State of Rhode Island and Providence Plantations

Budget

Fiscal Year 2017

Executive Summary

Gina M. Raimondo, Governor

Appendix F
Five-Year Financial Projection

FY 2017 – FY 2021 Overview

Summary

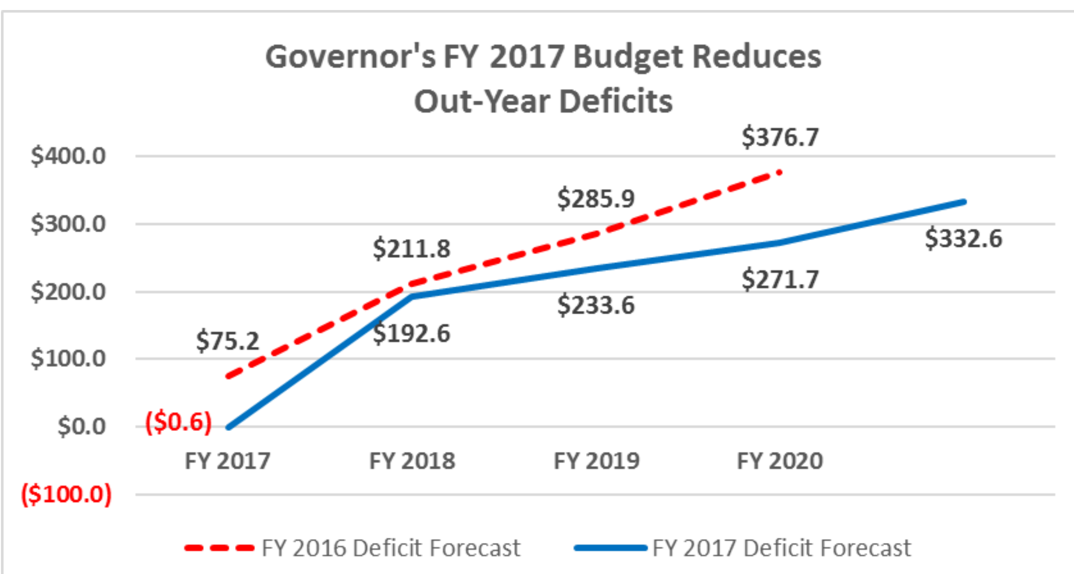
This Five-Year Financial Projection has been prepared pursuant to Section 35-3-1 of the Rhode Island General Laws, which requires that, the Budget Officer:

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

The five-year financial projection includes tables that present anticipated revenues and expenditures for the five fiscal years ending in June 2021. Also included are tables that provide detail on the planning values used in these projections. The planning values reflect policy assumptions, as well as economic and demographic forecasts.

The purpose of the five-year forecast is to provide a baseline fiscal outlook for the State of Rhode Island. Although the forecast may be used as a benchmark in assessing the affordability and desirability of alternative policy options, caution should be exercised in the interpreting of the forecast. Forward-looking estimates, such as those made in this forecast, are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Many of these risks, such as national economic and business conditions, political or legal impediments, are beyond the control of the State. The estimates and forecasts made here are as of the date they were prepared and will change as factors used in the forecasts change.

From the FY 2017 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2021. The operating deficits by fiscal year are as follows: $192.6 million in FY 2018, $233.6 million in FY 2018, $271.7 million in FY 2020, and $332.6 million in FY 2021. In percentage terms, the deficits are projected to range from 5.0 percent of spending in FY 2018 to 7.9 percent of spending in FY 2021. The expenditure-side of the budget is estimated to increase at an average annual rate of 3.3 percent from the FY 2017 base to FY 2021. Inflation, however, as measured by the United States consumer price index for all urban consumers (CPI-U), is expected to grow at an average annual rate of 2.7 percent over this same period.



