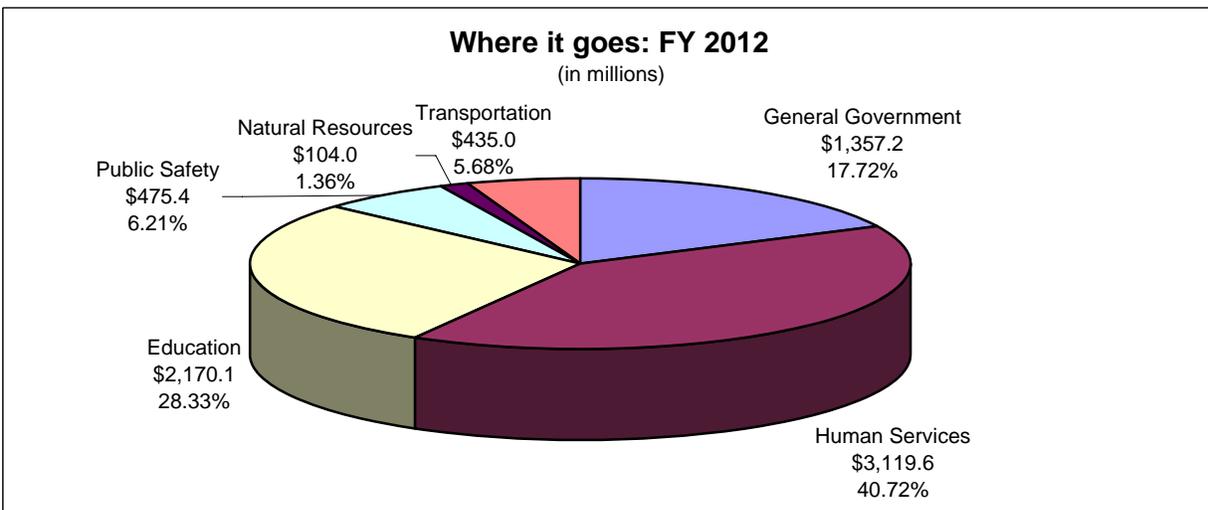
Approximately 28.3 percent of all expenditures are for education, which includes the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The FY 2012 recommended budget for education is \$2,170.1 million.

Approximately 17.7 percent of all expenditures are for general government, which includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. The FY 2012 recommended budget for all general government agencies is \$1,357.2 million.

Approximately 6.2 percent of all expenditures are for public safety, which is the system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The FY 2012 recommended budget for the public safety system is \$475.4 million.

Approximately 5.7 percent of all expenditures are for transportation, which provides for the state's maintenance and construction of a quality transportation infrastructure. The FY 2012 recommended budget for transportation is \$435.0 million.

Approximately 1.4 percent of all expenditures are for natural resources, which includes the Department of Environmental Management, the State Water Resources Board and the Coastal Resources Management Council. The FY 2012 recommended budget for natural resources is \$104.0 million.



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General Government

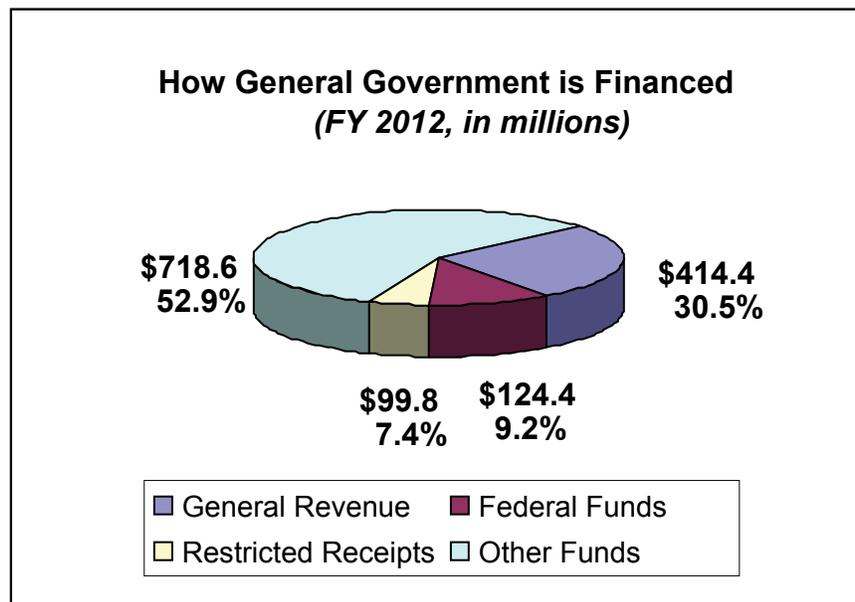
General Government

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 Revenue, the Department of Labor and Training, the Board of Elections and the Commission for Human Rights; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,480.3 FTE positions in the revised FY 2011 budget and 2,262.3 FTE positions in FY 2012 within general government agencies.

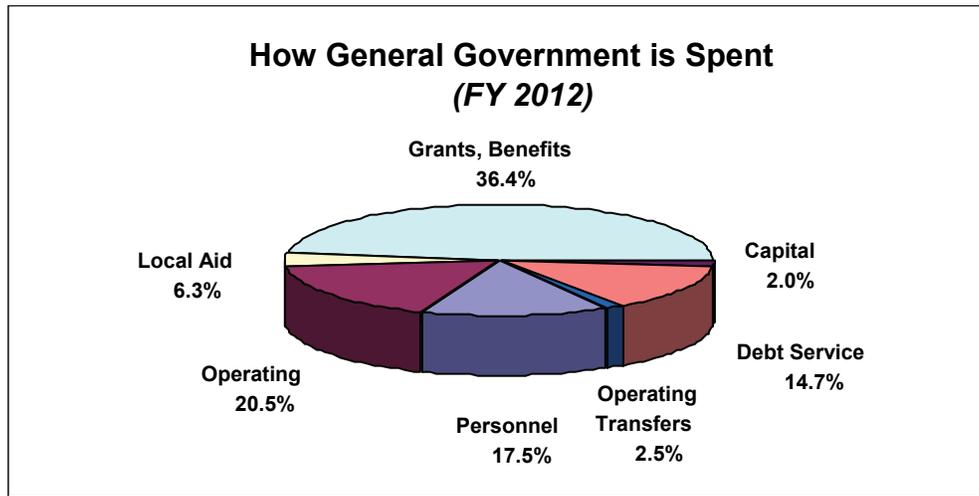
The FY 2011 revised budget for General Government agencies totals \$1.753 billion, including \$435.2 million in general revenue, \$262.0 million in federal funds, \$81.3 million in restricted receipts, and \$974.9 million in other funds. The revised budget from all fund sources for General Government agencies is \$72.1 million, or 4.3 percent, more than the FY 2011 enacted budget of \$1.681 billion. Of the \$1.753 billion recommended for FY 2011, \$907.7 million is for grants and benefits, \$277.8 million is for operating, \$241.8 million is for personnel, \$68.0 million is for local aid, \$192.5 million is for debt service, \$35.6 million is for capital, and \$30.1 million is for operating transfers.

For FY 2012, the Governor recommends expenditures of \$1.357 billion for General Government programs. The programs are financed with \$414.4 million of general revenues, \$124.4 million of federal funds, \$99.8 million of restricted receipts, and \$718.6 million of other funds. The FY 2012 recommendation for General Government agencies is \$324.2 million, or 19.3 percent, less than the FY 2011 enacted level.



Of the \$1.357 billion recommended for FY 2012, \$494.6 million is for grants and benefits, \$278.2 million is for operating, \$238.0 million is for personnel, \$85.9 million is for local aid, \$199.4 million is for debt service, \$27.7 million is for capital, and \$33.4 million is for operating transfers. The General Government function represents 17.7 percent of the total budget for Rhode Island.

General Government



General revenue financing for General Government agencies in FY 2012 decreases by \$20.2 million, or 4.6 percent, from the FY 2011 enacted appropriations. The decrease is primarily attributable to the Department of Administration, where the Governor recommends a decrease of \$74.0 million. Other notable decreases include \$2.0 million less in the Board of Elections, \$473,963 less for the Secretary of State, \$426,083 less for the Legislature, and \$414,085 less for the Governor's Office. Notable increases from the FY 2011 enacted budget recommended in FY 2012 are \$56.2 million more for the Department of Revenue and \$540,331 more for Business Regulations.

In FY 2012, federal funds recommended in General Government agencies decrease by \$141.3 million, or 53.2 percent, from the FY 2011 enacted level. The change is primarily attributable to the Department of Labor and Training, where the Governor recommends a decrease of \$132.6 million. The decrease is due to the expiration of enhanced and extended federal stimulus unemployment compensation. The Governor also recommends \$10.5 million less for the Department of Administration, which reflects the net changes of anticipated grant funding.

Recommended FY 2011 restricted receipts increase by \$22.1 million, or 28.5 percent from the FY 2011 enacted level, which includes increases of \$20.3 million for the Department of Revenue, and \$2.8 million for the Department of Administration, which were slightly offset by decreases of \$720,870 in the Governor's Office and \$424,784 for the Department of Labor and Training.

Other funds recommended in FY 2012 decrease by \$184.9 million, or 20.5 percent, from the FY 2011 enacted level. This change is largely due to decrease of \$205.0 million for the Department of Labor and Training and \$2.5 million for the Department of Administration. The decrease in the Department of Labor and Training is mostly due to the anticipated exhaustion of unemployment benefits by the unemployed currently drawing on the fund.

General Government

Department of Administration

The Governor's FY 2011 revised budget for the Department of Administration is \$524.8 million, including \$325.9 million in general revenue, \$103.6 million in federal funds, \$25.7 million in restricted receipts, and \$69.5 million in other funds. This recommendation is an increase of \$25.5 million from the FY 2011 enacted budget of \$499.3 million, and reflects an increase of \$1.9 million, or 0.6 percent, in general revenue expenditures, an increase of \$24.0 million, or 30.2 percent, in federal funds expenditures, an increase of \$8.5 million, or 49.9 percent, in restricted receipts, and an decrease of \$9.0 million, or 11.4 percent, of other funds.

The enacted FY 2011 revised budget included savings for pension changes to the state employee retirement system. Pension reform was enacted by the General Assembly and projected savings totaling \$8.2 million are included the Department of Administration budget for distribution to agencies as part of the supplemental budget process. Savings are projected at \$5.7 million in general revenue, \$1.3 million in federal funds, \$487,960 in restricted receipts and \$738,091 in other funds. These savings do not include those attributable to Teachers, which are budgeted under the Department of Elementary and Secondary Education.

The \$21.2 million decrease in general revenue appropriations includes a savings of \$22.0 million for the repayment of the Rhode Island Capital Plan Fund (RICAP). In FY 2009, the State accessed the Budget Stabilization Fund in order to fund the revenue deficit projected after the May 2009 Revenue Estimating Conference. The transfer to the General Fund was \$22.0 million. Once the Budget Stabilization Fund reaches 3.4% of total State resources, any additional funds are transferred to RICAP for capital projects. Thus, when any funds are withdrawn from the Budget Stabilization Fund, RICAP ends up receiving less revenue the following fiscal year. Under current law, any transfer from the Budget Stabilization Fund must be repaid to the RICAP fund in the year following the transfer. In the FY 2011 enacted budget, the General Assembly included \$22.0 million to repay the RICAP fund. The Governor recommends amending current law to allow this repayment of \$22.0 million to be delayed until after FY 2012.

The Governor's recommendation also includes a 50.0 percent increase in the \$10.4 million which was appropriated to distressed communities in the enacted budget. Under this proposal, an additional \$5.2 million will be distributed for a total of \$15.7 million in FY 2011. Currently, as a result of the indices established by Rhode Island General Laws 45-13-12, the following communities receive funds through the Distressed Communities Relief Fund: Burrillville, Central Falls, East Providence, North Providence, Pawtucket, Providence, West Warwick, and Woonsocket.

The Governor's recommendation also includes an appropriation to the City of Central Falls over two years, \$1.8 million in FY 2011 in the Department of Administration and \$4.9 million in FY 2012 in the Department of Revenue's State Aid program recommended to be moved in FY 2012. The City has been operating under the oversight of a State-appointed Receiver pursuant to An Act Relating to Cities and Towns – Providing Financial Stability, codified as Rhode Island General Laws § 45-9-1 et seq., since July 2010. In December 2010, the Receiver issued a report detailing the structural fiscal problems plaguing the City and outlining a variety of reform measures for consideration to restore the City to long-term fiscal stability. Since that time the City's FY 2010 audit has been completed, identifying an actual year-end deficit of \$2,377,596. The Receiver has identified \$623,000 in City assets which may be applied to reduce this deficit, leaving a balance of approximately \$1.8 million. In addition, the Receiver forecasts a deficit of approximately \$4.9 million for FY 2012 which must be resolved to avoid a liquidity crisis in early FY 2012. The City currently has severely limited access to financing and cannot otherwise raise the

General Government

revenues necessary in the short term to resolve these deficits. The \$6.7 million appropriation will eliminate these deficits and resolve the City's projected liquidity problems for FY 2012

Additional general revenue savings also includes a savings of \$2.6 million for the Historic Structures Tax Credits program due to the postponement of the issuance of new debt; a reduction of \$1.4 million for department-wide personnel savings achieved by maintaining vacant positions; a reduction of \$524,177 for utilities in the Facilities Management – Centralization account; a reduction of \$210,000 for the Property Revaluation Program due to a revised estimate for the FY 2011 revaluation cycle; a reduction of \$100,000 for expenses related to the transition of elected officials that were allocated to the Governor's Office, the Office of the General Treasurer, and the Office of the Attorney General; and the statewide reductions of \$303,877 in personnel, \$515,294 in operating, and \$3,925 in legal services. These savings are slightly offset by an additional \$13.3 million for Debt Service which includes an additional \$12.6 million for the Department of Transportation's debt service; an additional \$5.7 million to restore the general revenue portion to pension changes; an additional \$904,054 for Performance Based Debt; and an additional \$510,091 for the Tax Anticipation Notes due to an update on interest earnings.

The Governor's recommendation for federal funds totals \$103.6 million in FY 2011, which is an increase of \$24.0 million from the enacted FY 2011 budget of \$79.6 million. Major changes in federal funds include an additional \$9.4 million from the American Recovery and Reinvestment Act, an additional \$2.5 million for the Community Development Block Grants, an additional \$1.1 million for the Low Income Home Energy Assistance Program (LIHEAP) grant, an additional \$834,503 for the Application Development grant, an additional \$375,163 for the DOE/Weatherization grant, and an additional \$370,831 for the Library Services Technology grant that are partially offset by a reduction of \$2.1 million for the HHS/Weatherization grant and a reduction of \$109,872 for the Nlg Museum - Collecting to Collections grant. The additional American Recovery and Reinvestment Act stimulus funds include \$6.2 million in the State Energy Plan, \$1.8 million in the Energy and Conservation Block Grant, \$1.7 million for DOE –Weatherization, and \$333,316 in Community Development Block Grant (CDBG) program that are partially offset by a reduction of \$327,976 in the Homelessness Prevention Fund, a reduction of \$130,218 in the Energy Assurance Planning grant, a reduction of \$316,490 in the Information Technology grant.

The Governor's recommendation for restricted receipts totals \$25.7 million in FY 2011, which is an increase of \$8.5 million from the enacted FY 2011 budget of \$17.1 million. This increase is primarily due to an additional \$5.2 million for the Regional Greenhouse Gas Initiative program, \$1.3 million for the Debt Service Payments, \$1.6 million for the Demand Side Management grant program, and \$487,960 for the pension reform.

The Governor's recommendation for other funds totals \$69.5 million in FY 2011, which is a decrease of \$9.0 million from the enacted FY 2011 budget of \$78.5 million. The decrease is largely due to the reduction of \$13.4 million for the operating transfer for debt service related to the Department of Transportation that is slightly offset by a reduction of \$4.2 million in Rhode Island Capital Plan Fund (RICAP). The major changes in RICAP include an additional \$956,990 for the Veterans Memorial Auditorium project, an additional \$629,927 for the replacement of Fueling Tanks project, an additional \$550,000 for the Zambarano buildings project, an additional \$550,023 for the Cannon Building project, and an additional \$527,500 for the McCoy Stadium project.

The Governor recommends a total of 873.6 FTE positions for the Department of Administration in the FY 2011 revised budget, an increase of 2.0 FTE positions from the enacted authorization of 871.6 FTE positions.

General Government

The Governor's FY 2012 budget for the Department of Administration is \$415.0 million, including \$250.0 million in general revenue, \$69.1 million in federal funds, \$19.9 million in restricted receipts, and \$76.0 million in other funds. This recommendation is an decrease of \$84.3 million from the FY 2011 enacted budget of \$499.3 million, and reflects an decrease of \$74.0 million, or 22.8 percent, in general revenue expenditures, an decrease of \$10.5 million, or 13.2 percent, in federal funds expenditures, an increase of \$2.8 million, or 16.1 percent, in restricted receipts, and an decrease of \$2.5 million, or 3.2 percent, of other funds.

The \$74.0 million decrease in general revenue appropriations includes: a savings of \$22.0 million for the repayment delay of the Rhode Island Capital Plan Funds (RICAP); a savings of \$49.1 million due to the transfer of General State Aid to the Department of Revenue; and a savings of \$17.2 million due to the transfer of Security Services – Sheriffs to the Department of Public Safety. Additional general revenue savings also includes a savings of \$1.2 million for the Historic Structures Tax Credits program due to the postponement of the issuance of new debt and a savings of \$1.9 million in operating and supplies. These savings are slightly offset by an additional \$2.5 million for salaries and benefits and an additional \$1.3 for capital purchases.

The Governor's recommendation for federal funds totals \$69.1 million in FY 2012, which is an decrease of \$10.5 million from the enacted FY 2011 budget of \$79.6 million. Major changes in federal funds include a reduction of \$17.3 million from the American Recovery and Reinvestment Act and a reduction of \$1.3 million for the Low Income Home Energy Assistance Program (LIHEAP) grant that is partially offset by an additional \$3.6 million for the Community Development Block Grants, an additional \$1.5 million for the Application Development grant, an additional \$1.4 million for the HHS/Weatherization grant, and an additional \$1.3 million for pension reform. The reduction in American Recovery and Reinvestment Act stimulus funds include a reduction of \$8.6 million in the State Energy Plan, a reduction of \$4.5 million for DOE –Weatherization, a reduction of \$2.7 million in the Energy and Conservation Block Grant, a reduction of \$1.1 million in the Homelessness Prevention Fund, and a reduction of \$316,490 in the Information Technology grant that is slightly offset by an additional \$333,316 in Community Development Block Grant (CDBG) program.

The Governor's recommendation for restricted receipts totals \$19.9 million in FY 2012, which is an increase of \$2.8 million from the enacted FY 2011 budget of \$17.1 million. This increase is primarily due to an additional \$1.7 million for the Debt Service Payments, \$1.2 million for the Demand Side Management grant program, and \$487,960 for the pension reform that is partially offset by a reduction of \$904,386 for the Regional Greenhouse Gas Initiative program and a reduction of \$957,497 for Car Rental Tax and Surcharge.

The Governor's recommendation for other funds totals \$76.0 million in FY 2012, which is a decrease of \$2.5 million from the enacted FY 2011 budget of \$78.5 million. The decrease is largely due to the reduction of \$4.4 million in Rhode Island Capital Plan Fund (RICAP) that are slightly offset by an increase of \$1.7 million for the operating transfer for debt service related to the Department of Transportation. The major changes in RICAP include a reduction of \$3.9 million for the Information Operations Center project, a reduction of \$1.5 million for the Neighborhood Opportunities Program project, a reduction of \$1.1 million for the Veterans Auditorium project, and an increase of \$2.5 million for the RIFANS implementation project.

General Government

The Governor recommends a total of 693.6 FTE positions for the Department of Administration in the FY 2012 budget, a decrease of 178.0 FTE positions from the enacted authorization of 871.6 FTE positions. This reduction includes the transfer of Security Services – Sheriffs 180.0 FTE positions to the Department of Public Safety.

Department of Business Regulation

The Governor recommends a revised FY 2011 Budget of \$11.4 million, including \$8.9 million in general revenue, \$758,454 in federal funds, and \$1.7 million in restricted receipts. All funds increase \$517,358 from the enacted FY 2011 Budget. Most of this increase is in federal funds for three grants in Insurance and the Office of Health Insurance Commissioner. In general revenues, which fall \$236,692 from the enacted level, personnel costs decrease by \$221,966, contract services increase by \$31,973, and statewide adjustments in personnel, contract services, and operating are a net decrease of \$46,699.

For FY 2012, the Governor recommends \$12.9 million, including \$9.7 million in general revenue, \$1.5 million in federal funds, and \$1.7 million in restricted receipts. All funds increase by \$2.0 million, of which general revenues increase \$540,331, from the FY 2011 enacted level. Personnel costs increase by \$899,466, including a 3.0 percent cost of living adjustment, and a decrease of \$26,682 is in operating expenses. Statewide adjustments affect personnel expenses: a net decrease of \$335,026 is due to decreased medical insurance expense of \$48,962 and additional turnover of \$286,064, offset by a statewide increase for benefits of \$8,301, and a net decrease of \$5,726 for operating and contract services. Restricted receipts increase \$24,064 from the FY 2011 enacted level. Federal funds increase \$1.46 million for the continuation of the three federal grants.

As part of the FY 2012 Budget, the Governor recommends that the Office of Health Insurance Commissioner be split out as a separate program within the Department of Business Regulation. This program was formerly part of the Insurance Regulation program, but due to the independent nature of the Office, elevating it to an independent program is recommended.

The Governor recommends a total of 93.0 FTE positions in FY 2011 and FY 2012, an increase of 3.0 FTE positions for the federal grants from the enacted level.

Department of Labor and Training

The Governor recommends revised FY 2011 expenditures of \$864.0 million for the Department of Labor and Training, including \$7.0 million in general revenue, \$153.4 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$76.0 million and \$20.0 million in Stimulus – Federal Additional Compensation funds, \$18.0 million in restricted receipts, \$788,584 in Rhode Island Capital Plan Fund financing and \$685.5 million in other funds. The revised Budget reflects a total increase of \$30.4 million, including personnel reductions of \$3.6 million, reductions in contract services of \$1.3 million, reductions in operating of \$2.4 million, an increase in assistance and grants of \$23.2 million, an increase of \$1.3 million for capital purchases and an increase of \$10.5 million in operating transfers. The revised FY 2011 Budget includes general revenue savings of \$111,418, comprised of a \$62,973 increase in personnel, savings of \$62,413 in contracted professional services, savings of \$29,333 in operating expense, savings of \$101,982 in assistance and grants and an increase of \$19,337 in capital purchases. The revised FY 2011 Budget reflects an increase of \$1.1 million in contracted professional services for information technology expense. The revised Capital Budget includes \$970,891 for the purchase of computer equipment and \$857,309 for building renovations, improvements and repairs and \$788,584 for the replacement of the Center General Building roof.

General Government

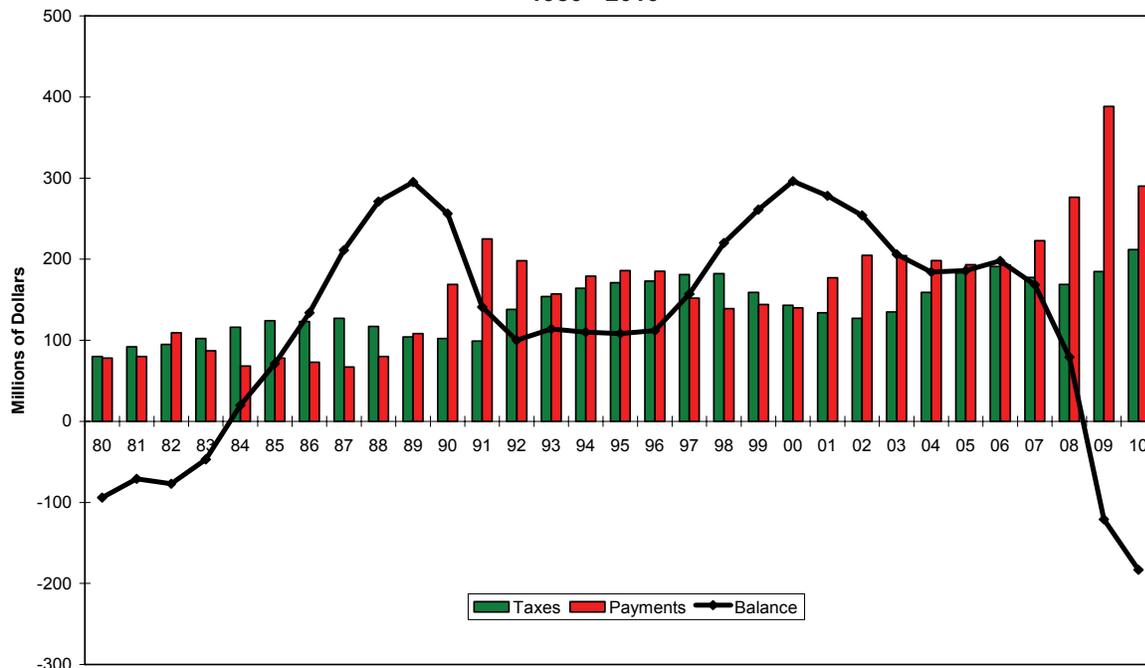
In assistance and grants, \$31.1 million has been made available for training grants from the American Recovery and Reinvestment Act of 2009 (ARRA) and includes carryover from 2010. ARRA funds are utilized for training grants and were also used to reopen the Wakefield netWORKri center in October of 2010, increasing access to employment and training services.

In January of 2011, \$1.9 million of Unemployment Compensation Modernization Incentive Payments were made available under Section 903(f) of the Federal Social Security Act. The additional financing was enacted for administration of the state's unemployment compensation law from January 1, 2011 through June 30, 2011. The Department of Labor and Training is using these funds to compensate 42.0 short term FTE's through the end of the fiscal year.

The Governor recommends 519.4 FTE positions in FY 2011, the same level as the enacted Budget.

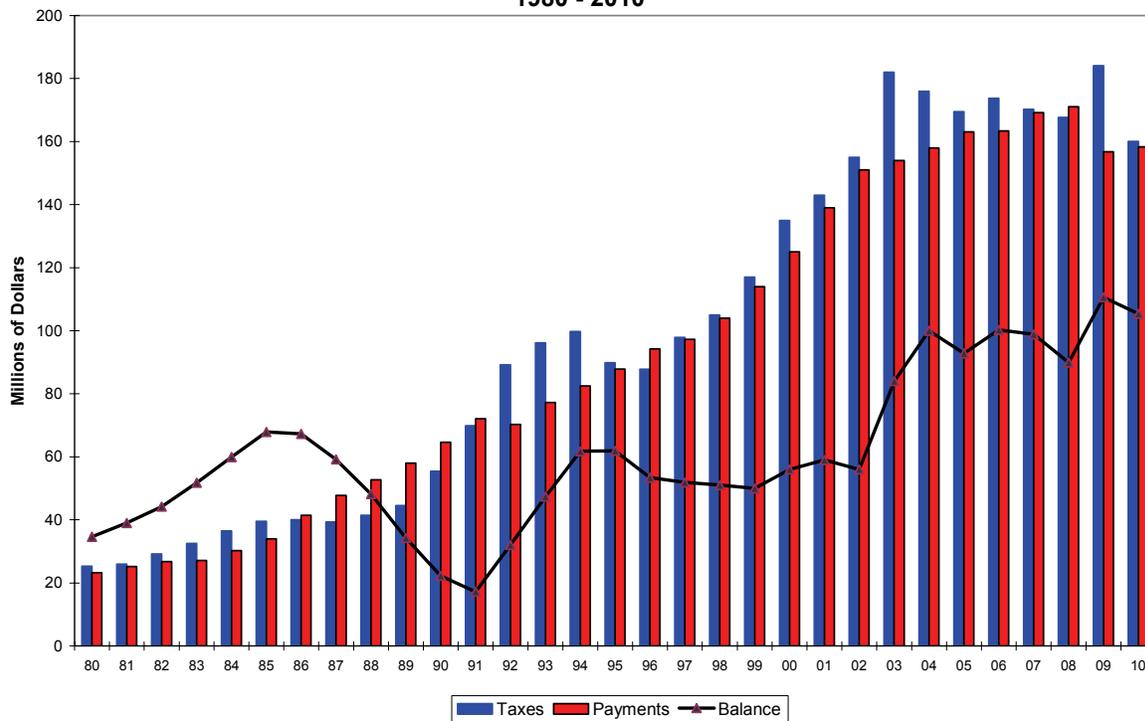
The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. It should be noted that Rhode Island's Employment Security Fund is in a declining condition due to the state's high unemployment rate. As of the end of calendar year 2010, the Employment Security Trust Fund and the TDI Trust Fund had negative balances of \$183.0 million and \$105.0 million, respectively. These balances represent Unemployment Insurance decreases of \$62.0 million (51.2 percent) and TDI decreases of \$6.0 million (5.4 percent) in 2010, respectively. Revised estimates indicate continued borrowing from the federal Department of Labor through December 31, 2011.

**Unemployment Insurance Fund Activity
1980 - 2010**



General Government

**Temporary Disability Insurance Fund Activity
1980 - 2010**



For FY 2012, the Governor recommends \$495.7 million for the Department of Labor and Training, including \$7.3 million in general revenue, \$49.3 million in federal funds, \$17.1 million in restricted receipts, \$208,500 in RICAP financing and \$421.8 million in other funds. This is a decrease of \$337.9 million from the FY 2011 enacted Budget, and includes \$145,923 more general revenue, \$132.6 million less federal funds, including reductions in Stimulus – Extended Unemployment Compensation funding of \$98.0 million and Stimulus – Federal Additional Compensation funding of \$30.0 million, \$424,784 million less restricted receipts, \$536,556 less capital expense funds and \$205.0 million less other funds.

The FY 2012 Budget reflects a personnel savings of \$4.1 million, increases in contract services of \$81,725, operating savings of \$2.3 million, assistance and grants savings of \$345.3 million, capital expense savings of \$632,249 and an increase of \$14.4 million for operating transfers. Personnel savings include a reduction of \$156,259 due to medical and retiree health rate changes and removal of 3.0 percent in additional statewide turnover. FY 2012 personnel expense reflects the absence of the 42.0 short terms FTE's, which were funded through the end of FY 2011, accounting for a large portion of the \$4.1 million decrease. In the consulting expense category, \$1.4 million will be utilized for information technology and \$1.5 million will be utilized for medical services. The increase in operating transfers includes \$10.0 million in additional financing, which will be utilized to pay interest on federal funds that have been borrowed to finance the state's Unemployment Insurance obligations. In capital expense, \$208,500 in RICAP funds have been allocated for asset protection and \$454,946 has been allocated for the purchase of computer equipment.

The Governor recommends a FY 2012 FTE authorization of 519.4 FTE positions for the Department of Labor and Training, the same as the revised FY 2011 level.

General Government

Department of Revenue

In the 2006 Session, the General Assembly created the new Department of Revenue, comprised primarily of programs transferred from the Department of Administration. These programs include the Office of Municipal Finance (formerly Property Valuation), the Division of Taxation, the Registry of Motor Vehicles, and the Lottery. Other programs created within this department include the Director of Revenue and the Office of Revenue Analysis.

The Governor recommends \$260.1 million in expenditures for the Department of Revenue in the FY 2011 revised budget, including \$36.1 million in general revenue, \$2.4 million in federal funds, \$2.0 million of restricted receipts, and \$219.6 million in other funds. This represents an all funds increase of \$23.8 million from the enacted FY 2011 budget. General revenue expenditures increase \$651,565, primarily due to the expenditures related to Central Fall Receivership totaling \$941,583, which were not included in the enacted budget. Personnel decreased \$212,667 to \$28.0 million, including a statewide adjustment for additional turnover of \$132,411. Personnel in FY 2011 included four pay reduction days for all state employees, a deferred COLA, and additional medical health reductions. Federal funds increase by \$202,047. Restricted receipts increase by \$1.1 million as a result of expenses of the RIMS computer project at the Division of Motor Vehicles paid with the technology charge at the DMV that were greater than originally enacted. Other funds increase by \$21.9 million, primarily due to an estimated increase in the Lottery collections, which translates into increased commission payments combined with new marketing expenses financed by the State at Twin River and Newport Grand. Offsetting the increase in other funds was a decrease in RICAP projects totaling \$922,743, a combination of reductions in the Forand Building project as the new main branch of the DMV opened in August 2010 and a small decrease in the Tax Data Warehouse project due to the expected timing of expenditures.

The Governor recommends \$335.9 million in expenditures from all funds for the Department of Revenue in FY 2012, including \$91.7 million in general revenue, \$2.6 million in federal funds, \$21.2 million of restricted receipts, and \$220.3 million in other funds. This represents an all funds increase of \$26.1 million from the enacted FY 2011 budget. The primary cause of the increase in all funds, general revenues, and restricted receipts in FY 2012 is the transfer of the State Aid accounts to the Department of Revenue from the Department of Administration.

General revenue expenditures increase \$54.3 million, with personnel expenditures decreasing by \$389,426 to \$29.7 million, including statewide adjustments. The statewide adjustments include reductions of \$21,024 for unachieved personnel savings, offset by a decrease of \$185,398 for an adjustment to health benefits, an increase of \$21,761 for retiree health benefits, offset by a decrease of \$918,889 for additional turnover. There were additional statewide savings for legal contract services totaling a decrease of \$83,774, and an operating reduction of \$64,321. Federal funds increase by \$346,289. Restricted receipts increase \$20.4 million, due to the transfer of the State Aid accounts including the MAST Fund restricted receipt account totaling \$19.3 million. This is a new program not included in the enacted budget. Other funds increase by \$22.3 million. This change is in part due to an estimated increase in Lottery collections, which have a corresponding impact on Lottery expenditures. The new marketing program financed by the State for Twin River and Newport Grand impacts the increase expenditures. Offsetting this increase is a decrease of \$2.8 million in the RICAP funds for the Forand Building which was completed in FY 2011.

Governor Chafee's proposed FY 2012 budget includes an appropriation to the City of Central Falls over two years, \$1.8 million in FY 2011 (budgeted in the Department of Administration) and \$4.9 million in

General Government

FY 2012. The City has been operating under the oversight of a State-appointed Receiver pursuant to An Act Relating to Cities and Towns – Providing Financial Stability, codified as Rhode Island General Laws § 45-9-1 et seq., since July 2010. In December 2010, the Receiver issued a report detailing the structural fiscal problems plaguing the City and outlining a variety of reform measures for consideration to restore the City to long-term fiscal stability. Since that time the City's FY 2010 audit has been completed, identifying an actual year-end deficit of \$2.4 Million. The Receiver has identified \$623,000 in City assets which may be applied to reduce this deficit, leaving a balance of approximately \$1.8 million. In addition, the Receiver forecasts a deficit of approximately \$4.9 million for FY 2012 which must be resolved to avoid a liquidity crisis in early FY 2012. The City currently has severely limited access to financing and cannot otherwise raise the revenues necessary in the short term to resolve these deficits. The \$6.7 million appropriation will eliminate these deficits and resolve the City's projected liquidity problems for FY 2012.

The Governor recommends 428.5 FTE positions in FY 2011 and FY 2012, an increase of 2.5 FTE positions from the enacted FY 2011 level. The increase reflects the assignment of two positions to Central Fall's Receivership, and 0.5 to increase a 0.5 Customer Service Representative positions at the DMV to a 1.0 FTE position.

Legislature

The Governor's revised FY 2011 Budget for the Legislature is \$38.5 million, including \$37.0 million in general revenue and \$1.6 million in restricted receipts. The recommendation includes a reduction of \$504,045 to general revenue appropriations and an increase of \$306 in restricted receipts from the FY 2011 enacted level. The general revenue recommendation does not include the reappropriation of \$3.4 million from FY 2010 to reflect the Legislature's budget request. Also reflecting the Legislature's budget request, the Governor's recommendation includes \$300,000 for the redistricting exercise based on the results of the 2010 Census, or \$1.2 million less than the FY 2011 enacted level, with a portion of the balance recommended for FY 2012. Other changes include addition of \$100,000 for the House Sound System Project and addition of \$600,000 in grants in the Joint Committee on Legislative Affairs account. Personnel financing totals \$31.9 million, or \$105,055 less than the FY 2011 enacted level. The personnel change is comprised of decrease of \$48,171 from legislators' salaries based on the calendar year 2009 Consumer Price Index of negative 0.05%, removal of \$52,533 from the actuarial based retiree health computation for the legislators, and removal of \$212,948 in general revenue from the Auditor General personnel budget based on current staffing levels and availability of financing from the 0.05% audit fee available to the program for personnel offsets. These reductions are offset by increase of \$78,313 in the House Fiscal Office, \$21,722 in Legislative Council, and \$200,041 more in the Joint Committee on Legislative Affairs to finance existing staff and associated benefits. The Governor's recommendation also removes an additional \$144,864 in personnel financing, or 0.5 percent as a statewide reduction. Operating expense is also reduced by 0.5 percent in FY 2011, or by \$11,864, reflecting the statewide operating expense reduction.

For FY 2012, the Governor recommends \$38.7 million, including \$37.0 million in general revenue and \$1.6 million in restricted receipts. The recommendation is a decrease of \$426,083 from enacted general revenue and an increase of \$74,191 in restricted receipts. The general revenue change is comprised of restoration of \$700,000 for the redistricting project, as the project is expected to span two fiscal years. Department-wide personnel growth is \$1.0 million, to accommodate step and longevity increases, the 3.0 percent cost of living adjustment and associated benefit adjustments. The salaries of legislators also increase by 3.0 percent though the calendar year 2010 Consumer Price Index will likely adjust these

General Government

salaries in the supplemental process. The retiree health calculation for legislators declines by 49.14 percent or \$866,620, from 95.49 percent of salaries to 46.35 percent of salaries due to actuarial recalculation based on the current retiree pool. The Governor's recommendation also removes \$631,559 in general revenue personnel and \$22,346 in operating expense as part of a statewide expense reduction.

The Governor recommends 298.5 FTE positions in FY 2011 and FY 2012, or 2.6 FTE greater than the enacted Budget authorization.

Office of the Lieutenant Governor

The Governor's revised FY 2011 budget for the Office of the Lieutenant Governor is \$889,100, financed by general revenue. This is \$35,379 less than the enacted Budget and includes a \$45,975 decrease in personnel financing to correspond to current requirements, a \$500 increase in contracted professional services, a \$9,096 increase in operating expense and a \$1,000 increase in capital expense. In the consultant category, an increase of \$500 will provide sign language translation services for the Executive Director of the Commission for the Deaf and Hard of Hearing as a member of the Rhode Island Emergency Management Advisory (RIEMA) committee. In the operating category, \$1,000 is provided for printed materials related to the promotion and administration of the Lt. Governors Buy Local RI initiative.

For FY 2012, the Governor recommends \$997,002 from general revenue. This is \$72,523 greater than the enacted Budget and includes increases of \$67,027 for personnel requirements, \$500 for contracted professional services, and \$6,746 for operating expense. These increases are partially offset by a reduction of \$1,750 for capital expense. Personnel costs include the following statewide adjustments: a \$752 increase in retiree health due to statewide rate changes and a statewide change in medical health benefits resulting in a decrease of \$4,359.

The Governor recommends 7.0 FTE positions in revised FY 2011 and 7.0 FTE positions in FY 2012, a reduction of 1.0 FTE from the enacted FY 2011 level.

Secretary of State

The Governor's revised FY 2011 Budget for the Secretary of State is \$8.2 million, including \$6.8 million in general revenue, \$127,092 in federal funds, \$459,436 in restricted receipts and \$822,941 in Record Center Funds. General revenue decreases by \$154,490 from the enacted budget, federal funds increase by \$27,092, restricted receipts decrease by \$35,131 and Record Center Funds increase by \$2,427. The decrease in general revenue is primarily due a \$103,945 reduction in personnel to correspond to current requirements. In federal funds, the recommendation includes an additional \$50,000 in capital expense financed by Help America Vote Act (HAVA) grants, contributing to the purchase of new servers for the Central Voter Registration System (CVRS). This increase is offset by a \$100,000 reduction in HAVA federal funds that were included in the enacted Budget for compliance with the federal Military and Overseas Voter Empowerment (MOVE) Act. The necessary steps for compliance were accomplished internally, resulting in a \$100,000 reduction from the enacted Budget. The Governor's revised Budget also includes an additional \$24,249 in HAVA federal funds in the Elections and Civics program's consultant and operating categories to finance mock elections to be held at various high schools. Record Center Funds, which total \$822,941, provide a centralized location for state records and archives financed by centralized billings of all the departments that utilize the service.

For FY 2012, the Governor recommends \$7.8 million, including \$6.4 million in general revenue,

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\$496,548 in restricted receipts, and \$866,270 in Record Center Funds. This recommendation reflects a \$473,963 reduction in general revenue, a \$1,981 increase in restricted receipts, and a \$40,902 increase in Record Center Funds. General revenue savings of \$571,574 from the enacted Budget are due to reduced operating expense for the Elections and Civics program, including \$515,000 reduction in outside printing expense and a \$60,000 reduction in postage and postal services expense due to FY 2012 not being a general election year. General revenue savings of \$250,000 are attributable to reduced IT system support in the Corporations program. The FY 2012 reduction also reflects \$100,000 less in HAVA federal funds obtained by achieving compliance with the MOVE Act internally. The FY 2012 Budget also reflects reductions of \$15,050 in outside printing expense which was utilized in FY 2011 for printing of the Government Owner's Manuals required per RIGL 22-3-12 which is not required for FY2012. Other decreases include a reduction of \$20,186 due to changes in medical and retiree health rates. These cost savings are mitigated by the expectation that the HAVA grant will no longer be available in FY 2012, which shifted costs to general revenue. A \$383,667 increase in personnel expense partially offsets general revenue cost savings.

The Governor recommends 57.0 FTE positions in FY 2011 and FY 2012, which is no change from the enacted authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2011 Budget of \$27.4 million for the Office of the General Treasurer, including \$2.3 million in general revenue, \$1.1 million in federal funds, \$23.8 million in restricted receipts, and \$227,153 in other funds. The revised Budget for all funds represents a decrease of \$5.7 million from the enacted level. Net changes to the enacted Budget consist of decrease of \$17,035 in general revenue, increase of \$7,428 in federal funds, and increase of \$8,238 in other funds. Restricted Receipts decrease by \$5.7 million, attributable to removal of \$4.5 million from the Employees' Retirement System of Rhode Island to correspond with financing requirements for a new membership system database in addition to removal of \$282,632 for constrained personnel and \$320,505 from consultant estimates. The Unclaimed Property transfer to the general fund surplus is reduced by \$682,247 to a total of \$5.3 million and claim payouts are reduced by \$83,091 to \$8.6 million, reflecting revenue and expenditure trend projections for the program.

The general revenue recommendation for FY 2011 includes removal of \$96,974 in turnover in the General Treasury, offset by addition of \$36,831 for transition expense associated with the November 2010 election and \$49,260 for lease and preliminary moving expense required by delay of the Office's move to 50 Service Avenue in Warwick. The general revenue personnel level also includes additional statewide turnover of one percent. Department-wide and across all funds, personnel financing decreases by \$399,405 from the enacted level, reflecting reduced requirements for part-year employees of the newly elected Treasurer and constrained hiring in all divisions.

For FY 2012, the Governor recommends total expenditures of \$32.7 million, which includes \$2.2 million from general revenue, \$1.1 million from federal funds, \$29.1 million from restricted receipts, and \$217,021 from other funds. Across all funds and department-wide, personnel financing totals \$8.3 million, or \$605,105 more than the FY 2011 enacted level. The increase is attributable to the 3.0 percent cost of living adjustment effective July 1, 2011, in addition to increased retirement contribution rates, increase to the health insurance premium, and increase to retiree health and medical rates. Reductions to personnel includes additional statewide turnover in the amount of two percent. Operating expense decreases by \$631,885 department-wide, mostly attributable to reduction of \$335,875 for the unclaimed

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property transfer based on revenue and expenditure trend projections for the program, offset by addition of \$144,178 for lease expense to accommodate delay in move of the office to its 50 Service Avenue location. A statewide reduction of 1.0 percent in operating expense totals \$3,425 for the Treasury in FY 2012.

In the Employees' Retirement System program, \$4.5 million is provided in the capital expense category, same as the FY 2011 enacted amount, for implementation of the new membership computer system. Consultant expense in the program is reduced by \$334,905 to a total of \$2.0 million, reflecting estimated legal services requirements for the administration and investment sections.

The Governor recommends an authorized FTE level of 82.0 positions in both FY 2011 and FY 2012.

Board of Elections

The Governor's revised FY 2011 Budget for the Board of Elections is \$3.2 million in general revenue. The recommendation is \$738,139 less than the enacted Budget. In the personnel category, there is a decrease of \$132,611 to correspond to current requirements. A \$300,000 reduction in assistance and grants expenses for public finance of elections is due to lower than anticipated candidate requests from the Matching Public Funds Program. A \$105,000 decrease in the consulting category is achieved by performing the audit of the Matching Public Funds Program for general office candidates in-house rather than hiring an external vendor. A decrease of \$3,000 in the consulting category is for environmental services not required since communities did not file for removal of asbestos cabinets in FY 2011. Notable savings in the operating category include \$76,000 from printing by outside vendors due to reduced need and reduction of \$11,000 in office supplies and equipment expense by bulk purchasing and reductions in purchasing. An additional \$12,000 is included in the FY 2011 revised Budget for additional supplies for the packaging of materials for the November 2010 election. Personnel is reduced by \$132,611 to correspond to current requirements.

For FY 2012, the Governor recommends \$1.9 million in general revenue, a \$2.0 million dollar reduction from the FY 2011 enacted Budget. Of the reduction, \$2.4 million is due to the costs associated with running the 2010 general elections. This reduction includes temporary staff, supplies, and general operating expenditures, as well as \$2.0 million for the Matching Public Funds Program available to general election candidates. The Board of Elections will achieve additional consultant savings by extending the service contract with Electronic Systems & Software for the AutoMark voting machines for \$350,000, rather than replacing the machines for \$1.2 million. The recommendation also includes \$81,000 for outside printing expense related to printing campaign finance, voter registration and election-related forms, manuals, and posters for the 2012 Presidential Preference Primary. These materials must be produced in both English and Spanish. A \$70,927 increase from the FY 2011 enacted Budget is required for personnel financing. Part of the increase in personnel financing is attributable to the Chief Auditor position which the Governor recommends to fill in FY 2012.

The Governor recommends 11.0 FTE positions in FY 2011 and 12.0 FTE positions in FY 2012, allowing the Chief Auditor position to be filled.

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Rhode Island Ethics Commission

The Governor recommends a revised FY 2011 Budget for the Rhode Island Ethics Commission of \$1.5 million, composed entirely of general revenue. This is \$27,790 less than the FY 2011 enacted level. The revised Budget reflects reductions of \$19,448 to bring personnel funding in line with current requirements. Operating expenses are reduced by \$9,667, attributable to reductions of \$1,800 for printing by outside vendors, \$1,500 for office supplies and equipment, and \$4,167 for other operating expenses. An increase of \$1,325 in the capital category will be utilized for the replacement of the main printer and aging staff computers.

For FY 2012, the Governor recommends \$1.6 million composed entirely of general revenue. This is \$77,349 greater than the enacted Budget and includes an increase of \$91,415 for personnel requirements representing a fully staffed office for the entire year, a reduction of \$13,891 for operating expense, and a decrease of \$175 for capital expenses. Changes in retiree health and medical insurance rates result in an increase of \$1,382 in the personnel category.

The Governor recommends the enacted level of 12.0 FTE positions in FY 2011 and FY 2012.

Office of the Governor

The Governor's revised FY 2011 Budget for the Office of the Governor is \$5.3 million, including \$4.4 million in general revenues, \$132,605 in federal funds and \$719,684 in restricted receipts. The recommendation is an all funds decrease of \$983,958, including \$337,701 less in general revenues, \$132,605 more in federal funds, and \$778,862 less in restricted receipts. The general revenue decrease is derived by adjusting staff expenses to conform to the new gubernatorial staff, whose members start at the lowest step of their paygrade without longevity, in addition to operational savings. The reductions are offset by addition of \$126,230 for transition expense for the newly elected Governor. The general revenue recommendation also includes \$250,000 for the Governor's Contingency Fund. The federal fund increase represents financing from the State Energy Office in the Department of Administration that supports staff in the Governor's office for associated work. The restricted receipt decrease reflects reduced staff levels in the Office of Economic Recovery and Reinvestment (OERR) which completed most of its work associated with administering and complying with the provisions of the American Recovery and Reinvestment Act (ARRA) in FY 2010, though ARRA funds continue to be appropriated in FY 2011 and FY 2012, thus requiring the continuance of the office. The restricted receipts are made available by a federal Office of Management and Budget memorandum 09-18 that allows up to 0.5 percent of stimulus funding to cover oversight expenses. Also in FY 2011 and reflected in the general revenue financing level, is removal of \$11,056 in personnel, and \$1,564 in operating expense, as part of the statewide reduction exercise.

The Governor's revised FY 2012 Budget for the Office of the Governor is \$5.2 million, including \$4.3 million from general revenue, \$139,898 from federal funds and \$777,676 in restricted receipts. The recommendation represents a decrease of \$414,085 to enacted general revenue and includes \$250,000 for the Governor's Contingency Fund. The federal recommendation again reflects energy related staff work financed by the State Energy Office. The restricted receipts will fund OERR. The recommended budget includes turnover savings for vacancies, and statewide benefit adjustments for the medical waiver, health insurance and retiree health. In addition, the financing level accommodates removal of \$117,339 in personnel and \$2,863 in operating expense as part of the statewide reduction exercise in FY 2012.

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The Governor recommends 45.0 FTE positions in FY 2011 and FY 2012, comprised of 39.0 for the Office of the Governor and 6.0 for OERR, same as the enacted levels for both offices.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2011 budget of \$1.4 million for the Rhode Island Commission for Human Rights, including \$1.2 million in general revenue and \$164,367 in federal funds. This is \$15,247 or 1.1 percent more than the FY 2011 enacted budget, consisting of \$207,569 more general revenues and \$192,322 less federal funds. The increase in general revenue and decrease in federal funds is due primarily to an operating (structural) deficit in federal funds arising from higher operating costs not matched by the revenues generated for cases co-filed with the US Equal Opportunity Commission and the US Department of Housing and Urban Development.

For FY 2012, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million in general revenue and \$301,552 in federal funds. Compared to the FY 2011 enacted budget, the FY 2012 recommended expenditures are \$83,903 more, consisting of \$139,060 more general revenues and \$55,157 less federal funds. The increase in general revenue is due to shift from federal funds of \$55,157 due to the operating (structural) deficit alluded to for FY 2011 revised operating activities and the balance of \$83,090 for current service cost adjustments related to personal services costs, which include a three percent salary cost of living adjustment, as well as revised working rates for medical and non-medical employee benefits.

The Governor recommends 14.5 FTE positions in the FY 2011 revised and FY 2011 budgets, the same level authorized in the FY 2011 appropriations act.

Public Utilities Commission

The Governor recommends revised FY 2011 total expenditures of \$7.7 million for the Public Utilities Commission, comprising of \$296,330 from federal funds and \$7.4 million from restricted receipts. This recommendation is \$11,636 less than the enacted appropriation and consists of \$11,636 less restricted receipts, all of which relates to less than anticipated operating supplies and expense.

For FY 2012, the Governor recommends total expenditures of \$8.1 million, consisting of \$309,373 from federal funds and \$7.8 million from restricted receipts. This reflects an increase of \$378,350 or 4.9 percent from the FY 2011 enacted budget and consists of \$13,043 more federal funds and \$365,307 more restricted receipts. The net increase in restricted receipts expenditures reflect current service adjustments for personal services costs, including a three percent salary cost of living adjustment and revised medical and non-medical working rates as provided and determined by the State Budget Office.

The Governor recommends 46.0 FTE positions in the FY 2011 revised and FY 2012 budget recommendations, the same as the enacted budget.

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Human Services

Human Services

Summary

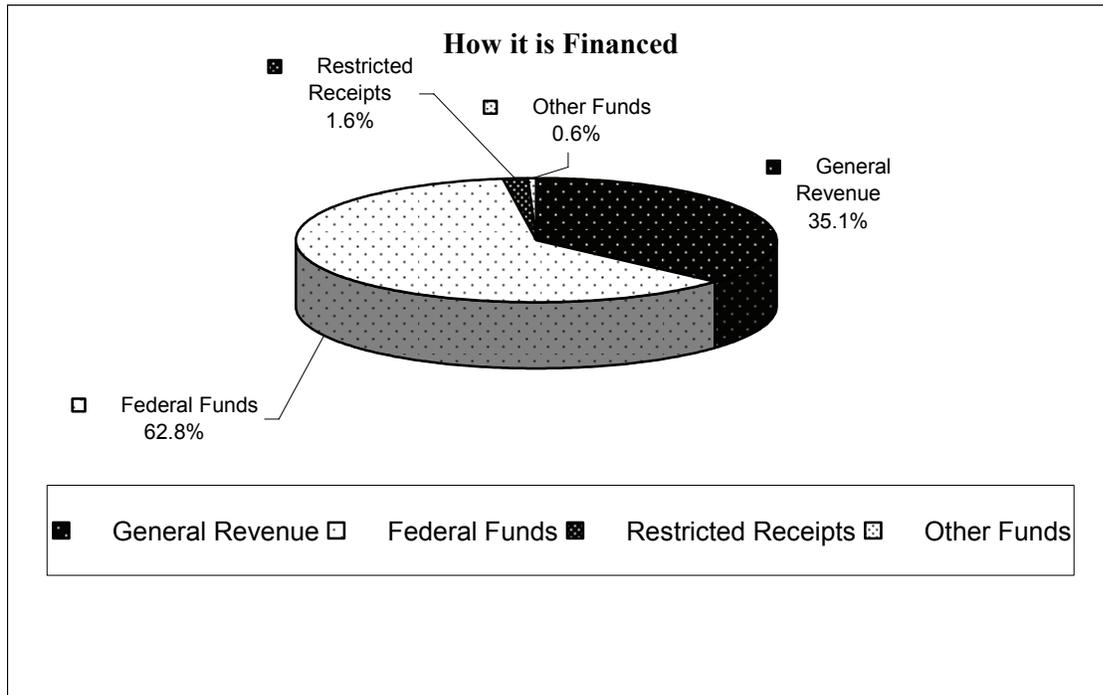
The Human Services function of state government engages in a broad spectrum of activities including, but not limited to, income supports, client subsidies, case management and residential supports, and medical regulation, prevention, treatment, and rehabilitation services.

For FY 2011, the Governor recommends a revised all funds budget of \$2.930 billion. Of this total, there is \$1.031 billion in general revenues, \$1.842 billion in federal funds, \$42.0 million in restricted receipts, and \$14.7 million in other funds. This reflects a reduction of \$798,043 in general revenues, an increase of \$90.5 million in federal funds, a decrease of \$151,566 in restricted receipts, and a decrease of \$3.0 million in other funds relative to the FY 2011 enacted budget. The Governor recommends 3,645.2 full-time equivalent positions in the FY 2011 revised budget, which is an increase of 84.6 FTE positions from the FY 2011 enacted budget. Total staffing authorizations recommended for FY 2012 are 3,651.7 FTE.

For FY 2012, 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 Executive Office and Health and Human Services, which oversees the Departments of Children, Youth, and Families; Elderly Affairs; Health; Human Services; Behavioral Healthcare, Developmental Disabilities, and Hospitals; and Veterans' Affairs. The Governor remains a stalwart advocate of building a sustainable safety net in Rhode Island, with adequate programs of medical and cash assistance for the most vulnerable populations of the State, such as low-income children, parents, pregnant women, frail elders, veterans, the medically needy, and those with physical and developmental disabilities. The Governor is further committed to preventing child abuse and neglect by intervening for and on behalf of abused and neglected children and youths and rehabilitating delinquent youth through education and training at DCYF. The dual role of advocacy and education continues to be provided by agencies including the Offices of the Child Advocate and Mental Health Advocate, the Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing.

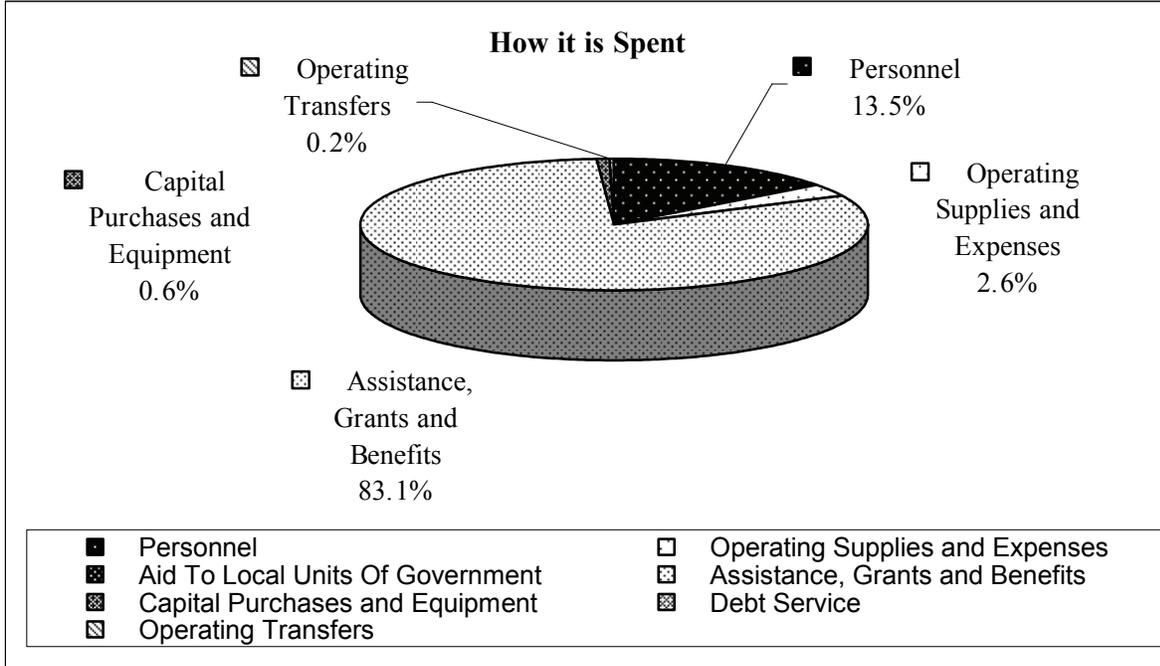
The Governor's proposed funding level of \$2.960 billion for FY 2012 protects services for the State's most vulnerable populations. This proposal consists of \$1.039 billion in general revenues, \$1.858 billion in federal funds, \$47.3 million in restricted receipts, and \$16.6 million in other funds. The FY 2012 recommendation constitutes 39.4 percent of the total proposed expenditures for the state. Social services block grants and federal financial participation for medical assistance programs constitute the primary sources of federal funding. The chart below displays funding by source for the Governor's FY 2012 recommendation for the human service agencies and departments.

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The Governor's FY 2012 recommendation includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, which includes purchased services, accounts for \$399.8 million, or 13.5 percent, of all expenditures programmed for human services. Other operating expenditures are recommended at \$77.0 million, or 2.6 percent, of proposed total human services expenditures, with capital purchases slated for \$19.0 million, or 0.6 percent. Grants and benefits expenditures of \$2.459 billion account for the largest outflow of identified resources, reflecting 83.1 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.

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Executive Office of Health and Human Services

The Governor recommends total expenditures of \$7.7 million for the revised FY 2011 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenues totaling \$3.5 million, federal funds of \$3.3 million, and restricted receipts of \$891,857. Relative to FY 2011 enacted levels, recommended general revenue financing increases by \$120,949, or 3.5 percent, while federal financing increases by \$435,483 million, or 15.2 percent. Restricted receipts, representing indirect cost recoveries on various federal grants supporting personnel expenditures, increase by \$17,844, or 2.0 percent. The increase in general revenues in the current year is largely driven by the addition of two key leadership positions in accordance with the priorities of the newly appointed Secretary of Health and Human Services: Deputy Secretary and Administrative and Legal Support Services Administrator. Collectively, these 2.0 FTE present a partial year cost of \$179,435, which is offset by downward adjustments of \$58,486 to the Office's base general revenue financing levels.

The Governor recommends total expenditures of \$16.8 million for the FY 2012 budget of the Executive Office of Health and Human Services. This is comprised of general revenues totaling \$9.6 million, federal funds of \$6.3 million, and restricted receipts of \$904,712. Relative to FY 2011 enacted levels, recommended general revenue financing increases by \$6.2 million, or 181.4 percent, while federal financing increases by \$3.4 million, or 117.5 percent. Restricted receipts increase by \$30,699, or 3.5 percent.

The significant increases to both general revenues and federal financing in FY 2012 are largely reflective of a major realignment of the personnel structure of EOHHS in relationship its subsidiary departments (the Departments of Human Services; Behavioral Healthcare, Developmental Disabilities, and Hospitals; Children, Youth and Families; Elderly Affairs; Health; and Veterans' Affairs). The key component of this effort is the transfer of 80.0 FTE forming the administrative and policymaking staff of the Medical Assistance (Medicaid) program from the Department of Human Services to the Executive Office in FY 2012. In keeping with the EOHHS organizational model set forth by the Secretary, this transition establishes EOHHS as the "Single State Agency" for Medicaid administration within Rhode Island. Also included is a net transfer-out of 6.6 FTE from the Executive Office to other departments under the EOHHS umbrella. These particular FTE are not explicitly affiliated with the administration of the Medical Assistance program, and were transferred in order to rationalize the final FY 2012 human services rosters in concert with actual job specifications. Taken together, these modifications account for \$6.1 million, or 99.1 percent, of the increase in general revenue financing recommended for the Executive Office in FY 2012.

The Governor recommends staffing authorizations of 77.6 FTE positions in FY 2011, an increase of 2.0 FTE from the enacted FTE ceiling for the aforementioned senior staff positions. For FY 2012, the Governor recommends staffing authorizations of 149.0 FTE, an increase of 73.4 FTE relative to the enacted level. This increase is comprised of (1) the transfer of 80.0 Medicaid FTE into EOHHS and (2) the net withdrawal of 6.6 other FTE (23.0 FTE transferred from and 29.6 FTE remanded to their originating departments) from the Executive Office, inclusive of the two senior management positions added in FY 2011.

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Department of Children, Youth and Families

The Governor recommends \$230.1 million in the revised FY 2011 Budget for the Department of Children, Youth and Families, including \$152.9 million in general revenue, \$72.8 million in federal funds, \$2.5 million in restricted receipts, and \$1.9 million in other funds. The Governor's revised Budget includes a net decrease of \$172,646 in general revenue expenditures, which represents a 0.1 percent decrease from the enacted budget.

The enacted FY 2011 budget for the Department of Children, Youth, and Families contained \$1.4 million in stimulus funds that had to be restored to general revenues due to a loss in American Recovery and Reinvestment Act funds (ARRA) funds from what was originally anticipated for the human service agencies in the enacted budget.

The Department continues to implement its System of Care Transformation, which restructures programs into a more community-based system of support. The goal of the restructuring is to deliver more children's services in home and community settings, giving the children, guardians, and community the benefit of inclusion in the rehabilitative process, and to allow the development of more natural supports.

Phase One of the implementation of these programs began in FY 2009 and is well under way. This Phase was the establishment of Family Care Community Partnerships (FCCP) for families with children and youths who are at risk for Department involvement due to abuse and neglect or serious emotional disturbance (SED) and youth who are returning to the community following a Rhode Island Training School sentence.

The Department made outstanding progress in reducing the lengths of stay in some residential programs and reducing the number of children in out-of-home care, which contributed to a general revenue savings of approximately \$2.1 million in FY 2011 by implementing a 90 day length of stay policy with the program's vendors.

Other major general revenue changes from the FY 2011 enacted budget include the following:

- an increase in turnover savings of \$3.2 million;
- an increase of \$1.0 million in overtime in the Juvenile Corrections and Child Welfare programs; and
- an increase of \$2.1 million in grants and benefits partially due to delay in the request for proposals for a vendor that would be responsible for building a comprehensive network of accessible formal and informal services and supports.

The Governor's recommendation includes a total of 691.0 FTE positions for FY 2011, which is consistent with the enacted level.

The Governor recommends total expenditures of \$210.9 million in FY 2012 for the Department of Children, Youth and Families. This is comprised of \$139.4 million in general revenue, \$62.9 million in federal funds, \$5.6 million in restricted receipts, and \$3.1 million in other funds. The recommended FY 2012 general revenue Budget decreases by \$13.6 million from the enacted FY 2011 Budget.

In FY 2012, the Governor recommends a shift of \$7.5 million to general revenues that had previously been ARRA financed expenditures and an additional \$3.8 million for base adjustments in the federal match and

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trend growth associated with Medicaid. The Department has been successful in offsetting this shift along with creating other significant savings by continuing to implement Phase Two of the system of care transformation. This phase includes the reprocurement of purchased services and practice improvements that reduce residential placement durations for a general revenue savings of \$9.4 million. Other practice improvement savings total \$3.0 million in general revenue and consist of establishing uniformity in adoption training, child placement agency rates, and residential rates; changes in investigative criteria; reductions in caseloads; and improvements to Juvenile Corrections clinical services and electronic monitoring program. The Department assumes a savings of \$1.1 million in general revenues through increasing the eligibility rates for social security claiming, costs not otherwise matchable (CNOM's), and Title IV-E funding.

Currently, Local Education Authorities are responsible for reimbursement of education expenses for children in purchase of service placements with on-site school programs. The Governor's recommendation includes a savings of \$2.1 million in general revenues by expanding that responsibility for all out-of-home juvenile justice placements, including the Rhode Island Training School, Camp E Hunttee, NAFI, ACE and Ocean Tides. In addition, there will be a revenue increase of \$169,000 for the institution of a Social Security Administrative fee and a \$100,000 fee for departmental clearances.

The Department estimates a general revenue savings of \$8.5 million prior to the system of care transformation related to out-of-home placement expenditures based on the utilization trends that it has experienced since FY 2008, the proposed changes to investigative criteria for removals, and imitating services to victims of maltreatment only. Included in the FY 2012 recommended Budget is \$1.5 million in contract reductions with outside vendors, to be absorbed by the overall network services.

The Governor recommends savings of \$1.6 million associated with the consolidation of the Training School operations. This initiative would consolidate the girl's unit into the Youth Development Center (YDC) on Power Road. To accomplish this, the boys would be housed in three of the four existing residential pods. The fourth pod would be used to house female residents.

General revenue reductions associated with the Rhode Island Global Consumer Choice Compact Demonstration Waiver for CNOM's financing are attributed to the diversion of residential services for at-risk youth into a more community-based approach. The department continues to achieve the programmed savings associated with this 2009 initiative in FY 2012.

Other major general revenue changes for FY 2012 from the FY 2011 enacted budget include the following:

- an increase in turnover savings of \$2.2 million; and
- an increase of \$1.1 million in overtime in the Juvenile Corrections and Child Welfare programs.

This recommendation includes a total of 662.5 FTE positions in FY 2012, which is 28.5 FTE less than the FY 2011 enacted and revised Budget recommendation. This includes an addition of 2.0 FTE related to the reorganization of the Executive Office of Health and Human Service agencies and an agency-wide reduction of 30.5 funded FTE associated with the initiatives above.

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Department of Elderly Affairs

The Governor recommends a revised budget for FY 2010 of \$32.2 million for the Department of Elderly Affairs, comprised of \$9.6 million from general revenues, \$21.8 million from federal funds and \$745,091 from restricted receipts. This revised level is \$5.5 million more than the enacted FY 2010 budget and consists of \$452,360 less general revenues, \$5.9 million more federal funds and \$69,160 more restricted receipts.

The decrease in general revenue expenditures compared to the FY 2011 authorized level is due primarily to the rebasing of Medicaid financing participation rates, which was on average 2.58675 percent less than the state FY 2011 enacted participation rate, which yields less general revenue commitment of \$527,671. For federal funds, the increase is due to additional federal commitment of 1) \$2.1 million for Special Programs for the Aging (Title III, Part B – Grants for Supportive Services and Senior Centers) and 2) \$2.0 million for Special Programs for the Aging (Title III, Part C – Nutrition Services---all of which were granted by the Administration on Aging (US Department of Health and Human Services).

For FY 2012, the Governor recommends expenditures of \$27.5 million, comprised of \$9.3 million from general revenues, \$17.8 million from federal funds and \$397,091 from restricted receipts. This proposed level of spending is \$4.7 million less than the level recommended in the Governor's revised FY 2011 budget and comprises \$328,648 less general revenues, \$4.1 million less federal funds and \$348,000 less restricted receipts. Compared to the FY 2011 authorized expenditure level, it is \$773,552 less and comprises \$781,008 less general revenues, \$1.8 million more federal funds and \$278,840 less restricted receipts. The net reduction in general revenue from the FY 2011 enacted level, reflected in the Governor's FY 2012 recommendation, consists of net cost savings of \$477,709 due to an advance drawdown, for cash flow purposes, of Title III funding, which permits the shift of administrative general revenue costs to this federal source coupled with the elimination/repeal of the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, which contributes a net cost savings of \$300,927.

Due to the implementation of the federal Patient Protection and Affordable Care Act (PPACA), the Governor proposes to discontinue the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program effective July 1, 2011. This is in consideration of one of the provisions of PPACA that became effective on September 23, 2010 and allowed for the payment of a \$250 rebate to individuals affected by the Medicare Part D coverage gap, 50% of which is expected to be eliminated in calendar year 2011 and by 2020, to be completely eliminated. The RIPAE program, since its inception a number of years ago, has provided a prescription drug benefit for over 18,000 Rhode Islanders 65 years old or older and recipients of Social Security Disability Income who are 55 years old or older.

For federal funds expenditures, the net increase is due to additional federal commitment of 1) \$1.5 million for Special Programs for the Aging (Title III, Part B – Grants for Supportive Services and Senior Centers), 2) \$210,858 for Special Programs for the Aging (Title III, Part C – Nutrition Services) and 3) \$185,636 for Special Programs for the Aging Title IV and Title II – Discretionary Projects)---all of which were granted by the Administration on Aging (US Department of Health and Human Services). For restricted receipts expenditures, the decrease, compared to the FY 2011 enacted level, is due to the elimination/repeal of the RIPAE program, which is financed in part by rebates from participating pharmaceutical concerns.

The Governor recommends an FTE positions ceiling of 31.0 FTE positions in the FY 2011 revised budget and 32.0 FTE positions in the FY 2012 budget. The net increase of 1.0 FTE position results from a staffing

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reorganization between the department and Executive Office of Health and Human Services which includes the transfer out of an Associate Director (Gr. 141) and transfers in of a Fiscal Management Officer (Gr. 326) and Chief, Program Development Officer (Gr. 134).

Department of Health

The Governor recommends total expenditures of \$156.9 million in the FY 2011 revised budget, including \$28.3 million from general revenue, \$102.6 million from federal funds, and \$25.9 million from restricted receipts and \$116,200 from other funds. This represents a net increase of \$40.7 million from FY 2011 enacted levels, including \$697,673 more general revenue, \$39.3 million more federal funds, \$786,731 more restricted receipts and \$63,641 less other funds.

The increase in general revenue expenditures from FY 2011 enacted level is due primarily to the purchase of additional formulary for participants in the AIDS Drug Assistance Program (ADAP) necessitated by increases in the costs of formulary and caseloads, the incremental benefit expenditure of which is \$562,196. On the other hand, the increase in federal funds expenditures over the levels authorized in the FY 2011 Budget Act is due to the following: 1) Public Health Emergency Preparedness funding of \$2.3 million from the Centers for Disease Control and Prevention (US Department of Health & Human Services) to support the National Response Plan and National Incident Management System; 2) National Bioterrorism and Hospital Preparedness funding from the Office of the Secretary of the US Department of Health & Human Services to have hospitals and other health care delivery systems ready for victims of terrorism and other public health emergencies; 3) restoration and transfer of the Special Supplemental Nutrition Program for Women, Infants and Children, which added \$19.5 million in additional administrative and benefits expenditures; 4) donated vaccines valued at \$10.1 million from the Centers for Disease Control and Prevention (US DHHS) under its Immunization Grants program to immunize individuals against vaccine-preventable diseases; and 5) additional funding of \$1.7 million from the Health Resources and Services Administration (US DHHS) under its Maternal and Child Health Service Block Grant to States program. Finally the increase in restricted receipts expenditures is due to additional financial resources derived from internal department assessments of federal grants it administers, which is expected to generate additional revenues and expenditures of \$410,031 in addition to \$177,141 in additional costs financed by unspent cash resources of \$385,818 from fee revenues generated from the regulation of radioactive materials.

For FY 2012, the Governor recommends total expenditures of \$151.4 million for the Department of Health. This includes \$26.7 million from general revenues, \$98.0 million from federal funds, \$26.7 million from restricted receipts and \$63,400 from other funds. This level of funding is \$35.3 million or 30.4 percent more than the level authorized in the FY 2011 enacted budget. This increased level of funding consists of \$876,659 less general revenues, \$34.7 million more federal funds, \$1.6 million more restricted receipts and \$116,441 less other funds. Compared to FY 2011 revised funding levels, the FY 2012 recommendation by the Governor from all sources is \$5.4 million less, consisting of \$1.6 million less general revenues, \$4.6 million less federal funds, \$801,055 more restricted receipts, and \$52,800 less other funds.

Compared to enacted FY 2011 budget, the decrease in general revenue expenditures is due primarily to a budget planning process initiated by the Executive Office of Health and Human Services, which recognized, after a month's long deliberation, the following cost savings measures within the Department of Health: 1) reduction in the scope of required examinations by the State Medical Examiner's program; 2) elimination of the Certificate of Need (CON) process; and 3) elimination of all state funds, except those required as state match, for predominantly federally funded programs. Combined, these initiatives are projected to save approximately \$3.2 million.

Human Services

The Governor also proposes to transfer the general revenue funding of \$775,000 for the Rhode Island State Crime Laboratory to Public Higher Education (University of Rhode Island) effective July 1, 2011.

General revenue cost savings are offset by additional outlay of \$1.2 million for the purchase of formulary benefiting the AIDS Drug Assistance Program due to anticipated price increases in its costs and program caseloads.

For federal funds expenditures, the increase over the levels authorized in the FY 2011 Budget Act is due primarily to the following additional funding: 1) National Bioterrorism and Hospital Preparedness of \$1.4 million expected from the Office of the Secretary of the US Department of Health & Human Services for hospitals and other health care delivery systems readiness for victims of terrorism and other public health emergencies; 2) restoration and transfer of the Special Supplemental Nutrition Program, which adds \$19.6 million in additional administrative and benefits expenditures; 3) anticipated continuation of donated vaccines valued at \$10.2 million from the Centers for Disease Control and Prevention (US DHHS) under its Immunization Grants program to immunize individuals against vaccine-preventable diseases; and 4) continuation of funding of \$1.3 million expected from the Health Resources and Services Administration (US DHHS) under its Maternal and Child Health Service Block Grant to States program.

For restricted receipts expenditures, the increase in the Governor's FY 2012 recommendation over the level authorized in the FY 2011 enacted budget consists of: 1) FTE positions program expansion in Central Management, netting a personal service cost increase of \$996,870, coupled with a similar increase in Environmental and Health Services Regulations of \$322,116 for the shift of two FTE positions from general revenue to restricted receipts (Managed Care Regulation) due to the elimination of activities and functions related to the certificate of need program. The increase in this source is also attributed to anticipated increased cost of \$244,203 related to the licensing and regulation of radioactive materials.

The Governor's revised FY 2011 full time equivalent (FTE) positions recommendation is 468.7 FTE positions or 58.0 full time equivalent (FTE) positions more than the ceiling authorized in the FY 2011 enacted budget. The majority of the financing for the related personal services costs attributed to this FTE positions program increase department-wide is financed from non-general sources, including federal ARRA and non-ARRA grants as well restricted receipts. For FY 2012, the Governor recommends 473.3 FTE positions or 62.6 FTE positions more than the original ceiling authorized for FY 2011 and 4.6 FTE positions more than the level recommended in the Governor's FY 2011 revised budget. FY 2012 increase over the FY 2011 revised ceiling of 4.6 FTE positions is due to staffing re-organization between the department and the Executive Office of Health & Human Services, which resulted to the transfer of 4.6 FTE financial and fiscal positions from the EOHHS.

Department of Human Services

The Governor recommends total expenditures of \$2.223 billion for the revised FY 2011 budget of the Department of Human Services (DHS). This is comprised of general revenues totaling \$736.6 million, federal funds of \$1.470 billion, restricted receipts of \$10.6 million, and other fund expenditures of \$5.0 million. Relative to FY 2011 enacted levels, recommended general revenue financing increases by \$21.2 million, or 3.0 percent, while federal financing decreases by \$85.8 million, or 5.5 percent. The additional general revenue in the revised budget is largely driven by a \$17.4 million increase in planned expenditures for the Medical Assistance (Medicaid) program, reflecting the combined result of estimates adopted at the November 2010 Caseload Estimating Conference (CEC) and certain initiatives set forth in the Department's FY 2011 constrained budget. Compounding the general revenue increase within

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Medical Assistance were upward revisions to the Supplemental Security Income program (\$1.3 million) and the Child Care Assistance Program (\$2.3 million), each reflecting the November 2010 Caseload Estimating Conference results.

With respect to Medicaid expenditures, the Governor recommends FY 2011 revised general revenue financing commensurate with the Federal Medical Assistance Percentage (FMAP), as enhanced by the provisions of the American Recovery and Reinvestment Act (ARRA) and Public Law 111-226 (*The Education Jobs and Medicaid Assistance Act*). These enhancements increase the prevailing FMAP from a base level of 52.89 (52.97) percent to an enhanced level of approximately 62.26 (59.52) percent in FY (FFY) 2011. Note that original FY 2011 appropriations for Medicaid were finalized prior to the passage of Public Law 111-226 (August 2010), which extended the ARRA-based FMAP enhancement to the final two quarters of the state fiscal year, but at lower rate than contemplated in the enacted budget. Although this discrepancy was rectified as part of the November CEC process, the correction accounts for the entirety of the increased FY 2011 general revenue requirement for the MA program. Within the FY 2011 revised budget, federal financial participation in Rhode Island's Medical Assistance program totals \$977.0 million, consisting of \$133.0 million in ARRA-enhanced FMAP funding.

The November 2010 Caseload Estimating Conference adopted an additional \$18.8 million in general revenues for the Medical Assistance program and \$3.6 million in additional financing for programs of cash assistance in FY 2011. Where applicable, the following expenditure changes to these programs are incremental to those adopted by the Conferees.

In light of the imminent loss of federal stimulus financing in FY 2012, and as part of a recent reassessment of the budgetary priorities of all departments under the auspices of the Executive Office of Health and Human Services, the Governor recommends multiple efforts toward retrenchment throughout the EOHHS spectrum. Due to its predominance in the Department's program budget structure, the majority of these initiatives in DHS concern the Medicaid program. For FY 2011, these include the following (with associated general revenue savings displayed):

- A reduction to non-emergency transportation rates, including the mileage rate paid for wheelchair vans from \$1.75 per mile to \$.51 per mile coupled with a new flat rate for non-wheelchair van transportation at \$22 per trip, with no additional mileage surcharge; (\$714,511).
- A partial replacement of financing provided under the CNOM (see below) for Early Intervention with IDEA Part C (100 percent) federal funds; (\$706,725).

In FY 2011, further adjustments to general revenues are witnessed throughout the Department's five administrative programs, yielding net additional general revenues of \$248,773. Salient among these is an increase of \$541,514 to finance the Department's assumption of administrative responsibility for the State Supplemental Payments (SSPs) to beneficiaries of the federal Supplemental Security Income (SSI) program, effective January 1, 2011. Specifically, these general revenues will support 4.0 additional FTE, up-front and recurring InRhodes system programming costs, transaction costs, banking costs, postage, and other miscellaneous operating expenses. Pursuant to Article 3 of the FY 2011 Appropriations Act, the Department now processes the disbursement of SSPs and has also assumed control of eligibility determination for the small subset of SSP recipients who receive no federal SSI payment. These functions were formerly provided by the U.S. Social Security Administration, which charged the State a monthly fee per transaction. Significant current year expenditure plan adjustments are also recommended for contracted services within the Division of Veteran's Affairs, primarily for nursing pool services (\$442,450), as well as in the Health Care Quality, Financing, and Purchasing Program (HCQFP) for

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technical support of the Medical Assistance program (\$167,160).

The Governor's FY 2011 revised budget for the Department maintains general revenue savings from Costs Not Otherwise Matchable, or "CNOM" items that were enacted as part of the original FY 2011 budget. These are formerly State-only programs that became eligible for federal financial participation under the provisions of the Global Consumer Choice Compact Section 1115 Demonstration (i.e. the "Global Waiver"). Note that a "CNOM" does not entail systemic savings, but rather a zero-sum shift of cost between sources of funding, resulting in general revenue cost-avoidance in the following CNOM areas: General Public Assistance (Medical), \$819,718; Early Intervention, \$1.3 million; Home Modification, \$105,770; Personal Care Attendants, \$187,797; Social Services for the Blind, \$146,129; the RIDE Transportation Program, \$196,601; and Community Health Centers, \$634,620. The Department will continue the operation of these "Costs Not Otherwise Matchable" initiatives in FY 2012.

The Governor recommends total expenditures of \$2.240 billion for the FY 2012 budget of the Department of Human Services. This is comprised of general revenues totaling \$864.1 million, federal funds of \$1.360 billion, restricted receipts of \$11.9 million, and other fund expenditures of \$4.5 million. Relative to FY 2011 enacted levels, recommended general revenue financing increases by \$148.8 million, or 20.8 percent, while federal financing decreases by \$196.7 million, or 12.6 percent. The significant general revenue increase in the FY 2012 budget is largely driven by a \$171.2 million increase in planned (general revenue) expenditures for the Medical Assistance (Medicaid) program, reflecting the combined result of estimates adopted at the November 2010 Caseload Estimating Conference (CEC) tempered by a slate of newly developed savings initiatives for FY 2012 (discussed below). It should be noted that the establishment of the Department of Veterans' Affairs as of July 1, 2011 entails the withdrawal of all FY 2012 financing for the DHS Division of Veterans' Affairs, thus suppressing the overall increase in general revenues by \$19.0 million.

Although the enhanced FMAP provisions of both the American Recovery and Reinvestment Act and Public Law 111-226 avail the Department of significant fiscal relief in FY 2011, these enhancements will expire on June 30, 2011. This gives rise to the so-called FY 2012 "FMAP cliff", requiring appropriations of state funds to replace federal stimulus funds that are no longer authorized in federal law. General revenues for the Medicaid program adopted at the November 2010 CEC, which incorporated the expiration of the ARRA-enhanced FMAP in FY 2012, were \$191.6 million above the FY 2011 enacted level. The magnitude of the "FMAP cliff" is starkly illustrated by the fact that all-funds Medicaid expenditures adopted at the November 2010 CEC were \$55.9 million above the FY 2011 enacted budget, less than a third of the general revenue increase. Commencing on July 1, 2011, the FMAP reverts to a base level of 52.97 for the first quarter of FY 2012, followed by a decrease to 52.12 on October 1, 2011 for the remainder of the fiscal year.

The November 2010 Caseload Estimating Conference adopted an additional \$191.6 million in general revenues for the Medical Assistance program and \$1.6 million in additional financing for programs of cash assistance in FY 2012. Where applicable, the following expenditure changes to these programs are incremental to those adopted by the Conferees.

As in prior years, the Department has identified multiple opportunities for reform within its Medicaid program, many of which will provide significant budgetary relief in FY 2012 and beyond. Again, these initiatives were formulated during an EOHHS-wide reappraisal of the budgetary priorities of all human services departments, and can generally be categorized either as systemic changes to models of service delivery or reformation of prevailing provider rate structures. Specifically, the Governor recommends

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that the Department, under the guidance of the Executive Office, pursue the following major savings initiatives within the DHS Medical Assistance program in FY 2012:

- Nursing Home Rate Reform, general revenue savings of \$6.1 million: Rhode Island's Medical Assistance program currently reimburses nursing homes through the principles of reimbursement payment methodology which is based on each nursing home's cost. Switching to a price-based methodology will allow the department to save in administrative rate-setting costs. The Department also seeks to reduce rates through a new payment methodology that reimburses nursing homes appropriately based on the needs of Medicaid beneficiaries.
- Outpatient Hospital Rate Reform for Medicaid Managed Care, general revenue savings of \$2.7 million: RIGL 40-8-13.4 currently freezes outpatient Medicaid managed care payment rates until December 31, 2011. This proposal would limit subsequent rate increases to no greater than the trend established by the Centers for Medicare and Medicaid Services (CMS) Outpatient Prospective Payment System (OPPS) input price index.
- Health Homes Phase I – CEDARR, general revenue savings of \$1.3 million: This initiative would allow Rhode Island to take advantage of a "Health Home" initiative offered under the Affordable Care Act and receive an enhanced (90 percent) FMAP rate for a set of services that are defined in the Act as a "Health Home". The department will implement the Health Home initiative in several phases, beginning in September 2011 with the population of children receiving services from CEDARR centers.
- Children's Health Account Enhancements, general revenue savings of \$4.2 million: The Governor recommends a \$4.2 million enhancement of the restricted revenues generated by Children's Health Account assessments. This will be achieved through both an increase in the maximum "per child per service" assessment level from \$6,000 to \$7,500 and an expansion of the definition of countable program spending. Children's Health Account receipts offset expenditures of general revenues on a dollar-for-dollar basis within the Medical Assistance program.
- Money Follows the Person Rebalancing Demonstration grants, general revenue savings of \$2.5 million: In February 2011, Rhode Island was approved to utilize new federal grant monies to balance long-term care systems and help Medicaid enrollees transition from a consecutive 90 day stay in a qualified institution to the community. Under this program, certain administrative costs are matched with 100 percent federal funds. Specified home and community-based services (HCBS) will receive a 76 percent federal match.
- Non-Emergency Transportation Rate Reform, general revenue savings of \$2.2 million: Commencing in FY 2011 (see above), the mileage rate paid for wheelchair vans will be reduced from \$1.75 per mile to \$.51 per mile coupled with a new flat rate for non-wheelchair van transportation at \$22 per trip, with no additional mileage surcharge.

The Governor's FY 2012 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows:

- Rhode Island Works (formerly the Family Independence Program) and Subsidized Child Care: Total Financing of \$89.4 million, consisting of \$10.6 million in general revenues, reflecting caseloads as adopted by the November 2010 Consensus Caseload Estimating Conference.

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- Supplemental Security Income Program (SSI): Total financing of \$18.9 million, consisting entirely of general revenues and reflecting caseloads as adopted by the November 2010 Consensus Caseload Estimating Conference.
- General Public Assistance (GPA): *Bridge Program*: \$838,680 in general revenues, consistent with adopted caseload levels. *Burials*: \$620,000 in general revenues, consistent with adopted caseload levels. *GPA Medical*: \$858,060 in general revenues, consistent with adopted caseload levels. *GPA Hardship Contingency Fund*: \$420,000 in general revenues, consistent with the FY 2012 Appropriations Act.

The Governor also recommends the Department maximize its usage of allowable federal administrative expenses under the TANF block grant. Accordingly, in FY 2012 a portion of the grant will be utilized to support an additional \$1.6 million in contracts and administrative expenditures for the Rhode Island Works Program. As a substitution of federal funds for general revenues, there is no impact on service levels due to this transfer.

As detailed in this section under the Executive Office of Health and Human Services (EOHHS), the Governor recommends a significant restructuring of personnel within the Division of Health Care Quality, Financing, and Purchasing (HCQFP). This Division is the administrative, contracting, and policymaking branch of the Department's Medical Assistance (Medicaid) program. In FY 2012, 81.0 FTE will be transferred from the HCQFP roster to that of the Executive Office, prompting the withdrawal of \$5.5 million in general revenues from the Division's budget. Other components of the Division remain financed at current service levels, but with an upward adjustment to contract services of \$0.8 million for the maintenance of the current Medicaid Management Information Systems (MMIS) "fiscal agent" contract and for MMIS system reprogramming activities during the phase-in of the new MMIS contract.

The Governor recommends staffing authorizations of 674.0 FTE positions in FY 2012, a decrease of 314.2 FTE compared to the FY 2011 revised level of 988.2. This decrease consists of three distinct components: (1) the removal of 4.0 FTE associated with the administration of the Jobs Now Rhode Island program, discontinued as of September, 2010; (2) the withdrawal of all 229.2 FTE within the Division of Veterans' Affairs; and (3) the transfer of 81.0 FTE from HCQFP to the Executive Office of Health and Human Services for administration and oversight of the Medical Assistance program.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Governor's revised FY 2011 budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals totals \$455.3 million, including \$170.9 million in general revenue, \$264.4 million in federal funds, \$8.0 million in restricted receipts, and \$11.9 million in other funds. On an all funds basis, the \$455.3 million revised budget is \$8.5 million more than the FY 2011 enacted budget of \$446.8 million, consisting of the following net changes: an increase of \$7.2 million in general revenue, increase of \$4.5 million in federal funds, decrease of \$594,762 million in other funds, and decrease of \$2.6 million in restricted receipts.

The enacted FY 2011 budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals contained \$7.5 million in stimulus funds that had to be restored to general revenues due to a loss in American Recovery and Reinvestment Act funds (ARRA) funds from what was originally anticipated for the human service agencies in the enacted budget.

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Department-wide, the Governor's recommendation includes an additional \$505,214 in general revenues from the enacted level for salaries and benefits due to the agency not achieving turnover rates as anticipated in the enacted budget. Overtime expenditures also increased \$3.2 million, mostly in the Hospital and Community Rehabilitation Services program, due to high vacancy rates in this program.

There is a decrease of \$1.6 million in operating costs at the hospitals, which is the result of savings initiatives implemented in pharmaceuticals and medical supplies.

For FY 2011, the Governor recommends an authorized FTE level of 1,372.2 FTE positions, which is consistent with the FY 2011 enacted budget.

The Governor's FY 2012 recommendation totals \$442.0 million, including \$190.5 million from general revenue, \$220.0 million from federal funds, \$8.0 million from restricted receipts, and \$23.4 million from other funds. The general revenue portion of the budget reflects an increase of \$26.8 million from the FY 2011 enacted budget.

There is a shift of \$41.4 million in FY 2012 from stimulus funds to general revenues and an increase of \$3.2 million related to base adjustments in the federal match and trend growth associated with Medicaid. This total increase to general revenue funds (including personnel adjustments) added to the FY 2011 enacted budget of \$163.7 million brings the current service level for FY 2012 for the Department to \$210.4 million. The Department has been successful in offsetting a portion of this shift to general revenue by implementing significant savings associated with program changes that are explained below.

The Governor's recommendation for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals for FY 2012 includes a savings of \$13.4 million in general revenue for Home Health funding. This initiative allows the Department to utilize an enhanced rate in federal funding for individuals who meet the Home Health criteria and receive services through a designated Home Health provider (eligible providers include mental health centers, physician and clinical practices; and other types of health organizations). Eligibility criteria for this program includes individuals who meet one of the following criteria: 1) have at least two chronic conditions; 2) have one chronic condition and are at risk for another; 3) or have one serious and persistent mental health condition.

Project Sustainability is the administration of a nationally recognized validated assessment tool, the Supports Intensity Scale (SIS), to the entire population of consumers served by the system. The development and implementation of a new rate and payment methodology applied to all service providers (and replacing the several different methods of payment and rate development currently in use) will increase transparency and consistency across the system.

The result of these changes will be a system that is more easily described and understood and a rational realignment of resources within the system, while maintaining the services and supports that consumers require, with application of consistent standards and payments across the system.

Throughout calendar year 2010, the Department of Behavioral Health, Developmental Disabilities, and Hospitals had worked with providers, families and advocates, and other state agencies to define and implement this assessment tool, services, and rates. It is anticipated that as the new assessment tool is implemented, assessment data will be compared to utilization data and resource allocations will be refined

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and rates will be adjusted as needed creating a general revenue savings of \$2.2 million in FY 2012.

The Governor recommends a reduction of \$1.5 million from general revenues for overtime expenditures at the Eleanor Slater Hospital. The Department plans to fill vacant positions at the funded level, which, in turn, will reduce the expenditures of paying individuals at overtime rates.

Other reductions recommended by the Governor in FY 2012 are listed below:

- a general revenue decrease of \$875,000 for FY 2012, which is related to the closure of six residences and the reduction of utilization of clinics and contract services in the RICLAS system;
- a reduction of \$50,000 for changes to behavioral health outpatient services and \$600,000 by increases to eligibility requirements in the CMAP program;
- a decrease of \$733,311 by reducing funding for adolescent residential substance abuse treatment and requiring that providers seek funding through third party payers; and
- a reduction of \$1.0 million by reducing financing for substance abuse treatment programs.

For FY 2012, the Governor recommends an authorized FTE level of 1,376.2 positions, which is 4.0 FTE more than the FY 2011 enacted and revised budgets. This increase is related to the reorganization of FTE within the Executive Office of Health and Human Service agencies.

Department of Veterans' Affairs

Chapter 233 of the Public Laws of 2009 set forth Chapter 152 of Title 42 of the General Laws, repealing the statutory authority for the DHS Division of Veterans' Affairs and establishing a new department of state government under the auspices of the Executive Office of Health and Human Services: the Department of Veterans' Affairs (DVA). All powers and duties with respect to the Division's operations were transferred from the Director of Human Services to the Director of Veterans' Affairs, who is to be an honorably discharged war veteran appointed by the Governor with the advise and consent of the Senate. The Director, in turn, will appoint administrators to both the Veterans' Home and the Veterans' Memorial Cemetery, both of whom shall also be honorably discharged veterans of the U.S. armed forces. Encompassing the Rhode Island Veterans' Home, the Office of Veterans' Affairs, and the Rhode Island Veterans' Memorial Cemetery, the Department of Veterans' Affairs provides social casework, nursing care, medical, and rehabilitative services to eligible veterans residing in Rhode Island.

The Governor recommends total expenditures of \$28.7 million for the FY 2012 budget of the Department of Veterans' Affairs. This is comprised of general revenues totaling \$19.0 million, federal funds of \$8.0 million, and restricted receipts of \$1.6 million. The basic premise of this recommendation is to accommodate the FY 2012 funding requirements of the three components of the former Division. However, FY 2012 financing levels for DVA also reflect two distinct programmatic changes that will alter both the personnel structure of the former Division as well as the operations of the Rhode Island Veterans' Home and the Office of Veterans' Affairs.

Specifically, the Governor recommends additional general revenues of \$482,642 for 5.0 new FTE to appropriately staff the new Department pursuant to RIGL 42-152: the Director of Veterans' Affairs plus four new positions designed to augment service capacity at the Office of Veterans' Affairs. Also recommended for FY 2012 is a dual initiative that will consolidate nursing operations at the Veterans'

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Home while concurrently planning for a 54-patient increase in the resident census. Commencing in early FY 2012, the Veterans' Home will consolidate from seven to five nursing units, yielding general revenue savings in both overtime expense (\$1.0 million) and pool nursing contracts (\$1.1 million). The second phase of this initiative, commencing in FY 2013, entails increasing the average monthly resident census to approximately 245 veterans through the elimination of the Veterans' Home admission waiting list. To adequately prepare to meet the nursing care requirements of these new residents, additional clinical staff (35.0 FTE) will be hired during the final four months of FY 2012 at a total cost of \$679,880. In FY 2013, expenditures incurred for heightened staffing levels at the Home will be partially offset by a greater leveraging of federal "per diem" reimbursements from the U.S. Veterans' Administration.

To further support the attendant costs of the Department's operations and capital improvement plan, the Governor recommends an increase to the monthly maintenance fee charged to residents of the Veterans' Home. Currently, residents are assessed 80 percent of net income, defined as gross income less: (1) applicable state and federal taxes, (2) a \$150 monthly disregard, (3) any amount received as compensation for certain war-related injuries, and (4) any support paid by the resident for permanently blind or totally disabled relatives. The Governor recommends maintaining the definition of net income as it exists in current statute (RIGL 30-24-10) and raising the rate of assessment from 80 percent to 100 percent of resident net income. Per current law, the disposition of additional revenues generated by this fee increase (approximately \$1.0 million in FY 2012) will be apportioned between State general revenues (80 percent) and the Veterans' Home restricted receipt account (20 percent).