FY 2017 – FY 2021 Overview

Revenues

The revenue projections contained in the five-year forecast incorporate the Governor's proposed FY 2017 general revenue changes to the estimates adopted at the November 2015 Revenue Estimating Conference. Overall revenues are expected to grow from $3.789 billion (including projected carry forward funding) in FY 2017 to $3.975 billion in FY 2021. This is an increase of $186.2 million, or 4.92 percent more revenues than in the FY 2017 recommended budget. Lottery transfers to the State general fund are projected to diminish by a total of $52.4 million over the five-year forecast period, comprised of a $2.0 million revenue loss in FY 2017, a $3.4 million revenue gain in FY 2018 due to the opening of a 200 room hotel at Twin River, a $50.2 million revenue loss in FY 2019 when Massachusetts' resort casinos are expected to open, a $2.4 million revenue loss in FY 2020 and a $1.2 million revenue loss in FY 2021 due to the increased competition from Massachusetts gaming facilities to Rhode Island's gaming facilities in Lincoln and Newport.

The five-year projection anticipates average annual general revenue growth of approximately 2.0 percent over the FY 2017 through FY 2021 period, based upon the adopted November 2015 Revenue Estimating Conference forecast for the Rhode Island economy and the Governor's recommended changes to adopted revenues. The forecasts underlying the five-year projection assumes that Rhode Island's economy will kick into a higher gear in FY 2017 through FY 2019. This is reflected in growth in non-farm employment of 1.7, 1.5, and 1.1 percent respectively for these three fiscal years. If the forecast proves correct, Rhode Island will have experienced non-farm employment growth in excess of 1.0 percent for seven consecutive fiscal years. The underlying forecasts in FY 2017 anticipate substantive growth for nominal wages and salaries and nominal personal income of 5.3 percent and 5.2 percent respectively, while the forecast projects growth in dividends, interest and rent income of 10.1 percent in FY 2017 and 8.0 percent in FY 2018. The state's unemployment rate is projected to decrease to 5.2 percent in FY 2017 and stabilize at approximately 5.0 percent over the FY 2018 through FY 2021 forecast horizon.

FY 2017 shows a robust increase in general revenue growth when compared to FY 2016 from -1.2 percent to 3.1 percent, the Rhode Island economy is expected to grow more slowly in FY 2018. General revenue growth remains positive but moderates for the FY 2018 to FY 2021 period at 1.8 percent annually, as the Rhode Island economy reaches a steady-state growth path and resort casinos come online in Massachusetts. The impact of Massachusetts-based gaming facilities is expected to be less impactful than in previous five-year revenue forecasts based on the actual performance of Rhode Island's gaming facilities when faced with the opening of a slots only facility in Plainville, MA in July 2015.

Personal income is forecasted to grow at an average annual rate of 4.0 percent over the FY 2017 – FY 2021 period. Non-farm employment is anticipated to grow at an average annual rate of 1.0 percent and wage and salary disbursements at an average annual rate of 4.3 percent over the same period. Dividends, interest and rent payments are forecasted to grow at an average annual rate of 5.0 percent over the FY 2017 – FY 2021 period, the strongest growth of any personal income component.

There are several downside risks to the revenue forecast. First, although Rhode Island's housing market is expected to make significant progress over the coming year any delay in pent-up household formation could set the housing market back with concomitant impacts on employment and personal income. Second, although Rhode Island's exposure to the wealth effects generated from volatile equity markets is less than its neighbors, the spillover effect from stock market price gyrations could seriously impact the State's leisure and hospitality industry, an industry that has seen robust growth in the past year. Third, Rhode Island's competitive position relative to Connecticut and Massachusetts, especially in biotechnology and information technology, could erode as these states aggressively expand their recruiting efforts for these industries. Such erosion could have ramifications for income growth not in just these industries but also professional services an area that has been pivotal in fueling Rhode Island income growth now and in the future.

The upside risks to the revenue forecast are, not surprisingly, related to the downside risks. For example, a modest upside surprise in housing would help to boost employment in construction, an industry that has actually lost jobs during the economic recovery to date. Further, an expansion of high tech companies in the state, such as in the biotechnology and information technology sectors, would yield dividends not only in increased high tech jobs but, perhaps more importantly, allow Rhode Island to retain more of its college educated science, technology, engineering and math (STEM) majors resulting in the establishment of a critical mass of tech talent that would result in a strategic advantage for the state. Finally, increased research and development activities in the state would lay the groundwork for enhanced opportunities that could be leveraged by the state's research universities and accelerate the state economy's transition from a low value-added manufacturing focus to that of an innovative human capital centric base.