The Governor recommends staffing authorizations of 268.2 FTE in FY 2012, inclusive of the 40.0 FTE expansion described above. One FTE position appearing on the FY 2011 revised roster of the former Division, Associate Director of Veterans' Affairs, is not recommended for FY 2012.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$818,629 for FY 2011 for the Commission on Disabilities. This consists of \$363,308 in general revenue, \$196,213 in federal funds, \$250,000 from the Rhode Island Capital Plan Fund, and \$9,108 in restricted receipts. The revised funding level is \$5,824 less than the FY 2011 enacted level, and consists of a general revenue decrease of \$3,921, a federal funds increase of \$2,615 and a restricted receipts decrease of \$4,518. The financing recommendation for the Rhode Island Capital Plan Fund is at the enacted level of \$250,000. Savings of \$3,502 in personnel is related to four pay reduction days. Reduction of \$7,671 is related to a shift from micro grants awarded to businesses, to creation of an on-line search engine that will assist disabled-owned businesses in improving their ability to win government contracts.

The Governor recommends total expenditures of \$829,892 in FY 2012, including \$388,786 in general revenue, \$181,842 in federal funds, \$9,264 in restricted receipts, and \$250,000 from the Rhode Island Capital Plan Fund. The recommended general revenue funding in FY 2012 is \$21,557 more than the FY 2011 enacted level. Personnel increases are the result of a 3.0 percent COLA adjustment effective June 19, 2011; medical benefits inflation; increase to the retirement contribution; and increase to the retiree health insurance rate.

The recommended FTE ceiling for FY 2011 and FY 2012 is 4.0 FTE positions, which is the same as the enacted level.

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Commission on the Deaf and Hard of Hearing

The Governor's revised FY 2011 budget for the Commission on the Deaf and Hard of Hearing is \$364,802, consisting solely of general revenues to finance the Commission's personnel, operating, and interpreter referral services. This represents an overall increase of \$1,978, or 0.55 percent, from the FY 2011 enacted budget. This revision is fully attributable to two distinct factors: (1) an upward adjustment of \$2,928 for personnel financing, reflecting updated salary/wage data and (2) a reduction of \$950 for operating expenses to comport with projected spending trends within this category.

For FY 2012, the Governor recommends \$387,985 in general revenues, which again provides the resources necessary to support the Commission's current operations. This represents an increase of \$25,161, or 6.93 percent, from the FY 2011 enacted level of \$362,824. This recommendation is consistent with that of the FY 2011 revised budget, but further includes statewide medical benefit savings (relative to original FY 2012 working rates) of \$2,289. A statewide increase in the retiree health rate, resulting from an updated actuarial valuation for OPEB, is likewise recognized in the amount of \$241. Staffing authorizations for the Commission remain unchanged at 3.0 FTE positions.

Office of the Mental Health Advocate

The Governor recommends revised FY 2011 general revenue expenditures of \$438,733 for the Office of the Mental Health Advocate, a decrease of \$2,217 from the enacted level of \$440,950. The decrease includes a reduction of \$373 in personnel expenses, \$450 in contracted professional services, and \$1,394 in operating expenditures.

The Governor recommends total FY 2012 general revenue expenditures of \$468,718, reflecting full funding for agency current services and an increase of \$27,768 over the enacted FY 2011 budget. The general revenue increase compared to the FY 2011 enacted budget includes \$27,045 in statewide adjustments and \$6,591 for other salary adjustments, which were slightly offset by reductions of \$2,700 in contract services and \$3,169 for operating expenditures.

The Governor recommends the enacted staffing authorization of 3.7 FTE positions for both FY 2011 and FY 2012.

Office of the Child Advocate

The Governor's revised FY 2011 budget for the Office of the Child Advocate is \$602,749, including \$556,047 in general revenue and \$46,702 in federal funds. The general revenue appropriation in the revised FY 2011 budget is \$12,225 more than the enacted budget of \$543,822. This increase includes an additional \$16,309 for personnel expenses, which were slightly offset by a decrease of \$4,084 in operating expenses.

For FY 2012, the Governor recommends total expenditures of \$652,432, including \$603,384 in general revenue and \$49,048 in federal funds. The general revenue increase of \$59,562 compared to the FY 2011 enacted budget includes additional personnel expenses related to a 3.0 percent cost of living increase and other benefit adjustments. Personnel increases were slightly offset by a reduction of \$4,084 in operating expenses.

The Governor recommends an authorized FTE level of 5.8 positions in FY 2011 and FY 2012, which is consistent with the FY 2011 enacted budget.

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Education

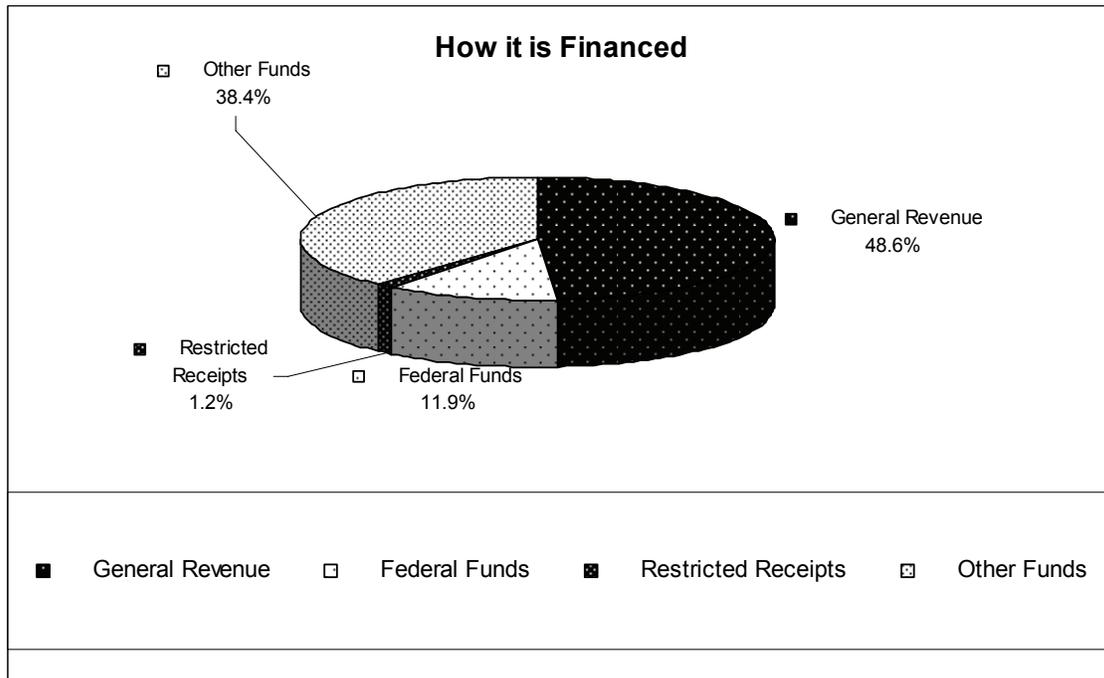
Education

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 3,871.9 FTE positions in FY 2011 and 3,889.4 FTE positions in FY 2012.

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, and 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.

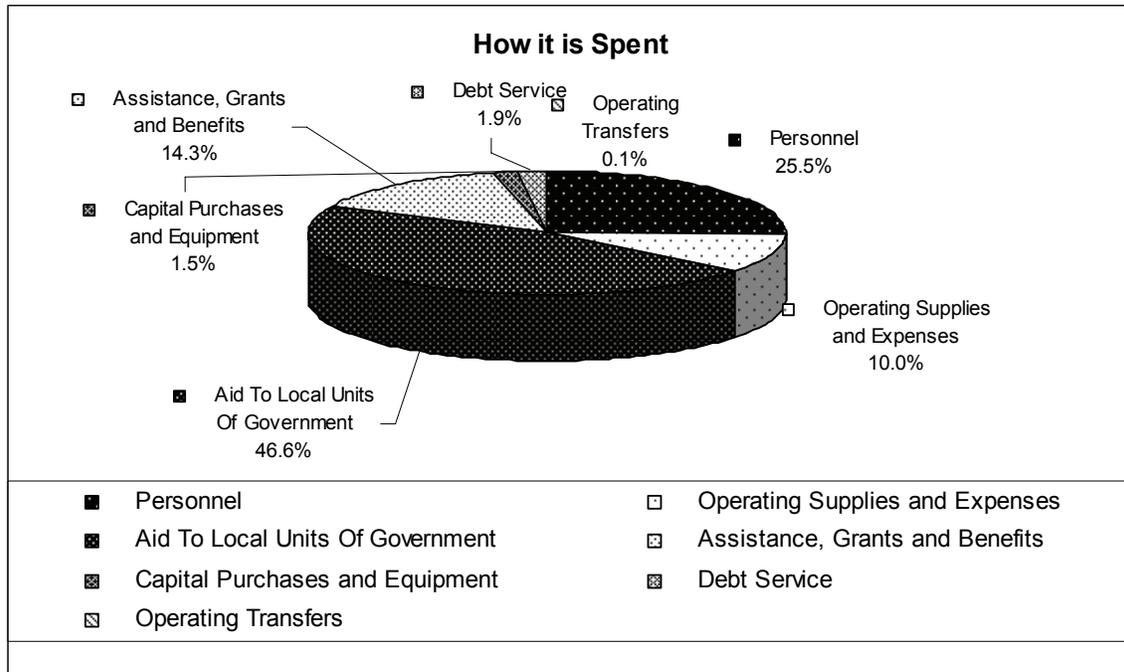
The FY 2011 revised recommendations for Education agencies total \$2.206 billion, or \$104.5 million more than enacted appropriations of \$2.101 billion. As compared to the enacted budget, general revenue decreases \$9.1 million, or .9 percent, federal funds increase \$107.7 million or 3.7 percent, restricted receipts decrease \$4.9 million or 19.4 percent, and other funds increase \$40.3 million, or 5.2 percent. American Recovery and Reinvestment Act of 2009 funding comprises \$134.5 million, or 38.7 percent of the federal funds.



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

Education

The Governor recommends total expenditures of \$2.17 billion for Education in FY 2012, including \$1.054 billion from general revenue, \$258.4 million from federal funds, \$25.5 million from restricted receipts, and \$832.6 million from other funds. American Recovery and Reinvestment Act of 2009 funding comprises \$45.3 million, or 17.5 percent of the federal funds.



The Governor’s general revenue recommendation of \$1.054 billion for Education for FY 2012 is an increase of \$22.4 million, or 2.2 percent from FY 2011 enacted levels.

Aid to Local Units of Government accounts for 46.6 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 35.5 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 17.9 percent of expenditures occur in grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$1.173 billion in revised expenditures from all funds for the Department of Elementary and Secondary Education for FY 2011, an increase of \$44.5 million from the enacted level of \$1.129 billion. Of this total, \$847.4 million is general revenue expenditures, \$299.4 million is federal grants, \$19.0 million is restricted receipt funds, \$7.1 million is Rhode Island Capital Plan Fund (RICAP) funding and \$288,624 is other funds expenditures. General revenue expenditures decrease by \$8.7 million, federal expenditures increase by \$59.4 million, restricted receipt expenditures decrease by \$4.9 million, RICAP funds decrease by \$1.3 million, and other funds expenditures decrease by \$95,000.

The Governor's revised FY 2011 Budget includes a variety of reductions to general revenues. The most significant general revenue declines in the FY 2011 revised Budget occur in two distinct aid programs. A mid-year adjustment to the School Housing Aid program reduces aid by \$2.8 million to \$68.0 million. This annual adjustment takes into account projects that were not completed in FY 2010 and therefore are not eligible for reimbursement in FY 2011. Further, the state contribution for teachers' retirement decreases by \$5.9 million from the enacted level, reflecting a lower base due to updated FY 2010 closing payroll data along with an estimated two percent growth rate in teacher payroll.

General revenue support for the Davies Career and Technical School decreased from the enacted level by \$2,080. General revenue support for the Rhode Island School for the Deaf decreases by \$118,345. General revenue support for the Metropolitan Career and Technical School and the Central Falls school district each remained at the enacted level of \$12.6 million and \$41.8 million, respectively. In education aid, general revenue increases by \$280,658 from the enacted level for mid-year adjustments to charter school funding, as well as an increase of \$30,000 in group home funding to reflect additional beds subject to reimbursement.

In the revised FY 2011 Budget, financing of the Administration of the Comprehensive Education Strategy (ACES) was reduced by \$846,409. This reduction reflects moving \$700,000 for a Pre-K demonstration project from ACES to Education Aid. Additionally, the ACES program reflects \$141,572 in personnel savings, \$24,000 of savings as the Department's insurance and annuity obligations for the former Commissioner have ended and \$200,000 in the Educator Quality program for services no longer needed while also shifting a Regents Fellow to a Title II grant. Offsetting some of this savings is an increase to the Rhode Island Vision Education and Services Program (RIVESP) of \$125,000. This program provides teaching and consultation services to children who are blind or visually impaired, their families and educational staff within the school environment.

FY 2011 is the third and final full year of Federal State Fiscal Stabilization Funds, as they will expire on September 30, 2012 per the American Recovery and Reinvestment Act (ARRA). In addition to the \$18.6 million originally enacted, an additional \$3.5 million in unspent funds has been added to the Governor's revised FY 2011 Budget and a total of \$729,663 has been shifted from the original FY 2011 enacted amount for LEAs to institutions of public higher education, pursuant to the updated calculation mandated in ARRA. Finally, \$4.6 million for potential carry-forward dollars were added in FY 2012.

The Governor's Budget also includes additional federal funding from a grant called Race to the Top. As a winner in the Race to the Top competition, Rhode Island has been awarded \$75.0 million that will be used over a four year period. As described by the Department of Elementary and Secondary Education, Rhode Island will use Race to the Top funding to realize a single

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powerful vision: an educational system that prepares all Rhode Island students for success in college, careers and life. Over the term of the grant, Rhode Island will realize this vision through five important support systems: Standards and Curriculum, Instructional Improvement Systems, Educator Effectiveness, Human Capital Development, and School Transformation & Innovation. The Governor's FY 2011 revised Budget allocates \$13.3 million while the FY 2012 Budget allocates \$22.3 million from this grant. Lastly, the Governor recommends an additional twenty-two (22.0) limited-term FTE positions to be financed under this grant within the ACES program.

For Fiscal Year 2012, the Governor recommends \$1.139 billion in expenditures from all funds for the Department of Elementary and Secondary Education. Of this total, \$869.0 million is from general revenue, \$238.1 million is from federal funds, \$24.0 million is restricted receipts, \$7.2 million is from the Rhode Island Capital Plan Funds, and \$183,624 is from other funds. This financing level represents an increase in general revenue expenditures of \$12.9 million from the enacted FY 2011 level, a decrease of \$1.8 million in federal expenditures, an increase of \$108,671 in restricted receipt expenditures, a decrease of \$1.2 million in RICAP funds, and a decrease of \$200,000 in other funds expenditures.

Funding for the Department's Administration of the Comprehensive Education Strategy (ACES) program decreases by \$264,131 in general revenue funding from the enacted FY 2011 level. For the state-supported schools, all of whom except for the School for the Deaf are subject to the funding formula, general revenue funding for the Davies Career & Technical School decreases by \$1.0 million from the FY 2011 enacted level. General revenue funding for the School for the Deaf decreases by \$75,523. General revenue funding for the Metropolitan Career & Technical School decreases by \$1.0 million. General revenue for the Central Falls school District decreases by \$3.3 million.

The Governor recommends an increase to the Education Aid program in FY 2012 to replace expiring State Fiscal Stabilization Funds, fund year one of the funding formula and to finance selected categorical funds. In order to maintain the commitment to the formula while also closing the deficit, the Governor recommends reducing general revenue aid by \$32.3 million, to be replaced by Education Jobs Fund money, and only funding the Transportation and Regional Bonus categorical funds, while delaying the other categorical funds by one year.

The State of Rhode Island has been awarded \$32.9 million in a federal Education Jobs Fund Bill to retain and rehire school-based personnel in local education agencies (LEAs). \$32.3 million or 98.0 percent of these funds will be distributed to LEAs based on their percentages of FY 2011 enacted state aid. The remaining two percent will be set aside for administrative costs and other fees associated with this grant. The money distributed to the LEAs can only be used for compensation costs for school-based personnel. By law, the funds must all be made available to LEAs immediately, who have full discretion as to when to use the funds. Therefore, \$27.0 million is reflected in the FY 2011 revised Budget with the remaining \$5.9 million allocated towards FY 2012 to reflect the LEAs ability to draw the funds in the current year if they choose. However, the Governor recommends reducing general revenue support to LEAs by \$32.3 million in FY 2012 and recommends that LEAs hold off using the \$32.3 million from this bill until FY 2012. As of this writing, only \$2.5 million of the \$32.3 million has been drawn down by LEAs, which suggests that most will be able to do just that. Those LEAs affected under the funding formula include local districts, charter schools, Davies, and the Met. Although the School for the Deaf is not part of the funding formula, it will also be receiving Education Jobs Fund money; therefore, the Governor recommends a matching reduction in general revenue aid.

Education

The Governor recommends \$82.7 million for funding of the Teachers' Retirement program, or an increase of \$7.1 million from the enacted FY 2011 Budget. The State of Rhode Island funds 40.0 percent of the employer's share of the necessary contribution to the Teacher Retirement System while the municipalities contribute the balance. The employer's share is determined annually, based on actuarial reports by the State Employees Retirement System and is applied to the covered payroll. The projected increase reflects a 2.0 percent growth in the teacher payroll base along with a rise in the state share from 7.76 percent in FY 2011 to 9.09 percent in FY 2012.

Housing Aid increases by \$1.7 million to account for projects that are expected to complete in FY 2011, and thus be subject to reimbursement in 2012. This increase also accounts for a rise in the minimum state share ratio. Beginning in Fiscal Year 2012, the minimum state share ratio will increase by 5.0 percent from the current minimum of 30.0 percent until a 40.0 percent state share ratio has been achieved.

For the entire Department, which includes the Davies Career & Technical School and the School for the Deaf, the Governor recommends staffing authorizations totaling 348.4 FTE positions in FY 2011 and FY 2012. The recommendation includes an additional twenty-two (22.0) FTE positions, which are limited-term positions in the ACES program to be funded with federal Race to the Top funding. Lastly, the Governor recommends one (1.0) additional FTE position to be financed in general revenue. The FTE position will be involved in the Uniform Chart of Accounts (UCOA) initiative.

Public Higher Education

The Governor recommends a revised FY 2011 Budget of \$996.1 million for Public Higher Education, including \$162.6 million in general revenue, \$32.7 million in federal funds, including American Recovery and Reinvestment Act of 2009 funding of \$28.1 million, \$775.8 million in other funds, \$930,000 in restricted receipts, and \$24.1 million from the Rhode Island Capital Plan Fund. General revenues decrease \$1.0 million from the enacted level, reflecting only savings for debt service adjustments. This level funded Governor recommendation maintains effort for a new federal College Access Challenge Grant of \$1.5 million over two fiscal years. The Governor recommends 4,217.1 FTE positions in FY 2011, an increase of 65.0 FTE positions at the Community College, including 3.0 FTE positions for workforce development coordination and 62.0 FTE positions for teaching and student support.

For FY 2012, the Governor recommends \$995.0 million for Public Higher Education, including \$173.4 million in general revenue, \$4.6 million in federal funds, \$805.6 million in other funds, \$941,338 in restricted receipts, and \$10.5 million from the Rhode Island Capital Plan Fund. General revenues increase \$9.8 million, or 7.3 percent from the FY 2011 enacted level. The Governor recommends a total of 4,234.6 FTE positions, an increase of 17.5 FTE positions for faculty at Rhode Island College. Debt service adjustments save \$744,223 and personnel adjustments, including a 3.0 percent cost of living adjustment, add \$3.3 million. The Governor's recommendations also include the transfer of \$775,000 for the Crime Laboratory from Department of Health.

In order to reverse the trend of reduced funding for Higher Education in recent years due to budget constraints, the Governor recommends an increase of \$10.0 million above the enacted FY 2011 level for the higher education system. This increase is slightly offset by statewide savings in health benefit rates and debt service on higher education bonds.

Education

The budget proposed by the Governor includes total tuition and fee revenue growth of \$11.5 million, including \$11.4 million at the University, \$320,600 less at the College, and \$704,567 less at the Community College. The original budget requested by the Board of Governors did not include an increase for undergraduate in-state or out-of-state tuition and fees for FY 2012, but based on the total state support recommended by the Governor, it is likely tuition increases will be required. Any such increases will be determined by the Board at a later date.

Pursuant to FY 2007 legislation, both the FY 2011 appropriation and FY 2012 recommended budgets include debt service appropriations within Public Higher Education that were formerly funded under the Department of Administration. In FY 2011, debt service is \$18.5 million, a decrease of \$1.0 million from enacted levels and in FY 2012, \$18.8 million is included, a decrease of \$744,223 from all sources.

The College Crusade of Rhode Island and other legislative grant awards both in FY 2011 and in FY 2012 are recommended at \$1.2 million.

Rhode Island Council on the Arts

The Governor's revised FY 2011 Budget for the Rhode Island Council on the Arts is \$3.1 million, including \$1.7 million in general revenue, \$950,969 in federal funds and \$435,000 in other funds. The recommendation includes an increase of \$18,940 from the enacted level for general revenue appropriations mostly attributable to an increase for personnel costs of \$15,287. This increase primarily reflects updated benefit costs, as well as a salary increase to a part-time Senior Systems Design Programmer in the Film Office from the enacted level.

The revised FY 2011 Budget also provides \$15,000 to fully fund the former Governor's official portrait, as required by law, which is an increase of \$7,500 from the enacted Budget. Originally, \$7,500 was to be encumbered in FY 2010 towards the portrait while the remaining \$7,500 would be encumbered in FY 2011. Due to a delay in the process of choosing an artist, no expenditures occurred in FY 2010. Therefore, the entire cost of the portrait of \$15,000 is reflected in the FY 2011 revised Budget.

For FY 2012, the Governor recommends \$3.0 million, including \$1.6 million in general revenue, \$973,064 in federal funds and \$435,000 in other funds. The general revenue decrease from the FY 2011 enacted level is \$49,236. The FY 2012 Budget includes a reduction of \$100,000 in discretionary grant financing. Partially offsetting this reduction is an increase in personnel costs of \$62,111, which includes the three percent cost of living adjustment of \$16,871.

The Governor recommends 8.6 FTE positions in FY 2011 and FY 2012, which is unchanged from the enacted FY 2011 level.

Rhode Island Atomic Energy Commission

The Governor's revised FY 2011 Budget for the Rhode Island Atomic Energy Commission is \$1.47 million, including \$861,031 in general revenue, \$314,1104 in federal funds, and \$297,047 in other funds. The recommendation includes a net decrease of \$14,750 to general revenue appropriations, reflecting personnel adjustment savings of \$6,812, operational savings of \$9,687, and an increase in contract services of \$1,749.

For FY 2012, the Governor recommends \$1.5 million, including \$879,592 in general revenue, \$324,104 in federal funds, and \$307,830 in other funds. The increase of \$3,811 in general

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revenue from the FY 2011 enacted Budget recognizes operational savings of \$50,535, reflecting current staff personnel costs, and increases of \$55,438, including a 3.0 percent cost of living adjustment of \$22,821, with net savings from the statewide health and retiree health adjustments of \$1,092. The Governor recommends 8.6 FTE positions in both FY 2011 and FY 2012.

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 a revised FY 2011 Budget of \$27.5 million, including \$7.3 million in general revenue, \$13.2 million in federal grants, and \$7.0 million in other funds. General revenues increase \$596,839 from the enacted level, reflecting reductions of \$9,523 for personnel adjustments and capital and an operating increase of \$26,362. State needs-based scholarships of \$5.9 million increase \$580,000 to \$6.5 million to provide federal maintenance of effort for a College Access Challenge Grant in the Office of Higher Education.

For FY 2012, the Governor recommends \$27.4 million, including \$6.2 million in general revenue, \$13.5 million in federal funds, and \$7.7 million in other funds. General revenues decrease \$560,243 from the FY 2011 enacted level. Personnel current services adjustments, including a 3.0 percent cost of living adjustment, result in a net increase of \$35,460. Statewide adjustments include savings from lower than anticipated health benefit costs, \$2,368; and a net increase of \$25,362 in operations. State needs-based scholarships of \$5.3 million decrease \$618,697 from the FY 2011 enacted level.

The Governor recommends 41.6 FTE positions in FY 2011 and in FY 2012.

Rhode Island Historical Preservation and Heritage Commission

The Governor recommends total expenditures of \$2.7 million for the revised FY 2011 Budget for the Rhode Island Historical Preservation and Heritage Commission. This consists of \$1.4 million in general revenue, \$841,508 in federal funds and \$475,552 in restricted receipts. The recommendation reflects a general revenue increase of \$53,802 from the enacted level. Additional personnel costs of \$44,892 and operating expenses of \$11,200 contribute to the majority of this general revenue increase. Maintenance to the Eisenhower House contributed an additional \$9,500 to the operating portion of the revised FY 2011 Budget. Lastly, the Commission achieved a small savings of \$2,290 within various sections of contracted services.

The Governor recommends total financing of \$2.8 million for FY 2012, including \$1.5 million in general revenue appropriations, \$846,195 in federal funds, and \$478,181 in restricted receipts. General revenue increases by \$152,924 from the enacted FY 2011 level. Additional costs in personnel, \$142,874 and operating costs of \$11,200 contribute towards this increase. The majority of additional operating costs are recommended to account for an increase in mileage for travel expenses as well as maintenance costs to the Eisenhower House. A small amount of general revenue savings is achieved within contract services to the amount of \$1,150.

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The Governor recommends 16.6 FTE positions in FY 2011 and FY 2012, which is unchanged from the enacted FY 2011 level.

Rhode Island Public Telecommunications Authority

The Governor recommends total expenditures of \$1.6 million for the revised FY 2011 Budget of the Public Telecommunications Authority. This consists of general revenue financing of \$979,325 and \$646,734 in grant financing from the Corporation for Public Broadcasting (CPB). The recommendation reflects a decrease of \$56,642 in general revenue appropriations from the enacted level. This reduction is primarily attributed to a decrease of \$55,942 in personnel costs, which include twelve (12) pay reduction days, agreed upon within the Authority's union contract. Additional savings contributed to a lag period in hiring a new President/CEO in FY 2011.

The Governor recommends total financing of \$1.8 million for FY 2012, including \$1.1 million in general revenue appropriations and \$683,212 from the Corporation for Public Broadcasting (CPB) grant. This represents an increase of \$61,993 in general revenue from the enacted FY 2011 Budget. The increase is due entirely to an increase in personnel costs of \$63,993. The FY 2012 recommendation also reflects savings in operating costs of \$2,000 compared to the enacted Budget.

The Governor recommends a staffing authorization level of 16.0 FTE positions in FY 2011 and FY 2012, which is unchanged from the enacted FY 2011 level.

Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The six agencies that expend 6.2 percent of the total FY 2012 state Budget from all sources of funds to provide public safety services to the state include: the Department of Corrections; the court system (Attorney General; the Judiciary; and the Office of the Public Defender); the homeland security system (Military Staff, including both the National Guard and the Emergency Management Agency); and the Department of Public Safety (State Police, Capitol Police, E-911, State Fire Marshal); the Rhode Island Justice Commission; and Municipal Police Training Academy. In the FY 2012 budget, the Governor recommends the transfer of the Sheriffs from the Department of Administration to the Department of Public Safety.

The FTE recommendation for the FY 2011 revised budget is 3,006.6 FTE positions, an increase of 6.1 FTE position from the enacted level, reflecting new firefighter positions in the Military Staff. The FTE recommendation for FY 2012 is 3,186.6 FTE positions, an increase of 186.1 FTE positions, reflecting both the firefighters and the transfer of 180.0 Sheriff positions.

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 40.2 percent of the total. Because the Adult Correctional Institutions, which includes eight secure facilities that operate twenty-four hours per day, the Department must provide continuous supervision of an annual average inmate population of 3,350. Additionally, the Community Corrections subprogram supervises 27,700 community-based offenders per year. The second largest share of the Public Safety budget is for the courts system, at 27.9 percent of the total. This includes 20.6 percent of expenditures for the Judiciary, supporting six courts statewide, and 7.3 percent for the Attorney General and the Office of Public Defender. The Department of Public Safety's share is 19.2 percent. The Military Staff comprises 12.7 percent of Public Safety expenditures.

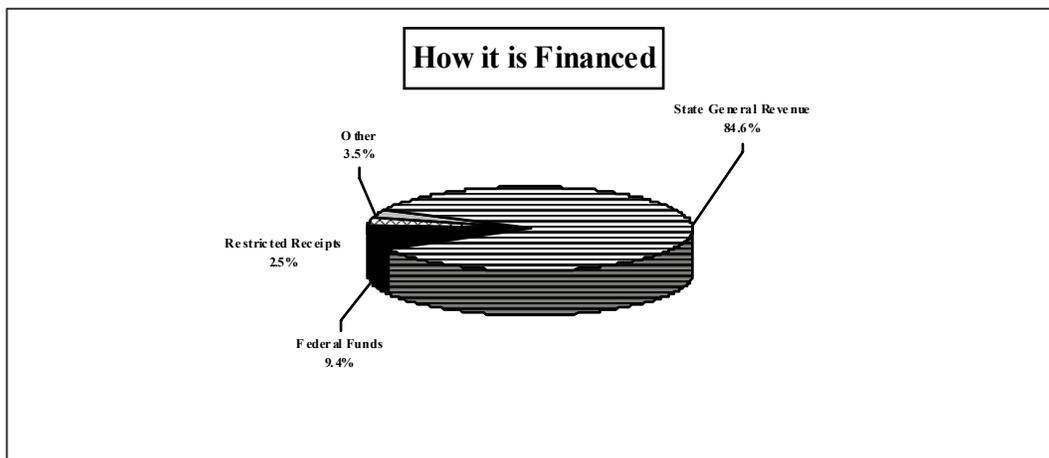
In the FY 2011 revised budget, the Governor recommends an all-funds budget of \$482.5 million for public safety programs. Of this amount, \$366.7 million is from general revenue, \$76.9 million is from federal funds, \$12.2 million is from restricted receipts, and \$26.8 million is from other funds. All-fund spending increases by \$50.7 million, as compared to the enacted budget. There is a \$3.8 million all-funds increase in personnel expenditures, a \$1.4 million increase in operating expenditures, a \$36.5 million increase for grants and benefits and an \$8.9 million increase for capital expenditures. Of this increase, the general revenue budget increases by only \$3.2 million from the FY 2011 enacted level, with the bulk of the increase (\$40.8 million) concentrated in federal grants. All funds funded personnel increases by \$3.8 million and reflects the statewide reductions in payroll costs and the adjustment for four pay reduction days. Operating expenditures increase by only \$1.4 million due to less than anticipated per diem expenditures for inmates (food, clothing, pharmaceuticals) resulting from the reduced inmate census of 3,350. Grant increases of \$36.5 million are concentrated in federal funds, where an increase of \$33.8 million reflects additional Emergency Management homeland security and related federal grants, as well as an estimated \$19.5 million in flood damage reimbursement funds from the Federal Emergency Management Agency for the March/April 2010 flood. The increase in capital funding reflects \$6.8 million in additional Rhode Island Capital Plan funding, primarily due to the carry over of unspent FY 2010 funding, for new and existing projects, the retrofit of the Reintegration Center to house female inmates and the Armory of Mounted Commands roof and HVAC project.

Public Safety

The Governor recommends a FY 2012 budget of \$475.4 million from all funds, a decrease from FY 2011 revised of \$7.1 million, but an increase of \$43.6 million from the FY 2011 enacted budget. Expenditures of \$402.2 million are recommended for general revenue, \$38.7 million, or 10.7 percent, more than enacted levels, \$16.7 million of which is in the Department of Public Safety due to the Sheriffs transfer. Federal funds of \$44.7 million increase by \$8.6 million. Decreases are recommended in restricted receipt expenditures (\$12.1 million, a \$483,000 decrease) and other funds (\$16.5 million, a \$3.2 million decrease), primarily in the Rhode Island Capital Plan Fund for Public Safety.

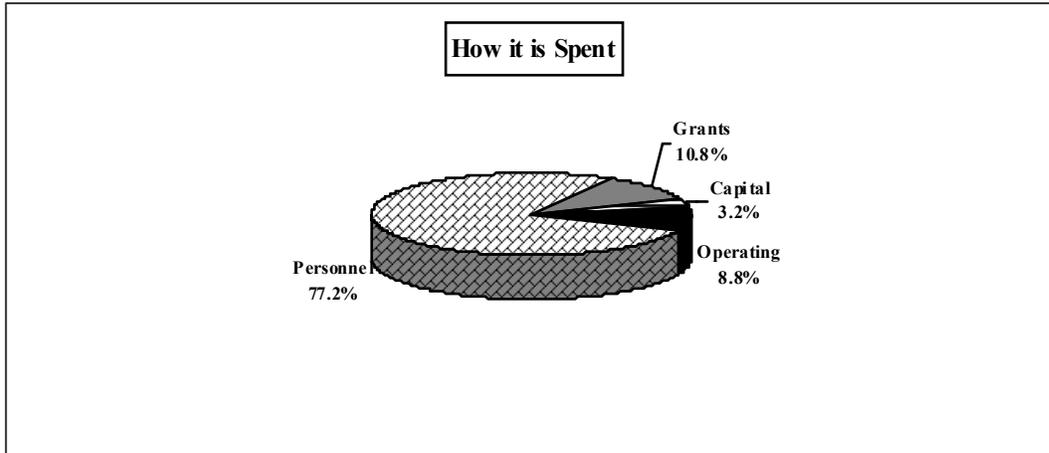
Categorically, the general revenue increase of \$38.7 million is primarily due to a \$33.3 million increase in personnel costs for salaries, benefits and contract services. The increase reflects provision for a 3.0 percent cost-of-living adjustment, as well as 180.0 Sheriff positions in Public Safety transferred from Administration. Other categories change relatively little: expenditures for grants and benefits increase by only \$3.1 million, while operating expenditures increase by \$3.3 million, and capital purchases and equipment expenditures are flat at \$958,127.

Funding for the Public Safety function is derived mainly from state sources. General Revenue comprises 84.6 percent and 3.5 percent is other funds (primarily from the Rhode Island Capital Plan Fund for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). Federal funds are 9.4 percent of the total, and include Emergency Management homeland security expenditures; FEMA flood reimbursements; National Guard Bureau funding; adult education, discharge and reentry services, incarceration of undocumented aliens at Corrections; and Child Support Enforcement in the Judiciary. Restricted receipts account for the remaining 2.5 percent, primarily in the Judiciary.



Public Safety

By category of expenditures, state operations, including personnel (77.2 percent, \$366.9 million) and other operating costs (8.8 percent, \$41.7 million), total \$408.6 million, or 86.0 percent of total expenditures, and are financed primarily from general revenues. Assistance, grants and benefits are \$51.3 million or 10.8 percent, and are financed from general revenue and federal funds. Capital improvement projects, \$15.4 million for 3.2 percent, include the Rhode Island Capital Plan Fund and federal funds.



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Attorney General

The Governor recommends revised FY 2011 appropriations totaling \$25.2 million for the Attorney General, including \$21.4 million from general revenue, \$2.0 million from federal funds, \$1.3 million from restricted receipts, and \$437,270 from the Rhode Island Capital Plan Fund. This is a general revenue increase of \$233,636 or 1.0 percent, from FY 2011 enacted levels. The increase is mostly due to \$500,000 for the National Association of Attorney General's Tobacco Litigation and \$44,788 for Transition Costs for the election in November of 2010. The general revenue increase is offset in part due to personnel savings of \$266,532.

For FY 2012, the Governor recommends total expenditures of \$25.3 million, including \$22.6 million from general revenue, \$1.4 million from federal funds, \$1.1 million from restricted receipts, and \$250,000 from the Rhode Island Capital Plan Fund. This includes a general revenue increase of \$1.4 million or 6.1 percent, from the FY 2011 enacted budget. This includes personnel increases for a 3.0 percent cost of living increase, medical benefits inflation, and retirement. In addition, an increase of \$370,000 from the FY 2011 enacted Budget for Tobacco Litigation contributed to the increase.

The Governor recommends 231.1 FTE positions in FY 2011 and FY 2012, which represents no change from the enacted FY 2011 level.

Department of Corrections

The Governor's revised FY 2011 budget for the Department of Corrections is \$194.0 million. This includes \$178.6 million in general revenue, \$3.7 million in federal funds, \$124,774 in restricted receipts, and \$11.6 million in other funds. The FY 2011 revised general revenue budget is \$232,164 more than the enacted level of \$178.3 million. In addition to current service adjustments, including additional turnover to reflect existing vacancies, the Governor recommends the following statewide adjustments: additional savings in medical benefit costs and savings of \$1.3 million (salary only) from four pay reduction days for non-union state employees and some unionized state employees with wage agreements. The Governor recommends the following adjustments to the enacted budget:

- **Correctional Officer Training:** the Governor recommends funding one class in FY 2011, starting in October 2010, with graduation in January 2011 of 17 correctional officers; \$462,886 in general revenue is included in the FY 2011 budget for this purpose.
- **Personnel Costs:** the Governor recommends \$155.4 million in FY 2011 to fund a total of 1,419.0 FTE, the same as the enacted level. Included in this budget is a March 10, 2010 arbitration award to correctional officer personnel. Provisions of this award include an 8.74 percent increase effective June 21, 2009; 3.0 percent COLA increases effective on both June 20, 2010 and June 19, 2011; pay reductions of one day in FY 2009, eight days in FY 2010, and four days in FY 2011; and changes in medical benefit co-shares and plan designs, reflecting a switch from percent of pay to percent of premium. These provisions (at an estimated cost of \$7.4 million) are included in the enacted budget. The Governor also recommends an additional \$3.3 million to fund an additional provision of the above-discussed arbitrator award: a further increase of 2.95 percent effective in both June 20, 2010 and June 19, 2011, reflecting parity with a prior year award to the Sheriffs.

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- **Inmate Population-Related Overtime Expenditures:** the Governor recommends \$21.5 million, an additional \$2.2 million from the enacted level, to finance supervisory overtime costs at the Department's eight inmate facilities. Savings projected in the enacted budget have not been achieved. Several housing units were not closed despite the success of the Earned Good Time initiative approved in the 2008 legislative session. This initiative was anticipated to reduce sentenced days for offenders maintaining good behavior and/or completing rehabilitation programs. Although inmate reductions are in part attributable to this initiative, it has been offset by increases in the awaiting trial population, as well as the continued need to staff common areas of each facility. The estimated inmate population in the FY 2011 revised budget is 3,350, a decrease of 102 from the enacted level of 3,452.
- **Inmate Population-Related Operating Expenditures:** as a result of the above referenced population reductions the Governor recommends \$12.7 million in funding for per diem operating expenses, including linens, inmate clothing, program supplies, janitorial supplies, food, pharmaceutical and medical supplies as well as medical services, a reduction of \$1.1 million from the enacted level. Reductions totaling \$1.2 million are concentrated in drugs and medical services, with a small increase in other operating expenses, primarily food.

For the FY 2012 budget, the Governor recommends \$199.0 million in total expenditures for the Department of Corrections. This consists of \$188.1 million in general revenue, \$2.9 million in federal funds, and \$7.9 million in other funds. The FY 2012 recommended general revenue budget increases by \$9.8 million from the FY 2011 enacted level and by \$9.6 million from FY 2011 revised budget recommendation. The budget includes major turnover adjustments, as well as total statewide benefit adjustments of \$9.0 million for a 3.0 percent COLA and the end of pay reductions, as well as adjustments for other benefit costs. The Governor recommends the following:

- **Inmate Population-Related Overtime Expenditures:** the Governor recommends \$21.9 million on overtime to finance supervisory costs at several housing units, an increase of \$700,000 from the enacted budget.
- **Inmate population** is estimated at 3,416, an increase of 66, or 2.0 percent from the enacted level. Per diem expenditures of \$13.1 million decrease by \$649,206 from the enacted budget, including a decrease of \$635,250 for medical supplies and pharmaceuticals, a decrease of \$385,631 for medical services, and an increase of \$371,675 in non-medical costs. The recommended budget increases by \$410,565 from the FY 2011 revised recommendation.
- **Correctional Officer Training:** the Governor recommends funding one class in FY 2012, starting in the fall of 2011, with graduation in January 2011.
- **Weapons Requalification:** in FY 2012 the Governor recommends \$824,383, (\$463,562 in FY 2011) in overtime, military supplies, mileage, and firing range facility rental costs to initiate the weapons requalification process for over 1,000 correctional officers. The process will start in the spring and continue into the summer of FY 2013.

Public Safety

- RIBCO Wage Base Adjustments: the Governor recommends continued inclusion of the \$7.4 million to finance estimated salary and benefit wage base adjustments for arbitration awarded RIBCO contract awards, as well as the additional \$3.5 million for the 2.95 percent parity increase referenced above. .

Federal funds of \$3.7 million in FY 2011 and \$2.9 million in FY 2012 will finance core personnel through the State Criminal Alien Assistance program (\$1.0 million), as well as adult inmate education, AIDS counseling, sex offender assessment, supervision and treatment and reentry services. In addition, the Department has been awarded a total of \$588,620 in FY 2011 and \$408,000 in FY 2012 in federal stimulus grants from the American Recovery and Reinvestment Act (ARRA). These grants are for programs in inmate education, inmate family reunification, inmate transition through access to employment, and the Adult Drug Court.

In order to provide necessary repairs and renovations to the Department's aging facilities, the Governor recommends \$11.6 million in FY 2011 revised and \$7.9 million in FY 2012 from the Rhode Island Capital Plan Fund. Project funding includes a total of \$6.7 million for both years for various asset protection projects, \$427,267 million for roof and infrastructure improvements to the Bernadette Guay Building, and \$6.6 million in renovation costs to enable the transfer of women inmates from their current facilities to the now vacant Reintegration Center. This is in addition to the \$1.4 million provided in FY 2011 in general revenue for ongoing facility maintenance.

The Governor's recommended budget includes funding for internal service funds accounts that include the following: the Central Distribution Center, which is responsible for the centralized purchase of food staples and other supplies for distribution to other state agencies and Correctional Industries, which employs inmates to manufacture products and provide services to state and other agencies. The total funding (to be paid by state agencies users of the internal service funds' services) is \$13.9 million in FY 2011 and \$14.1 million in FY 2012 and includes funding for 30.0 FTE's

The FY 2011 and FY 2012 FTE level for the Department remains the same as the enacted level of 1,419.0.

Judiciary

The Governor's revised FY 2011 Budget for the Judiciary is \$99.2 million, including \$84.4 million in general revenue, \$3.9 million in federal funds, \$10.0 million in restricted receipts, and \$850,787 in other funds. In relation to the FY 2011 enacted budget, the recommendation is a decrease of \$182,827 in general revenue, an increase of \$1.6 million in federal funds, an increase of \$390,576 in restricted receipts, and an increase of \$787 in other funds. The financing supports the six courts that comprise the Judiciary: The Supreme Court; the Superior Court; Family Court; District Court, Workers' Compensation Court; the Traffic Tribunal, and in addition, the Judicial Tenure and Discipline program.

Salary, wages and benefits total \$73.1 million in FY 2011, comprised of \$63.3 million in general revenues, \$2.1 million in federal funds and \$7.6 million in restricted receipts. The retiree health calculation for judges totals \$800,710, reflecting full actuarial-based financing for retired judges' health care expense. One half of one percent in additional turnover, totaling \$309,924 is also removed from Judiciary's general revenue appropriation for personnel. Consultant services, including information technology support, stenographic services, interpreters, and legal services totals \$3.0 million in FY 2011. Operating expense is \$10.4 million, including \$9.8 million in general revenue, for building maintenance

Public Safety

and repairs, janitorial expense, office supplies and equipment, outside printing costs, telephone, software maintenance and utility costs for the several buildings and court complexes operated by the Judiciary. The general revenue appropriation for operating expense is \$1.1 million less than the enacted level and incorporates 0.5 percent statewide reduction, totaling \$49,177 for the Judiciary.

Grants total \$10.8 million in FY 2011, or \$386,969 more than the all funds enacted level and is comprised of \$9.4 million in general revenue, \$194,251 in federal funds, and \$1.2 million in restricted receipts. Of this amount, \$6.3 million is for judicial pensions, comprised of \$5.5 million in general revenue and \$841,557 for retired judges in the workers' compensation court financed with restricted receipts. Defense of indigents is financed in the amount of \$3.4 million in FY 2011. Legislative grants are provided in the amount of \$378,250, and other grants total \$500,944. Capital financing is provided for the Judiciary in the total amount of \$1.9 million including \$585,389 in general revenue, \$275,800 in federal funds, \$199,715 in restricted receipts and \$850,787 in Rhode Island Capital Plan funds. Capital financing is provided for building renovations, computer equipment, software and licensing, and capital lease on the Judiciary's copy machines.

In FY 2011, the Judiciary was successful in implementing an acceptable cost allocation plan for the Child Support Enforcement Unit within the Family Court and will develop rates for subsequent fiscal years. The pre-2009 cost recovery plan contributed reimbursements to the general fund in the amount of \$5.3 million in FY 2011. The Judiciary has \$245,000 available in the current year for administrative offsets, if required.

For FY 2012, the Governor recommends \$102.7 million, including \$88.1 million in general revenue, \$3.3 million in federal funds, \$10.2 million for restricted receipts, and \$1.1 million in Rhode Island Capital Plan financing for the Judiciary. The recommendation represents a general revenue increase of \$3.5 million from the FY 2011 enacted Budget. Salary and benefits total \$76.2 million, comprised of \$66.1 million in general revenue, \$2.2 million in federal funds and \$8.0 million in restricted receipts. Across all funds, personnel increases by \$3.5 million, attributable to the 3 percent cost of living adjustment effective July 1, 2011, provision of financing for several new judges and support personnel, and statewide growth in the health care premium. Of the total amount provided for personnel, \$1.0 million is attributable to retiree health care expense, estimated to be 7.2 percent of salaries in FY 2012. The personnel financing level for the Judiciary also reflects removal of 2.0 percent of general revenue financed salaries and benefits totaling \$1.3 million, as part of the statewide application of turnover.

In FY 2012, consultants total \$2.6 million, or \$525,023 less than the FY 2011 enacted amount of \$3.1 million. Operating expense is \$11.0 million or \$1.3 million greater than the FY 2011 enacted level attributable to the Courts Technology Project, which is in the process of being implemented as its development, financed with Certificates of Participation, reaches completion. Grants total \$11.1 million, including \$3.5 million for defense of indigents, \$378,250 in legislative grants and \$508,294 in other grants. Pensions for judges appropriated in the Judiciary total \$6.7 million in FY 2012 comprised of \$5.8 million in general revenue with the balanced financed by restricted receipts. Capital expense is \$1.7 million, comprised of \$1.1 million in Rhode Island Capital Plan funds and \$553,389 in general revenue for continued renovations and repair of the Court's facilities and equipment. The Governor's recommendation for operating expense also reflects removal of \$104,482, or 1.0 percent, as part of the statewide reduction to operating codes.

The Governor recommends 723.3 FTE positions in FY 2011 and FY 2012, the same as the FY 2011 enacted Budget.

Public Safety

Military Staff

The mission of the Military Staff and its two programs, the National Guard and the Emergency Management Agency, is to prepare for mobilization and deployment of armed forces in conditions of war or other national emergency, and to maintain public safety as directed by the Governor in cases of man-made or natural disaster. The Governor's revised FY 2011 budget for the Military Staff is \$61.5 million, including \$4.2 million general revenues, \$54.8 million in federal funds, \$2.2 million in other funds, and \$376,782 in restricted receipts. The FY 2011 revised general revenue budget is \$1.4 million more than the enacted budget. There are increases of \$32.6 million in federal funds and decreases of \$465,693 in restricted receipts. There is a \$1.3 million increase in funding for Rhode Island Capital Plan Fund projects. The recommendation includes savings from four (4) pay reduction days for all state employees, as well as a 3.0 percent COLA adjustment effective January 2011. In addition to salary and benefit adjustments to reflect current services, the Governor recommends the following:

- State Guardsmen activation costs of \$148,446 in general revenue for 1) tasks related to the Governor's and general officers' inauguration ceremonies in January 2011; and 2) the call up in September 2010 of 209 guardsmen to assist in the response to Hurricane Earl.
- \$64,200 in salary costs to be used to compensate military retirees who wish to provide ceremonial services for the Funeral Honors program to conduct honorable and professional funeral ceremonies (including firing squads and buglers) for all eligible veterans in accordance with both state and federal legislation. The general revenue budget will finance firing squads and buglers in cases where federal regulations do not permit federal funds to be used.
- Personnel costs for 117.0 FTE's include a \$501,041 increase from the enacted budget in federal funds for an additional six (6.0) firefighter positions at the Air Guard base facilities at Quonset Point.
- Federal grant funding for Emergency Management state homeland security grants. The Governor recommends in FY 2011 total spending of \$14.4 million for homeland security-related activities, an increase of \$6.3 million from the enacted level: 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. Other related programs are in Transit Security (\$761,987), and Buffer Zone Protection (\$690,196).
- \$1.3 million in general revenue funding for the operation of the Rhode Island Statewide Communications Network (RISCON), a radio communications system designed to provide interoperable communications among cities and towns and the state. Funds for hardware maintenance and positions to operate the system have been transferred from the Department of Public Safety-State Police to the Emergency Management Agency. The funding includes an increase of \$713,494 from the enacted level. RISCON personnel will work with federal Department of Homeland Security funding for interoperable communications. The FY 2011 revised budget includes \$1.2 million in federal funds to purchase such equipment for local first responders, an increase of \$974,447 from the enacted level.

Public Safety

- Following the issuance of a major disaster declaration, the State of Rhode Island is eligible for federal assistance for damages incurred during the March/April 2010 flood. Eligible work includes debris removal, emergency protective measures, permanent repairs to roads and bridges, water control facilities, buildings, equipment, utilities and parks and recreation facilities. The Governor's recommends an estimate of \$500,000 in general revenue to fund the 10 percent state match as required by Federal Emergency Management Agency regulations for the 90 percent expenditure estimates for state facilities (\$4.5 million), municipal facilities (\$13.0 million), and quasi-public facilities (\$2.0 million).
- Two National Guard capital projects, U.S. Property and Fiscal Office Roof and Field Maintenance Shop #3/Warwick Armory Windows are financed in the FY 2011 Governor's revised budget with a total of \$174,496 in federal stimulus money from the American Recovery and Reinvestment Act. In addition Rhode Island Capital Plan Funds include \$500,000 for asset projection projects and \$1.3 million for roof replacement at the Armory of Mounted Commands.

For the FY 2012 budget, the Governor recommends \$35.1 million for Military Staff programs, including \$3.6 million from general revenue, \$29.9 million from federal funds, \$389,311 from restricted receipts, and \$1,220,000 from the Rhode Island Capital Plan Fund. Compared to the enacted FY 2011 budget, general revenue expenditures increase by \$835,593, federal funds increase by \$7.8 million, funding from the Rhode Island Capital Plan Fund increases by \$357,500, and restricted funds decrease by \$453,164.

The FY 2012 recommended budget reflects adjustments required for salary and employee benefit costs. In addition to statewide target adjustments, including a 3.0 COLA adjustment, the budget includes statewide adjustments for medical benefits and retiree health. In addition to various adjustments for payroll projections and operating reductions, the Governor recommends the following:

- \$65,300 in general revenue for the Funeral Honors program, to be used to compensate military retirees who wish to provide ceremonial services.
- In order to attain constrained budget levels, the Governor recommends general revenue operating reductions in repairs, grounds maintenance, and fuel oil/natural gas, reflecting the temporary closure of the Armory of Mounted Commands, as well as the Warren, Bristol, and North Providence armories.
- Continued funding of various benefits provided to National Guard personnel, including the Education Benefit (enrollment of eligible guardsmen in courses at state colleges), and the Life Insurance Benefit (reimbursement for federal funded life insurance for guardsmen deployed overseas).
- Continued funding in the Emergency Management program for interoperable communications of \$1.3 million general revenue and \$204,366 federal funds, and homeland security activities of \$10.2 million.

The Governor recommends 117.0 FTE positions in FY 2011 and FY 2012, an increase of 6.0 from the enacted level, reflecting additional federal funding for Quonset Point airbase firefighters.

Public Safety

Department of Public Safety

The Department of Public Safety was created by Public Law 07-73 and includes the following programs: Central Management, E-911 Emergency Telephone System, State Fire Marshal, Capital Police, Rhode Island State Police, and Municipal Police Training Academy. In FY 2012, the Governor's recommendation includes the transfer of the Sheriffs into the Department of Public Safety from the Department of Administration.

The Governor's FY 2011 budget for the Department of Public Safety is \$92.5 million, including \$68.6 million in general revenue, \$11.9 million in federal funds, \$384,413 in restricted receipts, and \$11.7 million in other funds. This recommendation is an increase of \$5.7 million from the FY 2011 enacted budget of \$86.7 million, and reflects an increase of \$1.5 million, or 2.3 percent, in general revenue expenditures, an increase of \$4.7 million, or 66.2 percent, in federal funds expenditures, a decrease of \$418,693, or 52.1 percent, in restricted receipts, and a decrease of \$129,073, or 1.1 percent, of other funds.

The \$1.5 million increase in general revenue appropriations includes an additional \$1.2 million for pension costs and for contribution to the retirement system for trooper's time spent in the training academy in prior years, an additional \$375,345 for the restoration of the indirect cost recovery shortfall, an additional \$293,105 for capital purchases and equipment for the State Police program, and an additional \$152,196 for capital purchases for the E-911 Emergency program that are partially offset by reductions of \$137,748 for vehicle maintenance in the State Police program, \$126,553 in personnel expenses for the Capital Police program, and \$110,964 for lease payments to the State Fleet Revolving Loan Fund. The additional revenue is net of the statewide reductions of \$232,033 in personnel and \$21,650 in operating.

The Governor's recommendation for federal funds totals \$11.9 million in FY 2011, which is an increase of \$4.7 million from the enacted FY 2011 budget of \$7.1 million. Major changes in federal funds include an additional \$2.3 million from the American Recovery and Reinvestment Act, an additional \$1.5 million for Homeland Security grants, an additional \$150,000 for the 2007 Intelligence/Information Sharing Initiative RI Fusion grant, an additional \$140,957 for the Internet Crimes Against Children grant, an additional \$127,544 for the Motor Carrier Safety grant, an additional \$111,467 for the Drug Enforcement grant, an additional \$106,500 for the FY 2009 Urban Area Security Initiative grants, and an additional \$78,637 for the Drug Recognition Expert/Standardized Field Sobriety Testing grant. The additional American Recovery and Reinvestment Act stimulus funds include an additional \$1.6 million for the Edward Byrne Memorial Justice grant, an additional \$309,429 for the Violence Against Women grant, an additional \$155,000 for the DMV License Imaging CHIS project, an additional \$139,958 for the Crime Victims Assistance grant, an additional \$46,399 for the ARRA Port Security Grant program, an additional \$29,849 for the Internet Crimes Against Children grant, an additional \$10,876 for the Basic Training Coordinator grant, and an additional \$6,176 for the Curriculum & Assessment Coordinator grant.

The Governor's recommendation for restricted receipts totals \$384,413 in FY 2011, which is a reduction of \$418,693 from the enacted FY 2011 budget of \$803,106. This reduction is primarily due to the reductions of \$375,345 for the unachievable offsets to the indirect cost recovery account and \$97,263 for the Justice Assistance interest grant that are partially offset by additional funding of \$76,194 in the Federal Forfeited Property program and an additional \$47,950 for the Fire Academy Training Fees account.

The Governor's recommendation for other funds totals \$11.7 million in FY 2011, which is a reduction of

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\$129,073 from the enacted FY 2011 budget of \$11.8 million. This reduction is primarily due to the reduction of \$566,825 in Rhode Island Capital Plan Funds that are partially offset by an additional \$372,245 for Road Construction Reimbursement. The changes for the Rhode Island Capital Plan Fund include reductions of \$772,095 for the State Police New Headquarters Facility project, \$234,568 for the Statewide Microwave/IT Upgrade project, \$150,000 for Parking Area Improvements project, and \$50,000 for the Headquarter Complex Expansion project that are partially offset by an additional \$379,859 for the Barracks and Foster Training Facility project, \$175,000 for the State Police Offsite Operations project, and \$84,979 for the State Police Headquarters Repairs and Renovations project.

For FY 2011, the Governor recommends 423.2 FTE positions for the Department of Public Safety. This is an increase of 0.1 FTE positions from the enacted level of 432.1 FTE positions due to a correction in part time status made by Human Resources.

The Governor's FY 2012 budget for the Department of Public Safety is \$102.3 million, including \$89.4 million in general revenue, \$6.5 million in federal funds, \$335,749 in restricted receipts, and \$6.1 million in other funds. This recommendation is an increase of \$15.6 million from the FY 2011 enacted budget of \$86.7 million, and reflects an increase of \$22.4 million, or 33.4 percent, in general revenue expenditures, a decrease of \$589,689, or 8.3 percent, in federal funds expenditures, a decrease of \$467,357, or 58.2 percent, in restricted receipts, and a decrease of \$5.7 million, or 48.6 percent, of other funds.

The \$22.4 million increase in general revenue appropriations, reflects an increase of \$17.2 million due to the transfer of Sheriffs from the Department of Administration, an additional \$1.2 million for the 54th State Police Training Academy recommended to begin in July of 2011, an additional \$1.5 million for a half years salaries and benefits for the 30.0 recruits expected to graduate in December 2011, \$1.5 million for the State's retirement contribution for the State Police program, and includes the statewide reductions of \$2.0 million in personnel, and \$56,696 in operating.

The Governor's recommendation for federal funds totals \$6.5 million in FY 2012, which is a decrease of \$589,689 from the enacted FY 2011 budget of \$7.1 million. Major changes in federal funds include reductions of \$556,482 from the American Recovery and Reinvestment Act, \$243,925 for Homeland Security grants, and \$233,738 for the FY 2009 Urban Area Security Initiative grants that are partially offset by additional funding of \$140,957 for the Internet Crimes Against Children grant, \$139,445 for the Sex Offender Registration/Notification Enhancement grant, and \$118,719 for the Motor Carrier Safety grant. The reduction in the American Recovery and Reinvestment Act stimulus funds include reductions of \$378,004 for the Violence Against Women grant, \$84,033 for the Edward Bryne Memorial Justice grant, \$56,234 for the Crime Victims Assistance grant, \$22,634 for the Internet Crimes Against Children grant, and \$18,134 for the Curriculum & Assessment Coordinator grant that are slightly offset by an additional \$2,557 for the Basic Training Coordinator grant.

The Governor's recommendation for restricted receipts totals \$335,749 in FY 2012, which is a reduction of \$467,357 from the enacted FY 2011 budget of \$803,106. This reduction is primarily due to the reductions of \$375,345 for the unachievable savings in the indirect cost recovery program, \$99,150 for the Justice Assistance interest grant, \$106,000 in the Forfeited Property accounts, and \$77,761 in the Federal Forfeited Property program that are partially offset by additional funding of \$230,899 for the Fire Academy Training Fees account.

The Governor's recommendation for other funds totals \$6.1 million in FY 2012, which is a reduction of

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\$5.7 million from the enacted FY 2011 budget of \$11.8 million. This reduction is primarily due to the reduction of \$6.3 million in Rhode Island Capital Plan Funds that are partially offset by an additional \$372,245 for Road Construction Reimbursement. The changes for the Rhode Island Capital Plan Fund includes reductions of \$4.8 million for the State Police New Headquarters Facility project, \$2.5 million for the Statewide Microwave/IT Upgrade project, \$200,000 for Parking Area Improvements project, and \$475,000 for the Barracks and Foster Training Facility project that are partially offset by an additional \$1.3 million for the Fire Academy, \$250,000 for the Headquarters Complex Expansion project, and \$100,000 for the State Police Headquarters Repairs and Renovations project.

The Department of Public Safety also includes the Capitol Police Rotary program. The program includes 8.0 FTE positions financed from the internal service fund. The Governor's recommendation for the Capitol Police Rotary totals \$697,675 in FY 2011 and \$739,072 in FY 2012.

For FY 2012, the Governor recommends 603.2 FTE positions for the Department of Public Safety. This is an increase of 180.0 FTE positions and includes an additional 180.0 FTE positions transferred with the Sheriff's program.

Office of the Public Defender

The Rhode Island Public Defender provides legal representation to indigent adults and juveniles in criminal, delinquency, termination of parental rights, and dependency and neglect cases. This representation includes a significant social service component whose focus is obtaining community mental health and substance abuse alternatives to incarceration. The Governor's revised FY 2011 budget for the Office of the Public Defender is \$10.2 million, including \$9.5 million in general revenue and \$618,770 in federal funds. The general revenue recommendation is \$48,813 less than the FY 2011 enacted level, while the federal funds recommendation is \$188,630 greater than the FY 2011 enacted level. The recommendation includes savings for four (4) pay reduction days and deferral of a 3.0 percent COLA from July 1, 2010 to January 1, 2011 for all state employees. The budget further reduces payroll by \$75,408 due to current service adjustments for vacancies and benefits. The budget includes additional funding of \$26,595 for contract and operating services (in trial-related and clerical services and property related and telephone expenses).

The Governor recommends total expenditures of \$10.9 million in FY 2012, including \$10.3 million in general revenue and \$576,361 in federal funds. The FY 2012 general revenue recommendation is \$710,319 more than the FY 2011 enacted budget, while federal funds increase by \$146,221. The budget reflects adjustments to current services required for salary and employee benefits requirements of the existing staff, as well as increases of \$16,887 in contract services, and \$17,981 in operating expenses.

In both FY 2010 and FY 2011, the Governor's recommended budget continues to reflect a federal grant under the American Recovery and Reinvestment Act. The Governor recommends the inclusion of \$68,882 in FY 2011 and FY 2012, respectively, to fund the Providence Adult Drug Court. The recommendation also includes additional funding for the Adult Drug Court of \$41,118 in FY 2011 and \$121,419 in FY 2012 from a subgrant from the Supreme Court. The Governor also recommends continued inclusion of \$114,809 and \$36,569 in FY 2011 and FY 2012, respectively, in federal funds for a Byrne Grant to reduce caseload by establishing a felony screening process in Providence and other counties. The recommendation also includes a new federal grant of \$100,000 in FY 2011 and FY 2012, the John R. Justice Incentive Grant. Funds from this grant will be loaned out as scholarly assistance to

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municipal, state and federal prosecutors and defenders.

The FY 2011 and FY 2012 recommendations are for 93.0 FTE positions, the same as the FY 2011 enacted level. The staff consists of attorneys supported by social workers, investigators, interpreters, information technology, intake and clerical support

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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. The Governor recommends total full-time equivalent positions of 446.0 FTE in FY 2011 and 446.0 FTE in FY 2012 for the natural resource function. Up to 350 temporary positions may also be utilized for seasonal support at state parks and beaches. 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 of Environmental Management administers a capital management program financed by general obligation bonds, funds from the Rhode Island Capital Plan Fund, federal funds, restricted receipts and third-party sources (for land acquisition). Capital program activities include: 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 of Environmental Management 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.

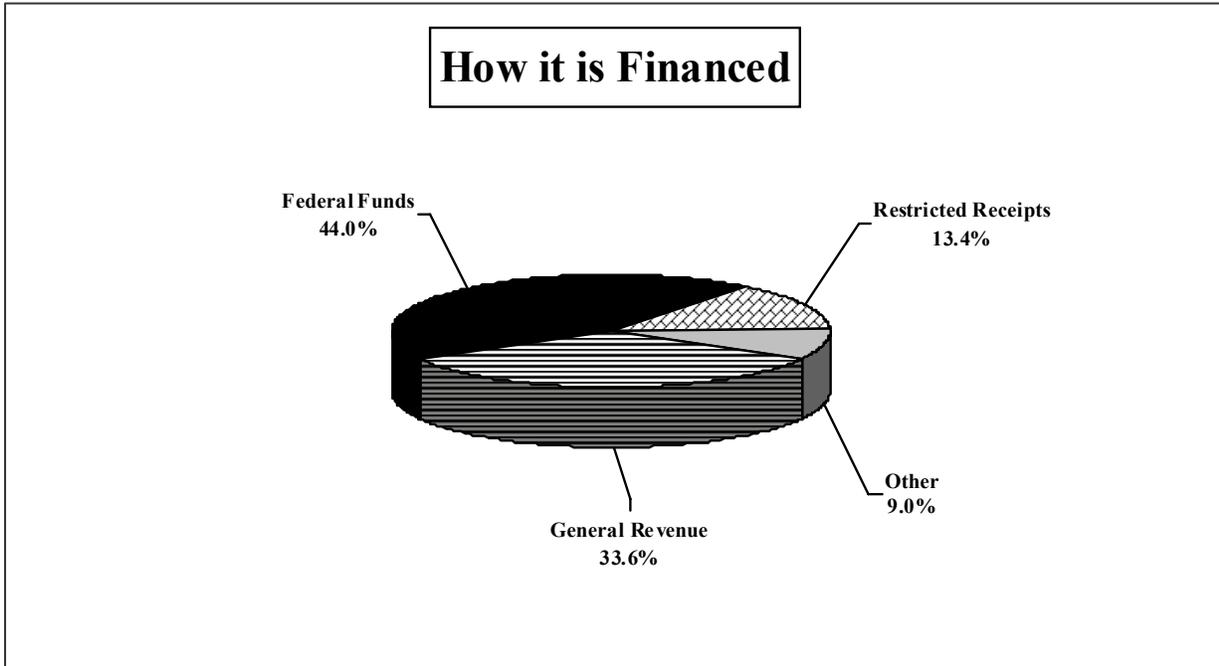
The Coastal Resource Management Council seeks to preserve, protect and restore the coastal resources of the state. The Coastal Resource Management Council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, environmental scientists and marine resource specialists. The Coastal Resource Management 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 Coastal Resource Management 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 Coastal Resource Management 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 State Water Resources Board regulates water supply distribution lines connecting water supply systems and is creating a computerized database for drought alert communication. The State Water Resources Board also manages the Big River Management Area, a water supply reservation. The State Water Resources Board is composed of thirteen appointed representatives from the public and from state and local government.

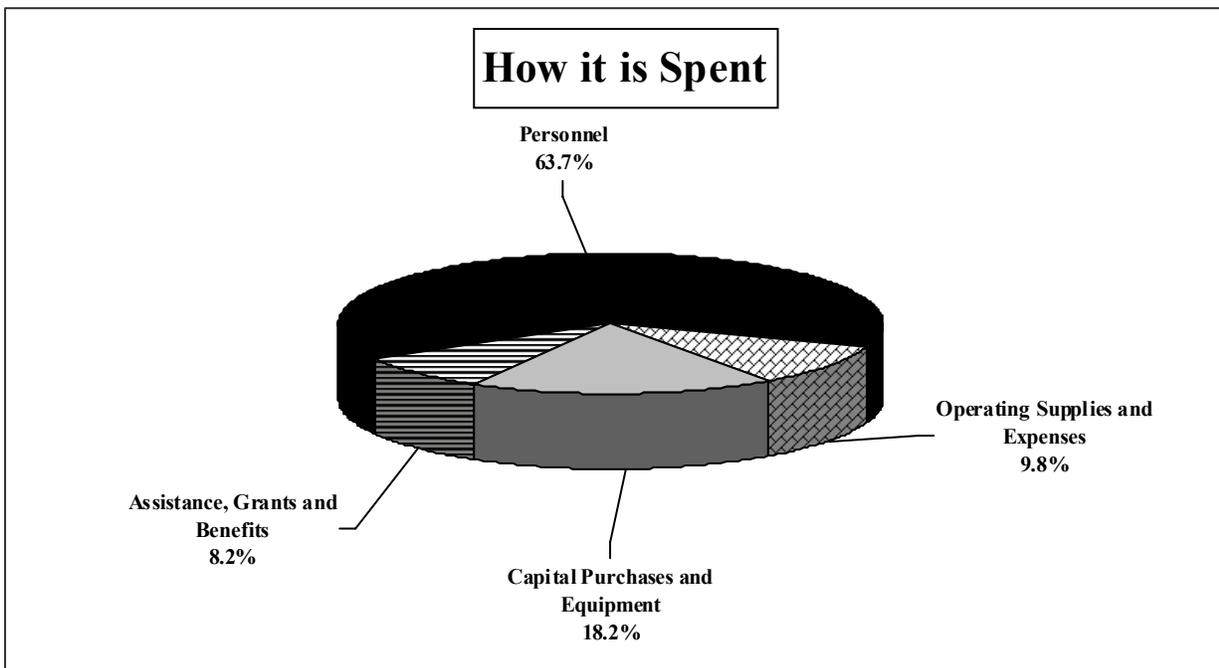
The Governor's revised recommendation for FY 2011 from all funds for natural resource agencies is \$111.8 million, an increase of \$12.8 million from the enacted appropriations of \$99.0 million. Of this amount, \$37.6 million, or 33.6 percent, is from general revenue, \$49.3 million, or 44.0 percent, is from

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federal funds, \$14.9 million, 13.4 percent, is from restricted receipts, and \$10.0 million, or 9.0 percent, is from other funds. General revenues decrease by \$128,625, or 0.3 percent, federal funds increase by \$11.8 million, or 24.0 percent, attributable to carryover, new awards and the American Recovery and Reinvestment Act, restricted receipts increase by \$537,511, or 3.6 percent, and other funds increased by \$608,078, or 6.1 percent over the enacted level.

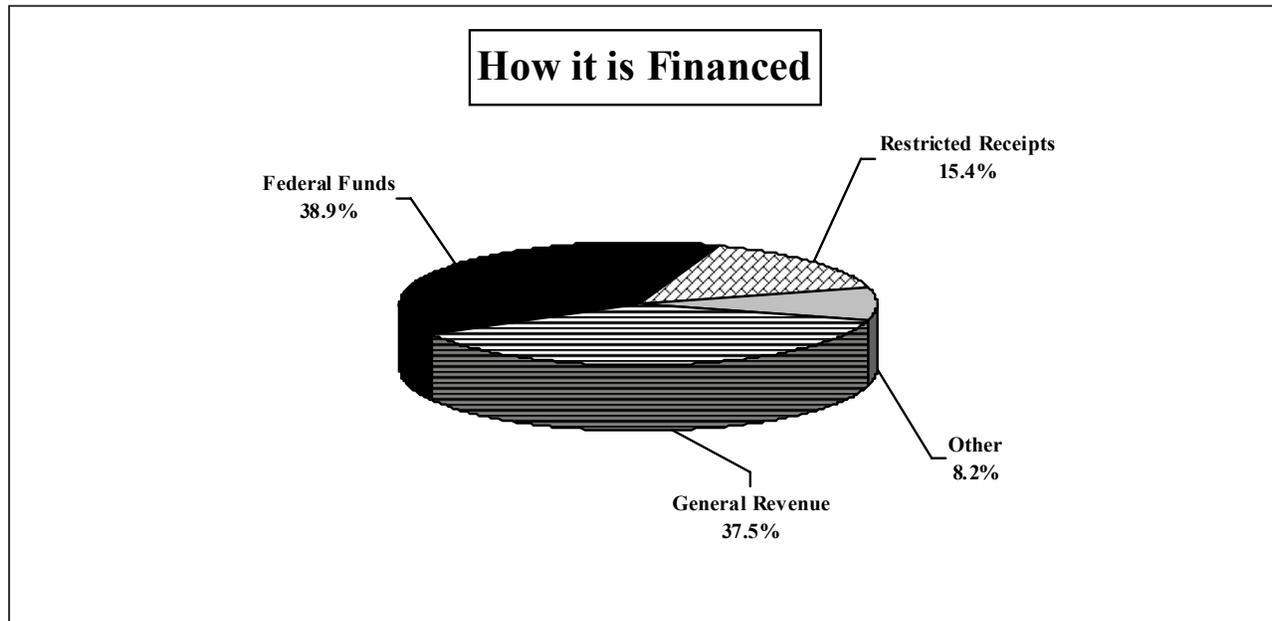


Of the \$111.8 million recommended for natural resources for FY 2011, personnel is budgeted at \$71.2 million; or 63.7 percent; operating at \$11.0 million, or 9.8 percent; assistance, grants, and benefits at \$9.2 million, or 8.2 percent; and capital improvements at \$20.3 million, or 18.2 percent.

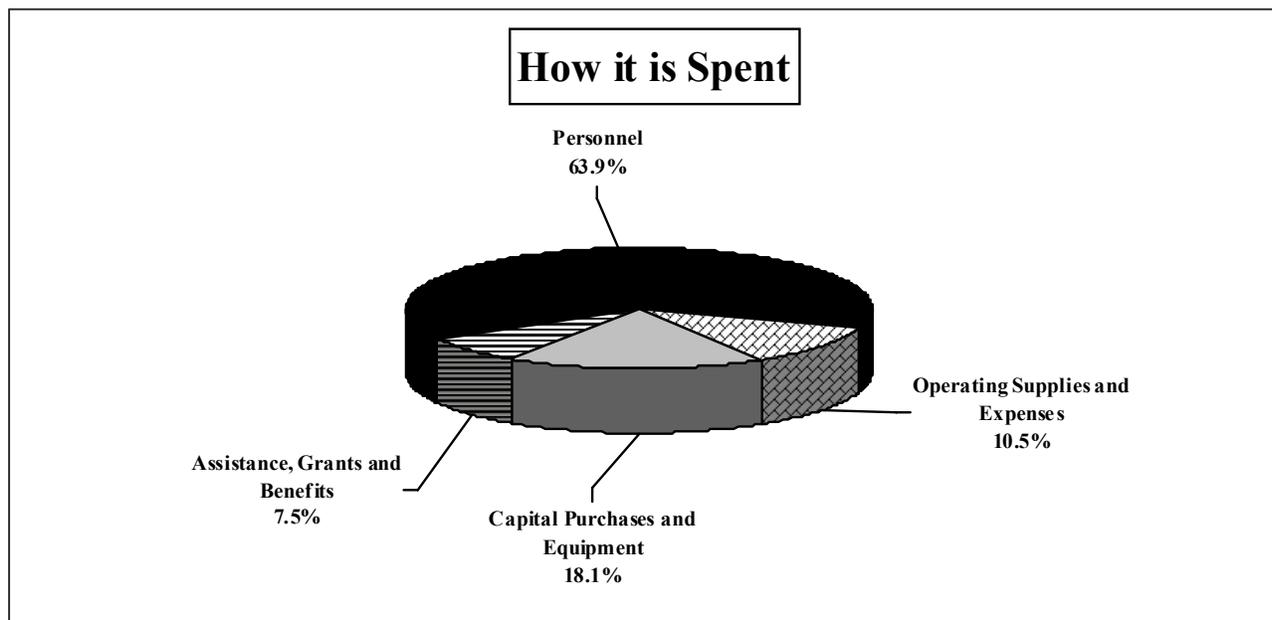


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The Governor's revised recommendation for FY 2012 from all funds for natural resource agencies is \$104.0 million, or an increase of \$5.0 million from the enacted appropriations of \$99.0 million. Of this amount, \$39.0 million, or 37.5 percent, is from general revenue, \$40.4 million, or 38.9 percent, is from federal funds, \$16.1 million, 15.4 percent, is from restricted receipts, and \$8.5 million, or 8.2 percent, is from other funds. General revenues decrease by \$1.2 million or 3.1 percent, federal funds increase by \$2.9 million, or 7.2 percent, attributable to carryover, new awards and the American Recovery and Reinvestment Act, restricted receipts increase by \$1.7 million, or 10.6 percent, and other funds decreased by \$785,970, or 9.2 percent over the enacted level.



Of the \$104.0 million recommended for natural resources for FY 2012, personnel is budgeted at \$66.4 million; or 63.9 percent; operating at \$10.9 million, or 10.5 percent; assistance, grants, and benefits at \$7.8 million, or 7.5 percent; and capital improvements at \$18.8 million, or 18.1 percent.



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Environmental Management

The Governor's revised FY 2011 Budget for the Department of Environmental Management is \$100.7 million, including \$34.2 million in general revenue, \$42.3 million in federal funds, \$14.7 million in restricted receipts, and \$9.4 million in other funds. This represents a total increase of \$7.6 million from the enacted budget of \$93.1 million. Funding changes include a decrease of \$135,135 or 0.4 percent, in general revenue expenditures, an increase of \$6.9 million, or 16.4 percent, in federal funds expenditures; an increase of \$537,511, or 3.6 percent, in restricted receipts; and an increase of \$196,900, or 2.0 percent, in other funds.

The \$135,135 decrease in general revenue appropriations reflect the statewide adjustment for four pay reduction days totaling \$242,208. Additional general revenue changes include: an increase of \$309,320 for payroll expenditures as a result of an Executive Counsel position being filled and increased financing for Parks and Recreation, \$225,061 in Seasonal Recreation for payroll expenditures, contracted services, operating expenses and assistance and grants, \$107,947 for payments to beach host communities, and a decrease of \$187,240 for contract professional services.

The Governor's recommendation for federal funds totals \$42.3 million in FY 2011, an increase of \$6.9 million from the enacted FY 2011 Budget of \$35.4 million. The Governor's recommendation in the Office of the Director is an increase of \$108,000 from the enacted FY 2011 Budget of \$566,300, which is due to an increase of \$108,000 for a Wind Turbine at Fisherman's State Park. In the Bureau of Natural Resources, the Governor recommends an increase of \$4.6 million from the enacted FY 2011 Budget of \$21.4 million. Major changes include increase of \$2.0 million for Land Acquisition, including the purchase of three properties, \$1.0 million for the Pilot Permit Bank Program, \$800,000 for Wildlife Development Construction, \$615,000 for the State Wildlife Grant Implementation Contracts, and \$575,000 for the Fish & Wildlife Construction grant. In the Bureau of Environmental Protection, the Governor recommends an increase of \$2.3 million from the enacted FY 2011 Budget of \$13.4 million. Major changes include increase of \$1.1 million for the Stimulus Diesel Emission Program, \$600,000 for Air Resources Grants, \$550,000 for the Stimulus EPA Brownsfields Program and \$250,000 for the Stimulus Leaking Underground Storage Tank Program.

The Governor's recommendation for restricted receipts totals \$14.7 million in FY 2011, an increase of \$537,511 from the enacted FY 2011 Budget of \$14.1 million. This increase is primarily due to an additional \$322,113 in the Office of the Director and \$312,195 in the Bureau of Environmental Protection. The Office of the Director's major changes include: increases of \$150,000 in the Indirect Cost Recovery Fund and \$77,000 in the Bay, River and Watersheds Fund. Major changes in the Bureau of Environmental Protection are: increases of \$310,000 in Water Resources, \$200,000 in the Environmental Response Fund II and a decrease of \$75,000 in the Oil Spill Prevention, Administration, and Response Fund.

The Governor's recommendation for other funds totals \$9.4 million in FY 2011, which is an increase of \$196,900 from the enacted FY 2011 Budget. The major increases for the Department of Environmental Management include an additional \$200,000 for Recreational Facilities Improvements from the Rhode Island Capital Plan Fund.

For FY 2011, the Governor recommends 410.0 FTE positions for the Department of Environmental Management. There is no change in FTE positions from the enacted level of 410.0 FTE positions.

The Governor's FY 2012 Budget for the Department of Environmental Management is \$97.6 million, including \$35.5 million in general revenue, \$38.4 million in federal funds, \$15.8 million in restricted

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receipts, and \$7.9 million in other funds. This represents a total increase of \$4.4 million from the FY 2011 enacted Budget of \$93.1 million and includes an increase of \$1.1 million or 3.1 percent, in general revenue expenditures; an increase of \$3.0 million, or 7.8 percent, in federal funds expenditures; an increase of \$1.7 million, or 10.8 percent, in restricted receipts; and a decrease of \$1.3 million, or 16.5 percent, of other funds.

The \$1.1 million increase in general revenue appropriations reflects the following statewide adjustments: a decrease of \$146,546 achieved from the Health Benefit Retirement adjustment, an increase of \$19,125 for Unachieved Personnel Savings and \$21,122 for Retiree Health Benefits. Major general revenue changes as compared to the FY 2011 enacted budget include an increase of \$57,458 for utilities and rent at the Promenade Street headquarters. There are also decreases of \$366,589 in the seasonal recreation program for payroll expenditures, contracted services, operating expenses, and assistance and grants, and \$212,740 for contract professional services.

The Governor's recommendation for federal funds totals \$38.4 million in FY 2012 and reflects an increase of \$3.0 million from the enacted FY 2011 Budget of \$35.4 million. A decrease of \$90,000 in the Office of the Director is attributable to the decrease of \$90,000 for the Blackstone Valley Watershed project grant. In the Bureau of Natural Resources, the Governor recommends an increase of \$3.0 million from the enacted FY 2011 Budget of \$21.4 million. Major changes include a decrease of \$1.1 million for Estuarine Reserve Construction grant and increase of \$1.0 million for Wildlife Restoration & Land Acquisition, \$999,930 for the Pilot Permit Bank Program, \$953,424 for Wildlife Development, \$668,074 for Wildlife Restoration Construction and \$599,509 for the Fish and Wildlife Construction Program grant. In the Bureau of Environmental Protection, the Governor recommends a decrease of \$15,917 from the enacted FY 2011 Budget of \$13.4 million. Major changes include increase of \$500,000 for the EPA Brownsfields Program and \$470,776 for Non-Point Source Pollution Management. There are decreases of \$200,000 from the Diesel Emissions Program, \$175,000 from the Leaking Underground Storage Tank grant, \$175,000 from the EPA Brownsfields Assessment grant, \$150,000 from Homeland Security, and \$144,756 from Air Toxic Monitoring Project.

The Governor's recommendation for restricted receipts totals \$15.8 million in FY 2012, which is an increase of \$1.7 million from the enacted FY 2011 Budget. This increase is primarily due to \$1.7 million in the Bureau of Natural Resources. The Bureau's major changes include increases of \$1.7 million for Fort Adams Asset Protection and \$413,966 in the State Revolving Fund Administration, decreases of \$70,827 in the Environmental Response Fund II, and \$502,028 in the Oil Spill Prevention, Administration, and Response Fund.

The Governor's recommendation for other funds totals \$7.9 million in FY 2012, which is a decrease of \$1.3 million from the enacted FY 2011 Budget of \$9.2 million. The major changes for the Department include a decrease of \$950,000 for the Blackstone Valley Bike Path Design and a decrease of \$250,000 for Fort Adams Rehabilitation from the Rhode Island Capital Plan Fund.

The Governor recommends 410.0 FTE positions for FY 2012, which is equal to the FY 2011 enacted level of 410.0 FTE positions.

Coastal Resources Management Council

The Coastal Resources Management Council's task is to preserve and protect the state's coastal resources through long-range planning, permitting, and enforcement actions in several fields, such as submerged lands management, rights-of-way designations, dredging coordination, coastal habitat preservation and restoration, harbor management, aquaculture development, and non-point pollution control. The Governor's revised FY 2011 budget for the Coastal Resources Management Council is \$9.3 million. This

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includes \$2.1 million of general revenue, \$6.9 million of federal funds, and \$250,000 in restricted receipts. General revenue increases by \$24,688, while federal funds increase by \$4.9 million, from the enacted level. General revenue personnel expenditures increase due to full funding of the agency's personnel costs, and include statewide adjustments for four (4) pay reduction days and a deferral of COLA adjustments to January 1, 2011. In addition, the Governor recommends the continued transfer of \$33,375 in contract services costs to available federal funds. Federal funds increase by \$122,934 due to the balance forward of unspent funds in the federal operating line item and increased expenditure totaling \$167,931 in two other federal grants (Aquatic Invasive Species and Ocean Area Management Plan). In addition, the Governor recommends expenditure schedule revisions of federal grants that were awarded in FY 2010: Narragansett Bay Habitat Restoration Planning to study shorelines to determine how organic materials can be used to restore habitats (\$954,415); Aquaculture Research to foster the development of aquaculture (\$345,040); and \$3.3 million for the R.I. River Ecosystem Restoration project, funded by American Recovery and Reinvestment Act stimulus funds to construct four fish ladders and remove two dams. \$250,000 in restricted receipt expenditures is recommended for the Coastal and Estuary Habitat Restoration Program and Trust fund from the Oil Spill Prevention, Administration and Response Fund, to be spent on specific projects to rehabilitate coastal habitats.

In the FY 2012 budget, the Governor recommends \$4.95 million, including \$2.2 million of general revenue, \$2.0 million of federal funds, \$250,000 in restricted receipts, and \$429,100 in Other (Rhode Island Capital Plan) funds. In addition to statewide target and other statewide adjustments of \$127,243, including a 3.0 percent COLA effective June 19, 2011, the general revenue budget increase of \$198,299 from the enacted budget includes \$35,375 of contract legal expenditures due to the reduction in federal operating funds of \$91,000 to \$1.4 million, and other personnel and operating adjustments of \$37,331. The Governor recommends Rhode Island Capital Plan funds of \$429,100 for the South Coast Restoration project.

The FTE position ceiling for the Council is unchanged at 30.0 FTE positions for FY 2011 and FY 2012.

State Water Resources Board

The State Water Resources Board's overall responsibility is for the management of the state's water resources, with a special emphasis on the drinking water supply, through financing of upgrades and land acquisition projects and through the coordination of efforts by regulatory agencies and water suppliers. The Governor's revised FY 2011 budget for the Water Resources Board is \$1.8 million, including \$1.3 million in general revenue and \$531,178 in other funds. The general revenue budget decreases by \$18,178 from the enacted budget. The Governor's recommended budget includes statewide adjustments for four pay reduction days and COLA deferral from July 1, 2010 to January 2, 2011. General revenue personnel expenditures increase by \$5,662 from the FY 2011 enacted budget, reflecting \$693,171 in full funding for the Agency's six positions. Contract services decrease by \$12,000 due to the transfer of some stream gauging costs to bond and federal funds. The Governor also recommends level funding of \$249,734 for the Water Allocation Plan to conduct studies of specific surface and subsurface water supply sources. Operating expenditures decrease by \$11,800 to \$125,113 in copier equipment and supplies, mileage, telephone and advertising. The Governor also recommends \$336,015 in full funding from the Rhode Island Capital Plan Fund for the completion of consulting services required to proceed with the development of the Big River Groundwater Supply Development project to ensure drinking water supply requirements in central Rhode Island, caused by residential, commercial and industrial expansion. The Governor also recommends the expenditure of \$195,163 for ground and building repairs and improvements to the Big River Management Area financed from the Rhode Island Capital Plan Fund.

In the FY 2012 budget, the Governor recommends \$1.4 million, \$1.2 million in general revenue and \$200,000 from the Rhode Island Capital Plan Fund, a decrease of \$6,273 from the enacted budget. In

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addition to statewide target adjustments of \$47,531, including a 3.0 percent COLA effective June 19, 2011, the budget includes \$200,000 to fund Water Allocation Plan studies, a reduction of \$49,734 from the enacted budget. The budget also includes \$55,000 in education grants to Exeter/West Greenwich (a reduction of \$44,000) and a \$22,444 legislative grant to the Rhode Island Rivers Council. The Governor also recommends \$200,000 in R.I. Capital Plan funds for repairs and improvements in the Big River Management Area.

The Governor recommends 6.0 FTE positions in both FY 2011 and FY 2012, unchanged from the FY 2011 enacted level.

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Transportation

Transportation

Summary

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

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

For FY 2011, the Intermodal Surface Transportation Fund (ISTF) is supported by 32.5 of Rhode Island's 33.0-cent per gallon gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation, as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Human Services (formerly the Department of Elderly Affairs). The revenue generated by the state's gasoline tax is allocated to these recipients on an individual cent basis. State law governs the distribution of the cents to the agencies. As of FY 2010, there is no longer any contribution to the general fund from the gasoline tax. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax was established at each Revenue Estimating Conference; however, as there is no longer an impact on general revenues, the Conference is no longer determining the gasoline tax estimate. The Office of Revenue Analysis within the Department of Revenue has provided the estimates for FY 2011 and FY 2012. The Office of Revenue Analysis estimates gasoline tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gasoline tax supported operations.

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

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

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<u>Recipient</u>	Current Law Gasoline Tax Allocation (in cents)						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
DOT	20.75	20.75	20.75	20.75	21.75³	21.75	21.75
RIPTA	7.25¹	7.25	7.25	7.75²	9.75⁴	9.75	9.75
General Fund	1.0¹	1.0	1.0	1.0	0.0³	0.0	0.0
DEA/DHS	1.0	1.0	1.0	1.0	1.0⁵	1.0	1.0
Underground Storage Tank-DEM	1.0	1.0	1.0	0.5²	0.5	0.5	0.5
Total:	31.0	31.0	31.0	31.0	33.0	33.0	33.0

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

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

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

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

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

The Department of Transportation provides services through four programs: Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance. Primary funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA), under the authority of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This Act, passed in August 2005, authorized funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the five-year period 2005 - 2009. The Act combined the improvements scheduled for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth. However, the Act expired in FY 2009, but was extended by Congress for one year in 2010. In 2011 financing for the federal highway program has relied on short term continuing resolutions to provide funding. No new program has been introduced to replace the SAFETEA-LU program. The uncertainty of these conditions has impacted the Department of Transportation's budget, causing more conservative estimates to be employed.

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 matching funds, which include general obligation bonds and proceeds from certain land sales. 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 four-year period from

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federal highway and transit funds. Federal law requires that all projects utilizing federal transportation funds shall appear in a TIP adopted by the State Planning Council and approved by the Governor.

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

As part of the American Recovery and Reinvestment Act of 2009, the Rhode Island Department of Transportation is expected to receive a total of \$137.1 million for highway infrastructure investment, of which \$70.7 million has been expended prior to FY 2011, an estimated \$53.1 million in FY 2011, and \$13.2 million remaining to be spent in FY 2012. Sixty-eight separate projects throughout Rhode Island including highway, road and bridge repair, pavement resurfacing, as well as enhancement projects, such as lighting and drainage improvements. The Department is expecting to receive a total of \$4.8 million in ARRA funds and fixed guideway infrastructure grants, which are expected to be spent over two years starting in FY 2011. An ARRA grant has been received for \$350,000 which will provide training, scheduled to be expended over the next two years.

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 authorizes \$709.6 million and currently programs \$695.9 million in construction funds for five major infrastructure projects to be completed over an 8 ½ year period. This undertaking was primarily financed through two funding mechanisms. The majority of the costs (\$548.2 million) 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 2-cents of the department's gasoline tax allocation, provides another \$105.6 million for this infrastructure initiative. The State issued a second series of both the GARVEE and Motor Fuel Bonds program in 2006 and completed the issuance of a third series in FY 2009. The projects financed under this program are the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, the construction of Quonset Rt. 403, and amounts for completion of the Freight Rail Improvement Program. The debt service on the GARVEE bonds in FY 2011 and FY 2012, to be paid through the FHWA allocation, is \$48.4 million each year and is reflected in the Department's operating budget as a federal fund source. The gasoline tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$8.5 million in FY 2011 and \$8.6 million in FY 2012.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$40.6 million in FY 2011 and \$40.8 million in FY 2012 to the Rhode Island Public Transit Authority will be financed from a 9.25 cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0 cent Underground Storage Tank fee. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Human Services to streamline and enhance elderly and handicapped transportation services. Much of this

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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.

The revised FY 2011 budget for the Department of Transportation totals \$451.4 million, including \$340.1 million in federal funds, \$110.3 million in other funds, and \$1.0 million in restricted receipts. This represents a \$22.5 million increase in all funds from the FY 2011 enacted budget. Federal funds increase a total of \$21.3 million, while restricted receipts do not vary from the enacted budget. Other funds for the Department decrease a total of \$391,413 from the enacted budget. The other funds total includes gasoline tax expenditures for the Department, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as Rhode Island Capital Plan Fund appropriations, land sale proceeds, nonland surplus property revenues, and other miscellaneous receipts.

The revised FY 2011 estimated revenue available within the ISTEPA fund is \$141.1 million, which represents the revised per penny gasoline tax yield estimate of \$4,267,700, as well as a carry forward from FY 2010 totaling \$2,423,055 and an additional \$2.1 million from 0.5 cent of the 1.0 cent Underground Storage Tank fee. Gasoline tax funds within the Department of Transportation total \$103.3 million, \$54.1 is recommended for the operations of the Department, \$40.6 is the operating transfer to finance RIPTA, and \$8.5 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department increase \$1.8 million from the enacted budget. The increase is primarily a result of the revision in the gasoline tax estimate. The original estimate used in the FY 2011 Enacted Budget was \$4.2 million. The estimate provided by the Office of Revenue Analysis has revised the per penny gasoline tax up to \$4,267,700, an increase of \$57,700 per penny. Other adjustments to the total gasoline tax appropriation for the Department include projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs of \$43.6 million for DOT and \$981,691 for RIPTA in FY 2011. Due to the projected deficit caused by the continued pressure on the Department's budget with increasing debt service, stagnant gasoline tax, and a very high level of winter maintenance expenses for FY 2011, general revenue will be used to fund \$12.6 million of the department's debt service for FY 2011. The level of gasoline tax expenditure will fall to \$31.1 million. The debt service adjustment to the Department represents a decrease of \$13.4 million from the enacted budget. A total of \$1.6 million represents the financing of Human Resources and Information Technology positions consolidated within the Department of Administration. The total transfer amount of these positions represents an increase of \$267,286 from the FY 2011 enacted. It should be noted that no offset account has been utilized in the FY 2011 revised budget as the deficit has been addressed with the move of a portion of the department's deficit to general revenue. The Governor recommends a \$0 balance forecast for the end of FY 2011 to be carried forward into FY 2012.

A total recommendation of \$3.9 million in FY 2011 from the Rhode Island Capital Plan Fund finances the Pawtucket-Central Falls Train Station Study, RIPTA Elmwood Avenue Expansion Project, Salt Storage Facilities and Maintenance Facility improvements, and construction on the East Providence Facility. The total decrease of \$343,805 represents a decline in financing available for the East Providence project.

Other funds changes also include a \$16.2 million decrease from the sale of land associated with the I-195 relocation project in order to reflect current project schedules. Most of the land sales are expected to take place in FY 2012. The Department estimates collecting \$525,000 in FY 2011 from a maintenance fee for outside advertising. Estimates have increased \$225,000 from the enacted budget. Revenue raised in FY 2011 is recommended to be used for operating expenses within the Division of Engineering that do not qualify for federal reimbursement.

Federal funds increase a total of \$21.3 million from the enacted budget. Part of the increase from the enacted budget is due to the Federal Highway Program projects. These expenditures are projected to

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increase by \$5.5 million from the enacted level due to the availability of earmarks from SAFETEA-LU, which has expired. Only short-term extensions have been enacted to date, as Congress wrestles with the shortfall in the Federal Highway Trust Fund. Therefore, the DOT has been conservative in their construction scheduling as the construction budget of the Department is driven by the availability of funding.

There is an increase attributable to the infrastructure investment stimulus funds from the American Recovery and Reinvestment Act of 2009. Expected expenditures on highway projects increase \$9.3 million from the enacted level. The total funding available for highway projects has not changed, only the timing of the expenditures. The Department has made commitments for all funds and expects to expend the remaining funds by the end of FY 2012. Stimulus funds totaling \$4.1 million are included in FY 2011 for the Wickford Junction Commuter Rail Station. These funds reflect a \$765,000 increase over the enacted level.

The overall increase in federal funds is offset by several decreasing federal grants, such as a \$1.7 million decrease in National Highway Safety Administration grants to correct actual federal grants anticipated in FY 2011 and an increase of \$3.5 million in Federal Transit funds associated with the fixed guideway (commuter rail) project. National Highway Safety Administration grants total \$3.0 million while federal transit grants total \$26.1 million. GARVEE debt service is deducted from the total estimated obligation authority estimate for the federal highway fund, and totals \$48.4 million in the revised FY 2011 budget. The revised FY 2011 budget includes a total of \$12.2 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal funds category.