Expenditures

Expenditure side risks must also be noted within the five-year projection. There are initiatives contained in the Governor's FY 2017 Budget that set the expenditure base at a lower level and therefore a risk to the forecast is the passage of those proposals and their successful implementation. Conversely, as described above, if revenues are better than forecast in the near or long-term, adjustments could, and likely would, be made to some of the Governor's expenditure proposals thus impacting out year projections.

A recurring risk to the five-year forecast relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential; since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. This impacts both the costs incurred for the clients the state services and its employees. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that growth for state employee health benefit costs will average 6.54 percent annually through FY 2021. The forecast also assumes that state employees will continue to share in the cost of medical insurance premiums and costs will moderate due to proposed plan design changes.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. Also of concern is the implementation of the Affordable Care Act and the impact this will have on state expenditures for medical services to Medicaid eligible citizens.

Personnel and Other Operations

The wage projections contained in the personnel estimates include annualization of the cost of living adjustments (COLA) negotiated with employee unions in 2014. In addition, as a proxy for step and educational incentive increases and potential pay adjustments in years subsequent to current collective bargaining contracts, increases using 2.0 percent have been included for FY 2018 and thereafter. In FY 2017, salary costs are projected to grow 1.7 percent compared to the revised FY 2016 Budget. This is followed by increases of 2.0 percent in each fiscal year through FY 2021.

The forecast reflects employee cost sharing that will continue to offset health insurance costs in FY 2017 and throughout the forecast period. Average employee cost sharing of 20.0 percent of medical premium cost in FY

2017 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 6.55 percent annually on average throughout the forecast period.

Pension reform legislation enacted in the fall of 2011 continues to have a major impact on personnel costs. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required contribution rate for state employees is expected to decrease from 25.34 percent in FY 2017 to 24.69 percent in FY 2021. 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 $104.4 million in FY 2017 to $113.4 million in FY 2021, reflecting growth of $8.9 million in retirement costs, an average increase of 2.1 percent a year.

Personnel and operating costs continue to be constrained during FY 2017. The current five year forecast assumes $1.162 billion of personnel and operating costs in FY 2017 and an average growth of 2.5 percent over the five year interval, resulting in an estimated cost of $1.285 billion in FY 2021, an increase of $122.3 million. This estimate incorporates the impact of a number of initiatives or other changes that will impact out year expenses.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 4.1 percent annually from FY 2017 to FY 2021. This growth rate results in an increase of $212.8 million in this category of spending over the five year horizon. The growth rates used in the five year forecast were derived from state-specific Medicaid expenditure projections released by the Centers for Medicaid and Medicare Services (CMS) in July 2015 as well as Budget Office estimates based on CPI-U for medical services. As these are national projections, they may or may not be valid for Rhode Island, but lacking more regionally applicable data, the State Budget Office selected these growth rates for use in this year’s five year projections. Several projections under this section also use the CPI-U, particularly with respect to programs of (non-Medicaid) cash assistance.

The forecast for grants and benefits under the Office of Health and Human Services and the Department of Human Services is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program (TANF), known as the Rhode Island Works program (formerly FIP), and the Child Care Assistance Program will meet their stated objectives during the forecast period, that federal block grants will continue at current levels, and that Medicaid matching rates (FMAP) will remain close to those in effect for FY 2017.

The forecast assumes that eligibility and economic influences on RI Works/Child Care caseloads will result in increases in costs of approximately 2.7 percent annually. These exclusively reflect continuing additions for child care subsidies, which are extended to low-income families even after cash assistance clients gain access to unsubsidized employment. Federal block and matching grant resources are assumed to be insufficient to finance these incremental costs throughout the forecast period, and, therefore, general revenue dollars are added. No additional effects from the implementation of the new RI Works program are recognized in the estimates, and it is assumed that federal TANF resources will remain sufficient to meet the entire cost of the RI Works program throughout the forecast horizon. Supplemental Security Income (SSI) payments forecasted to grow at an average rate of 1.0 percent throughout the five-year period.

The managed care forecast assumes that base costs will inflate 2.9 percent per year on average until FY 2021. Incorporated into the FY 2017 expenditure base for managed care are various proposals in the

Governor's recommended FY 2017 Budget. In the Medical Assistance program, the Governor recommends an $83.0 million reduction to the Caseload Estimating Conference's (CEC) adopted funding level from all sources of funds, or $39.0 million from general revenue. This is achieved through various policy actions designed to contain the Medicaid program's expenditure growth in both FY 2017 and subsequent years.

Similarly, cost trends in institutional long term care include an average annual growth rate of 3.87 percent from FY 2017 through FY 2021. For home and community based long-term care, the growth rate over the forecast horizon is estimated at 6.54 percent.

Pharmacy inflation is assumed to average at 9.17 percent annually. Five-year estimates also reflect a schedule increasing federal "clawback" assessment charges for Part D Medicare benefits to dually eligible Medicaid clients.

The five year financial projection for Medical Assistance expenditures now incorporates the out-year implications of a key provision of the Patient Protection and Affordable Care Act (PPACA): the expansion of Medicaid coverage to non-pregnant adults without dependent children with incomes up to 138 percent of Federal Poverty Level, commencing on January 2014. Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapses on December 31, 2016, after which the federal matching rate declines incrementally until reaching 90 percent for 2020 and thereafter. Commencing in FY 2017, the forecast includes general revenue totaling $165.4 million spanning the projection period to accommodate the loss of 100 percent federal financing.

The general revenue expenditures within the Services for the Developmentally Disabilities Private System are projected to increase from $102.4 million in FY 2017 to $124.4 million in FY 2021, which equates to an average annual growth rate of 5.0 percent over the five-year period. There are several factors that could significantly impact expenditures during the forecast period. These include general economic conditions that negatively impact Rhode Islanders; the aging of caregivers; the aging of the existing population; and greater public awareness of the availability and, therefore, the utilization of services. Efforts to restructure the network of providers serving persons with developmental disabilities and efforts to increase shared living arrangements over and above those contained in the Governor's FY 2017 Budget could serve to constrain growth below those contained in the projection. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in the Executive Office of Health and Human Services' grant costs.

Cost trends for general revenue state match expenditures to the Medicaid, Title IV-E, and other grant programs in the Department of Children Youth and Families are projected to grow from $90.6 million to $110.1 million between FY 2017 and FY 2021. This increase of $19.5 million over the five year period, equates to an average annual growth rate of 5.0 percent over the five-year period. The Governor's FY 2017 Budget recommendation for services provided by the Department of Children Youth and Families contains various retrenchment initiatives that set the FY 2017 base at a lower level. If these savings initiatives are not achieved, the forecast for these expenditures will be understated in the out-years.

Local Aid

Local aid expenditures include: Education Aid; Municipal Incentive Aid; Motor Vehicle Tax Reimbursements; Payment in Lieu of Taxes (PILOT) program; Distressed Communities; Fiscal Oversight Reimbursement; Library Aid; Library Construction Aid; the Property Revaluation Program; and the Central Falls Pension Plan.

FY 2017 – FY 2021 Overview

The Motor Vehicle Excise Tax Reimbursement, Distressed Communities, PILOT, Fiscal Oversight Reimbursement, and Library Aid are level funded over the period; Motor Vehicle Excise Tax at $10.0 million, Distressed Communities at $10.4 million, PILOT at $42.0 million, Fiscal Oversight at $130,000, and Library Resource Sharing Aid at $7.7 million.

Changes in Library Construction Aid, the Property Revaluation program, and contributions to the new Central Falls pension plan are forecasted based on proposed schedules from the responsible programs. The Municipal Incentive Aid program is budgeted at $4.7 million in FY 2016, and sunsets after that period.