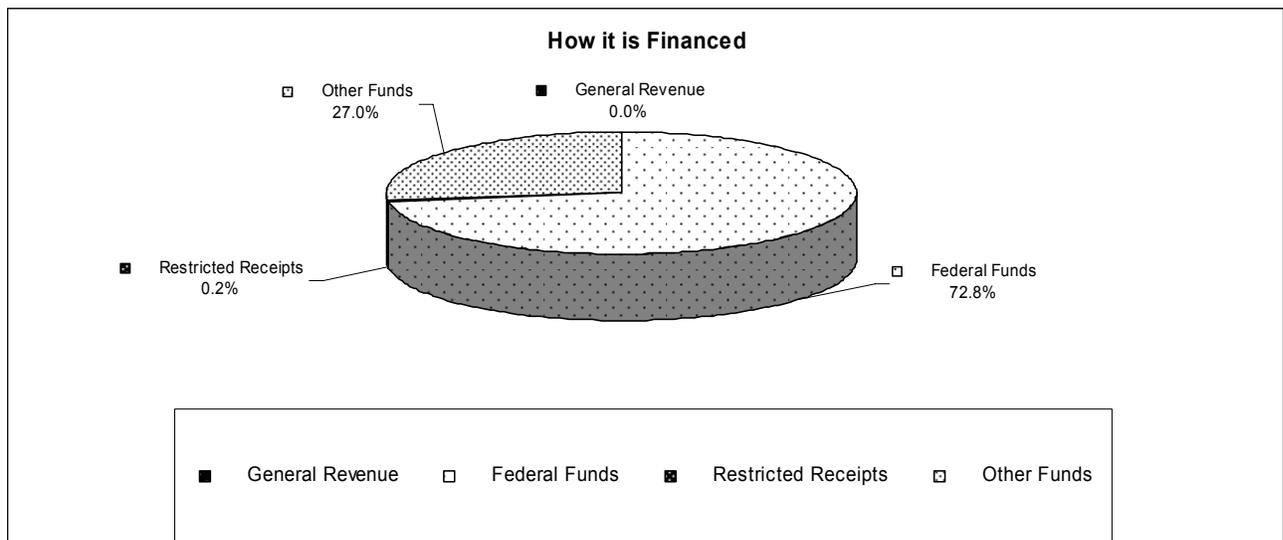
For the Department of Transportation, the Governor recommends 772.6 FTE positions for FY 2011. The enacted budget included 772.2 positions, and includes 89.0 FTE stimulus funded positions. An addition of 0.4 FTE brought a 0.6 FTE Legal Counsel position to a full time position.

In FY 2012, recommended expenditures from all sources for transportation activities total \$434.9 million, an increase of \$61 million from the FY 2011 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2012.

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

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The other funds source represents 27.0 percent of the FY 2012 budget for the Department, or \$117.4 million. This represents an increase of \$8.3 million from the FY 2011 enacted budget. Other funds includes of total gasoline tax expenditures of \$97.2 million, of which \$48.0 million represents the Department of Transportation budget, \$38.5 million is budgeted for RIPTA's allocation of the gasoline tax, with an additional \$2.1 million for the 0.5 cents of the Underground Storage Fee allocated to RIPTA beginning in FY 2010, and \$8.6 million is budgeted for the Motor Fuel Bond allocation of the gasoline tax.

The total estimated receipts for the ISTEIA fund in FY 2012 are \$151.5 million, which represents a gasoline tax yield estimate of \$4,290,400 per penny of the gasoline tax. Total ISTEIA receipts for FY 2012 include an additional \$12.0 million, which represents 20.0 percent of the Division of Motor Vehicles fees for registration and license fees; commercial drivers license fees; Operator Control registration reinstatement fees; drivers license reinstatement and assessment fees; and motor vehicle title fees. These revenues reflect a proposal to provide a stable revenue stream for the Department of Transportation, which has suffered a structural deficit caused by declining collection in gasoline tax and rising debt service. The additional revenues, which phase in an additional 20.0 percent per year, will be fully available to the DOT in FY 2016. Operating surpluses from the additional revenue will be used to reduce the issuance of G.O. bonds which have been issued at \$40.0 million per year as the State's match to the federal funds received. In FY 2016, when the entire proceeds from the specified DMV fees are available to DOT, no G.O. bond issue will be required by the Department. The additional funding source is discussed separately in this report.

The total gasoline tax budget within the Department of Transportation represents an increase of \$11.8 million from the FY 2011 enacted budget. However, the FY 2011 enacted budget included an offset to gas tax revenue account which reduced expenses by \$6.3 million, to \$85.4 million. Without the offset account, the total of DOT gasoline tax operating budget would have been \$91.7 million, and the increase for the FY 2012 would be \$5.5 million. Included in the FY 2012 gasoline tax budget for the Department is a general obligation bond debt service payment of \$46.2 million, an increase of \$1.7 million from the FY 2011 enacted budget. The RIPTA portion of the debt service payment in the Department of Administration totals \$1.2 million, an increase of \$87,495 from the FY 2011 enacted budget. A total of \$1.6 million represents reductions to the Department's allocation of the gasoline tax in order to finance Human Resources and Information Technology positions consolidated within the Department of Administration. The transfer represents an increase of \$267,286 from the FY 2011 enacted budget. The FY 2012 budget takes into account a \$0 carry forward budgeted from FY 2011.

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The FY 2012 recommendation includes Rhode Island Capital Plan Fund expenditures totaling \$3.5 million, of which \$1.0 million is for Salt Storage facilities, \$70,000 for RIPTA Land and Buildings, \$190,400 for RIPTA Paratransit vehicles, \$650,000 for Maintenance Facilities, \$337,000 for the Cherry Hill facility, \$300,000 for Maintenance facilities, \$1.4 million for capital equipment replacement, and \$125,000 is recommended for outfitting of fire alarm systems for various maintenance facilities to comply with new fire code regulations.

A total of \$2.0 million in other funds is from estimated land sale revenues. An additional \$14.6 million is estimated from land sales associated with the relocation of the I-195 project. The remaining other funds for the Department is comprised of \$110,000 for outdoor advertising and non-land surplus property collections for the budget year.

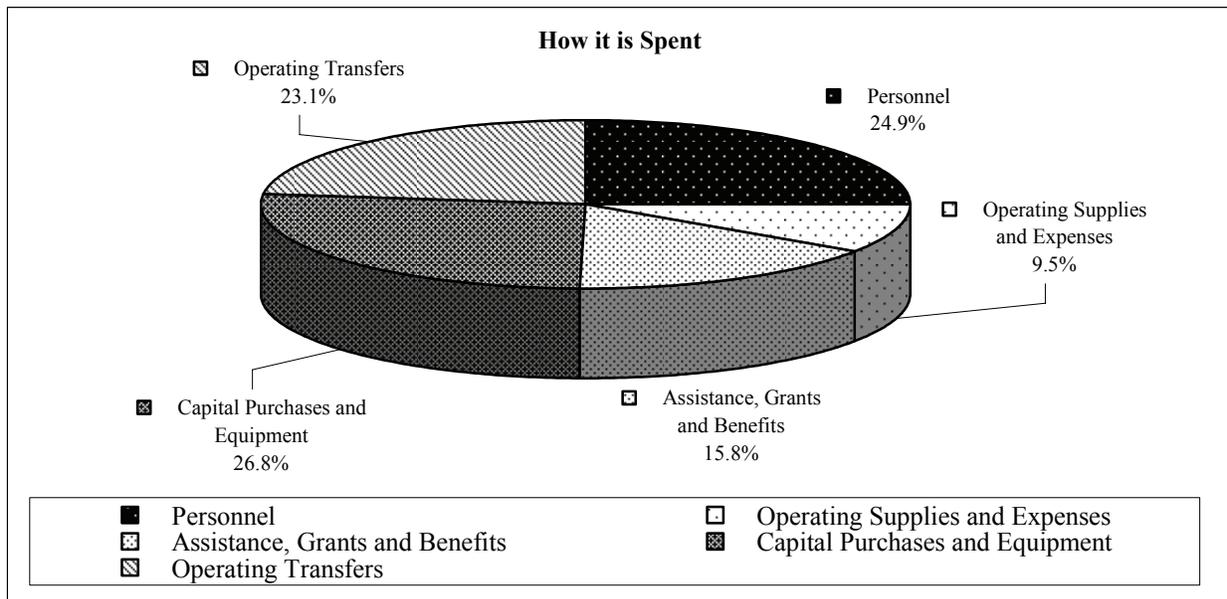
The total budget for federal grants for the department represents 72.8 percent of the budget, or \$316.6 million, including \$202.8 million is federal highway funds, \$13.2 million represents federal highway infrastructure stimulus fund grants, \$260,000 is for fixed guideway stimulus funds, a total of \$48.4 million is GARVEE debt service payments from federal highway funds, \$7.3 million has been budgeted to account for personnel costs transferred to the GARVEE construction program, and \$6.1 million represents personnel costs allocated to general obligation bonds. Other federal grants for the Department are comprised of a total of \$18.7 million in Federal Transit funds and \$11.4 million in National Highway Safety funds. Federal transit funds decrease by \$9.2 million in FY 2012 from the enacted level. National Highway Safety funds decrease by \$2.7 million over the FY 2011 enacted budget to correct actual federal grants anticipated in FY 2012.

Restricted receipts represent 0.2 percent of the total budget or \$1.0 million. Restricted receipts do not vary from the FY 2011 enacted budget.

For FY 2012 the Governor recommends 772.2 FTE positions for the Department of Transportation, which represents an increase of 0.4 FTE from the FY 2012 enacted budget. Consistent with FY 2011 discussion, the increase reflect the change of a 0.6 Legal Counsel to a 1.0 Legal Counsel.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2012.

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The capital category of expenditure represents 26.8 percent of the total Department budget. Capital consists primarily of federal highway dollars located within the Engineering program for infrastructure construction costs, which have increased due to the availability of earmarks on federal highway projects, and the timing of the receipt of federal funds. There is still uncertainty associated with the expiration of the SAFETEE-LU program, which has caused the Department to be conservative in its estimates. Available funding drives the projections for the Department of Transportation. Included in the Engineering program is \$16.6 million in estimated revenue from the sale and/or lease of properties. Included in this estimate is \$14.6 for the sale of land associated with the relocation of Route 195. This revenue, along with \$40.0 million in general obligation bond funds (not included in the operating budget), is utilized to meet matching requirements to federal highway funds provided under SAFETEA-LU.

A total of 24.9 percent represents personnel costs of the Department, which includes contract services. Initiated in FY 2008, the Department's federal indirect cost recovery plan allows a portion of personnel, as well as contract services and operating costs to be eligible for federal reimbursement. A total of \$18.1 million of personnel and contract services costs are located within the Maintenance program where the source of funding is the gasoline tax.

The category of operating transfers represents 23.1 percent of all funds total spending for DOT, which includes the pass-through gasoline tax and underground storage tank fund revenue for RIPTA of \$40.6 million, and \$48.4 million which is paid for the GARVEE bonds through an operating transfer of federal highway funds.

The operating category represents 9.5 percent of all funds total spending for the Department with 57.4 percent of the category representing Maintenance activities, which include pavement repair, crack sealing, pothole repair, litter collection, vehicle fleet maintenance, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program.

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Assistance, grants, and benefits represent 15.8 percent of the FY 2012 budget and consist primarily of Federal Highway Administration and Federal Transit Administration grant funds.

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Five-Year Financial Projection

FY 2012 – FY 2016 Overview

Summary

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

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

The five-year projection includes tables that present anticipated revenues and expenditures for the five fiscal years ending in June 2016. 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.

From the FY 2012 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2016. The operating deficits range from \$126.0 million in FY 2013, \$199.3 million in FY 2014, \$295.7 million in FY 2015, and \$411.4 million in FY 2016. In percentage terms, the deficits are projected to approach 3.7 percent of spending in FY 2013 and 10.7 percent in FY 2016. The expenditure-side of the budget is estimated to increase at an average annual rate of 4.3 percent from the FY 2012 base to FY 2016. Inflation, however, as measured by the CPI, is expected to grow at an average annual rate of 2.3 percent over this five year period. A number of factors are responsible for the rate of growth above inflation, as discussed in detail below.

The five year projection anticipates average annual revenue growth of approximately 3.1 percent beyond the budget year, based upon the adopted November 2010 Revenue Estimating Conference forecast for the Rhode Island economy and the Governor's recommended changes to adopted revenues. The forecasts underlying the five year projection assume that recovery in the Rhode Island economy started in FY 2011. Thus, both FY 2011 and FY 2012 begin to show year-over-year increases in general revenue. General revenue growth is expected to be modest in FY 2011 before strengthening in FY 2012 and the stabilizing in FY 2014 as the uncertainty of the economic recovery diminishes. General revenue growth remains positive in FY 2016 but at a rate below those projected for FY 2013 through FY 2015.

Personal income is forecasted to grow at an average annual rate of 4.4 percent over the FY 2012 – FY 2016 period. Nonfarm employment is anticipated to grow at an average annual rate of 2.5 percent and wage and salary disbursements at an average annual rate of 4.1 percent over the FY 2012 - FY 2016 period. One risk to the revenue forecast is the timing of the economic recovery. If the recovery takes hold sooner than forecast, then the out-year growth rates, particularly in employment, would be lower. The tradeoff, of course, is that near-term revenue estimates would likely be better than currently estimated. Conversely, if the economic recovery takes hold later than forecast, then the out-year growth rates would be too optimistic and both the near-term and the out-year revenue forecasts may be overstated. Another risk to the revenue forecast is the behavior of consumers as the economy recovers. Consumer spending has historically comprised two-thirds of total spending. If post-recession, consumer spending does not rebound to pre-recession levels then the out-year revenue forecasts are likely to be overstated. Furthermore, European financial instability and unrest in the Middle East could negatively impact U.S. consumer spending. The United States has recently seen an increase in exports which may be short-lived if the European financial

FY 2012 – FY 2016 Overview

crisis deepens. Recent turmoil in the Middle East has put significant upward pressure on energy prices, particularly oil, and a sustained increase in the price of oil could dampen consumer spending as income is diverted from discretionary purchases to gasoline and heating fuel.

Highlights

The Governor's Business Tax Competitiveness Proposal (BTCP) is focused on continuing to improve Rhode Island's tax rate competitiveness. The BTCP is a multi-faceted approach that is designed to support all businesses in the state and make Rhode Island's corporate tax rate competitive with its neighboring states. Starting January 1, 2012, this proposal reduces the business corporation tax rate from 9.0 percent to 8.5 percent with further one-half percentage point reductions in 2013 and 2014. In addition, the BTCP eliminates the Jobs Development Act over a three year period again beginning in 2012. Further, the BTCP restructures the corporate minimum and minimum franchise taxes by reducing the rate paid by small businesses. Finally, beginning in 2012, the BTCP requires the use of combined reporting by business corporation tax filers thereby bringing Rhode Island in line with the majority of the other New England states. By FY 2016, the BTCP is estimated to provide \$14.6 million in tax relief to Rhode Island businesses.

The Governor's Sales Tax Modernization Proposal (STMP) is intended to stabilize the State's revenues by extending the sales tax at a rate of 6.0 percent to some services and some currently exempt items. In addition, a separate 1.0 percent sales tax is imposed on a variety of other exempt items thereby ensuring that burden of the sales tax is borne by all consumers. The STMP addresses in a meaningful way Rhode Island's structural budget deficit over the next five years. By FY 2016, the STMP is anticipated to increase general revenues by \$173.3 million.

The Governor's proposal to phase-in the transfer of motor vehicle license, registration and title fees to the Intermodal Surface Transportation Fund (ISTF) for use by the Department of Transportation (DOT) is intended to ease DOT off of its overreliance on debt to provide the state match necessary to leverage available federal highway monies. The Governor's plan is to transfer all of the revenues generated from the registration of motor vehicles and the issuance of operator's licenses and motor vehicle titles in 20.0 percent increments over the FY 2012 through FY 2016 time period. In FY 2016, the transfer of these revenues will increase DOT's funding by \$64.2 million and the Department will no longer need to engage in debt issuance to qualify for federal highway funds.

Finally, the Governor proposes the repeal of the state's Motion Picture Production Company (MPPC) Tax Credit. The MPPC tax credit initially yields savings of \$1.6 million in FY 2012 but these savings increase to \$15.0 million in FY 2016 as new credits are not issued and previously issued credits are redeemed.

Economic Forecast and Revenues

The economic forecast was developed by the principals of the November 2010 Revenue Estimating Conference with input from the consulting economist at Moody's Economy and respective staff. This forecast is derived from the U.S. macroeconomic model and the State of Rhode Island economic model that Moody's Economy.com has developed. A detailed analysis of the conferees near-term economic forecast for the State is contained in The Economy section of the Executive Summary. In that section, particular attention is paid to how the state fared relative to the past year with respect to non-farm employment and personal income growth. In addition, a brief explanation of the actual economic performance of the State against the economic forecast contained in the FY 2011 budget is undertaken. Finally, the economic forecast is presented for the out-years through FY 2016.

FY 2012 – FY 2016 Overview

The biggest risk to the economic forecast is the actual rate of recovery for the Rhode Island economy. The economic forecast predicts a “U” shaped recovery for both the U.S. and Rhode Island economies, however, the bottom of the “U” for Rhode Island’s economic recovery is expected to be significantly broader than the bottom of the “U” for the U.S.’ economic recovery. If Rhode Island’s recovery lags that of the U.S. by more than the length of time currently forecast, then personal income, employment, and wage and salary growth will be pushed out toward the end of the forecast horizon contained in this document.

In particular, employment growth rates are expected to be positive in FY 2011 for the first time since FY 2007. During the FY 2012 – FY 2014 period, Rhode Island employment growth rates are expected to be accelerating up the “U” shaped curve. In FY 2014, Rhode Island employment growth should peak at 3.3 percent and, by FY 2015, total non-farm employment should exceed the peak reached in FY 2007. In FY 2015 employment growth slows to a rate of 2.5 percent before reaching its steady-state level of growth at 1.7 percent in FY 2016. Growth in Rhode Island personal income is expected to strengthen in FY 2011 and FY 2012, averaging more than 2.5 percent over the two year period. Beginning in FY 2013, personal income growth is expected to rise sharply to an annual rate of 5.0 percent, a level not reached since FY 2007. Further, energy prices remain a risk to both the U.S. macroeconomic and Rhode Island forecasts. As an energy importer, Rhode Island’s economy is vulnerable to both sharp increases and decreases in energy prices, with the former being more detrimental than the latter is beneficial. Finally, it should be noted that the economic forecast adopted at the November 2010 Revenue Estimating Conference does not incorporate any additional federal economic stimulus.

The revenue projections contained in the five year forecast include the Governor’s Business Tax Competitiveness Proposal (BTCP). This proposal reduces the corporate income tax rate from 9.0 percent to 7.5 percent over a three year period beginning on January 1, 2012. In addition, the BTCP restructures the corporate minimum and minimum franchise taxes from a flat rate to graduated rates based on Rhode Island gross receipts. Furthermore, the BTCP implements combined reporting and phases out of the Jobs Development Act over a three year period beginning in 2012. The total Business Tax Competitiveness Proposal saves Rhode Island businesses \$905,533 in taxes in FY 2012 with savings increasing to \$15.6 million in FY 2016.

The five year revenue projection includes the Governor’s proposals to modify the adopted Revenue Estimating Conference estimates for FY 2012. Overall revenues are expected to grow from \$3.246 billion in FY 2012 to \$3.544 billion in FY 2016. This is growth of \$297.8 million, reflecting average annual growth of 3.1 percent. This revenue forecast includes the Governor’s Sales Tax Modernization Proposal which includes reducing the sales tax rate from 7.0 percent to 6.0 percent; the modernization of the sales tax base to cover some services and items currently exempt from the sales tax, both of which will be taxed at 6.0 percent; the taxation of the retail sale of medical marijuana at 6.0 percent; the expansion of the sales tax base by taxing certain currently exempt items at a 1.0 percent rate; and the disallowance of the use of insurance proceeds from a totaled or stolen motor vehicle as the trade-in allowance for a passenger car. The Governor’s Sales Tax Modernization Proposal is expected to increase revenue by \$164.9 million in FY 2012 rising to \$173.3 million in FY 2016. It also includes the Governor’s proposal to repeal the Motion Picture Production Company Tax Credit program. The total recaptured revenue in FY 2012 is \$1.6 million growing to \$15.0 million in FY 2016. Further, the five year forecast incorporates the revenue impact from the Governor’s proposal to publish separate top 100 delinquent business taxpayer and delinquent individual taxpayer lists. The separation of the current top 100 delinquent taxpayer list into two separate lists is expected to increase revenues by \$2.3 million in FY 2012 declining to \$132,932 in FY 2016. The five year revenue projection also includes the Governor’s proposal to require that lottery winnings in excess of \$600.00 be offset against debts owed to the State Tax Administrator. The payment

FY 2012 – FY 2016 Overview

of taxes owed from lottery winnings in excess of \$600.00 would be the third priority after child support debts and benefit overpayments by the Department of Labor and Training. This proposal is estimated to increase revenues by \$141,457 in FY 2012 and in subsequent years through FY 2016.

The five year revenue forecast also includes increased revenues from the increase in several fees including daily and annual pass fees for residents and non-residents on both weekdays and weekends to park at state beaches. The result is an increase in revenue of \$1.9 million in FY 2012 descending to \$1.7 million in FY 2016. The Governor proposes to increase the license fee for securities sale representatives to \$75 annually and increase the fee for a federally covered advisor to \$300 annually. The increased fees within the Department of Business Regulation result in annual increased revenue of \$1.2 million in FY 2012 through FY 2016. Further the five year forecast incorporates the revenue impact of several motor vehicle initiatives. The Governor proposes to mandate that insurance companies obtain official Division of Motor Vehicles driving record abstracts at least every three years for insurance ratings. In addition, the Governor seeks to institute a returned check fee of \$25.00 for checks that are returned to the Division of Motor Vehicles by an issuer's financial institution. These two revenue initiatives increase general revenues by \$3.0 million in FY 2012 declining to \$654,225 by FY 2016. The Governor also proposes to increase both the estate filing fee and the letter of good standing fee to \$50 and levy a surcharge of 4.0 percent on the net revenues of compassion centers. These revenue proposals within the Department of Revenue result in an increase in revenue of \$787,932 in FY 2012 rising to \$1.2 million in FY 2016. Further the five year estimate includes the fee increase for fire code violations to \$125 resulting in additional annual revenue of \$40,000 in FY 2012 through FY 2016. The Governor also proposes to institute a \$10 fee for the conducting applicant background clearances by the Department of Children, Youth, and Families. The resulting revenue initiative will increase annual revenues by \$110,000 in FY 2012 through FY 2016. Finally, the Governor has proposed that the Department of Revenue serve as a collection agent for state agencies (i.e. gaining revenues from offset income tax refunds for probation and parole fees owed to the Department of Corrections) and increase the board and support fees at the Rhode Island's Veterans Home to 100.0 percent of resident countable income. The resulting revenue from these initiatives total \$939,824 in FY 2012 falling to \$887,009 in FY 2016. As has been the case in the past, the five year forecast contains the reinstatement of the hospital licensing fee at the current rate of 5.465 percent of FY 2009 net patient revenues for a total of \$141.1 million in FY 2012. The revenue from the Hospital Licensing Fee is held constant over the forecast period and is included in the FY 2013 through FY 2016 forecast horizon.

One revenue change in the Governor's proposed FY 2012 Budget to restricted receipts has a positive impact on general revenues and is included in the five year estimate through an indirect cost recovery. The Governor has proposed to reduce the Telecommunication Access Fund fee on land line phones from \$0.26 to \$0.15 and apply this reduced fee to wireless phones. It is estimated that there will be additional revenue of \$741,600 to the Telecommunication Education Access Fund which is subject to a 10.0 percent cost recovery and enhances general revenues annually by \$74,160 in FY 2012 through FY 2016.

Further the five year forecast includes the reduction to the nursing home expenditure base resulting in a decrease of revenue of \$704,000 in FY 2012 increasing to \$1.1 million by FY 2016.

The Governor's proposal to phase-in the transfer of motor vehicle license and registration fees, commercial driver license fees, registration reinstatement fees, driver license reinstatement fees, and motor vehicle title fees to the Department of Transportation's Intermodal Surface Transportation Fund (ISTF) in equal increments over a five year period beginning in FY 2012 is also incorporated into the five year forecast. By FY 2016 100.0 percent of the funds from these sources will be dedicated to the ISTF. The net result is a reduction in general revenues of \$12.0 million in FY 2012 increasing to \$64.2 million in FY 2016.

FY 2012 – FY 2016 Overview

Finally, the Governor proposes the dissolution to the Health Services Council which collects application fees for the State's Certificate of Need program. The result of this dissolution will be an annual reduction in departmental revenues in the five year forecast of \$371,320 in FY 2012 through FY 2016.

One revenue enhancement in the Governor's proposed FY 2012 Budget has only a FY 2012 impact and thus is only included for FY 2012. This item is the \$3.5 million transfer in excess reserves from the Rhode Island Resource Recovery Corporation.

In the FY 2011 five year forecast, the estimated revenues were projected to be \$3.184 billion by FY 2015, the last year of the forecast, reflecting average annual growth of over 1.4 percent over the FY 2011 through FY 2015 period. The current five year forecast projects \$3.457 billion of revenues by FY 2015, resulting in \$311.9 million more in resources than previously projected, and \$3.544 billion by FY 2016. The resulting average annual growth rate for the FY 2012 through FY 2016 period is 3.1 percent more than double the FY 2011 through FY 2015 growth rate contained in the FY 2011 budget.

Expenditures

Expenditure side risks must also be noted within the five-year projection. There are major initiatives within the Human Services function contained in the Governor's FY 2012 budget which set the expenditure base at a lower level and therefore a risk to the forecast is the passage of those proposals and their successful implementation. A recurring risk to the five-year forecast relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. This impacts both the costs incurred for the clients the state services and its employees. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that there will be a deceleration in the rate of growth for state employee health benefit costs with an average annual rate of growth of 5.6 percent through FY 2016. The forecast also assumes that state employees will continue to share in the cost of medical insurance premiums and costs will moderate due to proposed plan design changes.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume a 3.0 percent negotiated COLA increase in FY 2012. Step increases, longevity increases and educational incentives historically have added 1.7 percent annually to the estimated salary and fringe benefit costs and have been incorporated into the analysis. COLAs reflecting the CPI are included for FY 2013 and thereafter. In FY 2013, salary costs are projected to grow 4.5% percent reflecting the 3 percent cost of living adjustment, 1.7 percent for steps and longevity, followed by increases of 4.4 percent, 4.0 percent, and 3.9 percent through FY2016.

The forecast reflects cost sharing which is expected to offset health insurance costs in FY 2012 and throughout the forecast period. Average employee cost sharing of 19 percent of medical premium cost in FY 2012 and thereafter is projected. This compares with average employee cost sharing of just 11.0 percent in FY 2009. Gross medical cost increases for health care premiums are expected to grow 7.5 percent annually on average in the forecast.

FY 2012 – FY 2016 Overview

Despite pension reforms enacted in past legislative sessions, the costs of the State's defined benefit plan are expected to increase at a pace greater than the rate of growth for salaries. The savings from benefit plan changes are expected to be offset by additional costs related to investment losses and unrealized investment returns. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required contribution rate for state employees is expected to increase from 22.98 percent in FY2012 to 35.88 percent in FY2016. This reflects an increase in the rate of 12.9 percentage points over a five year period. Based upon projected payroll growth and the forecasted retirement contribution rates, the general revenue funded contribution for state employee members would grow from a projected \$88.1 million in FY 2012 to \$162.1 million in FY 2016, reflecting growth of \$74.1 million in retirement costs alone and an average increase of 24 percent a year. This is the single largest growth item in the budget, reflecting growth of 84 percent from FY2012 to FY2016.

Personnel and operating costs continue to be constrained during FY 2012. The Governor's proposed FY 2012 budget includes \$44 million less in personnel and operating than was projected for FY 2012 in the previous five year forecast. This highlights the success in managing costs within available resources. The current five year forecast assumes \$980.3 million of personnel and operating costs in FY 2012 and an average growth of 4.0 percent over the five year interval, resulting in an estimated cost of \$1.210 billion in FY 2016, an increase of \$170.5 million. In FY 2013, there is a \$22.0 million transfer of funds to the Rhode Island Capital Plan Fund to replenish resources that were used to restore the state rainy day fund in FY 2009.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 5.7 percent annually from FY 2012 to FY 2016. Most of this growth is reflected in the Department of Human Services budget, since this is where most of the Medicaid dollars are spent.

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 RI Works Program (formerly FIP), will meet their stated objectives during the forecast period, that federal block grants will continue at current levels, and that Medicaid matching rates (FMAP) will revert to base levels after June 30, 2011.

The forecast assumes that eligibility and economic influences on RI Works/Child Care caseloads will result in increases in costs of approximately 2.5 percent annually. These exclusively reflect continuing additions for child care subsidies, which are extended to the working poor even after cash assistance clients gain access to unsubsidized employment, offset savings in cash assistance. The block grant resources are assumed to be insufficient to finance these incremental costs throughout the forecast period, and, therefore, general revenue dollars are added. No additional effects from the implementation of the new RI Works program are recognized in the estimates, and it is assumed that federal TANF resources will remain sufficient to meet the entire cost of the RI Works program throughout the forecast horizon.

SSI caseloads will increase slightly, as both the elderly and disabled population components are forecast to increase moderately over the five-year period, resulting in increased costs of 2.5 percent per annum, on average.

DHS Medicaid projections reflect proposed reforms in both service delivery models and provider rates, including (but not limited to) the use of a price and acuity-based method of reimbursement for nursing homes, constraints on the growth of Medicaid managed care payment rates for outpatient hospital services,

FY 2012 – FY 2016 Overview

a reduction in non-emergency transportation rates, and selective contracting for home and community based services. No further reform-based savings beyond those for FY 2012 are incorporated in the forecast, though currently recommended initiatives are embedded in the FY 2012 base for at least a portion of the fiscal year. Where appropriate, these costs savings were annualized for FY 2013 through FY 2016.

Pharmacy inflation is assumed at 6.5 percent annually on average. Five-year estimates also reflect a schedule increasing federal “clawback” assessment charges for Part D Medicare benefits to dually eligible Medicaid clients at the pharmacy inflation rate.

The managed care forecast assumes that base costs will inflate at 6.1 percent on average per year until FY 2016. Incorporated into the FY 2012 expenditure base for managed care is a proposal in the Governor’s Budget to limit annual increases in managed care payment rates for outpatient hospital services to no greater than the (CMS) Outpatient Prospective Payment System (OPPS) input price index. Estimated FY 2013 (the first full year of implementation) savings total \$5.3 million in general revenues

Similarly, cost trends in institutional long term care include an annual growth rate increasing of 5.5 percent from FY 2012 through FY 2016. The FY 2012 expenditure base for nursing care contains savings of \$6.1 million in general revenues from the rate reform initiative, annualized to \$8.3 million in FY 2013.

The general revenue expenditures within the Services for the Developmentally Disabilities Private System are projected to increase from \$86.6 million in FY 2011 to \$117.7 million in FY 2016, which equates to a growth rate of 35.9 percent over the five-year period. This growth is a result of assumed trend of approximately 7.5 percent each year. There are several factors that could significantly impact expenditures during the forecast period. These include general economic conditions that negatively impacting Rhode Islanders; the aging of caregivers; the aging of the existing population; and greater public awareness of the availability and, therefore, the utilization of services. Efforts to restructure the network of providers serving persons with developmental disabilities and efforts to increase shared living arrangements over and above those contained in the Governor’s FY 2012 Budget should serve to constrain growth below those contained in the projection. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in Department of Human Services’ grant costs.

Cost trends for general revenue state match expenditures to the Medicaid, Title IV-E, and other grant programs in the Department of Children Youth and Families are projected to grow from \$78.5 million to \$97.1 million between FY 2012 and FY 2016. This increase of only \$18.6 million over the five year period represents the Department’s continued success in transitioning to community based service agency.

Local Aid

Local aid expenditures include education aid, the Motor Vehicle Excise Tax Reimbursement, aid to local libraries comprised of Library Resource Sharing and Library Construction Aid, the Payment in Lieu of Taxes (PILOT) program, the Property Revaluation program, and the Distressed Communities Relief program. The Motor Vehicle Excise Tax Reimbursement, Library Resource Sharing and PILOT are assumed to grow by CPI over the period averaged at 2.4 percent. Growth in Library Construction Aid and the Property Revaluation program are forecasted based on proposed schedules. Lastly, Distressed Communities Relief is assumed to be level-funded over the period at the currently enacted level of \$10.4 million.

In dollar terms, the largest driving force behind expenditure growth from FY 2012 to FY 2016 is Education Aid programs, which are expected to increase by a total of \$198.5 million from the FY 2012 base level of

FY 2012 – FY 2016 Overview

\$831.1 million. This drastic rise is a direct result of the new education funding formula which contains a ten year transition period. Districts that stand to gain money will do so over seven year period, while losing districts will gradually lose funding over the full ten years. The Department of Elementary and Secondary Education's most recent estimates show an increase of \$12.2 million between years two through seven of implementation. Between years eight and ten, a decrease of \$6.3 million should be achieved as the gaining portion of the transition period will come to an end. In general, because of how the transition rules are structured, districts losing money are given more time to adjust, causing the early years of the transition period to cost more.

The funding formula is primarily data driven. As a result, changes may occur in the core instruction amount, the state share calculation, increases or decreases in student populations, changes in median family income, student movement between charter schools or state schools, as well as increases or decreases in free and reduced lunch students. To anticipate for these changes, a one percent growth rate has been included within the five-year forecast. Lastly, the forecast assumes that \$31.3 million from the Education Jobs Fund Bill will be restored in general revenue funding beginning in FY 2013.

State contributions for teachers' retirement increase by \$57.7 million, from \$82.7 million in FY 2012 to \$140.4 million in FY 2016. Projections for future required employer contributions to the teachers' retirement fund reflect two percent teacher payroll growth and increased contribution rates from 22.32 percent in FY 2012 to 34.2 percent in FY 2016. Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to increase by \$17.9 million, from \$72.5 million to \$90.4 million.

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2012 – FY 2016 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from \$162.3 million in FY 2012 to \$201.5 million in FY 2016, an increase of \$39.3 million. The increase is attributable largely to the issuance of debt for the Historic Tax Credit stabilization program, which increases by \$20.8 million, the issuance of general obligation debt, which increases by \$20.2 million, and is offset by reductions in other categories as described below.

The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2012-2016 Capital Budget. - Interest rates for fixed rate general obligation bonds to be issued to fund projects are projected at 5.0 percent. Interest rates for issuance of twenty-year fixed rate certificates of participation are estimated at 5.5 percent. Historic Tax Credit debt is projected to be issued at 6 percent over 9 years in 2011, 2012, and 2013 and reflects an estimated \$56 million reduction in bonds issued from the overall authorization due to lower project engagement. The lower general obligation bond issuance reflects the Governor's proposal to reduce the reliance on debt issues for the Department of Transportation to provide state match for federal funds. Projected amortization schedules are found in the exhibits contained in Appendix C of the State's Capital Budget.

FY 2011 General Obligation Bonds - \$159.8 million (\$40.0 million for DOT)

FY 2011 Historic Tax Credits - \$40.0 million

FY 2011 Pastore/Zambarano Energy - \$15.0 million

FY 2012 Historic Tax Credits - \$35.2.0 million

FY 2012 General Obligation - \$100.0 million (\$40 million for DOT)

FY 2013 General Obligation - \$99.0 million (\$39 million for DOT)

FY 2013 Historic Tax Credits - \$75.0 million

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FY 2014 General Obligation Bonds - \$82.0 million (\$22 million for DOT)

FY 2015 General Obligation Bonds - \$76.0 million (\$16.0 million for DOT)

FY 2016 General Obligation Bonds - \$60.0 million (zero for DOT)

Amortization of existing debt combined with new debt issuance, results in increased general revenue appropriations for debt service of \$39.3 million from FY 2012 to FY 2016. 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. Between FY 2012 and FY 2016, there is an increase of \$20.8 million for debt for the Historic Tax Credit stabilization program, and a \$20.2 million increase for general obligation debt. Performance based obligations increase remains at \$7.0 million. Debt service on certificates of participation decreases by \$1.6 million from \$30.2 million in FY 2012 to \$28.5 million in FY 2016. Convention Center debt service remains at \$23.1 million.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. It is assumed that the Department of Transportation's general obligation bond debt service in FY 2012 will total \$46.2 million, and \$48.5 million in FY2016. This debt service estimate reflects the Governor's proposed plan to decrease the issuance amount for Department of Transportation and replace will replace pay-go capital such that by 2016, there would be no new debt issued to provide state match for federal capital funds. The debt service on bonds issued from FY 2012 – FY 2015 would be allocated such that the transportation debt would be back loaded to provide for minimal debt service growth during the transition period. After FY 2016, debt service requiring a portion of gas tax revenues would decline from FY 2017 until all outstanding debt is paid off. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to approximately \$8.4 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2012 will total \$1.2 million in FY2012 and \$2.7 million in FY2016.

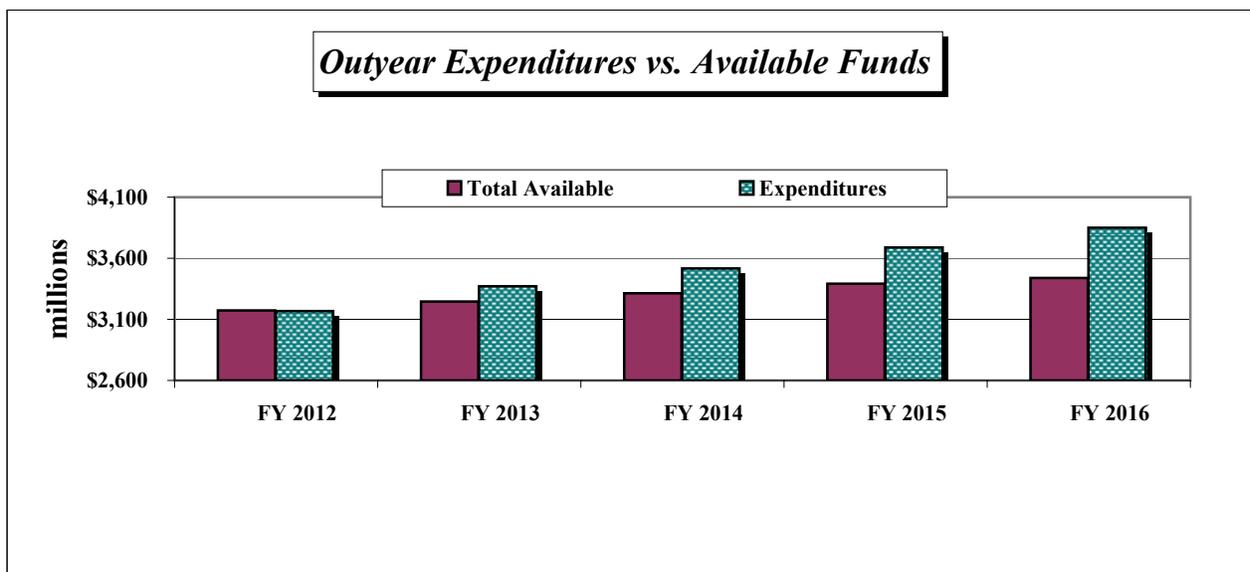
The obligations arising from performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to require the same amount of state appropriations due to the projected achievement of performance targets. Fidelity job rent credits are expected to result in a state obligation of \$3.5 million in FY 2012 and \$3.5 million in FY 2015. The FY 2011 obligation reflects projected payments of \$2.488 million on Phase I, plus \$0.05 million due on Phase II. The forecast assumes no requirement for the Bank of America obligation transaction, which if earned would total approximately \$0.3 million. The Providence Place Mall sales tax is expected to continue to fund the maximum \$3,560,000 debt service.

Other

The projection also assumes that capital disbursements from general revenues would be \$5.4 million in FY 2012, and thereafter. This includes all expenditures which would be subject to fixed assets recording.

General Revenue Outyear Estimates FY 2012 - FY 2016

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Opening Surplus	\$16.2	\$0.0	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	2,881.9	2,973.0	3,044.5	3,115.1	3,154.9
Other Sources	364.0	370.8	373.8	380.9	388.7
Budget Stabilization Fund	(91.3)	(100.3)	(102.5)	(104.9)	(106.3)
Total Available	3,170.7	3,243.4	3,315.8	3,391.1	3,437.3
Minus Expenditures	3,169.8	3,369.4	3,515.1	3,686.8	3,848.8
Equals Ending Balance	\$0.9	(\$126.0)	(\$199.3)	(\$295.7)	(\$411.4)
<i>Operating Surplus or Deficit</i>	<i>(\$15.3)</i>	<i>(\$126.0)</i>	<i>(\$199.3)</i>	<i>(\$295.7)</i>	<i>(\$411.4)</i>
Budget & Cash Stabilization Balance	\$150.1	\$167.2	\$170.9	\$174.8	\$177.2
RI Capital Fund Balance	0.4	0.2	0.1	18.6	72.1
Rhode Island Capital Fund					
<i>Capital Projects Disbursements</i>	<i>84.6</i>	<i>105.4</i>	<i>98.9</i>	<i>82.5</i>	<i>50.4</i>



General Revenue Outyear Estimates

	FY 2012		FY 2013		FY 2014		FY 2015		FY 2016	
Personal Income Tax	\$	950,004,002	\$	1,008,871,587	\$	1,071,130,403	\$	1,125,291,990	\$	1,160,818,145
General Business Taxes:										
Business Corporations		130,364,537		140,347,623		145,631,808		152,555,563		156,890,024
Public Utilities		99,000,000		99,603,430		101,158,079		102,712,728		104,267,377
Financial Institutions		500,000		570,785		842,659		891,648		244,423
Insurance Companies		100,904,966		106,380,994		110,638,868		115,839,671		117,553,213
Bank Deposits		1,950,000		2,010,652		2,071,305		2,131,959		2,192,610
Health Care Provider		41,371,888		43,863,899		45,606,282		47,140,303		48,739,767
General Business Taxes	\$	374,091,392	\$	392,777,382	\$	405,949,001	\$	421,271,872	\$	429,887,415
Sales and Use Taxes:										
Sales and Use		989,482,799		1,015,599,320		1,022,250,811		1,029,414,734		1,036,347,520
Motor Vehicle		42,100,000		32,886,700		23,488,782		13,707,873		3,493,972
Motor Fuel		1,100,000		1,091,960		1,120,966		1,090,775		1,124,464
Cigarettes		131,800,000		128,717,807		125,573,535		122,500,106		119,507,792
Alcohol		12,200,000		12,531,792		12,685,420		12,890,664		13,106,598
Controlled Substances		-		-		-		-		-
Sales and Use Taxes	\$	1,176,682,799	\$	1,190,827,580	\$	1,185,119,514	\$	1,179,604,153	\$	1,173,580,346
Other Taxes:										
Inheritance and Gift		28,900,000		30,375,356		31,750,837		33,007,027		34,256,917
Racing and Athletics		1,100,000		1,059,940		1,043,769		1,046,783		1,017,423
Realty Transfer Tax		6,500,000		6,174,088		6,461,095		6,715,017		6,810,857
Other Taxes	\$	36,500,000	\$	37,609,384	\$	39,255,701	\$	40,768,826	\$	42,085,197
Total Taxes	\$	2,537,278,193	\$	2,630,085,933	\$	2,701,454,618	\$	2,766,936,840	\$	2,806,371,103
Total Departmental Receipts		344,580,999		342,884,100		343,038,258		348,137,119		348,570,433
Taxes and Departmentals	\$	2,881,859,191	\$	2,972,970,032	\$	3,044,492,877	\$	3,115,073,960	\$	3,154,941,537
Other Sources										
Other Miscellaneous		7,290,000		7,560,000		3,760,000		3,760,000		3,760,000
Lottery Commission Receipts		351,500,000		357,889,320		364,624,122		371,634,156		379,283,896
Unclaimed Property		5,200,000		5,316,982		5,437,981		5,544,505		5,652,807
Other Sources	\$	363,990,000	\$	370,766,301	\$	373,822,103	\$	380,938,661	\$	388,696,704
Total General Revenues	\$	3,245,849,191	\$	3,343,736,333	\$	3,418,314,979	\$	3,496,012,621	\$	3,543,638,240

General Revenue Outyear Estimates

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Personal Income Tax	1.4%	6.2%	6.2%	5.1%	3.2%
General Business Taxes:					
Business Corporations	5.7%	7.7%	3.8%	4.8%	2.8%
Public Utilities	2.1%	0.6%	1.6%	1.5%	1.5%
Financial Institutions	100.0%	14.2%	47.6%	5.8%	-72.6%
Insurance Companies	2.8%	5.4%	4.0%	4.7%	1.5%
Bank Deposits	2.6%	3.1%	3.0%	2.9%	2.8%
Health Care Provider	2.2%	6.0%	4.0%	3.4%	3.4%
General Business Taxes	3.6%	5.0%	3.4%	3.8%	2.0%
Sales and Use Taxes:					
Sales and Use	22.8%	2.6%	0.7%	0.7%	0.7%
Motor Vehicle	-18.7%	-21.9%	-28.6%	-41.6%	-74.5%
Motor Fuel	0.0%	-0.7%	2.7%	-2.7%	3.1%
Cigarettes	-2.4%	-2.3%	-2.4%	-2.4%	-2.4%
Alcohol	1.7%	2.7%	1.2%	1.6%	1.7%
Controlled Substances					
Sales and Use Taxes	17.0%	1.2%	-0.5%	-0.5%	-0.5%
Other Taxes:					
Inheritance and Gift	2.1%	5.1%	4.5%	4.0%	3.8%
Racing and Athletics	-12.0%	-3.6%	-1.5%	0.3%	-2.8%
Realty Transfer Tax	1.6%	-5.0%	4.6%	3.9%	1.4%
Other Taxes	1.5%	3.0%	4.4%	3.9%	3.2%
Total Taxes	8.5%	3.7%	2.7%	2.4%	1.4%
Total Departmental Receipts	2.9%	-0.5%	0.0%	1.5%	0.1%
Taxes and Departmentals	7.8%	3.2%	2.4%	2.3%	1.3%
Other Sources					
Gas Tax Transfers	n/a	n/a	n/a	n/a	n/a
Other Miscellaneous	-44.4%	3.7%	-50.3%	0.0%	0.0%
Lottery Commission Receipts	1.2%	1.8%	1.9%	1.9%	2.1%
Unclaimed Property	-1.9%	2.2%	2.3%	2.0%	2.0%
Other Sources	-0.5%	1.9%	0.8%	1.9%	2.0%
Total General Revenues	6.8%	3.0%	2.2%	2.3%	1.4%

General Revenue Outyear Expenditure Estimates

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
State Operations					
Personnel	\$841,800,000	\$890,000,000	\$921,700,000	\$957,500,000	\$989,100,000
Other State Operations	138,500,000	142,200,000	145,500,000	148,700,000	151,800,000
Subtotal	\$980,300,000	\$1,032,200,000	\$1,067,200,000	\$1,106,200,000	\$1,140,900,000
		5.3%	3.4%	3.7%	3.1%
Grants and Benefits					
Department of Human Services					
Hospitals	44,140,000	46,680,000	49,350,000	52,100,000	55,180,000
Managed Care	394,290,000	409,290,000	433,930,000	463,720,000	495,930,000
Nursing Care	157,550,000	163,260,000	172,010,000	181,790,000	192,570,000
Home Care	37,460,000	40,360,000	44,270,000	48,580,000	53,280,000
Other Medicaid	39,230,000	38,240,000	41,100,000	44,220,000	47,590,000
Pharmacy	5,390,000	5,750,000	6,120,000	6,490,000	6,930,000
Cash Assistance - TANF/FIP/Child Care	10,640,000	11,450,000	11,760,000	12,030,000	12,300,000
Cash Assistance - SSI	18,910,000	19,440,000	19,970,000	20,430,000	20,880,000
Clawback	46,500,000	61,450,000	65,330,000	69,340,000	74,070,000
DSH	61,070,000	62,780,000	64,470,000	65,960,000	67,410,000
Department of Health					
AIDS Medicaid	360,000	380,000	410,000	440,000	480,000
HIV/ADAP Formulary (CNOM)	700,000	750,000	810,000	870,000	930,000
Department of Elderly Affairs					
Medicaid (Case Mang't & Core Waiver)	5,730,000	6,140,000	6,600,000	7,100,000	7,640,000
Department of Children Youth & Families					
Children & Family Services	78,470,000	77,970,000	83,810,000	90,170,000	97,050,000
Department of Mental Health Retardation & Hospitals					
Developmental Disabilities-Private	86,590,000	94,580,000	101,660,000	109,380,000	117,720,000
Other Grants and Benefits	138,120,000	140,890,000	144,830,000	148,740,000	152,160,000
Subtotal	\$1,125,150,000	\$1,179,410,000	\$1,246,430,000	\$1,321,360,000	\$1,402,120,000
		4.8%	5.7%	6.0%	6.1%
Local Aid					
Education Aid	831,070,000	899,360,000	938,750,000	983,400,000	1,029,620,000
General Revenue Sharing	0	0	0	0	0
GRS - VLT	0	0	0	0	0
Motor Vehicle Tax Reimbursements	10,000,000	10,280,000	10,560,000	10,800,000	11,040,000
Motor Vehicle - VLT	0	0	0	0	0
PILOT	27,580,000	28,820,000	30,050,000	31,250,000	32,500,000
Distressed Communities	10,380,000	10,380,000	10,380,000	10,380,000	10,380,000
Central Falls Stabilization Payment	4,900,000	0	0	0	0
Library Aid	11,600,000	11,670,000	13,170,000	13,160,000	13,230,000
Property Revaluation Prgm	1,130,000	1,610,000	520,000	980,000	1,960,000
Subtotal	\$896,660,000	\$962,120,000	\$1,003,430,000	\$1,049,970,000	\$1,098,730,000
		7.3%	4.3%	4.6%	4.6%
Capital					
<i>Debt Service</i>					
General Obligation	77,990,000	58,340,000	94,890,000	99,620,000	98,170,000
Historic Tax Credit Program	22,640,000	28,380,000	35,010,000	43,430,000	43,440,000
COPS/Other Leases	30,170,000	50,000,000	31,170,000	29,390,000	28,540,000
Convention Center	23,140,000	23,140,000	23,140,000	23,080,000	23,080,000
Performance Based	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
TANS	1,320,000	1,320,000	1,320,000	1,320,000	1,320,000
<i>Capital Improvements</i>					0
Other Projects	5,470,000	5,470,000	5,470,000	5,470,000	5,470,000
Subtotal	\$167,730,000	\$173,650,000	\$198,000,000	\$209,310,000	\$207,020,000
		3.5%	14.0%	5.7%	-1.1%
Repayment To RI Capital Fund					
Operating transfer to RICAP		22,000,000			
Total	\$3,169,840,000	\$3,369,380,000	\$3,515,060,000	\$3,686,840,000	\$3,848,770,000
Difference		\$199,540,000	\$145,680,000	\$171,780,000	\$161,930,000
		6.29%	4.32%	4.89%	4.39%

General Revenue Outyear Planning Values

Estimates and Growth	FY2012	FY2013	FY2014	FY2015	FY 2016
Personal Income (billions) [1]	\$46.2	\$48.5	\$50.6	\$52.6	\$54.5
<i>Change</i>	3.2%	5.0%	4.4%	3.9%	3.7%
Nonfarm Employment (thousands) [1]	461.0	475.7	491.3	503.8	512.2
<i>Change</i>	1.6%	3.2%	3.3%	2.5%	1.7%
Personal Income Tax					
Wages and Salaries [1]	2.4%	5.4%	5.3%	4.2%	3.4%
Business Corporation Tax [2], [3]	6.2%	13.4%	8.4%	4.2%	4.0%
Provider Tax [3]	3.2%	6.9%	2.8%	2.2%	4.2%
Sales Tax					
Wages and Salaries [1]	2.4%	5.4%	5.3%	4.2%	3.4%
Gasoline Tax					
Real Consumption [4]	4.3%	0.7%	0.1%	1.0%	1.4%
Other Taxes and Departmentals [17]	0.3%	-0.8%	-0.6%	0.1%	-1.1%
CPI-U (U.S.) [1]	2.0%	2.8%	2.7%	2.3%	2.2%
Salaries and Fringe Benefits					
Salary COLA - [13], CPI-U [1]	3.0%	2.8%	2.7%	2.3%	2.2%
Steps and Longevity Increases [3]	1.7%	1.7%	1.7%	1.7%	1.7%
Medical Benefits Costs [8]	3.8%	4.5%	6.0%	6.9%	6.9%
Retiree Health Costs [14]	6.86%	6.86%	6.86%	6.86%	6.86%
State Employees Retirement Costs [15]	22.98%	26.27%	29.54%	33.35%	35.88%
Home Health Care					
Expenditure Growth [5]	21.9%	9.5%	9.7%	9.7%	9.7%
Nursing Home Care					
Expenditure Growth [6]	19.5%	5.1%	5.4%	5.7%	5.9%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
Managed Care/State Employee Plan					
Expenditure Growth [8]	3.8%	4.5%	6.0%	6.9%	6.9%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
Other DHS Medicaid					
Expenditure Growth [7]	21.4%	7.2%	7.5%	7.6%	7.6%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
MHRH- Mental Health					
Expenditure Growth [8]	3.8%	4.5%	6.0%	6.9%	6.9%
DCYF Services					
Expenditure Growth [7]	21.4%	7.2%	7.5%	7.6%	7.6%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
MHRH- MR/DD					
Expenditure Growth [7]	21.4%	7.2%	7.5%	7.6%	7.6%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
Pharmacy					
Expenditure Growth [9]	15.3%	6.8%	6.3%	6.1%	6.8%
Hospital Care					
Expenditure Growth [16]	14.4%	5.8%	5.7%	5.6%	5.9%

[1] November 2010 Revenue Estimating Conference Consensus Economic Forecast, FY 2010 - FY 2015.

[2] Moody's Economy.com Quarterly U.S. Economic Forecast November 2010, Nominal Corporate Profits Before Tax.

[3] State of Rhode Island Budget Office Estimate.

[4] State of Rhode Island Budget Office Estimate for FY 2011 & FY 2012. Moody's Economy.com Quarterly U.S. Economic Forecast November 2010, Real Gasoline and Oil Consumption.

[5] CMS National Health Expenditures Projections February 2010, 2009-2019, Home Health Care: Total State and Local

[6] CMS National Health Expenditures Projections February 2010, 2009-2019, Nursing Home Care: Total State and Local

[7] CMS National Health Expenditures Projections February 2010, 2009-2019, Total Health Expenditures: State and Local Medicaid

[8] CMS National Health Expenditures Projections February 2010, 2009-2019, Total Health Expenditures: Private Insurance as proxy

[9] CMS National Health Expenditures Projections February 2010, 2009-2018, Prescription Drugs: Total State and Local

[10] No extraordinary decrease in expenditures unique to RI is forecasted in this five year forecast.

[11] November 2008 CEC estimates and DHS Fiscal Year FY 2009 Forecast.

[12] HCFA (CMS) National Health Care Expenditures Projections 1965-2017, Personal Health Care.

[13] Based on contractual obligations for 2011 and 2012; FY 2012 and thereafter - CPI.

[14] Reflects funding on an actuarial basis beginning with Fiscal 2011.

[15] Estimate of actuarially required contribution based upon a % of payroll.

[16] CMS National Health Expenditures Projections February 2010, 2009-2019, Total Health Expenditures: State and Local Medicaid

[17] State of Rhode Island Budget Office Estimate, Consisting of all Other Taxes plus Departmentals minus Personal Income, Business Corporation, Health Care Provider Assessment, Sales and Use Taxes and Other Sources

Appendix A

Schedules

FY 2012 General Revenue Budget Surplus

	FY2009 Audited	FY2010 Audited ⁽¹⁾	FY2011 Enacted ⁽²⁾	FY2011 Revised ⁽³⁾	FY 2012 Recommended ⁽⁴⁾
Surplus					
Opening Surplus	(\$42,950,480)	(\$62,286,103)	\$14,216	\$17,889,522	\$16,172,702
Reappropriated Surplus	1,738,518	998,143	-	3,364,847	-
Subtotal	(\$41,211,962)	(\$61,287,960)	\$14,216	\$21,254,369	\$16,172,702
General Taxes	2,338,696,429	2,320,872,610	2,317,150,000	2,317,150,000	2,350,691,899
Revenue estimators' revision				21,850,000	29,558,101
Changes to the Adopted Estimates				-	157,028,192
Subtotal	\$2,338,696,429	\$2,320,872,610	\$2,317,150,000	\$2,339,000,000	\$2,537,278,192
Departmental Revenues	318,804,246	333,128,045	345,226,745	345,226,745	351,107,232
Revenue estimators' revision		-		(10,526,745)	(11,990,688)
Changes to the Adopted Estimates		-		97,880	5,464,455
Subtotal	\$318,804,246	\$333,128,045	\$345,226,745	\$334,797,880	\$344,580,999
Other Sources					
Gas Tax Transfers	4,327,710	24,134	-	-	-
Revenue estimators' revision		-	-	-	-
Changes to the Adopted Estimates		-	-	-	-
Other Miscellaneous	17,813,994	12,466,517	5,331,000	5,331,000	3,924,759
Rev Estimators' revision-Miscellaneous		-		5,524,000	(134,759)
Changes to the Adopted Estimates		-		2,268,285	3,500,000
Lottery	337,515,478	344,672,747	346,138,520	346,138,520	352,835,021
Revenue Estimators' revision-Lottery		-		1,361,480	(1,335,021)
Changes to the Adopted Estimates		-		-	-
Unclaimed Property	8,044,126	5,867,150	6,000,000	6,000,000	5,603,000
Revenue Est revision-Unclaimed Property		-		(700,000)	(403,000)
Subtotal	\$367,701,308	\$363,030,548	\$357,469,520	\$365,923,285	\$363,990,000
Total Revenues	\$3,025,201,983	\$3,017,031,203	\$3,019,846,265	\$3,039,721,165	\$3,245,849,191
Transfer to Budget Reserve	(66,093,533)	(70,913,882)	(78,516,373)	(79,497,878)	(91,336,613)
Total Available	\$2,917,896,488	\$2,884,829,361	\$2,941,344,109	\$2,981,477,656	\$3,170,685,280
Actual/Enacted Expenditures	\$3,001,184,448	\$2,863,574,992	\$2,942,118,704	\$2,942,118,704	\$3,169,836,026
Reappropriations		-	-	3,364,847	
Caseload Conference Changes				(9,507,723)	
FMAP Makeup				37,289,357	
Other Changes in Expenditures				(7,960,231)	
Total Expenditures	\$3,001,184,448	\$2,863,574,992	\$2,942,118,704	\$2,965,304,954	\$3,169,836,026
Free Surplus	(\$62,286,104)	\$17,889,522	(\$774,595)	\$16,172,702	\$849,254
Reappropriations	\$22,000,000	(3,364,847)	-	-	
Total Ending Balances	(\$83,287,960)	\$21,254,369	(\$774,595)	\$16,172,702	\$849,254
Budget Reserve and Cash					
Stabilization Account	\$80,144,551	\$112,280,314	\$126,834,140	\$128,419,649	\$150,053,007

⁽¹⁾ Derived from the State Controller's final closing report for FY 2010, dated January 13, 2011, reflecting a surplus of \$17,889,522.

⁽²⁾ Reflects the final FY 2011 budget enacted by the General Assembly in June 2010, reflecting the revenue estimates adopted at the May 2010 Revenue Estimating Conference and further modified by legislative changes in the enacted budget. Legislation approved separate from the budget, which impacted VLT revenues, reduced lottery revenues by \$800,280.

⁽³⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2010 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

⁽⁴⁾ Reflects the Governor's recommended FY 2012 budget, including the results of the November 2010 Revenue and Caseload Estimating Conferences, and any proposed legislative changes to modify adopted estimates.

Expenditures from All Funds

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$590,402,612	\$557,074,835	\$499,299,809	\$524,787,282	\$415,042,687
Business Regulation	9,890,284	9,313,438	10,899,430	\$11,416,788	\$12,924,686
Labor and Training	802,946,556	1,022,130,923	833,558,439	\$863,956,343	\$495,678,123
Revenue	228,202,474	269,354,051	236,330,417	\$260,103,279	\$335,895,736
Legislature	33,526,670	32,080,717	39,049,144	\$38,545,405	\$38,697,252
Lieutenant Governor	852,985	848,369	924,479	\$889,100	\$997,002
Secretary of State	7,031,779	5,999,701	7,503,274	\$7,340,745	\$6,931,292
General Treasurer	25,478,600	26,761,576	33,018,358	\$27,352,850	\$32,677,673
Board of Elections	2,042,870	1,202,211	3,957,971	\$3,219,832	\$1,965,905
Rhode Island Ethics Commission	1,349,727	1,366,012	1,482,659	\$1,454,869	\$1,560,008
Governor's Office	5,171,858	5,320,273	6,251,152	\$5,267,194	\$5,256,095
Commission for Human Rights	1,373,186	1,284,241	1,371,667	\$1,386,914	\$1,455,570
Public Utilities Commission	5,635,606	5,989,976	7,726,656	\$7,715,020	\$8,105,006
Rhode Island Commission on Women	112,321	71,068	0	\$0	\$0
Subtotal - General Government	\$1,714,017,528	\$1,938,797,391	\$1,681,373,455	\$1,753,435,621	\$1,357,187,035
Human Services					
Office of Health & Human Services	7,075,641	5,089,966	7,167,709	\$7,741,985	\$16,778,680
Children, Youth, and Families	249,961,029	234,187,262	237,598,173	\$230,109,530	\$210,943,797
Elderly Affairs	32,652,770	25,226,866	26,712,596	\$32,213,748	\$27,486,148
Health	122,192,215	131,659,235	116,146,808	\$156,861,874	\$151,467,696
Human Services	1,834,948,238	2,030,770,762	2,285,305,550	\$2,222,635,065	\$2,239,993,085
Mental Health, Retardation, & Hospitals	466,591,487	458,930,214	446,750,327	\$455,264,821	\$441,952,625
Veterans Affairs	0	0	0	\$0	\$28,688,112
Governor's Commission on Disabilities	599,120	578,829	824,453	\$818,629	\$829,892
Commission On Deaf and Hard of Hearing	337,416	339,304	362,824	\$364,802	\$387,985
State Council on Developmental Disabilities	0	0	-	\$0	\$0
Office of the Child Advocate	512,005	552,865	589,627	\$602,749	\$652,432
Office of the Mental Health Advocate	441,061	381,030	440,950	\$438,733	\$468,718
Subtotal - Human Services	\$2,715,310,982	\$2,887,716,333	\$3,121,899,017	\$3,107,051,936	\$3,119,649,170
Education					
Elementary and Secondary	1,055,130,894	1,080,094,111	1,128,732,869	\$1,173,230,843	\$1,138,601,394
Higher Education - Board of Governors	842,410,188	901,551,465	937,802,389	\$996,080,552	\$994,958,261
RI Council on the Arts	2,602,169	3,014,458	3,054,336	\$3,072,855	\$3,027,174
RI Atomic Energy Commission	1,119,073	1,141,723	1,492,350	\$1,472,182	\$1,511,526
Higher Education Assistance Authority	27,244,768	23,669,359	25,789,109	\$27,516,773	\$27,412,147
Historical Preservation and Heritage Comm.	2,021,139	1,901,211	2,663,971	\$2,719,579	\$2,826,017
Public Telecommunications Authority	1,923,277	1,607,931	1,672,717	\$1,626,059	\$1,781,172
Subtotal - Education	\$1,932,451,508	\$2,012,980,258	\$2,101,207,741	\$2,205,718,843	\$2,170,117,691

Expenditures from All Funds

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	23,273,491	22,310,578	23,861,219	\$25,176,626	\$25,344,121
Corrections	179,135,561	173,870,935	187,181,519	\$193,995,086	\$198,975,598
Judicial	93,784,592	91,925,710	97,379,996	\$99,199,016	\$102,703,922
Military Staff	28,850,448	25,640,295	26,638,164	\$61,539,354	\$35,161,325
Public Safety (2)	78,958,901	98,996,111	86,749,570	\$92,466,029	\$102,344,254
Office Of Public Defender	9,272,215	9,124,681	10,020,401	\$10,160,218	\$10,876,941
Subtotal - Public Safety	\$413,275,208	\$421,868,310	\$431,830,869	\$482,536,329	\$475,406,161
Natural Resources					
Environmental Management	66,566,249	64,770,868	93,120,711	\$100,664,644	\$97,582,385
Coastal Resources Management Council	3,607,015	5,623,950	4,383,711	\$9,265,099	\$4,954,375
Water Resources Board	1,132,330	1,235,380	1,436,540	\$1,829,540	\$1,430,267
Subtotal - Natural Resources	\$71,305,594	\$71,630,198	\$98,940,962	\$111,759,283	\$103,967,027
Transportation					
Transportation	358,368,552	375,941,217	428,893,766	\$450,858,459	\$434,974,524
Subtotal - Transportation	\$358,368,552	\$375,941,217	\$428,893,766	\$450,858,459	\$434,974,524
Total	\$7,204,729,372	\$7,708,933,707	\$7,864,145,810	\$8,111,360,471	\$7,661,301,608

(1) In FY 2010 Fire Code Board was moved to Department of Administration.

(2) Agencies merged with Department of Public Safety include State Police, Fire Marshal, E-911 Emergency Telephone System, Municipal Police Training Academy, Capitol Police, and the Governor's Justice Commission.

Expenditures from General Revenues

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$475,081,231	\$418,405,347	\$324,063,375	\$325,928,779	\$250,047,213
Business Regulation	8,527,975	8,078,396	9,156,047	\$8,919,355	\$9,696,378
Labor and Training	6,433,976	6,308,677	7,117,031	\$7,005,613	\$7,262,954
Revenue	32,332,042	32,476,057	35,479,085	\$36,130,650	\$91,720,012
Legislature	32,018,334	30,577,686	37,474,136	\$36,970,091	\$37,048,053
Lieutenant Governor	852,985	848,369	924,479	\$889,100	\$997,002
Secretary of State	6,318,528	5,142,947	6,908,707	\$6,754,217	\$6,434,744
General Treasurer	2,353,049	2,072,608	2,270,649	\$2,253,614	\$2,240,128
Board of Elections	1,547,546	1,092,280	3,957,971	\$3,219,832	\$1,915,905
Rhode Island Ethics Commission	1,349,727	1,366,012	1,482,659	\$1,454,869	\$1,560,008
Governor's Office	4,627,388	4,344,370	4,752,606	\$4,414,905	\$4,338,521
Commission for Human Rights	918,461	959,253	1,014,978	\$1,222,547	\$1,154,038
Public Utilities Commission	0	-	-	\$0	\$0
Rhode Island Commission on Women	112,321	71,068	0	\$0	\$0
Subtotal - General Government	\$572,473,563	\$511,743,070	\$434,601,723	\$435,163,572	\$414,414,956
Human Services					
Office of Health & Human Services	3,434,394	3,253,566	3,420,163	\$3,541,112	\$9,623,834
Children, Youth, and Families	160,349,512	152,831,095	153,046,095	\$152,873,449	\$139,413,049
Elderly Affairs	14,056,867	7,994,872	10,100,599	\$9,648,239	\$9,319,591
Health	26,238,748	25,221,245	27,624,903	\$28,322,576	\$26,748,244
Human Services	661,474,680	653,605,790	715,328,654	\$736,566,357	\$864,108,853
Mental Health, Retardation, & Hospitals	184,060,035	160,665,295	163,684,244	\$170,929,040	\$190,519,884
Veterans Affairs	0	0	0	\$0	\$19,039,528
Governor's Commission on Disabilities	383,043	343,441	367,229	\$363,308	\$388,786
Commission On Deaf and Hard of Hearing	341,316	339,304	362,824	\$364,802	\$387,985
State Council on Developmental Disabilities	-	-	-	\$0	\$0
Office of the Child Advocate	501,518	506,961	543,822	\$556,047	\$603,384
Office of the Mental Health Advocate	441,061	381,030	440,950	\$438,733	\$468,718
Subtotal - Human Services	\$1,051,281,174	\$1,005,142,599	\$1,074,919,483	\$1,103,603,663	\$1,260,621,856
Education					
Elementary and Secondary	826,168,088	803,066,786	856,068,541	\$847,414,195	\$869,014,643
Higher Education - Board of Governors	170,880,181	161,108,248	163,606,843	\$162,573,194	\$173,400,638
RI Council on the Arts	1,591,482	1,615,295	1,668,346	\$1,687,286	\$1,619,110
RI Atomic Energy Commission	850,234	769,039	875,781	\$861,031	\$879,592
Higher Education Assistance Authority	7,283,678	6,611,632	6,723,347	\$7,320,186	\$6,163,104
Historical Preservation and Heritage Comm.	1,241,496	1,256,875	1,348,717	\$1,402,519	\$1,501,641
Public Telecommunications Authority	1,206,333	1,000,695	1,035,967	\$979,325	\$1,097,960
Subtotal - Education	\$1,009,221,492	\$975,428,570	\$1,031,327,542	\$1,022,237,736	\$1,053,676,688

Expenditures from General Revenues

	FY 2009 Actual	FY 2010 Actual	FY 2011 Enacted	FY 2011 Revised	FY 2012 Recommend
Public Safety					
Attorney General	20,811,434	19,592,235	21,209,730	\$21,443,366	\$22,580,366
Corrections	154,269,705	169,892,046	178,329,401	\$178,561,565	\$188,141,365
Judicial	81,658,621	78,865,431	84,575,255	\$84,392,428	\$88,111,808
Military Staff	3,489,128	4,104,899	2,782,435	\$4,166,145	\$3,618,028
Public Safety (2)	63,138,452	54,155,469	67,024,490	\$68,565,272	\$89,407,711
Office Of Public Defender	8,986,912	9,013,466	9,590,261	\$9,541,448	\$10,300,580
Subtotal - Public Safety	\$332,354,252	\$335,623,546	\$363,511,572	\$366,670,224	\$402,159,858
Natural Resources					
Environmental Management	32,853,889	32,646,082	34,403,329	\$34,268,194	\$35,495,587
Coastal Resources Management Council	2,002,176	1,938,722	2,038,515	\$2,063,203	\$2,236,814
Water Resources Board	998,006	1,052,485	1,316,540	\$1,298,362	\$1,230,267
Subtotal - Natural Resources	\$35,854,071	\$35,637,289	\$37,758,384	\$37,629,759	\$38,962,668
Transportation					
Transportation	-	-	-	\$0	\$0
Subtotal - Transportation	-	-	-	-	-
Total	\$3,001,184,552	\$2,863,575,074	\$2,942,118,704	\$2,965,304,954	\$3,169,836,026

(1) In FY 2010 Fire Code Board was moved to Department of Adminsitration.

(2) Agencies merged with Department of Public Safety include State Police, Fire Marshal, E-911 Emergency Telephone System, Municipal Police Training Academy, Capitol Police, and the Governor's Justice Commission.

Expenditures from Federal Funds

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$49,085,955	\$57,534,460	\$79,572,545	\$103,620,313	\$69,057,151
Business Regulation	87,315	0	-	\$758,454	\$1,460,861
Labor and Training	69,695,640	330,506,335	181,957,663	\$153,430,142	\$49,345,402
Revenue	1,551,480	1,803,123	2,289,770	\$2,365,000	\$2,636,059
Legislature	-	-	-	\$0	\$0
Lieutenant Governor	-	-	-	\$0	\$0
Secretary of State	285,132	397,172	100,000	\$127,092	\$0
General Treasurer	783,113	1,072,595	1,108,180	\$1,115,608	\$1,117,483
Board of Elections	495,324	109,931	0	\$0	\$50,000
Rhode Island Ethics Commission	-	-	-	\$0	\$0
Governor's Office	544,470	55,161	0	\$132,605	\$139,898
Commission for Human Rights	454,725	324,988	356,689	\$164,367	\$301,532
Public Utilities Commission	67,758	105,096	296,330	\$296,330	\$309,373
Rhode Island Commission on Women	-	-	-	\$0	\$0
Subtotal - General Government	\$123,050,912	\$391,908,861	\$265,681,177	\$262,009,911	\$124,417,759
Human Services					
Office of Health & Human Services	2,989,140	1,254,175	2,873,533	\$3,309,016	\$6,250,134
Children, Youth, and Families	86,805,083	78,805,892	77,855,163	\$72,769,129	\$62,869,525
Elderly Affairs	13,297,603	16,491,994	15,936,066	\$21,820,418	\$17,769,466
Health	75,887,711	88,783,805	63,259,111	\$102,553,414	\$97,985,313
Human Services	1,167,517,155	1,364,253,707	1,556,245,695	\$1,470,449,888	\$1,359,554,881
Mental Health, Retardation, & Hospitals	273,867,202	287,059,335	259,918,758	\$264,422,374	\$220,049,930
Veterans Affairs	0	0	0	\$0	\$8,005,072
Governor's Commission on Disabilities	56,245	85,780	193,598	\$196,213	\$181,842
Commission On Deaf and Hard of Hearing	(3,900)	0	-	\$0	\$0
State Council on Developmental Disabilities	0	0	-	\$0	\$0
Office of the Child Advocate	10,487	45,904	45,805	\$46,702	\$49,048
Office of the Mental Health Advocate	-	-	-	\$0	\$0
Subtotal - Human Services	\$1,620,426,726	\$1,836,780,592	\$1,976,327,729	\$1,935,567,154	\$1,772,715,211

Expenditures from Federal Funds

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
Education					
Elementary and Secondary	212,971,419	259,815,919	239,980,896	\$299,418,836	\$238,146,015
Higher Education - Board of Governors	3,735,333	3,746,126	15,004,667	\$32,657,457	\$4,594,756
RI Council on the Arts	698,153	1,117,813	950,990	\$950,569	\$973,064
RI Atomic Energy Commission	51,548	130,200	300,159	\$314,104	\$324,104
Higher Education Assistance Authority	13,123,389	10,873,936	12,044,337	\$13,175,928	\$13,508,323
Historical Preservation and Heritage Com	509,473	589,499	835,804	\$841,508	\$846,195
Public Telecommunications Authority	-	-	-	\$0	\$0
Subtotal - Education	\$231,089,315	\$276,273,493	\$269,116,853	\$347,358,402	258,392,457
Public Safety					
Attorney General	1,397,378	1,297,016	1,248,830	\$1,978,333	\$1,391,520
Corrections	22,288,289	2,106,693	2,794,860	\$3,695,618	\$2,914,545
Judicial	1,625,278	2,830,983	2,326,527	\$3,937,011	\$3,293,751
Military Staff	24,421,516	20,725,608	22,150,754	\$54,794,249	\$29,933,986
Public Safety (2)	7,925,797	18,591,398	7,131,554	\$11,854,997	\$6,541,865
Office Of Public Defender	285,303	111,215	430,140	\$618,770	\$576,361
Subtotal - Public Safety	\$57,943,561	\$45,662,913	\$36,082,665	\$76,878,978	\$44,652,028
Natural Resources					
Environmental Management	19,660,143	18,437,828	35,386,175	\$42,330,832	\$38,356,542
Coastal Resources Management Council	1,384,339	1,806,719	2,095,196	\$6,951,896	\$2,038,461
Water Resources Board	(1,034)	0	-	\$0	\$0
Subtotal - Natural Resources	\$21,043,448	\$20,244,547	\$37,481,371	\$49,282,728	\$40,395,003
Transportation					
Transportation	\$217,263,313	\$242,296,127	\$318,808,127	\$340,116,026	\$316,591,958
Subtotal - Transportation	\$217,263,313	\$242,296,127	\$318,808,127	\$340,116,026	\$316,591,958
Total	\$2,270,817,275	\$2,813,166,533	\$2,903,497,922	\$3,011,213,199	\$2,557,164,416

(1) In FY 2010 Fire Code Board was moved to Department of Administration.

(2) Agencies merged with Department of Public Safety include State Police, Fire Marshal, E-911 Emergency Telephone System, Municipal Police Training Academy, Capitol Police, and the Governor's Justice Commission.

Expenditures from Restricted Receipts

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$9,476,352	\$19,964,401	\$17,140,339	\$25,689,655	\$19,898,084
Business Regulation	1,274,994	1,235,042	1,743,383	\$1,738,979	\$1,767,447
Labor and Training	18,912,732	19,182,847	17,529,145	\$18,004,845	\$17,104,361
Revenue	4,479,106	4,001,548	824,191	\$1,966,459	\$21,191,727
Legislature	1,508,336	1,503,031	1,575,008	\$1,575,314	\$1,649,199
Lieutenant Governor	-	-	-	\$0	\$0
Secretary of State	428,119	459,582	494,567	\$459,436	\$496,548
General Treasurer	22,183,336	23,407,229	29,420,614	\$23,756,475	\$29,103,041
Board of Elections	-	-	-	\$0	\$0
Rhode Island Ethics Commission	-	-	-	\$0	\$0
Governor's Office	-	920,742	1,498,546	\$719,684	\$777,676
Commission for Human Rights	-	-	-	\$0	\$0
Public Utilities Commission	5,567,848	5,884,880	7,430,326	\$7,418,690	\$7,795,633
Rhode Island Commission on Women	-	-	-	\$0	\$0
Subtotal - General Government	\$63,830,823	\$76,559,302	\$77,656,119	\$81,329,537	\$99,783,716
Human Services					
Office of Health & Human Services	652,107	582,225	874,013	\$891,857	\$904,712
Children, Youth, and Families	2,232,511	2,148,243	2,306,915	\$2,485,137	\$5,571,223
Elderly Affairs	850,000	740,000	675,931	\$745,091	\$397,091
Health	19,955,653	17,590,794	25,082,953	\$25,869,684	\$26,670,739
Human Services	5,923,903	8,158,484	9,446,201	\$10,587,200	\$11,873,994
Mental Health, Retardation, & Hospitals	4,695,837	7,747,477	10,688,634	\$8,049,478	\$7,997,979
Veterans Affairs	0	0	0	\$0	\$1,643,512
Governor's Commission on Disabilities	8,432	7,931	13,626	\$9,108	\$9,264
Commission On Deaf and Hard of Hearing	-	-	-	\$0	\$0
State Council on Developmental Disabilities	-	-	-	\$0	\$0
Office of the Child Advocate	-	-	-	\$0	\$0
Office of the Mental Health Advocate	-	-	-	\$0	\$0
Subtotal - Human Services	\$34,318,443	\$36,975,154	\$49,088,273	\$48,637,555	\$55,068,514
Education					
Elementary and Secondary	6,511,895	15,794,969	23,930,750	\$19,019,883	\$24,039,421
Higher Education - Board of Governors	651,932	738,830	930,000	\$930,000	\$941,338
RI Council on the Arts	83,440	100,000	-	\$0	\$0
RI Atomic Energy Commission	-	-	-	\$0	\$0
Higher Education Assistance Authority	-	-	-	\$0	\$0
Historical Preservation and Heritage Comm.	270,170	54,837	479,450	\$475,552	\$478,181
Public Telecommunications Authority	-	-	-	\$0	\$0
Subtotal - Education	\$7,517,437	\$16,688,636	\$25,340,200	\$20,425,435	\$25,458,940

Expenditures from Restricted Receipts

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	843,800	1,051,750	1,202,659	\$1,317,657	\$1,122,235
Corrections	-	-	87,134	\$124,774	\$34,371
Judicial	8,796,528	8,843,617	9,628,214	\$10,018,790	\$10,198,363
Military Staff	99,797	94,563	842,475	\$376,782	\$389,311
Public Safety (2)	243,806	942,338	803,106	\$384,413	\$335,749
Office Of Public Defender	-	-	-	\$0	\$0
Subtotal - Public Safety	\$9,983,931	\$10,932,268	\$12,563,588	\$12,222,416	\$12,080,029
Natural Resources					
Environmental Management	11,413,385	10,159,927	14,136,916	\$14,674,427	\$15,831,035
Coastal Resources Management Council	220,500	223,000	250,000	\$250,000	\$250,000
Water Resources Board	109,816	0	-	\$0	\$0
Subtotal - Natural Resources	\$11,743,701	\$10,382,927	\$14,386,916	\$14,924,427	\$16,081,035
Transportation					
Transportation	370,418	757,110	1,000,000	\$1,000,000	\$1,000,000
Subtotal - Transportation	\$370,418	\$757,110	\$1,000,000	\$1,000,000	\$1,000,000
Total	\$127,764,753	\$152,295,397	\$180,035,096	\$178,539,370	\$209,472,234

(1) In FY 2010 Fire Code Board was moved to Department of Administration.

(2) Agencies merged with Department of Public Safety include State Police, Fire Marshal, E-911 Emergency Telephone System, Municipal Police Training Academy, Capitol Police, and the Governor's Justice Commission.

(\$29,437,138)

Expenditures from Other Funds

	FY 2009	FY 2010	FY 2011	FY 2011	FY 2012
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$56,759,074	\$61,170,627	\$78,523,550	\$69,548,535	\$76,040,239
Business Regulation	-	-	-	\$0	\$0
Labor and Training	707,904,208	666,133,064	626,954,600	\$685,515,743	\$421,965,406
Revenue	189,839,846	231,073,323	197,737,371	\$219,641,170	\$220,347,938
Legislature	-	-	-	\$0	\$0
Lieutenant Governor	-	-	-	\$0	\$0
Secretary of State	-	-	-	\$0	\$0
General Treasurer	159,102	209,144	218,915	\$227,153	\$217,021
Board of Elections	-	-	-	\$0	\$0
Rhode Island Ethics Commission	-	-	-	\$0	\$0
Governor's Office	-	-	-	\$0	\$0
Commission for Human Rights	-	-	-	\$0	\$0
Public Utilities Commission	-	-	-	\$0	\$0
Rhode Island Commission on Women	-	-	-	\$0	\$0
Subtotal - General Government	\$954,662,230	\$958,586,158	\$903,434,436	\$974,932,601	\$718,570,604
Human Services					
Office of Health & Human Services	-	-	-	\$0	\$0
Children, Youth, and Families	573,923	402,032	4,390,000	\$1,981,815	\$3,090,000
Elderly Affairs	4,448,300	0	-	\$0	\$0
Health	110,103	63,391	179,841	\$116,200	\$63,400
Human Services	32,500	4,752,781	4,285,000	\$5,031,620	\$4,455,357
Mental Health, Retardation, & Hospitals	3,968,413	3,458,107	12,458,691	\$11,863,929	\$23,384,832
Veterans Affairs	0	0	0	\$0	\$0
Governor's Commission on Disabilities	151,400	141,677	250,000	\$250,000	\$250,000
Commission On Deaf and Hard of Hearing	-	-	-	\$0	\$0
State Council on Developmental Disabilities	-	-	-	\$0	\$0
Office of the Child Advocate	-	-	-	\$0	\$0
Office of the Mental Health Advocate	-	-	-	\$0	\$0
Subtotal - Human Services	\$9,284,639	\$8,817,988	\$21,563,532	\$19,243,564	\$31,243,589
Education					
Elementary and Secondary	9,479,492	1,416,437	8,752,682	\$7,377,929	\$7,401,315
Higher Education - Board of Governors	667,142,742	735,958,261	758,260,879	\$799,919,901	\$816,021,529
RI Council on the Arts	229,094	181,350	435,000	\$435,000	\$435,000
RI Atomic Energy Commission	217,291	242,484	316,410	\$297,047	\$307,830
Higher Education Assistance Authority	6,837,701	6,183,791	7,021,425	\$7,020,659	\$7,740,720
Historical Preservation and Heritage Comm.	-	-	-	\$0	\$0
Public Telecommunications Authority	716,944	607,236	636,750	\$646,734	\$683,212
Subtotal - Education	\$684,623,264	\$744,589,559	\$775,423,146	\$815,697,270	\$832,589,606

Expenditures from Other Funds

	FY 2009 Actual	FY 2010 Actual	FY 2011 Enacted	FY 2011 Revised	FY 2012 Recommend
Public Safety					
Attorney General	220,879	369,577	200,000	\$437,270	\$250,000
Corrections	2,577,567	1,872,196	5,970,124	\$11,613,129	\$7,885,317
Judicial	1,704,165	1,385,679	850,000	\$850,787	\$1,100,000
Military Staff	840,007	715,225	862,500	\$2,202,178	\$1,220,000
Public Safety (2)	7,650,846	25,306,906	11,790,420	\$11,661,347	\$6,058,929
Office Of Public Defender	-	-	-	\$0	\$0
Subtotal - Public Safety	\$12,993,464	\$29,649,583	\$19,673,044	\$26,764,711	\$16,514,246
Natural Resources					
Environmental Management	2,638,832	3,527,031	9,194,291	\$9,391,191	\$7,899,221
Coastal Resources Management Council	0	1,655,509	0	\$0	\$429,100
Water Resources Board	25,542	182,895	120,000	\$531,178	\$200,000
Subtotal - Natural Resources	\$2,664,374	\$5,365,435	\$9,314,291	\$9,922,369	\$8,528,321
Transportation					
Transportation	140,734,821	132,887,980	109,085,639	\$109,742,433	\$117,382,566
Subtotal - Transportation	\$140,734,821	\$132,887,980	\$109,085,639	\$109,742,433	\$117,382,566
Total	\$1,804,962,792	\$1,879,896,703	\$1,838,494,088	\$1,956,302,948	\$1,724,828,932

(1) In FY 2010 Fire Code Board was moved to Department of Administration.

(2) Agencies merged with Department of Public Safety include State Police, Fire Marshal, E-911 Emergency Telephone System, Municipal Police Training Academy, Capitol Police, and the Governor's Justice Commission.

Full-Time Equivalent Positions

	FY 2009	FY 2010	FY 2011 Enacted	FY 2011 Revised	FY 2012
General Government					
Administration	845.6	835.4	871.6	873.6	693.6
Business Regulation	91.0	85.5	90.0	93.0	93.0
Labor & Training	395.3	514.4	519.4	512.2	470.2
Revenue	410.0	413.5	426.0	428.5	428.5
Legislature	297.9	288.8	295.9	298.5	298.5
Office of the Lieutenant Governor	8.0	8.0	8.0	7.0	7.0
Secretary of State	55.0	56.5	57.0	57.0	57.0
General Treasurer	83.0	79.5	82.0	82.0	82.0
Boards for Design Professionals (4)					
Board Of Elections	12.0	11.5	12.0	11.0	12.0
Rhode Island Ethics Commission	12.0	12.0	12.0	12.0	12.0
Office of the Governor	39.0	44.0	45.0	45.0	45.0
Commission for Human Rights	14.5	14.2	14.5	14.5	14.5
Public Utilities Commission	44.0	45.5	46.0	46.0	46.0
Rhode Island Commission on Women	1.0	1.0	-	-	
Subtotal - General Government	2,308.3	2,409.8	2,479.4	2,480.3	2,259.3
Human Services					
Office of Health and Human Services	85.1	52.9	75.6	77.6	149.0
Children, Youth, and Families	694.0	658.5	691.0	691.0	662.5
Elderly Affairs	32.0	29.5	31.0	31.0	32.0
Health	409.6	397.4	410.7	468.7	473.3
Human Services	884.6	919.7	963.6	988.2	674.0
Veterans. Affairs	-	-	-	-	268.2
Behavioral Healthcare, Developmental Disabilities, and Hospitals	1,352.4	1,294.0	1,372.2	1,372.2	1,376.2
Office of the Child Advocate	5.7	5.8	5.8	5.8	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0
Governor's Commission on Disabilities	4.0	4.0	4.0	4.0	4.0
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	3.7
Subtotal - Human Services	3,474.1	3,368.5	3,560.6	3,645.2	3,651.7
Education					
Elementary and Secondary Education	128.4	129.7	133.4	156.4	156.4
Davies	133.0	128.5	132.0	132.0	132.0
School for the Deaf	50.0	57.6	60.0	60.0	60.0
Elementary Secondary Education - Total	311.4	315.8	325.4	348.4	348.4
Office of Higher Education Non-Sponsored Research	19.4	16.2	18.4	18.4	18.4
URI Non-Sponsored Research	1,849.9	1,814.4	1,834.5	1,834.5	1,834.9
RIC Non-Sponsored Research	812.6	805.2	810.1	810.1	827.2
CCRI Non-Sponsored Research	713.1	706.4	704.1	769.1	769.1
Higher Education - Total Non-Sponsored	3,395.0	3,342.2	3,367.1	3,432.1	3,449.6

Full-Time Equivalent Positions

	FY 2009	FY 2010	FY 2011 Enacted	FY 2011 Revised	FY 2012
RI Council On The Arts	7.6	8.6	8.6	8.6	8.6
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	42.6	37.3	41.6	41.6	41.6
Historical Preservation and Heritage Commission	16.6	16.6	16.6	16.6	16.6
Public Telecommunications Authority	18.0	16.0	16.0	16.0	16.0
Subtotal - Education	3,799.8	3,745.1	3,783.9	3,871.9	3,889.4
Public Safety					
Attorney General	231.1	230.0	231.1	231.1	231.1
Corrections	1,423.0	1,402.5	1,419.0	1,419.0	1,419.0
Judicial	729.3	699.7	723.3	723.3	723.3
Military Staff	101.0	109.0	111.0	117.0	117.0
Public Safety	396.1	418.6	423.1	423.2	603.2
Office of the Public Defender	91.0	92.0	93.0	93.0	93.0
Subtotal - Public Safety	2,971.5	2,951.8	3,000.5	3,006.6	3,186.6
Natural Resources					
Environmental Management	409.0	402.5	410.0	410.0	410.0
Coastal Resources Management Council	30.0	30.0	30.0	30.0	30.0
Water Resources Board	6.0	6.0	6.0	6.0	6.0
Subtotal - Natural Resources	445.0	438.5	446.0	446.0	446.0
Transportation					
Transportation	691.2	739.4	772.2	772.6	772.6
Subtotal - Transportation	691.2	739.4	772.2	772.6	772.6
Statwide Retirement Vacancies					
Total Non Sponsored	13,689.9	13,653.1	14,042.6	14,222.6	14,205.6
Higher Education Sponsored Research *					
Office	1.0	1.0	1.0	1.0	1.0
CCRI	100.0	61.5	100.0	100.0	100.0
RIC	82.0	75.1	82.0	82.0	82.0
URI	602.0	550.1	602.0	602.0	602.0
Subtotal Sponsored Research	785.0	687.7	785.0	785.0	785.0
Total Personnel Authorizations	14,474.9	14,340.8	14,827.6	15,007.6	14,990.6
Total Personnel	14,474.9	14,340.8	14,827.6	15,007.6	14,990.6

*A total of 785.0 FTE positions in Higher Education in FY 2009 and FY 2010 represent FTE's supported by sponsored research funds. Commencing in FY2005, these positions were included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

(1) Formerly Mental Health, Retardation and Hospitals

General Revenues as Recommended

	FY 2009 Audited	FY 2010 Audited	FY 2011 Revised	FY 2012 Recommended
Personal Income Tax	\$ 940,513,781	\$ 898,113,113	\$ 936,500,000	\$ 950,004,002
General Business Taxes				
Business Corporations	104,436,811	146,834,598	123,300,000	130,364,537
Public Utilities Gross Earnings	126,664,890	95,792,717	97,000,000	99,000,000
Financial Institutions	5,358,740	2,319,242	250,000	500,000
Insurance Companies	78,016,930	95,921,454	98,200,000	100,904,966
Bank Deposits	1,802,796	1,860,271	1,900,000	1,950,000
Health Care Provider Assessment	46,030,570	40,254,281	40,500,000	41,371,888
Sales and Use Taxes				
Sales and Use	807,946,985	803,394,856	805,500,000	989,482,799
Motor Vehicle	47,925,805	48,285,182	51,800,000	42,100,000
Motor Fuel	1,325,034	968,870	1,100,000	1,100,000
Cigarettes	130,503,213	138,315,461	135,000,000	131,800,000
Alcohol	10,811,831	11,269,477	12,000,000	12,200,000
Other Taxes				
Inheritance and Gift	28,096,912	29,056,952	28,300,000	28,900,000
Racing and Athletics	2,450,809	1,492,221	1,250,000	1,100,000
Realty Transfer	6,811,322	6,993,915	6,400,000	6,500,000
Total Taxes	\$ 2,338,696,429	\$ 2,320,872,609	\$ 2,339,000,000	\$ 2,537,278,192
Departmental Receipts	\$ 318,804,246	\$ 333,128,045	\$ 334,797,880	\$ 344,580,999
Taxes and Departmentals	\$ 2,657,500,675	\$ 2,654,000,655	\$ 2,673,797,880	\$ 2,881,859,191
Other Sources				
Gas Tax Transfer	\$ 4,327,710	\$ 24,134	\$ -	\$ -
Other Miscellaneous	17,813,994	12,466,517	13,123,285	7,290,000
Lottery	337,515,478	344,672,747	347,500,000	351,500,000
Unclaimed Property	8,044,126	5,867,150	5,300,000	5,200,000
Other Sources	\$ 367,701,308	\$ 363,030,548	\$ 365,923,285	\$ 363,990,000
Total General Revenues	\$ 3,025,201,983	\$ 3,017,031,203	\$ 3,039,721,165	\$ 3,245,849,191

Changes to FY 2011 Enacted Revenue Estimates

	Enacted	November Consensus Changes	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 937,900,000	\$ (1,400,000)	\$ -	\$ 936,500,000
General Business Taxes				
Business Corporations	119,000,000	4,300,000	-	123,300,000
Public Utilities Gross	98,000,000	(1,000,000)	-	97,000,000
Financial Institutions	1,000,000	(750,000)	-	250,000
Insurance Companies	101,250,000	(3,050,000)	-	98,200,000
Bank Deposits	2,200,000	(300,000)	-	1,900,000
Health Care Provider	39,800,000	700,000	-	40,500,000
Sales and Use Taxes				
Sales and Use	787,000,000	18,500,000	-	805,500,000
Motor Vehicle	48,500,000	3,300,000	-	51,800,000
Motor Fuel	1,000,000	100,000	-	1,100,000
Cigarettes	134,000,000	1,000,000	-	135,000,000
Alcohol	11,700,000	300,000	-	12,000,000
Other Taxes				
Inheritance and Gift	27,600,000	700,000	-	28,300,000
Racing and Athletics	1,300,000	(50,000)	-	1,250,000
Realty Transfer	6,900,000	(500,000)	-	6,400,000
Total Taxes	\$ 2,317,150,000	\$ 21,850,000	\$ -	\$ 2,339,000,000
Departmental Receipts	\$ 345,226,745	\$ (10,526,745)	\$ 97,880	\$ 334,797,880
Total Taxes and Departmentals	\$ 2,662,376,745	\$ 11,323,255	\$ 97,880	\$ 2,673,797,880
Other Sources				
Gas Tax Transfer	\$ -	\$ -	\$ -	\$ -
Other Miscellaneous	5,331,000	5,524,000	2,268,285	13,123,285
Lottery	346,938,800	561,200	-	347,500,000
Unclaimed Property	6,000,000	(700,000)	-	5,300,000
Other Sources	\$ 358,269,800	\$ 5,385,200	\$ 2,268,285	\$ 365,923,285
Total General Revenues	\$ 3,020,646,545	\$ 16,708,455	\$ 2,366,165	\$ 3,039,721,165

Changes to FY 2012 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 947,800,000	\$ 2,204,002	\$ 950,004,002
General Business Taxes			
Business Corporations	131,000,000	(635,463)	130,364,537
Public Utilities Gross	99,000,000		99,000,000
Financial Institutions	500,000		500,000
Insurance Companies	100,700,000	204,966	100,904,966
Bank Deposits	1,950,000		1,950,000
Health Care Provider	41,800,000	(428,112)	41,371,888
Sales and Use Taxes			
Sales and Use	824,000,000	165,482,799	989,482,799
Motor Vehicle	51,900,000	(9,800,000)	42,100,000
Motor Fuel	1,100,000		1,100,000
Cigarettes	131,800,000		131,800,000
Alcohol	12,200,000		12,200,000
Other Taxes			
Inheritance and Gift	28,900,000	-	28,900,000
Racing and Athletics	1,100,000	-	1,100,000
Realty Transfer	6,500,000	-	6,500,000
Total Taxes	\$ 2,380,250,000	\$ 157,028,192	\$ 2,537,278,192
Departmental Receipts	\$ 197,300,000	\$ 147,280,999	\$ 344,580,999
Total Taxes and Departmentals	\$ 2,577,550,000	\$ 304,309,191	\$ 2,881,859,191
Other Sources			
Gas Tax Transfer	\$ -	\$ -	\$ -
Other Miscellaneous	3,790,000	3,500,000	7,290,000
Lottery	351,500,000	-	351,500,000
Unclaimed Property	5,200,000	-	5,200,000
Other Sources	\$ 360,490,000	\$ 3,500,000	\$ 363,990,000
Total General Revenues	\$ 2,938,040,000	\$ 307,809,191	\$ 3,245,849,191