In dollar terms, the largest driving force behind local aid expenditure growth from FY 2017 to FY 2021 is Education Aid, which is expected to increase by a total of $101.0 million from the FY 2017 base level of $1,077.8 million. This growth is a direct result of the new education aid funding formula which contains a ten year transition period. Districts that stand to gain money will do so over a seven year period, while losing districts will gradually lose funding over the full ten years. In general, because of how the transition rules are structured, districts losing money are given more time to adjust, causing the early years of the transition period to cost more.

Additional drivers include the planned phase-in of various categorical funding streams. In FY 2017, the Governor includes $20.0 million for the early childhood categorical, high cost special education categorical, transportation categorical, career and technical categorical, and a new English learner categorical. By FY 2021 these categorical programs grow to $52.4 million, an increase of $32.3 million.

The funding formula is primarily data driven. As a result, changes may occur in the core instruction amount, the state share calculation, increases or decreases in student populations, changes in median family income, student movement between charter schools or state schools, as well as increases or decreases in free and reduced lunch students. To plan for these changes, a 4.0 percent annual growth rate was used for FY 2018, with 1.0 percent annual growth in each year thereafter. The formula will be fully transitioned for underfunded districts in FY 2018. Reductions for overfunded districts will continue to be transitioned over the next three years and are estimated to be approximately $2.5 million per year for FY 2019, FY 2020, and FY 2021.

State contributions for teachers' retirement increase by $11.3 million, from $99.1 million in FY 2017 to $110.4 million in FY 2021. Projections for future required employer contributions to the teachers' retirement fund reflect average annual growth of 2.7 percent from FY 2018 through FY 2021, which is based on the projected CPI-U growth during this period. Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to remain at the FY 2017 enacted level of $70.9 million, assuming the minimum state share ratio remains at 35.0 percent over the next five years. The School Building Authority Capital Fund is financed at $9.1 million throughout the forecast horizon, level funding with the proposed FY 2017 level.

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2017 – FY 2021 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations is projected to increase from $150.7 million in FY 2017 to $227.8 million in FY 2021, an increase of $77.1 million. The primary driver of the increase is the outcome of the restructuring of general obligation bond debt in FY 2016 that will result in increased costs in several of the forecast years. This restructuring resulted in savings of approximately $64.0 million in FY 2016 and $36.2 million in FY 2017, but then debt service costs will increase above what they would have been by $5.8 million in FY 2019, by $15.0 million in FY 2020 and by $6.6 million in FY 2021. Other debt service increases are attributable to the issuance of debt for the Historic Tax Credit program, and annual issuance of voter approved and newly recommended general obligation bonds.