General Revenue Changes to Adopted Estimates

FY 2012	Governor Recommend
<u>Taxes</u>	
<i>Personal Income Taxes</i>	
Repeal of Motion Picture Tax Credit Effective July 1, 2011	\$ 1,282,580
Separate Posting of Individual Tax Delinquents	779,965
Offset Lottery Winnings for Taxes Owed	141,457
<i>Subtotal: Personal Income Taxes</i>	\$ 2,204,002
<i>General Business Taxes</i>	
<i>Business Tax Competitiveness Proposal</i>	
Business Corporations: Phase Out of 1/3 of Value of Jobs Development Act	\$ 4,845,502
Business Corporations: Implementation of Combined Reporting	8,891,640
Business Corporations: Phase-In of First 0.5% of Rate Reduction from 9.0% to 7.5%	(8,525,365)
Business Corporations: Restructuring of Corporate Minimum Tax	(6,117,310)
<i>Subtotal: Business Tax Competitiveness Proposal</i>	\$ (905,533)
Business Corporations: Repeal of Motion Picture Tax Credit Effective July 1, 2011	\$ 139,655
Business Corporations: Separate Posting of Business Tax Delinquents	130,415
Insurance Companies: Repeal of Motion Picture Tax Credit Effective July 1, 2011	204,966
Health Care Provider Assessment: Separate Posting of Business Tax Delinquents	275,888
Health Care Provider Assessment: Reduce Nursing Home Expenditure Base	(704,000)
<i>Subtotal: General Business Taxes</i>	\$ (858,609)
<i>Sales and Excise Taxes</i>	
<i>Sales Tax Modernization Proposal</i>	
Sales and Use: Reduce Sales Tax Rate from 7.0% to 6.0%	\$ (117,714,286)
Sales and Use: Modernization of Sales Tax Base at 6.0% Sales Tax Rate	195,908,719
Sales and Use: Impose 1.0% Tax on Certain Exempt Items	86,840,462
Sales and Use: Lost Revenues from Non-Compliance with Streamlined Sales and Use Tax Agreement	(1,840,011)
Sales and Use: Impose Tax on Retail Sale of Medical Marijuana at 6.0% Sales Tax Rate	802,659
Sales and Use: No Insurance Proceeds for Totaled or Stolen Motor Vehicle as Trade-In Value	882,857
<i>Subtotal: Sales Tax Modernization Proposal</i>	\$ 164,880,400
Sales and Use: Separate Posting of Business Tax Delinquents	\$ 602,399
Motor Vehicle: Increase Dealer Temporary Plate Fees for Online Access	0
Motor Vehicle: Disallow General Plate Reissuance	[1,593,649]
Motor Vehicle: Phase-In Transfer of Registration and Licenses Fees to to DOT	(9,800,000)
<i>Subtotal: Sales and Excise Taxes</i>	\$ 155,682,799
<i>Subtotal: All Taxes</i>	\$ 157,028,192

General Revenue Changes to Adopted Estimates

<u>Departmental Revenues</u>	Governor Recommend
<i>Licenses and Fees</i>	
DEM: Increase Beach Parking Fees	\$ 1,897,106
DBR: Increase Securities Sales Rep License Fee to \$75	1,183,440
DBR: Increase Federal Covered Advisor Fee to \$300	41,000
DMV: Require Driving Record Abstracts Every 3 Years	2,965,689
DMV: NSF Check Return Fee of \$25	18,720
DMV: Phase-In Transfer of Commercial Driver License Fees to DOT	(74,902)
DMV: Phase-In Transfer of Registration Reinstatement Fees to DOT	(166,489)
DMV: Phase-In Transfer of Driver License Reinstatement Fees to DOT	(677,486)
DMV: Phase-In Transfer of Motor Vehicle Title Fees to DOT	(1,303,219)
DMV: Temporary License Plate Fee Restructure	0
DOR: Increase Estate Tax Filing Fee to \$50	108,915
DOR: Increase Letter of Good Standing Fee to \$50	122,925
DOR: Impose 4.0% Surcharge on Compassion Center Net Revenues	556,092
DHS: Reconstitute Hospital Licensing Fee at 5.465% on FY 2009 Net Patient Revenues	141,816,544
DPS: Increase Fee for Fire Code Violations to \$125	40,000
DOH: Dissolution of Health Services Council	(371,320)
DCYF: Institute \$10 Fee for Background Clearances	110,000
Subtotal: Licenses and Fees	\$ 146,267,015
<i>Sales and Services</i>	
DOC: Offset Income Tax Refunds for Probation and Parole Fees Owed	\$ 153,576
DVA: Increase Veteran Home Assessment to 100.0 percent of Countable Income	786,248
Subtotal: Sales and Services	\$ 939,824
<i>Miscellaneous</i>	
Indirect Cost Recovery: Telecommunication Education Access Fund	\$ 74,160
Subtotal: Miscellaneous	\$ 74,160
Subtotal: Departmental Revenues	\$ 147,280,999
Subtotal: Taxes and Departmental Revenues	\$ 304,309,191
<u>Other Sources</u>	
<i>Other Miscellaneous</i>	
Rhode Island Resource Recovery Corporation Transfer	\$ 3,500,000
Subtotal: Other Miscellaneous	\$ 3,500,000
Subtotal: Other Sources	\$ 3,500,000
Total FY 2012 General Revenue Adjustments	\$ 307,809,191

Other Revenue Enhancements

	Governor Recommend
FY 2012	
<u>Other Sources</u>	
Phase in Transfer of Motor Vehicle Fees to the Intermodal Service Transportation Fund for DOT	\$ 12,022,096
<i>Subtotal: Other Sources</i>	\$ 12,022,096
<u>Restricted Receipts</u>	
Maintain Meals & Beverage Tax at 8.0% for Municipal Accountability, Stability & Transparency Fund	\$ 19,330,231
Retain Room and Lodging Rental Tax at 8.0% for the Tourism Asset Protection Fund	2,620,180
Increase the Maximum Amount of Services Covered under the Children's Health Account to \$7,500	4,218,995
Require Local Education Agencies to Pay Education Costs at Training School	2,075,000
Reduce Wireline Monthly Surcharge from \$0.26 to \$0.15 per line for Telecom Ed Access Fund	(591,480)
Impose Wireless Monthly Surcharge of \$0.15 per line for Telecom Ed Access Fund	1,258,920
Require Local Education Agencies to Pay Student Cost at William M. Davies School	685,495
Increase Veteran's Home Assessment Fee to 100.0 percent of Countable Income	196,562
Dissolution of Health Services Council	(125,000)
<i>Subtotal: Restricted Receipts</i>	\$ 29,668,903
Total FY 2012 Other Revenue Adjustments	\$ 41,690,999

Appendix B
Changes to FY 2011

Changes to FY 2011 General Revenue Budget Surplus

	FY2009 Audited	FY2010 Audited ⁽¹⁾	FY2011 Enacted ⁽²⁾	FY2011 Revised ⁽³⁾	Change From Enacted
Surplus					
Opening Surplus	(\$42,950,480)	(\$62,286,103)	\$14,216	\$17,889,522	\$17,875,305
Reappropriated Surplus	1,738,518	998,143	-	3,364,847	\$3,364,847
Subtotal	(\$41,211,962)	(\$61,287,960)	\$14,216	\$21,254,369	\$21,240,152
General Taxes	2,338,696,429	2,320,872,610	2,317,150,000	2,317,150,000	-
Revenue estimators' revision				21,850,000	21,850,000
Changes to the Adopted Estimates				-	-
Subtotal	\$2,338,696,429	\$2,320,872,610	\$2,317,150,000	\$2,339,000,000	\$21,850,000
Departmental Revenues	318,804,246	333,128,045	345,226,745	345,226,745	-
Revenue estimators' revision		-		(10,526,745)	(10,526,745)
Changes to the Adopted Estimates		-		97,880	97,880
Subtotal	\$318,804,246	\$333,128,045	\$345,226,745	\$334,797,880	(\$10,428,865)
Other Sources					
Gas Tax Transfers	4,327,710	24,134	-	-	-
Revenue estimators' revision		-	-	-	-
Changes to the Adopted Estimates		-	-	-	-
Other Miscellaneous	17,813,994	12,466,517	5,331,000	5,331,000	-
Rev Estimators' revision-Miscellaneous		-		5,524,000	5,524,000
Changes to the Adopted Estimates		-		2,268,285	2,268,285
Lottery	337,515,478	344,672,747	346,138,520	346,138,520	-
Revenue Estimators' revision-Lottery		-		1,361,480	1,361,480
Changes to the Adopted Estimates		-		-	-
Unclaimed Property	8,044,126	5,867,150	6,000,000	6,000,000	-
Revenue Est revision-Unclaimed Property		-		(700,000)	(700,000)
Subtotal	\$367,701,308	\$363,030,548	\$357,469,520	\$365,923,285	\$8,453,765
Total Revenues	\$3,025,201,983	\$3,017,031,203	\$3,019,846,265	\$3,039,721,165	\$19,874,900
Transfer to Budget Reserve	(66,093,533)	(70,913,882)	(78,516,373)	(79,497,878)	(\$981,505)
Total Available	\$2,917,896,488	\$2,884,829,361	\$2,941,344,109	\$2,981,477,656	\$40,133,547
Actual/Enacted Expenditures	\$3,001,184,448	\$2,863,574,992	\$2,942,118,704	\$2,942,118,704	\$0
Reappropriations		-	-	3,364,847	3,364,847
Caseload Conference Changes				(9,507,723)	(9,507,723)
FMAP Makeup				37,289,357	37,289,357
Other Changes in Expenditures				(7,960,231)	(7,960,231)
Total Expenditures	\$3,001,184,448	\$2,863,574,992	\$2,942,118,704	\$2,965,304,954	\$23,186,250
Free Surplus	(\$62,286,104)	\$17,889,522	(\$774,595)	\$16,172,702	\$16,947,297
Reappropriations	\$22,000,000	(998,144)	(3,364,847)	-	-
Total Ending Balances	(\$83,287,960)	\$21,254,369	(\$774,595)	\$16,172,702	\$16,947,297
Budget Reserve and Cash					
Stabilization Account	\$80,144,551	\$112,280,314	\$126,834,140	\$128,419,649	\$1,585,509

⁽¹⁾ Derived from the State Controller's final closing report for FY 2010, dated January 13, 2011, reflecting a surplus of \$17,889,522.

⁽²⁾ Reflects the final FY 2011 budget enacted by the General Assembly in June 2010, reflecting the revenue estimates adopted at the May 2010 Revenue Estimating Conference and further modified by legislative changes in the enacted budget. Legislation approved separate from the budget, which impacted VLT revenues, reduced lottery revenues by \$800,280.

⁽³⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2010 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
<u>General Government</u>					
Administration					
Central Management	1,475,743				
Personnel-Salary & Benefits			123,777		
Contracted Professional Services			(1,000)		
Operating Supplies and Expenses			3,398		
	1,475,743	-	126,175	1,601,918	(126,175)
Legal Services	1,653,248				
Personnel-Salary & Benefits			1,156		
Contracted Professional Services			11,500		
Operating Supplies and Expenses			(1,453)		
Capital Purchases and Equipment			(2,116)		
	1,653,248	-	9,087	1,662,335	(9,087)
Accounts & Control	3,806,968				
Personnel-Salary & Benefits			(138,661)		
Operating Supplies and Expenses			7,000		
Contracted Professional Services			29,554		
Grants and Benefits			(417)		
	3,806,968	-	(102,524)	3,704,444	102,524
Budgeting	2,007,066				
Personnel-Salary & Benefits			(81,689)		
Operating Supplies and Expenses			10,057		
Capital Purchases and Equipment			(2,472)		
	2,007,066	-	(74,104)	1,932,962	74,104
Purchasing	2,281,261				
Personnel-Salary & Benefits			(206,253)		
Contracted Professional Services			50,150		
Operating Supplies and Expenses			587		
Capital Purchases and Equipment			1,089		
	2,281,261	-	(154,427)	2,126,834	154,427
Auditing	1,287,300				
Personnel-Salary & Benefits			(23,894)		
Operating Supplies and Expenses			(12,054)		
Capital Purchases and Equipment			(5,000)		
	1,287,300	-	(40,948)	1,246,352	40,948
Human Resources	8,751,900				
Personnel-Salary & Benefits - Corporate			(425,316)		
Personnel-Salary & Benefits - Service Center			(141,055)		
Contracted Professional Services			48,908		
Operating Supplies and Expenses			43,755		
Capital Purchases and Equipment			(7,098)		
	8,751,900	-	(480,806)	8,271,094	480,806
Personnel Appeal Board	80,803				
Personnel-Salary & Benefits			34		
Operating Supplies and Expenses			(659)		
	80,803	-	(625)	80,178	625
Facilities Management	31,912,385				
Personnel-Salary & Benefits- Capital			(173,138)		
Personnel-Salary & Benefits- Centralization			(112,792)		
Contracted Professional Services			193,825		
Operating Supplies and Expenses-Capital			25,199		
Operating Supplies and Expenses- Centralization			159,409		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Utility Costs - Capital			(524,117)		
Utility Costs - Centralization			222,934		
Capital Purchases and Equipment			1,667		
Grants and Benefits			171		
	31,912,385	-	(206,842)	31,705,543	206,842
Capital Projects and Property Management	2,582,383				
Personnel-Salary & Benefits			(45,697)		
Contracted Professional Services			53,150		
Operating Supplies and Expenses			(1,384)		
	2,582,383	-	6,069	2,588,452	(6,069)
Information Technology	19,226,491				
Personnel-Salary & Benefits			(136,916)		
Contracted Professional Services			19,220		
Operating Supplies and Expenses			(142,841)		
Capital Purchases and Equipment			(3,674)		
Grants and Benefits			677		
	19,226,491	-	(263,534)	18,962,957	263,534
Library and Information Services	886,847				
Personnel-Salary & Benefits			16,551		
Contracted Professional Services			(3,000)		
Operating Supplies and Expenses			(10,995)		
	886,847	-	2,556	889,403	(2,556)
Statewide Planning	3,331,033				
Personnel-Salary & Benefits			(93,352)		
	3,331,033	-	(93,352)	3,237,681	93,352
Sheriffs	16,341,206				
Personnel-Salary & Benefits			(224,024)		
Contracted Professional Services			5,480		
Operating Supplies and Expenses			(55,765)		
Capital Purchases and Equipment			(500)		
Grants and Benefits			500		
	16,341,206	-	(274,309)	16,066,897	274,309
Energy Resources	0				
Personnel-Salary & Benefits			104,856		
Contracted Professional Services			-		
	0	-	104,856	104,856	(104,856)
General					
Operating Supplies and Expenses					
Economic Development Corp.	5,500,807				
EHC-RI Airport Corp. Impact Act	1,025,000				
EHC EPScore (Research Alliance)	1,500,000				
Miscellaneous Grants	395,956				
Transition costs for elected officials	100,000		(100,000)		
Slater Centers for Excellence	2,000,000				
Torts	400,000				
Transfer to R.I. Capital Plan Fund	22,000,000		(22,000,000)		
State/Teachers' Retiree Health Subsidy	2,344,502		(11,723)		
Motor Vehicle Excise Tax Payment	10,000,000				
Central Falls Stabilization Payment	0		1,800,000		
Property Revaluation Program	1,000,000		(210,000)		
Payment in Lieu of Tax Exempt	27,580,409				
Distressed Communities Relief	10,384,458		5,192,229		
Resource Sharing and State Library Aid	8,773,398				
Library Construction Aid	2,492,974				

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
	95,497,504	-	(15,329,494)	80,168,010	15,329,494
Debt Service Payments	138,595,566		-		
General Obligation Bonds			16,265,340		
Historic Structures Tax Credit			(2,625,000)		
Certificates of Participation			(1,722,947)		
Performance Based Debt			904,054		
Other			(18,797)		
TANS Net Interest Costs (\$350 million issuance)			510,091		
	138,595,566	-	13,312,741	151,908,307	(13,312,741)
Pension Changes	(5,654,329)		5,654,329		
Pharmacy Savings			(43,212)		
Statewide Adjustments			(286,232)		
	(5,654,329)	-	5,324,885	(329,444)	(5,324,885)
Total	324,063,375	-	1,865,404	325,928,779	(1,865,404)
Business Regulation					
Central Management	1,024,858				
Personnel-Salary & Benefits			40,639		
Contracted Professional Services					
Operating Supplies and Expenses					
	1,024,858	-	40,639	1,065,497	(40,639)
Insurance Regulation	4,439,718				
Personnel-Salary & Benefits			(191,400)		
Contracted Professional Services			31,973		
Operating Supplies and Expenses					
	4,439,718	-	(159,427)	4,280,291	159,427
Board of Accountancy	164,031				
Personnel-Salary & Benefits			-		
Contracted Professional Services					
Operating Supplies and Expenses					
	164,031	-	-	164,031	0
Banking	1,696,156				
Personnel-Salary & Benefits			(175,512)		
Contracted Professional Services					
Operating Supplies and Expenses					
	1,696,156	-	(175,512)	1,520,644	175,512
Securities	839,862				
Personnel-Salary & Benefits			31,676		
Operating Supplies and Expenses					
	839,862		31,676	871,538	(31,676)
Commercial Licensing, Racing & Athletics	735,531				
Personnel-Salary & Benefits			429		
Contracted Professional Services					
Operating Supplies and Expenses					
	735,531	-	429	735,960	(429)
Board of Design Professionals	255,891				
Personnel-Salary & Benefits			61,984		
Contracted Professional Services					
Operating Supplies and Expenses					
	255,891	-	61,984	317,875	(61,984)

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Statwide Adjustments			(36,481)		
Total	9,156,047	-	(236,692)	8,919,355	236,692
Labor and Training					
Central Management	127,131				
Personnel-Salary & Benefits			11,346		
Contracted Professional Services			(22,238)		
Operating Supplies and Expenses			(2,611)		
Assistance and Grants			(2)		
Capital Purchases and Equipment			36		
	127,131	-	(13,469)	113,662	13,469
Workforce Development	65,119				
Personnel-Salary & Benefits			(62,335)		
Contracted Professional Services			-		
Operating Supplies and Expenses			(2,784)		
	65,119	-	(65,119)	-	65,119
Workforce Regulation and Safety	2,404,353				
Personnel-Salary & Benefits			150,548		
Contracted Professional Services			(26,918)		
Operating Supplies and Expenses			(19,241)		
Assistance and Grants			(798)		
Capital Purchases and Equipment			6,766		
	2,404,353	-	110,357	2,514,710	(110,357)
Income Support	4,117,831				
Personnel-Salary & Benefits			(10,921)		
Contracted Professional Services			77		
Operating Supplies and Expenses			(1,861)		
Assistance and Grants			(101,160)		
Capital Purchases and Equipment			30		
	4,117,831	-	(113,835)	4,003,996	113,835
Labor Relations Board	402,597				
Personnel-Salary & Benefits			(22,572)		
Contracted Professional Services			(10,532)		
Operating Supplies and Expenses			(2,181)		
Assistance and Grants			(22)		
Capital Purchases and Equipment			12,505		
	402,597	-	(22,802)	379,795	22,802
Statewide Adjustments			(6,550)		
Total	7,117,031	-	(111,418)	7,005,613	111,418
Legislature					
	37,474,136	3,364,847	(3,364,847)		
General Assembly					
Personnel-Salary & Benefits			(39,282)		
Contracted Professional Services			18,550		
Redistricting			300,000		
Operating Supplies and Expenses			160,850		
Capital			(2,500)		
			437,618		
Fiscal Advisory Staff					
Personnel-Salary & Benefits			78,313		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Operating Supplies and Expenses			(9,125)		
Capital			(12,500)		
			56,688		
Legislative Council					
Personnel-Salary & Benefits			21,772		
Operating Supplies and Expenses			650		
Capital			(1,300)		
			21,122		
Joint Committee on Legislative Affairs					
Personnel-Salary & Benefits			191,791		
Contracted Professional Services			(1,417,200)		
Operating Supplies and Expenses			2,750		
Assistance & Grants			600,000		
Capital			(6,000)		
			(628,659)		
Auditor General					
Personnel-Salary & Benefits			(215,948)		
Contracted Professional Services			2,482		
Operating Supplies and Expenses			(19,845)		
Capital			(775)		
			(234,086)		
Stawide Adjustments			(156,728)		
Total	37,474,136	3,364,847	(3,868,892)	36,970,091	504,045
Office of the Lieutenant Governor	924,479				
Personnel-Salary & Benefits			(45,975)		
Contracted Professional Services			500		
Operating Supplies and Expenses/Capital			10,096		
Total	924,479	-	(35,379)	889,100	35,379
Secretary of State					
Administration	1,943,053				
Personnel-Salary & Benefits			9,711		
Contracted Professional Services			500		
Operating Supplies and Expenses			1,243		
	1,943,053	-	11,454	1,954,507	(11,454)
Corporations	2,070,271				
Personnel-Salary & Benefits			43,898		
Contracted Professional Services			(225)		
Operating Supplies and Expenses			5,773		
	2,070,271	-	49,446	2,119,717	(49,446)
State Archives	80,084				
Personnel-Salary & Benefits			-		
Operating Supplies and Expenses			31,214		
	80,084	-	31,214	111,298	(31,214)
Elections	1,913,831				
Personnel-Salary & Benefits			(149,705)		
Contracted Professional Services			(78,624)		
Operating Supplies and Expenses			(2,795)		
	1,913,831		(231,124)	1,682,707	231,124
State Library	571,887				
Personnel-Salary & Benefits			3,880		
Operating Supplies and Expenses			(100)		
	571,887	-	3,780	575,667	(3,780)

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Office of Civics and Public Information	329,581				
Personnel-Salary & Benefits			2,740		
Contracted Professional Services			-		
Operating Supplies and Expenses			427		
	329,581	-	3,167	332,748	(3,167)
Statewide Adjustments			(22,427)		
Total	6,908,707	-	(154,490)	6,754,217	154,490
Office of the General Treasurer					
Treasury	2,183,087				
Personnel-Salary & Benefits			(121,219)		
Operating			7,239		
Consultants			7,000		
New Servers - All Divisions			5,000		
50 Service Avenue - Delay in Relocation			26,260		
50 Service Avenue - Pre-Move Expenses			22,778		
Transition - Lease & Personnel			37,044		
	2,183,087		(15,898)	2,167,189	15,898
Crime Victim Compensation Program	87,562				
Personnel-Salary & Benefits			(3,665)		
Operating Supplies and Expenses			3,790		
	87,562		125	87,687	(125)
Statewide Adjustments			(2,524)		
Total	2,270,649	-	(17,035)	2,253,614	17,035
Board of Elections					
Board Of Elections	1,847,971				
Personnel-Salary & Benefits			(132,611)		
Contracted Professional Services			(158,338)		
Operating/Presidential Preference Primary			(108,900)		
Assistance and Grants			(344,290)		
Capital Purchases and Equipment			6,000		
Public Financing of General Elections	2,110,000		-		
Total	3,957,971	-	(738,139)	3,219,832	738,139
RI Ethics Commissions					
RI Ethics Commission	1,482,659				
Personnel-Salary & Benefits			(19,448)		
Contracted Professional Services			-		
Operating Supplies and Expenses			(9,667)		
Capital Purchases and Equipment			1,325		
Total	1,482,659	-	(27,790)	1,454,869	27,790
Office of the Governor					
	4,502,606				
Personnel-Salary & Benefits			(444,726)		
Operating /Contracted Services			(7,000)		
Transition			126,645		
Contingency Fund	250,000		-		
Statewide Adjustments			(12,620)		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Total	4,752,606	-	(337,701)	4,414,905	337,701
Commission for Human Rights	1,014,978				
Personnel-Salary & Benefits			18,136		
Federal Funds Deficiency/GR Offset			189,433		
Total	1,014,978	-	207,569	1,222,547	(207,569)
Public Utilities Commission					
Public Utilities Commission	-	-	-	-	-
Total	-	-	-	-	-
Department of Revenue					
Director of Revenue	500,231				
Personnel-Salary & Benefits			95,569		
Contracted Professional Services					
Operating Supplies and Expenses			100		
	500,231	0	95,669	595,900	(95,669)
Office of Revenue Analysis	555,607				
Personnel-Salary & Benefits			(128,069)		
Contracted Professional Services			40,000		
Operating Supplies and Expenses			13,950		
Capital Purchases and Equipment			(54,600)		
	555,607	0	(128,719)	426,888	128,719
Office of Municipal Finance	1,159,585				
Personnel-Salary & Benefits			(59,281)		
Contracted Professional Services					
Operating Supplies and Expenses			(1,571)		
Grants and Benefits			46,604		
	1,159,585	0	(14,248)	1,145,337	14,248
Receivership Central Falls	0				
Personnel-Salary & Benefits			199,457		
Contracted Professional Services			742,000		
Operating Supplies and Expenses			4,338		
	0	0	945,795	945,795	(945,795)
Taxation	16,726,289				
Personnel-Salary & Benefits			(370,711)		
Contracted Professional Services			(136,880)		
Operating Supplies and Expenses			150,995		
Assistance & Grants					
	16,726,289	0	(356,596)	16,369,693	356,596
Registry	16,537,373				
Personnel-Salary & Benefits			22,591		
Contracted Professional Services			(37,830)		
Operating Supplies and Expenses			171,931		
DMV Personnel Overtime			161,475		
Grants and Benefits			(1,587)		
Capital Purchases and Equipment			(41,000)		
	16,537,373	0	275,580	16,812,953	(275,580)
Statewide Adjustments			(165,916)		
Total	35,479,085	0	651,565	36,130,650	(651,565)

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Sub-Total General Government	434,601,723	3,364,847	(2,802,998)	435,163,572	(561,849)
<u>Human Services</u>					
Office of Health and Human Services	3,420,163				
Personnel-Salary & Benefits			166,210		
Contracted Professional Services			(2,200)		
Operating Supplies and Expenses			(25,270)		
Statewide Adjustments			(17,791)		
	3,420,163	-	120,949	3,541,112	(120,949)
Children, Youth, and Families					
Central Management	4,451,118				
Personnel-Salary & Benefits			130,777		
Contracted Professional Services			(104,851)		
Operating Supplies and Expenses			(17,322)		
Rental of Outside Property			(344,578)		
	4,451,118	-	(335,974)	4,115,144	335,974
Children's Behavioral Health	11,706,718				
Personnel-Salary & Benefits			(100,904)		
Operating Supplies and Expenses			(5,561)		
Grants and Benefits			(1,159,847)		
Rental of Outside Property			17,945		
	11,706,718	-	(1,248,367)	10,458,351	1,248,367
Juvenile Corrections	31,886,768				
Personnel-Salary & Benefits			(1,200,498)		
Overtime			855,991		
Contracted Professional Services			110,297		
Operating Supplies and Expenses			(159,547)		
Grants and Benefits			435,771		
Rental of Outside Property			(56,565)		
	31,886,768	-	(14,551)	31,872,217	14,551
Child Welfare	95,697,218				
18 to 21 Year Olds	9,104,273				
Personnel-Salary & Benefits			(2,596,535)		
Overtime			157,963		
Contracted Professional Services			(13,008)		
Operating Supplies and Expenses			(268,518)		
Rental of Outside Property			566,091		
Grants and Benefits			5,928,956		
Residential Reduction			(2,058,883)		
	104,801,491	-	1,716,066	106,517,557	(1,716,066)
Higher Education Opportunity Incentive Grant	200,000				
	200,000	-	-	200,000	0
Statewide Adjustments			(289,820)		
Total	153,046,095	-	(172,646)	152,873,449	172,646
Elderly Affairs					
Elderly Affairs	8,758,124				
Personnel-Salary & Benefits			(73,938)		
Operating Supplies and Expenses			100		
Final Medicaid Financing Ratios			(527,671)		
Stimulus Restoration			149,149		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
RIPAE	1,341,175		-		
Safety & Care of the Elderly	1,300				
Total	10,100,599	-	(452,360)	9,648,239	452,360
Health					
Central Management	1,604,353				
Personnel-Salary & Benefits			13,338		
Contract Professional Services (Temps)			(12,679)		
Operating Supplies and Expense (Incl Subscrip)			(69,872)		
	1,604,353	-	(69,213)	1,535,140	69,213
State Medical Examiner	2,056,373				
Personnel-Salary & Benefits			(152,296)		
Contract Services - Doctors, Medical & Clerical			253,732		
Medical & Other Supplies			(139,068)		
Post-station Fire - Recovery & Mitigation Svcs			79,000		
	2,056,373	-	41,368	2,097,741	(41,368)
Environmental & Health Services Regulations	8,411,277				
Personnel-Salary & Benefits			(311,449)		
Contract Professional Services (Temps, Clerical)			338,004		
Contract Professional Services (Legal - IL, CEC, CON, HCA)			135,000		
Exams Testing Fees			16,795		
Operating Supplies and Expense			279,993		
	8,411,277	-	458,343	8,869,620	(458,343)
Health Laboratories	7,050,149				
Personnel-Salary & Benefits			181,247		
Medical Billing Service Contract			65,000		
Clerical and Temporary Services			27,517		
Specialized Toxicology Services			30,000		
Other Contract Professional Services			(322,691)		
Laboratory Information Management System			179,000		
Operating Supplies and Expense			(265,343)		
	7,050,149	-	(105,270)	6,944,879	105,270
Public Health Information	1,909,149				
Personnel-Salary & Benefits			(116,955)		
Contract Professional Services			(97,378)		
Operating Supplies and Expenses			68,979		
	1,909,149	-	(145,354)	1,763,795	145,354
Community & Family Health and Equity	4,324,134				
Personnel-Salary & Benefits			272,051		
Contract Professional Services			147,894		
Operating Supplies & Expense			(82,413)		
HIV Program - Formulary and Services			536,387		
Women Cancer Screening - Direct Services			70,000		
	4,324,134	-	943,919	5,268,053	(943,919)
Infectious Disease and Epidemiology	2,269,468				
Personnel-Salary & Benefits			(108,880)		
Contract Professional Services			59,146		
Operating Supplies and Expense			(374,902)		
Third Party Converted Funding - IHS Project			97,878		
	2,269,468	-	(326,758)	1,942,710	326,758
Statewide Adjustments			(99,362)		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Total	27,624,903	-	697,673	28,322,576	(697,673)
Human Services					
Central Management	5,144,596				
Personnel- Salary & Benefits			1,065,642		
Contracted Professional Services			3,000		
Operating Supplies and Expenses			(5,056)		
Grants and Benefits			(51,761)		
	5,144,596	-	1,011,825	6,156,421	(1,011,825)
Child Support Enforcement	2,358,873				
Personnel- Salary & Benefits			(88,911)		
Contracted Professional Services			(11,467)		
Operating Supplies and Expenses			21,678		
	2,358,873	-	(78,700)	2,280,173	78,700
Individual and Family Support	22,152,712				
Personnel- Salary & Benefits			(2,262,685)		
SSI State Administration- Personnel			170,564		
SSI State Administration- Contract Services			302,002		
SSI State Administration- Operating			68,948		
Other Contracted Professional Services			40,909		
Other Operating Supplies and Expenses			49,356		
ORS- Client Services			117,644		
Grants and Benefits			(8,238)		
	22,152,712	-	(1,521,500)	20,631,212	1,521,500
Veterans' Affairs	19,437,637				
Personnel- Salary & Benefits			64,052		
Contracted Professional Services			442,450		
Operating Supplies and Expenses			183,663		
Grants and Benefits			(1,000)		
	19,437,637	-	689,165	20,126,802	(689,165)
Health Care Quality, Financing and Purchasing	21,047,376				
Personnel- Salary & Benefits			225,285		
Contracted Professional Services			167,160		
Operating Supplies and Expenses			(38,475)		
Grants and Benefits			2,000		
	21,047,376	-	355,970	21,403,346	(355,970)
Medical Benefits	614,441,892				
Managed Care- Caseload Estimating Conference			(8,644,137)		
Hospitals- Caseload Estimating Conference			(1,644,391)		
Other- November - Caseload Estimating Conference			(2,668,950)		
Nursing Facilities- Caseload Estimating Conference			5,111,908		
H&CBS- Caseload Estimating Conference			676,890		
Pharmacy- Caseload Estimating Conference			(699,279)		
Rhody Health- Caseload Estimating Conference			(1,639,764)		
Additional Financing- Partial Loss of FMAP Enhancement (CEC)			28,333,668		
FY 2011 Constrained MA Initiatives			(1,421,236)		
	614,441,892	-	17,404,709	631,846,601	(17,404,709)
S.S.I. Program	19,310,887				
Caseload Estimating Conference			1,326,513		
	19,310,887		1,326,513	20,637,400	(1,326,513)
Family Independence Program					
Child Care	8,780,999				

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Caseload Estimating Conference	8,780,999	-	2,289,536 2,289,536	11,070,535	(2,289,536)
State Funded Programs	2,653,682				
Caseload Estimating Conference			(6,528)		
GPA- Cash Assistance Hardship Program			(25,300)		
	2,653,682	-	(31,828)	2,621,854	31,828
Statewide Adjustments			(207,987)		
Total	715,328,654	-	21,237,703	736,566,357	(21,237,703)
Behavioral Health, Developmental Disabilities & Hospitals					
Central Management	795,281				
Personnel-Salary & Benefits			110,886		
Contracted Professional Services			(16,152)		
Operating Supplies and Expenses			(31,247)		
Grants - Supplemental Pensions			(550)		
Capital - Computer Equip			(73,515)		
	795,281	-	(10,578)	784,703	10,578
Hosp. & Community System Support	1,829,075				
Personnel-Salary & Benefits			28,634		
Contracted Professional Services			(23,627)		
Operating Supplies and Expenses			(23,252)		
Grants - Supplemental Pensions			29		
Capital Purchases and Equipment			(6,100)		
Total	1,829,075	-	(24,316)	1,804,759	24,316
Services. for the Developmentally Disabled	81,508,130				
Personnel-Salary & Benefits			414,422		
Overtime			500,419		
Contracted Professional Services			350,156		
Operating Supplies and Expenses			233,725		
Grants - Provider Payments			4,428,094		
Capital Purchases and Equipment			(7,656)		
	81,508,130	-	5,919,160	87,427,290	(5,919,160)
Integrated Mental Health Services	41,614,835				
Personnel-Salary & Benefits			(13,586)		
Contracted Professional Services			(20,480)		
Operating Supplies and Expenses			(21,166)		
Assistance and Grant			813,173		
	41,614,835	0	757,941	42,372,776	(757,941)
Hosp. & Community Rehab. Services	37,936,923				
Personnel-Salary & Benefits			192,332		
Overtime			2,653,327		
Contracted Professional Services			(45,167)		
Operating Supplies and Expenses			(1,555,373)		
Grants and Assistance - Medical Services			(362,645)		
Capital Purchases and Equipment			8,868		
	37,936,923	-	891,342	38,828,265	(891,342)
Statewide Adjustments			(288,753)		
Total	163,684,244	-	7,244,796	170,929,040	(7,244,796)

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Office of the Child Advocate	543,822				
Personnel-Salary & Benefits			16,309		
Operating Supplies and Expenses			(4,084)		
Total	543,822	-	12,225	556,047	(12,225)
Commission on Deaf and Hard of Hearing	362,824				
Personnel- Salary & Benefits			2,928		
Contracted Professional Services					
Operating Supplies and Expenses			(950)		
Total	362,824	-	1,978	364,802	(1,978)
Governor's Commission on Disabilities	367,229				
Personnel-Salary & Benefits			5,808		
Contracted Professional Services			(769)		
Operating Supplies and Expenses			(1,289)		
Grants and Benefits			(7,671)		
Total	367,229	-	(3,921)	363,308	3,921
Office of the Mental Health Advocate	440,950				
Personnel-Salary & Benefits			(373)		
Contracted Professional Services			(450)		
Operating Supplies and Expenses		-	(1,394)		
Total	440,950	-	(2,217)	438,733	2,217
Sub-Total Human Services	1,074,919,483	-	28,684,180	1,103,603,663	(28,684,180)
<u>Education</u>					
Elementary and Secondary Education					
State Education Aid	614,888,594				
Statewide Transportation			-		
Across-the-board cut-Local Districts			-		
State Support Local School Operations			-		
Shift to Stabilization Funding-Local Districts			-		
Charter School Aid			280,658		
Progressive Support and Intervention			-		
Transfers to Central Falls			-		
Shift to Stabilization Funding-Charter Schools			-		
School Breakfast			-		
Contracted Professional Services			-		
Operating Supplies and Expenses			-		
Group Home aid			30,000		
Non-public textbook aid			1,490		
Transfer from ACES for Pre-K Demo Project			700,000		
E-Rate			-		
	614,888,594	-	1,012,148	615,900,742	(1,012,148)
School Housing Aid	70,774,727		(2,751,718)		
	70,774,727	-	(2,751,718)	68,023,009	2,751,718
Teachers' Retirement	75,598,212				
Base adjustment			(5,944,919)		
Pension Reform			-		
	75,598,212	-	(5,944,919)	69,653,293	5,944,919

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
RI School for the Deaf	6,032,357				
Personnel			(103,345)		
Contracted Professional Services			(76,308)		
Operating Supplies and Expenses			94,653		
Shift to Stabilization Funding			4,122		
	6,032,357	-	(80,878)	5,951,479	80,878
Central Falls School District	41,774,118				
Across-the-board cut			-		
Aid to Locals			-		
Pension reform			-		
Shift to Stabilization Funding			-		
	41,774,118	-	-	41,774,118	0
Davies Career & Technical School	14,320,912				
Personnel			(156,980)		
Contracted Professional Services			20,050		
Operating Supplies and Expenses			136,930		
Flood Damage (25%)			-		
Capital Purchases and Equipment			-		
Shift to Stabilization Funding			-		
	14,320,912	-	-	14,320,912	0
Met. Career & Tech. School	12,616,028				
Shift to Stabilization Funding			-		
	12,616,028	-	-	12,616,028	0
Administration of the Comp. Education Strategy	20,063,593				
Personnel-Salary & Benefits			(41,910)		
Contracted Professional Services			116,164		
Operating Supplies and Expenses			77,895		
Grants			(92,784)		
Capital			(31,465)		
Aid to Locals			(66,573)		
Transfer to Education Aid for Pre-K Demo			(700,000)		
	20,063,593		(738,673)	19,324,920	738,673
Statewide Changes			(150,306)		
Total	856,068,541	-	(8,654,346)	847,414,195	8,654,346
Higher Education					
Board of Governors/Office of Higher Educati	6,973,398				
Personnel-Salary & Benefits			246,161		
Contracted Professional Services			(46,303)		
Operating Supplies and Expenses			(238,550)		
Assistance and Grants			(52,600)		
Capital Purchases			(1,330)		
Operating Transfers					
	6,973,398		(92,622)	6,880,776	92,622
University of Rhode Island	56,618,919				
Personnel-Salary & Benefits			772,858		
Contracted Professional Services			(6,714)		
Operating Supplies and Expenses			(893,073)		
Assistance and Grants			-		
Capital Purchases			128,785		
Debt Service	15,967,304		(960,577)		
	72,586,223		(958,721)	71,627,502	958,721

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Rhode Island College	37,567,515				
Personnel-Salary & Benefits			440,684		
Contracted Professional Services			(43,657)		
Operating Supplies and Expenses			21,854		
Assistance and Grants			(192,726)		
Capital Purchases			(59,915)		
Operating Transfers					
Debt Service	1,972,215		(35,527)		
	39,539,730		130,713	39,670,443	(130,713)
Community College of Rhode Island	42,884,078				
Personnel-Salary & Benefits			(59,232)		
Contracted Professional Services			80,841		
Operating Supplies and Expenses			(12,807)		
Assistance and Grants			99,291		
Capital Purchases			(183,567)		
Debt Service	1,623,414		(37,545)		
	44,507,492		(113,019)	44,394,473	113,019
Total	163,606,843	-	(1,033,649)	162,573,194	1,033,649
RI Council On The Arts	665,871				
Personnel-Salary & Benefits			15,287		
Contracted Professional Services			(7,500)		
Operating Supplies and Expenses			(3,847)		
Grants	1,002,475		-		
Capital Purchases			15,000		
Total	1,668,346	-	18,940	1,687,286	(18,940)
RI Atomic Energy Commission	875,781				
Personnel-Salary & Benefits			(537)		
Contracted Professional Services			1,749		
Operating Supplies and Expenses			(15,962)		
Total	875,781	-	(14,750)	861,031	14,750
RI Higher Education Assistance Authority	6,723,347				
Personnel-Salary & Benefits			(8,523)		
Contracted Professional Services					
Operating Supplies and Expenses			26,362		
Capital			(1,000)		
Scholarships			580,000		
Total	6,723,347	-	596,839	7,320,186	(596,839)
RI Historical Preservation & Heritage Commis	1,348,717				
Personnel-Salary & Benefits			44,892		
Contracted Professional Services			(2,290)		
Operating Supplies and Expenses			11,200		
Flood Damage (25%)			-		
Grants			-		
Capital			-		
Total	1,348,717	-	53,802	1,402,519	(53,802)
RI Public Telecommunications Authority	1,035,967				
Personnel-Salary & Benefits			(55,942)		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Contracted Professional Services			1,300		
Operating Supplies and Expenses			(2,000)		
Total	1,035,967	-	(56,642)	979,325	56,642
Sub-Total Education	1,031,327,542	-	(9,089,806)	1,022,237,736	9,089,806
<u>Public Safety</u>					
Attorney General					
Criminal	13,048,850				
Personnel-Salary & Benefits			(127,236)		
Contracted Professional Services			(10,562)		
Operating Supplies and Expenses			36,830		
Capital Purchases and Equipment			(7,669)		
	13,048,850	-	(108,637)	12,940,213	108,637
Civil	4,297,585				
Personnel-Salary & Benefits			(55,124)		
Contracted Professional Services			(5,657)		
Tobacco Litigation			500,000		
Operating Supplies and Expenses			5,835		
Capital Purchases and Equipment			(5,621)		
	4,297,585	-	439,433	4,737,018	(439,433)
Bureau of Criminal Identification	1,075,046				
Personnel-Salary & Benefits			(15,366)		
Contracted Professional Services			(2,385)		
Operating Supplies and Expenses			(12,062)		
Capital Purchases and Equipment			1,698		
	1,075,046	-	(28,115)	1,046,931	28,115
General	2,788,249				
Personnel-Salary & Benefits			(6,607)		
Transition Expenses			27,396		
Contracted Professional Services			509		
Operating Supplies and Expenses			5,729		
Capital Purchases and Equipment			101		
	2,788,249	-	27,128	2,815,377	(27,128)
Statewide Adjustments			(96,173)		
Total	21,209,730	-	233,636	21,443,366	(233,636)
Corrections					
Central Management	8,071,545				
Personnel-Salary & Benefits Other			(322,209)		
RIBCO Wage Adjustment			26,946		
Adjustment for Filling Vacancies			191,265		
Contracted Professional Services Other			3,603		
Time Tracking/Livescan			209,000		
CO Training Class-Contract Services			(61,008)		
Legal Costs RIBCO Arbitration			32,305		
Operating Supplies and Expenses Other			(56,983)		
MIS Savings, Time Tracking			(100,000)		
Radio Supplies/Maintenance Costs Transfer			(73,515)		
Capital-Computer Equipment			14,400		
	8,071,545	-	(136,196)	7,935,349	136,196

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Parole Board	1,336,212				
Personnel-Salary & Benefits			(45,436)		
Contracted Professional Services			(5,005)		
Other Operating/Grants/Capital			(10,865)		
	1,336,212	-	(61,306)	1,274,906	61,306
Institutional Corrections	155,261,526				
Personnel-Salary & Benefits Other			(2,813,995)		
Adjustment for Filling Vacancies			606,859		
RIBCO Wage Adjustment			3,216,633		
OT adjustment			621,673		
SCAAP			(180,823)		
Contracted Professional Services Other			60,393		
Inmate Medical Services-Inpatient			(680,877)		
Clerical Services			144,727		
Operating Supplies and Expenses Other			(131,130)		
Inmate Per Diem Expenses-Other Operating			(91,246)		
Inmate Per Diem-Food			248,503		
Inmate Per Diem-Pharmaceuticals			(747,180)		
Maintenance/Waste Disposal/Sanding			(92,284)		
Radio Supplies/maintenance Costs Transfer			73,515		
Staff Clothing			(75,000)		
Lease Financing			(162,965)		
Grants Other			(17,924)		
Inmate Outpatient/Residential Services			1,009,333		
Capital-Motor Vehicles			-		
	155,261,526	-	988,212	156,249,738	(988,212)
Community Corrections	13,660,118				
Personnel-Salary & Benefits Other			(20,338)		
Adjustment for Filling Vacancies			192,696		
RIBCO Wage Adjustment			20,209		
Contracted Professional Services-Victims' Services			(21,432)		
Operating Supplies and Expenses Other			4,742		
Property/Equipment Rental Costs			94,012		
	13,660,118	-	269,889	13,930,007	(269,889)
Statewide Adjustments			(828,435)		
Total	178,329,401	-	232,164	178,561,565	(232,164)
Judiciary					
Supreme Court	28,682,382	-			
Personnel-Salary & Benefits			247,054		
Contracted Professional Services			(800,991)		
Operating Supplies and Expenses			708,780		
Judges Pensions			(815)		
Other Grants			281,722		
Capital Purchases and Equipment			(138,225)		
	28,682,382	-	297,525	28,979,907	(297,525)
Superior Court	20,407,009	-			
Personnel-Salary & Benefits			(130,554)		
Contracted Professional Services			11,493		
Operating Supplies and Expenses			330,018		
Grants			9,684		
Judges Pensions			(156,485)		
Capital			70,132		
	20,407,009	-	134,288	20,541,297	(134,288)

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Family Court	17,506,835	-			
Personnel-Salary & Benefits			(1,595,828)		
Contracted Professional Services			233,927		
Operating Supplies and Expenses			633,718		
Judges Pensions			40,768		
Grants			13,960		
Capital			128,595		
	17,506,835	-	(544,860)	16,961,975	544,860
District Court	10,248,515				
Personnel-Salary & Benefits			148,268		
Contracted Professional Services			98,906		
Operating Supplies and Expenses			176,568		
Judges Pensions			15,387		
Other Grants			23,464		
Capital			48,292		
	10,248,515	-	510,885	10,759,400	(510,885)
Traffic Tribunal	7,620,894				
Personnel-Salary & Benefits			(220,101)		
Contracted Professional Services			136,583		
Operating Supplies and Expenses			27,966		
Judges Pensions			(22,214)		
Capital Purchases and Equipment			45,226		
	7,620,894	-	(32,540)	7,588,354	32,540
Judicial Tenure and Discipline	109,620				
Personnel-Salary & Benefits			(75)		
Contracted Professional Services			(8,000)		
Operating Supplies and Expenses			(1,399)		
	109,620		(9,474)	100,146	9,474
Statewide Adjustments			(359,101)		
Total	84,575,255	-	(182,828)	84,392,428	182,828
Military Staff					
National Guard	1,446,704				
Personnel-Salary & Benefits			-		
Guard Activation-Payroll			75,656		
Contracted Professional Services			10,950		
Maintenance/Repairs			(56,851)		
Electricity			120,115		
Armorers' Expense			15,000		
Guard Activation-Operating					
Other Operating			(26)		
Life Insurance			(10,000)		
Funeral Honors			6,400		
	1,446,704	-	161,244	1,607,948	(161,244)
Emergency Management	1,335,731				
Personnel-Salary & Benefits			(2,888)		
RISCON Maintenance Contracts			223,752		
Indirect Cost Recovery			481,224		
Operating Supplies and Expenses			29,128		
Flood Related Expenses - State Match			500,000		
	1,335,731	-	1,231,216	2,566,947	(1,231,216)
Statewide Adjustments			(8,750)		

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Total	2,782,435	-	1,383,710	4,166,145	(1,383,710)
Public Safety					
Central Management	712,968				
Personnel-Salary & Benefits			(6,734)		
	712,968	-	(6,734)	706,234	6,734
E-911 Emergency Telephone System	4,655,752				
Personnel-Salary & Benefits			34,997		
Contracted Professional Services			23,828		
Operating Supplies and Expenses			6,936		
Capital			152,196		
	4,655,752	-	217,957	4,873,709	(217,957)
State Fire Marshal	2,461,060				
Personnel-Salary & Benefits			59,870		
Contracted Professional Services			200		
Operating Supplies and Expenses			(7,570)		
Capital			3,000		
	2,461,060	-	55,500	2,516,560	(55,500)
Security Services	3,308,669				
Personnel-Salary & Benefits			(126,553)		
Contracted Professional Services			500		
Operating Supplies and Expenses			(3,696)		
	3,308,669	-	(129,749)	3,178,920	129,749
Municipal Police Training Academy	334,567				
Personnel-Salary & Benefits			2,309		
Contracted Professional Services					
Operating Supplies and Expenses			-		
	334,567	-	2,309	336,876	(2,309)
State Police	55,551,474				
Personnel-Salary & Benefits			203,374		
Contracted Professional Services			3,664		
Operating Supplies and Expenses			(252,901)		
Indirect Costs for Federal Grants			375,345		
State Trooper Pensions			1,217,921		
Capital			293,105		
Dispatch Unit to DEM			(193,576)		
	55,551,474	-	1,646,932	57,198,406	(1,646,932)
Statewide Adjustments			(245,433)		
Total	67,024,490		1,540,782	68,565,272	(1,540,782)
Office Of Public Defender					
Personnel-Salary & Benefits	9,590,261				
Contracted Professional Services			(67,155)		
Operating Supplies and Expenses			15,843		
			2,499		
Total	9,590,261	-	(48,813)	9,541,448	48,813
Sub-Total Public Safety	363,511,572	-	3,158,652	366,670,224	(3,158,652)

Natural Resources

Environmental Management

Changes to FY 2011 Enacted Agency General Revenue Expenditures

	FY2011 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Projected Changes	FY 2011 Projected Expenditures	Projected Surplus/ (Deficit)
Office of the Director	4,635,985				
Personnel-Salary & Benefits			25,561		
Contracted Professional Services			(5,000)		
Operating Supplies and Expenses			(88,493)		
Capital Purchases and Equipment			1,430		
	4,635,985	-	(66,502)	4,569,483	66,502
Bureau of Natural Resources	17,797,447				
Personnel-Salary & Benefits			152,020		
Contracted Professional Services			(137,740)		
Operating Supplies and Expenses			(268,968)		
Flood Related Expenditures - 25% State Share					
Assistance and Grants			111,447		
Capital Purchases and Equipment			-		
Dispatch			193,573		
	17,797,447	-	50,332	17,847,779	(50,332)
Environmental Protection	11,969,897				
Personnel-Salary & Benefits			95,963		
Contracted Professional Services			(44,500)		
Operating Supplies and Expenses			(5,264)		
Capital Purchases and Equipment			-		
	11,969,897	-	46,199	12,016,096	(46,199)
Statewide Adjustments			(165,164)		
Total	34,403,329	-	(135,135)	34,268,194	135,135
Coastal Resources Management Council	2,038,515				
Personnel-Salary & Benefits			22,162		
Contracted Professional Services - Legal			-		
Operating Supplies and Expenses			2,526		
Total	2,038,515	-	24,688	2,063,203	(24,688)
State Water Resources Board	1,316,540				
Personnel-Salary & Benefits			5,622		
Contracted Professional Services			(12,000)		
Coventry PILOT Payment			100		
Operating Supplies and Expenses			(11,900)		
Total	1,316,540	-	(18,178)	1,298,362	18,178
Sub-Total Environment	37,758,384	-	(128,625)	37,629,759	128,625
Statewide General Revenue Total	2,942,118,704	3,364,847	19,821,403	2,965,304,954	(23,186,250)

Summary of Changes to FY 2011 Enacted General Revenue Expenditures

	FY 2011 Enacted	Reappropriation	Redistribution of Pension Reform Savings	Other Changes	Total Projected Changes	Projected Expenditures
General Government						
Administration	324,063,375	-	\$5,324,070	(\$3,458,666)	1,865,404	325,928,779
Business Regulation	9,156,047	-	(\$47,913)	(\$188,779)	(236,692)	8,919,355
Labor and Training	7,117,031	-	(\$14,971)	(\$96,447)	(111,418)	7,005,613
Department of Revenue	35,479,085	-	(\$144,940)	\$796,505	651,565	36,130,650
Legislature	37,474,136	3,364,847	(\$138,166)	(\$3,730,726)	(504,045)	36,970,091
Lieutenant Governor	924,479	-	(\$4,993)	(\$30,386)	(35,379)	889,100
Secretary of State	6,908,707	-	(\$24,941)	(\$129,549)	(154,490)	6,754,217
General Treasurer	2,270,649	-	(\$9,972)	(\$7,063)	(17,035)	2,253,614
Board of Elections	3,957,971	-	(\$5,786)	(\$732,353)	(738,139)	3,219,832
Rhode Island Ethics Commission	1,482,659	-	(\$7,188)	(\$20,602)	(27,790)	1,454,869
Governor's Office	4,752,606	-	(\$24,029)	(\$313,672)	(337,701)	4,414,905
Commission for Human Rights	1,014,978	-	(\$4,499)	\$212,068	207,569	1,222,547
Public Utilities Commission	-	-	\$0	\$0	-	-
Subtotal - General Government	434,601,723	3,364,847	4,896,672	(7,699,670)	561,849	435,163,572
Human Services						
Office of Health & Human Services	3,420,163	-	(\$18,445)	\$139,394	120,949	3,541,112
Children, Youth, and Families	153,046,095	-	(\$265,404)	\$92,758	(172,646)	152,873,449
Elderly Affairs	10,100,599	-	(\$5,945)	(\$446,415)	(452,360)	9,648,239
Health	27,624,903	-	(\$107,599)	\$805,272	697,673	28,322,576
Human Services	715,328,654	-	(\$196,736)	\$21,434,439	21,237,703	736,566,357
Behavioral Health, Developmental Disabilities	163,684,244	-	(\$204,959)	\$7,449,755	7,244,796	170,929,040
Office of the Child Advocate	543,822	-	(\$2,929)	\$15,154	12,225	556,047
Comm. on Deaf & Hard of Hearing	362,824	-	(\$1,606)	\$3,584	1,978	364,802
RI Developmental Disabilities Council	-	-	\$0	\$0	-	-
Governor's Commission on Disabilities	367,229	-	(\$1,902)	(\$2,019)	(3,921)	363,308
Office of the Mental Health Advocate	440,950	-	(\$2,384)	\$167	(2,217)	438,733
Subtotal - Human Services	1,074,919,483	-	(807,909)	29,492,089	28,684,180	1,103,603,663
Education						
Elementary and Secondary	856,068,541	-	(\$150,222)	(\$8,504,124)	(8,654,346)	847,414,195
Higher Education - Board of Governors	163,606,843	-	(\$99,021)	(\$934,628)	(1,033,649)	162,573,194
RI Council on the Arts	1,668,346	-	(\$3,365)	\$22,305	18,940	1,687,286
RI Atomic Energy Commission	875,781	-	(\$4,652)	(\$10,098)	(14,750)	861,031
Higher Education Assistance Authority	6,723,347	-	(\$2,125)	\$598,964	596,839	7,320,186
Historical Preservation & Heritage Comm	1,348,717	-	(\$5,558)	\$59,360	53,802	1,402,519
Public Telecommunications Authority	1,035,967	-	(\$5,370)	(\$51,272)	(56,642)	979,325
Subtotal - Education	1,031,327,542	-	(270,313)	(8,819,493)	(9,089,806)	1,022,237,736
Public Safety						
Attorney General	\$21,209,730	-	(\$108,677)	\$342,313	233,636	21,443,366
Corrections	178,329,401	-	(\$637,010)	\$869,174	232,164	178,561,565
Judicial	84,575,255	-	(\$790,396)	\$607,569	(182,828)	84,392,428
Military Staff	2,782,435	-	(\$8,352)	\$1,392,062	1,383,710	4,166,145
Public Safety	67,024,490	-	(\$268,518)	\$1,809,300	1,540,782	68,565,272
Office Of Public Defender	9,590,261	-	(\$47,611)	(\$1,202)	(48,813)	9,541,448
Subtotal - Public Safety	363,511,572	-	(1,860,564)	5,019,216	3,158,652	366,670,224
Natural Resources						
Environmental Management	34,403,329	-	(\$126,721)	(\$8,414)	(135,135)	34,268,194
Coastal Resources Management Council	2,038,515	-	(\$10,801)	\$35,489	24,688	2,063,203
Water Resources Board	1,316,540	-	(\$3,816)	(\$14,362)	(18,178)	1,298,362
Subtotal - Natural Resources	37,758,384	-	(141,338)	12,713	(128,625)	37,629,759
Total	2,942,118,704	3,364,847	1,816,548	18,004,855	23,186,250	2,965,304,954

Appendix C
Aid to Cities and
Towns

Formula Aid to Cities and Towns

The Governor's FY 2012 budget recommends formula aid to cities and towns totaling \$114.5 million. This represents a 28.1 percent, or \$25.1 million increase from the FY 2011 enacted level of funding. The tables on the following pages display the FY 2009 and FY 2010 actuals, the FY 2011 enacted, the FY 2011 revised, and the FY 2012 recommended levels of funding for formula aid to cities and towns by community. In general, formula state aid programs were level funded from the revised level with the exception of the motor vehicle tax phase-out program. The narrative below describes each of the programs included on the tables. It should also be noted that updated formula drivers for PILOT and Distressed Community Relief Fund were incorporated for FY 2012. This results in increases and decreases by community depending on changes in relative wealth and other factors which are incorporated in determining entitlements.

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 at the average property tax statewide. For FY 2011 and FY 2012, the Governor recommends level funding the program as no growth is forecasted. 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. For FY 2011, the Governor recommends level funding the program as no growth is forecasted and for FY 2012 the Governor recommends \$19.3 million.

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. The program was fully funded in FY 2007. Since FY 2008, state appropriations for the PILOT program have equaled less than 27 percent of all tax that would have been collected had the property been taxable. The Governor's recommendation is to level fund the program at the FY 2011 enacted level of \$27.6 million for the FY 2011 revised and FY 2012 budgets. Entitlements by community have been adjusted to reflect revenue which would have been lost resulting from eligible properties in the statutory reference 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 amount of total funding distributed under this program is based on the amount enacted in the annual appropriations act. Entitlements for FY 2011 and FY 2012 by community reflect computations based upon the latest available qualifying data. For the FY 2011 revised budget, an additional amount of \$5.2 million is provided for a total of \$15.6 million and in FY 2012 a total of \$10.4 million is provided.

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. For fiscal year 2007, the value of the exemption from local taxes was increased to \$6,000 per vehicle. For FY 2009, the legislation was amended to reimburse only 98 percent of the exemption value, reflecting comparability with municipal motor vehicle tax collection rates. For FY 2011 and thereafter, the General

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Assembly enacted legislation that mandates a \$500 exemption for which the state will reimburse municipalities and amount subject to appropriation. The legislation further allows municipalities to provide an additional exemption, however, that additional exemption will not be subject to reimbursement. The legislation also removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates to be lowered from the current frozen levels. The Governor's recommendation is to level fund the program at the FY 2011 enacted level of \$10.0 million for the FY 2011 revised and the FY 2012 budget.

Municipal Accountability Stability Transparency Fund - The Municipal Accountability, Stability and Transparency (MAST) Fund is a new fund proposed for FY 2012 to help enhance fiscally prudent budgeting practices for cities and towns, and address unfunded liabilities for pensions and Post Employment Benefits Other Than Pensions (OPEB). Cities and towns will receive additional state aid starting in FY 2012, and thereafter, if they comply with certain requirements as set forth in statute. The Governor recommends \$19.3 million in FY 2012 for this program. The following tables reflect this new fund under appropriated aid. Although the funding is included in the appropriations act as a restricted receipt, funds will only be disbursed to communities complying with the requirements set forth in statute.

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. The Governor's recommendation is to level fund the program at the FY 2011 enacted level of \$8.7 million for the FY 2011 revised and FY 2012 budgets. Although total funding is level funded at the FY 2011 enacted level, distributions by community/library have been calculated based upon the latest available qualifying data from the statutory reference year. Library construction aid is fully funded in both years based on outstanding commitments.

Central Falls Stabilization Payment - The Governor's recommendation includes a Central Falls Stabilization Payment of \$1.8 million for the FY 2011 revised and \$4.9 million in the FY 2012 budget.

Fiscal Year 2011 Revised State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Municipal Accountability Stability Transparency Fund	FY 2011 Total Appropriated State Aid
Barrington	48,984	-	323,140	245,208	-	617,332
Bristol	580,241	-	106,449	117,205	-	803,895
Burrillville	66,573	708,688	124,196	214,709	-	1,114,166
Central Falls	19,158	363,633	76,712	84,330	-	543,833
Charlestown	-	-	46,444	41,218	-	87,662
Coventry	-	-	198,364	225,597	-	423,961
Cranston	4,239,850	-	564,855	951,625	-	5,756,330
Cumberland	109	-	242,455	216,513	-	459,077
East Greenwich	7,599	-	107,800	123,478	-	238,877
East Providence	91,188	1,114,116	454,240	445,084	-	2,104,628
Exeter	-	-	32,685	82,437	-	115,122
Foster	417	-	34,283	69,333	-	104,033
Glocester	-	-	68,546	94,919	-	163,465
Hopkinton	-	-	28,903	65,621	-	94,524
Jamestown	-	-	76,368	36,685	-	113,053
Johnston	-	-	96,481	382,377	-	478,858
Lincoln	-	-	179,391	236,662	-	416,053
Little Compton	-	-	26,702	23,548	-	50,250
Middletown	-	-	123,398	89,262	-	212,660
Narragansett	-	-	113,169	95,791	-	208,960
Newport	833,229	-	94,072	138,612	-	1,065,913
New Shoreham	-	-	364,548	8,132	-	372,680
North Kingstown	5,803	-	246,625	228,200	-	480,628
North Providence	456,364	510,516	154,613	350,127	-	1,471,619
North Smithfield	-	-	61,584	173,847	-	235,431
Pawtucket	377,406	2,321,986	398,156	664,782	-	3,762,330
Portsmouth	-	-	99,917	109,483	-	209,400
Providence	19,097,871	7,954,890	1,201,916	1,617,922	-	29,872,599
Richmond	-	-	21,874	60,200	-	82,074
Scituate	-	-	92,532	127,207	-	219,739
Smithfield	429,064	-	254,642	281,936	-	965,642
South Kingstown	124,230	-	205,999	172,163	-	502,392
Tiverton	-	-	90,485	108,700	-	199,185
Warren	-	-	51,162	82,773	-	133,935
Warwick	957,595	-	657,409	1,156,532	-	2,771,536
Westerly	110,040	-	24,649	230,697	-	365,386
West Greenwich	-	-	171,415	49,532	-	220,947
West Warwick	-	1,394,669	287,122	223,933	-	1,905,724
Woonsocket	134,688	1,208,188	195,110	373,623	-	1,911,609
Subtotal	\$27,580,409	\$15,576,687	\$7,698,411	\$10,000,000	-	\$60,855,507
Statewide Reference Library Resource Grant (Providence)				1,012,378		1,012,378
Library Construction Reimbursement				2,492,974		2,492,974
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-		-
Total	\$27,580,409	\$15,576,687	\$11,203,763	\$13,505,352	-	\$64,360,859

Fiscal Year 2011 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2010 Total Shared Taxes State Aid	FY 2011 Total Shared & Appropriated Aid
Barrington	182,103	135,553	317,656	934,988
Bristol	243,277	303,168	546,445	1,350,339
Burrillville	171,027	172,887	343,914	1,458,080
Central Falls	204,938	88,173	293,111	836,944
Charlestown	85,091	97,087	182,178	269,840
Coventry	364,531	333,263	697,794	1,121,755
Cranston	858,263	1,321,908	2,180,171	7,936,501
Cumberland	344,739	350,310	695,049	1,154,126
East Greenwich	140,191	428,133	568,324	807,201
East Providence	527,156	729,001	1,256,157	3,360,785
Exeter	65,451	71,128	136,579	251,701
Foster	46,276	17,376	63,652	167,685
Glocester	107,709	54,010	161,719	325,184
Hopkinton	84,842	43,754	128,596	223,120
Jamestown	60,871	80,395	141,266	254,319
Johnston	305,274	429,028	734,302	1,213,159
Lincoln	226,267	609,715	835,982	1,252,035
Little Compton	38,902	39,576	78,478	128,728
Middletown	187,679	561,285	748,964	961,623
Narragansett	177,144	460,758	637,902	846,862
Newport	286,651	1,526,834	1,813,485	2,879,398
New Shoreham	10,935	225,939	236,874	609,554
North Kingstown	285,038	419,321	704,359	1,184,987
North Providence	350,921	344,523	695,444	2,167,063
North Smithfield	114,963	160,440	275,403	510,835
Pawtucket	789,933	633,198	1,423,131	5,185,460
Portsmouth	185,676	166,628	352,304	561,704
Providence	1,879,801	3,961,890	5,841,691	35,714,290
Richmond	78,194	102,635	180,829	262,904
Scituate	111,780	52,460	164,240	383,979
Smithfield	223,182	513,546	736,728	1,702,371
South Kingstown	302,307	536,657	838,964	1,341,356
Tiverton	165,223	151,924	317,147	516,332
Warren	122,997	202,368	325,365	459,300
Warwick	929,063	2,151,135	3,080,198	5,851,733
Westerly	248,658	593,704	842,362	1,207,748
West Greenwich	55,056	95,914	150,970	371,917
West Warwick	320,280	322,737	643,017	2,548,741
Woonsocket	467,996	494,686	962,682	2,874,291
Subtotal	\$11,350,385	\$18,983,046	\$30,333,431	\$91,188,938
Statewide Reference Library Resource Grant (Providence)				1,012,378
Library Construction Reimbursement				2,492,974
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total				\$94,694,290

Changes in Formula Aid - FY 2011 Revised vs. FY 2011 Enacted

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Municipal Accountability Stability Transparency Fund	Total Appropriated Difference
Barrington	-	-	2,443	3,156	-	5,599
Bristol	-	-	805	1,510	-	2,315
Burrillville	-	221,068	939	5,045	-	227,052
Central Falls	-	96,061	580	(551)	-	96,089
Charlestown	-	-	351	886	-	1,237
Coventry	-	-	1,500	3,837	-	5,337
Cranston	-	-	4,270	16,375	-	20,645
Cumberland	-	-	1,833	2,822	-	4,655
East Greenwich	-	-	815	761	-	1,576
East Providence	-	356,511	3,434	(1,556)	-	358,388
Exeter	-	-	247	3,677	-	3,924
Foster	-	-	260	1,324	-	1,584
Glocester	-	-	518	1,592	-	2,110
Hopkinton	-	-	218	1,410	-	1,628
Jamestown	-	-	577	93	-	670
Johnston	-	-	729	(5,752)	-	(5,023)
Lincoln	-	-	1,356	4,810	-	6,166
Little Compton	-	-	202	(1,744)	-	(1,542)
Middletown	-	-	933	(454)	-	479
Narragansett	-	-	856	(2,079)	-	(1,223)
Newport	-	-	711	(2,429)	-	(1,718)
New Shoreham	-	-	2,756	493	-	3,249
North Kingstown	-	-	1,865	4,797	-	6,662
North Providence	-	-	1,169	(8,246)	-	(7,077)
North Smithfield	-	-	465	4,176	-	4,641
Pawtucket	-	804,431	3,010	(7,729)	-	799,712
Portsmouth	-	-	755	2,889	-	3,644
Providence	-	2,843,627	(49,116)	(118,107)	-	2,676,404
Richmond	-	-	165	2,061	-	2,226
Scituate	-	-	699	3,458	-	4,157
Smithfield	-	-	1,926	2,499	-	4,425
South Kingstown	-	-	1,557	2,903	-	4,460
Tiverton	-	-	684	694	-	1,378
Warren	-	-	387	557	-	944
Warwick	-	-	4,971	82,412	-	87,383
Westerly	-	-	186	1,050	-	1,236
West Greenwich	-	-	1,297	416	-	1,713
West Warwick	-	468,985	2,172	(3,243)	-	467,913
Woonsocket	-	401,547	1,475	(3,808)	-	399,214
Subtotal	-	\$5,192,229	-	-	-	\$5,192,229
Statewide Reference Library Resource Grant (Providence)				-		-
Library Construction Reimbursement				(105,059)		(105,059)
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-		-
Total	-	\$5,192,229	-	(105,059)		\$5,087,170

Changes in Pass Through and All Aid - FY 2011 Rev vs. FY 2011 Enacted

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	16,374	16,374	21,973
Bristol	-	(15,380)	(15,380)	(13,065)
Burrillville	-	5,921	5,921	232,973
Central Falls	-	5,510	5,510	101,600
Charlestown	-	(1,799)	(1,799)	(561)
Coventry	-	434	434	5,771
Cranston	-	4,581	4,581	25,225
Cumberland	-	3,762	3,762	8,417
East Greenwich	-	38,323	38,323	39,899
East Providence	-	18,207	18,207	376,596
Exeter	-	8,046	8,046	11,971
Foster	-	(470)	(470)	1,114
Glocester	-	(3,551)	(3,551)	(1,442)
Hopkinton	-	3,875	3,875	5,503
Jamestown	-	15,154	15,154	15,824
Johnston	-	22,054	22,054	17,031
Lincoln	-	24,675	24,675	30,840
Little Compton	-	11,999	11,999	10,457
Middletown	-	(5,464)	(5,464)	(4,985)
Narragansett	-	(13,210)	(13,210)	(14,433)
Newport	-	(25,998)	(25,998)	(27,716)
New Shoreham	-	17,329	17,329	20,578
North Kingstown	-	(11,486)	(11,486)	(4,824)
North Providence	-	(20,826)	(20,826)	(27,902)
North Smithfield	-	5,064	5,064	9,706
Pawtucket	-	(7,444)	(7,444)	792,268
Portsmouth	-	7,135	7,135	10,779
Providence	-	49,615	49,615	2,726,019
Richmond	-	1,177	1,177	3,404
Scituate	-	(2,576)	(2,576)	1,581
Smithfield	-	33,391	33,391	37,816
South Kingstown	-	19,977	19,977	24,437
Tiverton	-	5,568	5,568	6,946
Warren	-	(2,848)	(2,848)	(1,905)
Warwick	-	(48,072)	(48,072)	39,310
Westerly	-	3,753	3,753	4,989
West Greenwich	-	16,383	16,383	18,096
West Warwick	-	(7,994)	(7,994)	459,920
Woonsocket	-	3,624	3,624	402,838
Subtotal	-	\$174,815	\$174,815	\$5,367,044
Statewide Reference Library Resource Grant (Providence)				-
Library Construction Reimbursement				(105,059)
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total		\$174,815	\$174,815	\$5,261,985

Fiscal Year 2012 State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Municipal Accountability Stability Transparency Fund	FY 2012 Total Appropriated State Aid
Barrington	45,230		323,140	245,208	72,326	685,904
Bristol	596,405		106,449	117,205	294,761	1,114,819
Burrillville	96,105	243,867	124,196	214,709	209,443	888,320
Central Falls	19,923	293,509	76,712	84,330	502,285	976,759
Charlestown	-		46,444	41,218	121,199	208,861
Coventry	-		198,364	225,597	301,545	725,506
Cranston	4,007,827		564,855	951,625	1,613,317	7,137,624
Cumberland	103		242,455	216,513	463,656	922,728
East Greenwich	7,274		107,800	123,478	52,546	291,098
East Providence	127,899	757,468	454,240	445,084	796,907	2,581,599
Exeter	-		32,685	82,437	26,908	142,031
Foster	396		34,283	69,333	92,221	196,233
Glocester	-		68,546	94,919	168,633	332,098
Hopkinton	-		28,903	65,621	67,131	161,655
Jamestown	-		76,368	36,685	43,570	156,622
Johnston	-		96,481	382,377	759,095	1,237,953
Lincoln	-		179,391	236,662	285,094	701,147
Little Compton	-		26,702	23,548	31,451	81,701
Middletown	-		123,398	89,262	291,055	503,714
Narragansett	-		113,169	95,791	262,187	471,147
Newport	777,862		94,072	138,612	548,824	1,559,370
New Shoreham	-		364,548	8,132	27,192	399,872
North Kingstown	1,652		246,625	228,200	264,514	740,991
North Providence	421,392	624,043	154,613	350,127	712,975	2,263,149
North Smithfield	-		61,584	173,847	195,042	430,473
Pawtucket	362,900	1,534,272	398,156	664,782	1,624,044	4,584,154
Portsmouth	-		99,917	109,483	194,571	403,971
Providence	19,267,541	5,143,906	1,201,916	1,617,922	4,607,238	31,838,524
Richmond	-		21,874	60,200	44,080	126,154
Scituate	-		92,532	127,207	134,538	354,277
Smithfield	444,580		254,642	281,936	554,964	1,536,122
South Kingstown	133,925		205,999	172,163	301,889	813,976
Tiverton	-		90,485	108,700	192,059	391,244
Warren	-		51,162	82,773	149,238	283,172
Warwick	1,034,893		657,409	1,156,532	1,448,195	4,297,028
Westerly	107,319		24,649	230,697	225,182	587,847
West Greenwich	-		171,415	49,532	66,361	287,309
West Warwick	-	900,192	287,122	223,933	436,976	1,848,223
Woonsocket	127,183	887,201	195,110	373,623	1,147,020	2,730,136
Subtotal	\$27,580,409	\$10,384,458	\$7,698,411	\$10,000,000	\$19,330,231	\$74,993,509
Statewide Reference Library Resource Grant (Providence)				1,012,378		1,012,378
Library Construction Reimbursement				2,821,772		2,821,772
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-		-
Total	\$27,580,409	\$10,384,458	\$11,532,561	\$13,834,150	\$19,330,231	\$78,827,659

Fiscal Year 2012 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	FY 2011 Total Shared Taxes State Aid	FY 2012 Total Shared & Appropriated Aid
Barrington	182,103	138,032	320,135	1,006,039
Bristol	243,277	308,712	551,989	1,666,809
Burrillville	171,027	176,049	347,076	1,235,396
Central Falls	204,938	89,786	294,724	1,271,483
Charlestown	85,091	98,863	183,954	392,815
Coventry	364,531	339,358	703,889	1,429,395
Cranston	858,263	1,346,084	2,204,347	9,341,971
Cumberland	344,739	356,716	701,455	1,624,183
East Greenwich	140,191	435,964	576,155	867,252
East Providence	527,156	742,334	1,269,490	3,851,089
Exeter	65,451	72,429	137,880	279,910
Foster	46,276	17,694	63,970	260,202
Glocester	107,709	54,998	162,707	494,805
Hopkinton	84,842	44,555	129,397	291,051
Jamestown	60,871	81,866	142,737	299,359
Johnston	305,274	436,874	742,148	1,980,101
Lincoln	226,267	620,867	847,134	1,548,281
Little Compton	38,902	40,300	79,202	160,903
Middletown	187,679	571,550	759,229	1,262,943
Narragansett	177,144	469,185	646,329	1,117,475
Newport	286,651	1,554,758	1,841,409	3,400,779
New Shoreham	10,935	230,071	241,006	640,878
North Kingstown	285,038	426,990	712,028	1,453,019
North Providence	350,921	350,824	701,745	2,964,893
North Smithfield	114,963	163,375	278,338	708,811
Pawtucket	789,933	644,778	1,434,711	6,018,865
Portsmouth	185,676	169,675	355,351	759,322
Providence	1,879,801	4,034,350	5,914,151	37,752,675
Richmond	78,194	104,512	182,706	308,861
Scituate	111,780	53,419	165,199	519,476
Smithfield	223,182	522,939	746,121	2,282,243
South Kingstown	302,307	546,472	848,779	1,662,755
Tiverton	165,223	154,703	319,926	711,170
Warren	122,997	206,069	329,066	612,239
Warwick	929,063	2,190,477	3,119,540	7,416,569
Westerly	248,658	604,562	853,220	1,441,067
West Greenwich	55,056	97,668	152,724	440,033
West Warwick	320,280	328,640	648,920	2,497,143
Woonsocket	467,996	503,734	971,730	3,701,866
Subtotal	\$11,350,385	\$19,330,231	\$30,680,616	\$105,674,125
Statewide Reference Library Resource Grant (Providence)				1,012,378
Library Construction Reimbursement				2,821,772
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total				\$109,508,275

Changes in Formula Aid - FY 2012 vs. FY 2011 Revised

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Municipal Accountability Stability Transparency Fund	Total Appropriated Difference
Barrington	(3,754)	-	-	-	72,326	68,572
Bristol	16,164	-	-	-	294,761	310,925
Burrillville	29,532	(464,821)	-	-	209,443	(225,846)
Central Falls	765	(70,125)	-	-	502,285	432,926
Charlestown	-	-	-	-	121,199	121,199
Coventry	-	-	-	-	301,545	301,545
Cranston	(232,023)	-	-	-	1,613,317	1,381,294
Cumberland	(6)	-	-	-	463,656	463,650
East Greenwich	(325)	-	-	-	52,546	52,221
East Providence	36,711	(356,647)	-	-	796,907	476,971
Exeter	-	-	-	-	26,908	26,908
Foster	(21)	-	-	-	92,221	92,200
Glocester	-	-	-	-	168,633	168,633
Hopkinton	-	-	-	-	67,131	67,131
Jamestown	-	-	-	-	43,570	43,570
Johnston	-	-	-	-	759,095	759,095
Lincoln	-	-	-	-	285,094	285,094
Little Compton	-	-	-	-	31,451	31,451
Middletown	-	-	-	-	291,055	291,055
Narragansett	-	-	-	-	262,187	262,187
Newport	(55,367)	-	-	-	548,824	493,457
New Shoreham	-	-	-	-	27,192	27,192
North Kingstown	(4,151)	-	-	-	264,514	260,363
North Providence	(34,972)	113,527	-	-	712,975	791,529
North Smithfield	-	-	-	-	195,042	195,042
Pawtucket	(14,506)	(787,714)	-	-	1,624,044	821,824
Portsmouth	-	-	-	-	194,571	194,571
Providence	169,670	(2,810,984)	-	-	4,607,238	1,965,925
Richmond	-	-	-	-	44,080	44,080
Scituate	-	-	-	-	134,538	134,538
Smithfield	15,516	-	-	-	554,964	570,480
South Kingstown	9,695	-	-	-	301,889	311,584
Tiverton	-	-	-	-	192,059	192,059
Warren	-	-	-	-	149,238	149,238
Warwick	77,298	-	-	-	1,448,195	1,525,493
Westerly	(2,721)	-	-	-	225,182	222,461
West Greenwich	-	-	-	-	66,361	66,361
West Warwick	-	(494,477)	-	-	436,976	(57,501)
Woonsocket	(7,505)	(320,987)	-	-	1,147,020	818,527
Subtotal	-	(\$5,192,229)	-	-	\$19,330,231	\$14,138,002
Statewide Reference Library Resource Grant (Providence)				-		-
Library Construction Reimbursement				328,798		328,798
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-		-
Total	-	(\$5,192,229)	\$328,798	-	\$19,330,231	\$14,466,800

Changes in Pass Through and All Aid - FY 2012 vs. FY 2011 Revised

City or Town	Public Service Corporation Tax	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	2,479	2,479	71,051
Bristol	-	5,545	5,545	316,469
Burrillville	-	3,162	3,162	(222,684)
Central Falls	-	1,613	1,613	434,538
Charlestown	-	1,776	1,776	122,975
Coventry	-	6,095	6,095	307,641
Cranston	-	24,177	24,177	1,405,470
Cumberland	-	6,407	6,407	470,057
East Greenwich	-	7,830	7,830	60,051
East Providence	-	13,333	13,333	490,304
Exeter	-	1,301	1,301	28,209
Foster	-	318	318	92,517
Glocester	-	988	988	169,621
Hopkinton	-	800	800	67,931
Jamestown	-	1,470	1,470	45,040
Johnston	-	7,847	7,847	766,942
Lincoln	-	11,151	11,151	296,245
Little Compton	-	724	724	32,175
Middletown	-	10,265	10,265	301,320
Narragansett	-	8,427	8,427	270,614
Newport	-	27,925	27,925	521,381
New Shoreham	-	4,132	4,132	31,324
North Kingstown	-	7,669	7,669	268,032
North Providence	-	6,301	6,301	797,830
North Smithfield	-	2,934	2,934	197,976
Pawtucket	-	11,581	11,581	833,405
Portsmouth	-	3,047	3,047	197,619
Providence	-	72,460	72,460	2,038,385
Richmond	-	1,877	1,877	45,957
Scituate	-	959	959	135,497
Smithfield	-	9,392	9,392	579,872
South Kingstown	-	9,815	9,815	321,400
Tiverton	-	2,779	2,779	194,838
Warren	-	3,701	3,701	152,939
Warwick	-	39,343	39,343	1,564,835
Westerly	-	10,858	10,858	233,319
West Greenwich	-	1,754	1,754	68,116
West Warwick	-	5,903	5,903	(51,599)
Woonsocket	-	9,047	9,047	827,575
Subtotal	-	\$347,185	\$347,185	\$14,485,187
Statewide Reference Library Resource Grant (Providence)				-
Library Construction Reimbursement				328,798
Motor Vehicle Excise Tax Reimbursement - Fire Districts				-
Total		\$347,185	\$347,185	\$14,813,985

Summary of Formula Aid to Cities and Towns

	FY 2009 Actual	FY 2010 Actual	FY 2011 Enacted	FY 2011 Revised	FY 2012 Recommend
Public Service Corporation Tax	9,204,590	10,194,401	11,350,385	11,350,385	11,350,385
Meals and Beverage Tax	18,808,231	18,983,046	18,808,231	18,808,231	19,330,231
Payment In Lieu of Taxes (PILOT)	27,580,239	27,580,407	27,580,409	27,580,409	27,580,409
Total Miscellaneous Aid	\$55,593,060	\$56,757,854	\$57,739,025	\$57,739,025	\$58,261,025
General Revenue Sharing	25,000,000	-	-	-	-
Total State Aid to Cities and Towns	\$25,000,000	-	-	-	-
Central Falls Stabilization Payment	-	-	-	1,800,000	4,900,000
Dist. Comm. - General Appropriation	10,384,458	10,384,458	10,384,458	15,576,687	10,384,458
Total Distressed Communities Aid	\$10,384,458	\$10,384,458	\$10,384,458	\$17,376,687	\$15,284,458
Motor Vehicle Tax Phase-out Program ¹	135,376,122	117,179,992	10,000,000	10,000,000	10,000,000
Total Motor Vehicle Tax Phase-out Prog.	\$135,376,122	\$117,179,992	\$10,000,000	\$10,000,000	\$10,000,000
Municipal Accountability Stability Transparency Fund	-	-	-	-	19,330,231
Total - Municipal Accountability Stability Transparency Fund	-	-	-	-	\$19,330,231
Subtotal Formula Aid - All Sources	\$226,353,640	\$184,322,304	\$78,123,483	\$85,115,712	\$102,875,714
Percent Change from prior year	-11.98%	-18.57%	-65.49%	-53.82%	20.87%
Resource Sharing & Library Aid ²	8,773,284	8,773,023	8,773,398	8,773,398	8,773,398
Library Construction Aid	2,587,447	2,739,488	2,492,974	2,492,974	2,821,772
Total Library Aid	\$11,360,731	\$11,512,511	\$11,266,372	\$11,266,372	\$11,595,170
Property Revaluation Program	1,044,654	1,531,211	790,000	790,000	1,125,000
Total Other Aid	\$1,044,654	\$1,531,211	\$790,000	\$790,000	\$1,125,000
Total Aid	\$238,759,025	\$197,366,026	\$90,179,855	\$97,172,084	\$115,595,884
Percent Change from prior year	-11.46%	-17.34%	-62.23%	-50.77%	18.96%

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

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

Appendix D

Aid to Schools

Education Aid to Local Governments

Education Aid to Local Governments totals \$849.2 million in FY 2012, a \$21.0 million increase in total state funding relative to the FY 2011 revised budget, a 2.5 percent increase. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, the Central Falls School District and the Metropolitan Career and Technical School, as well as support for the state share of teacher retirement and school Housing Aid.

Fiscal year 2012 represents year one of the new education aid funding formula. Beginning July 1, 2011, education aid to all districts, charter schools and state schools (Davies and the Met) will be formula based. The School for the Deaf is a special education program and the funding method will not change since it already has a state, federal and local share. Based on the principle that the money follows the student, the formula was developed with the following guiding principles: (1) Build a strong foundation for all children; (2) improve equity among districts and schools; (3) be transparent; and (4) be financially responsible.

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

- Core Instructional Amount – (\$8,333 per student in FY 2012) Derived from a regional average of the National Center for Education Statistics (NCES) expenditure data, the core instructional amount is based on cost studies from states that have been deemed by education researchers to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what Rhode Island should be spending to provide a high quality of education. The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instructional support, and leadership costs.
- Student Success Factor – (\$3,333 per student in FY 2012) Provides additional funding to support student needs beyond the core services listed above with the ultimate goal of closing student achievement gaps. Within the formula, each student is entitled to a 40% student success factor which is applied to the core instructional amount. This factor is also applied to PK-12 students who are eligible for free and reduced price lunch.
- State Share Ratio – After the core components have been determined, a state share ratio formula is applied to address two key questions: How to account for differences in the revenue-generation capacity of communities and how to allocate funding to communities based on the supports that students need. The state share ratio is dependent on district property values weighted for median family income and students eligible for free and reduced price lunch.

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

In addition, specific categorical funds for certain high-cost items were established outside the formula distribution: High cost special education, career and technical education, an early childhood Pre-K program, transportation for non-public and regional districts, as well as regional district bonuses. A Central Falls Stabilization Fund has also been created to assure that appropriate funding is available to support the district, due to concerns regarding local capacity.

Education Aid to Local Governments

According to law, state stabilization funds are only paid upon transfer of a matching amount to the school district by the city. If Central Falls is unable to pay its share, the State will not provide funding under the stabilization fund.

Lastly, funding allocations will be phased in over ten years based on a transition model where in overfunded districts shall have a level decrease period, while underfunded districts shall have a level increase over a seven year period.

The following sections summarize changes to the various aid categories that comprise total FY 2012 Education Aid.

Distributed Aid

Distributed aid in FY 2012 will now reflect aid to both districts and charter schools as a result of the education aid funding formula. Please note that in prior years, charter schools have been displayed within the non-distributed aid category of the tables. Distributed education aid to districts increases by \$1.1 million while charter school aid increases by \$3.4 million in general revenue, relative to revised levels.

It is worthy to note that Rhode Island has been awarded \$32.9 million through a federal Education Jobs Fund Bill. The new education aid formula dictates the exact amount of funding each local education agency (LEA) shall receive per year. In order for each LEA to receive its full level of funding, the Education Jobs Fund will be used to offset any general revenue reductions that occur in FY 2012. Unlike the previous guidelines for State Fiscal Stabilization funding, where the State could dictate when LEAs drew down federal money, terms for this federal fund allow districts to withdraw funds at anytime up and until September 30, 2012. Therefore, \$27.0 million has been reflected in the FY 2011 Budget while the FY 2012 Budget reflects \$5.9 million.

State Schools

The State Schools- Davies Career and Technical School, Metropolitan Career and Technical School, and the Rhode Island School for the Deaf are collectively financed at \$30.8 million in general revenue, which constitutes a \$2.0 million decrease from the revised FY 2011 Budget. The State Schools have also been affected through a reduction in general revenue aid. However, as described above, some reductions in aid will be offset by the Education Jobs Fund. Davies will receive \$673,955, the Met will receive \$593,721, and the School for the Deaf will receive \$283,888 in additional federal funding. Please note that Davies and the Met will also fall under year one of the funding formula.

Non-Distributed Aid

In FY 2012, charter school aid, as described above, will now be reflected in the distributed aid category of the education aid tables. Also new as a result of the education aid funding formula are "categorical funds". In FY 2012, \$1.1 million is allocated for transportation costs, \$700,000 for a Pre-K early childhood demonstration program, and a regionalization bonus of \$851,899. Funding will be delayed in FY 2012 for all additional categorical funds created in the education formula legislation, including a high cost special education fund, a career and technical education fund and a Central Falls stabilization fund.

General revenue funding for the Telecommunications Access fund is eliminated in FY 2012, to be replaced with a broadening of the fee charged only off land-lines to include wireless phones as well. Also eliminated in FY 2012 is the Textbook Expansion fund, used to finance the acquisition of textbooks for non-public school students.

Education Aid to Local Governments

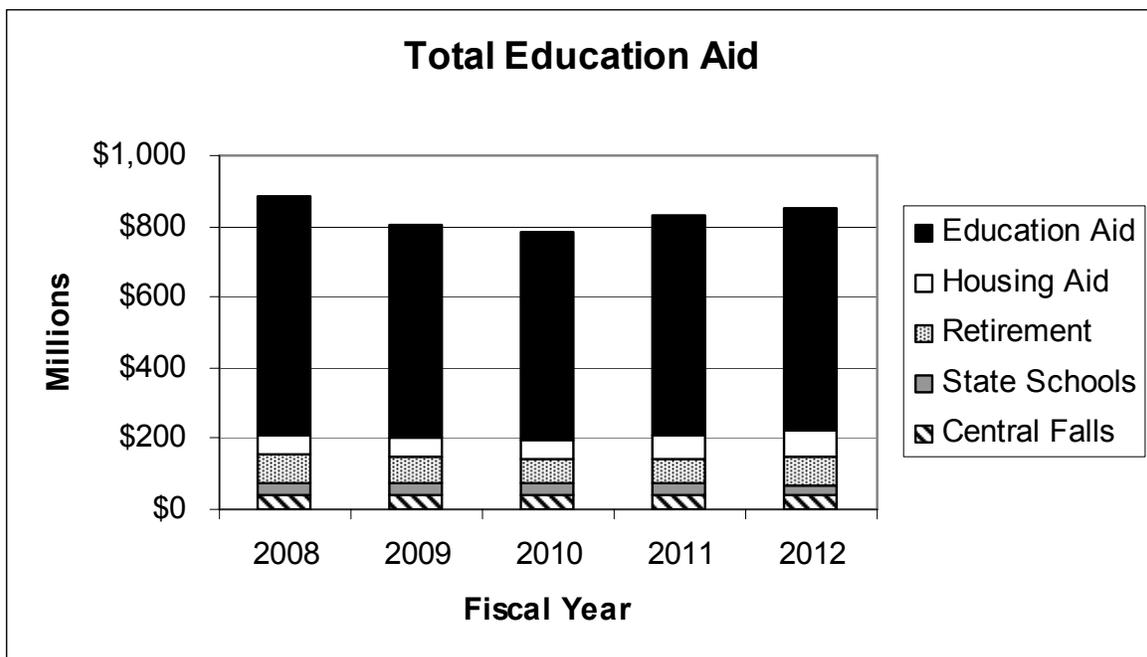
Other Aid

The FY 2012 Budget also includes increases in other aid of \$17.5 million; a \$4.5 million increase for school housing aid reimbursements and a \$13.0 million increase in state contributions for teachers' retirement.

FY 2012 Education Aid Increases (Decreases) From the Revised FY 2011 Budget

- Standard Aid: \$4,669,993
- Group Home Funding: (\$285,000)
- Central Falls School District: (\$3,289,352)
- Textbook Expansion: (\$241,490)
- Charter School Aid: \$3,359,278
- Progressive Support and Intervention: (\$24)
- Professional Development: (\$248,750)
- Telecommunications Access (348,250)
- Transportation Categorical: \$1,087,840
- Regionalization Bonus: \$851,899
- Metropolitan Career and Technical School: (\$1,044,041)
- School for the Deaf: \$42,822
- Davies Career and Technical School: (\$1,008,703)
- Teachers' Retirement: \$13,017,777
- School Housing Aid: \$4,484,171

The following graph displays total school aid from FY 2008 to FY 2012. The "Education Aid" component is comprised of all aid categories under the standard Education Aid program. This includes, but is not limited to, General Aid, Targeted Aid, Charter School Aid, Progressive Support and Intervention, and the Student Investment Initiatives. Other components of total aid include: State Contributions for Teachers' Retirement; School Housing Aid; Central Falls School District; and State Schools (Davies, Deaf, and the Metropolitan School).



Education Aid to Local Governments

Housing Aid

The School Housing Aid Program reimburses a community for eligible construction expenditures beginning in the fiscal year after the project is completed. The reimbursement rate is based on the cost of the project over the life of the bonds issued for the project. The Commissioner and the Board of Regents review each local community's request for reimbursement through the program. Pursuant to recent legislation, the Department of Education and the Board of Regents promulgated new regulations governing both this process as well as the oversight of all projects eligible for School Housing Aid. In support of this initiative, the Governor recommended and the Generally Assembly approved the addition of three FTE to the Department of Elementary and Secondary Education in FY 2008.

It should be noted that although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, FY 2010 allocations were based on 2008 wealth and enrollment levels. The housing aid share ratio calculation is based on a district's income adjusted per-pupil property wealth compared to aggregate state per-pupil property wealth. The average state housing aid share ratio is thirty-eight percent, adjusted to ensure a minimum of thirty percent in each community. Beginning FY 2012, the minimum reimbursement to each community shall increase by five percent each year until a forty percent minimum share ratio has been achieved. A four percent bonus is awarded when a minimum of seventy-five percent of a project's cost is for energy conservation, asbestos removal, or handicapped access. Regional districts receive a two percent bonus for each regionalized grade for new construction projects, and an additional four percent bonus for renovation projects.

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

The revised FY 2011 and FY 2012 Budget propose general revenue expenditures of \$68.0 million and \$72.5 million, respectively, for the School Housing Aid program.

Teachers' Retirement

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

The State deferred the State's contributions to Teachers' Retirement in both FY 1991 and FY 1992. Most municipalities also deferred the local portion of teacher retirement contributions for this period. The state deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be

Education Aid to Local Governments

financed over twenty years, as will the local deferral. The annual calculation applied to the state contribution to Teachers' Retirement includes an adjustment to accommodate the deferral liability.

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

Contribution Rates for Teachers' Retirement Fund

	<u>Actuarial Contribution Rate of Payroll</u>	<u>Employer Share</u>			<u>Teacher Share</u>
		<u>Local (60%)*</u>	<u>State (40%)*</u>	<u>Sub Total</u>	
1999	21.02%	6.62%	4.90%	11.52%	9.5%
2000	24.14%	8.43%	6.21%	14.64%	9.5%
2001	21.51%	6.86%	5.15%	12.01%	9.5%
2002	19.45%	5.73%	4.22%	9.95%	9.5%
2003	21.47%	6.93%	5.04%	11.97%	9.5%
2004	23.22%	7.99%	5.73%	13.72%	9.5%
2005	24.34%	8.72%	6.12%	14.84%	9.5%
2006	25.97%	9.72%	6.75%	16.47%	9.5%
2007	29.14%	11.62%	8.02%	19.64%	9.5%
2008	31.51%	13.04%	8.97%	22.01%	9.5%
2009	29.57%	11.89%	8.18%	20.07%	9.5%
2010	29.57%	11.89%	8.18%	20.07%	9.5%
2011	18.75%	11.25%	7.76%	19.01%	9.5%
2012	22.06%	13.23%	9.09%	22.32%	9.5%

* Adjusted for deferral liability

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

State Contributions for Teacher Retirement

<u>Fiscal Year</u>	<u>State Share</u>
1999 Actual	\$30,202,943
2000 Actual	\$40,719,407
2001 Actual	\$35,365,234
2002 Actual	\$30,652,207
2003 Actual	\$38,242,690
2004 Actual	\$45,039,269
2005 Actual	\$48,503,125
2006 Actual	\$54,537,733
2007 Actual	\$70,286,753
2008 Actual	\$83,028,510
2009 Actual	\$73,592,722
2010 Actual	\$68,550,306
2011 Revised	\$69,653,293
2012 Recommended	\$82,671,070

Education Aid to Local Governments

Explanation of Tables- by Category and LEA

The following two tables display education aid first by category, and then by apportionment among the state's local and regional education agencies (LEAs). "Distributed LEA Aid" consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, such as General Aid in FY 2011 and Formula Aid in FY 2012, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for indirect Charter School Aid on the LEA table only up until FY 2011) is also displayed in this section. "State Schools" include the Metropolitan School, Davies, and School for the Deaf. "Non-Distributed Aid" includes several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. "Other Aid" consists of allocations for School Housing Aid and state contributions to the Teachers' Retirement Fund. For the purposes of these tables, direct aid to charter schools is categorized as non-distributed, up until FY 2011. Starting FY 2012, direct aid to charter schools is categorized as distributed aid as a result of the funding formula.

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