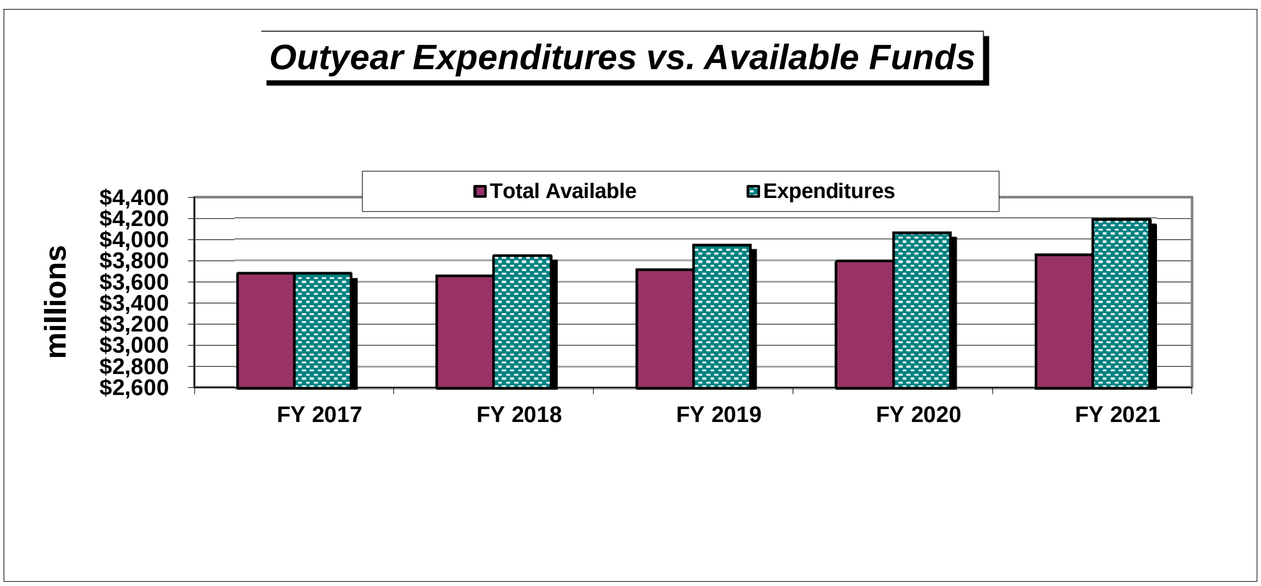
The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2017 - 2021 Capital Budget. Interest rates for fixed rate general obligation bonds to be issued to fund projects are projected at between 4.0 percent and 5.0 percent. Historic Tax Credit debt is projected to be issued at 4.5 percent over nine years in in 2017. Projected amortization schedules are found in the exhibits contained in Appendix C of the Capital Budget document.

Amortization of existing debt, restructuring of current general obligation bonds, combined with new debt issuance, results in increased general revenue appropriations for debt service of $77.1 million from FY 2017 to FY 2021. Disbursements for many capital projects are funded from the Rhode Island Capital Plan Fund, not general revenue, and therefore are not reflected in the five-year report as operating costs. Debt service for the Historic Structures Tax Credit stabilization program decreases by $11.3 million in FY 2019 as the first issuance of this debt is paid off. General obligation debt service increases by $84.9 million. Performance based obligations remain at $7.0 million over the five year period. Debt service on certificates of participation decrease by $6.6 million from $32.1 million in FY 2017 to $25.5 million in FY 2021. Current debt service includes full issuance of all COPS authorization, including those for the integrated tax system and an LEA Technology program. Convention Center debt service remains relatively stable over the five year period.

The obligations arising from performance based contracts between the Rhode Island Commerce Corporation and private entities are projected to require the same amount of state appropriations due to the projected achievement of performance targets. Fidelity job rent credits are expected to result in a state obligation of $3.5 million through the forecast period. The FY 2017 obligation reflects projected payments of $2.488 million on Phase I, plus $0.9 million due on Phase II. The forecast assumes no requirement for the Bank of America (Fleet) obligation transaction, which if earned would total approximately $0.3 million. The Providence Place Mall sales tax is expected to continue to fund the maximum $3,560,000 debt service.

General Revenue Outyear Estimates FY 2017 - FY 2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Opening Surplus [(1)]	**$81.7**	**$0.5**	**$0.0**	**$0.0**	**$0.0**
Plus:					
Taxes and Departmentals	3,322.5	3,400.1	3,508.2	3,592.6	3,659.0
Other Sources (incl. Lottery)	386.8	369.1	318.6	316.2	316.0
Budget Stabilization Fund	(113.7)	(113.1)	(114.8)	(117.3)	(119.3)
Total Available	**3,677.3**	**3,656.6**	**3,712.0**	**3,791.5**	**3,855.8**
Minus Expenditures	**3,676.8**	**3,848.8**	**3,945.6**	**4,063.3**	**4,188.3**
Equals Ending Balance	**$0.5**	**($192.1)**	**($233.6)**	**($271.7)**	**($332.6)**
Operating Surplus or Deficit	***($81.2)***	***($192.6)***	***($233.6)***	***($271.7)***	***($332.6)***
Budget & Cash Stabilization Balance	$191.7	$190.7	$193.5	$197.6	$198.8
RI Capital Fund Balance	$21.1	($1.6)	($0.4)	$13.2	$50.3
Rhode Island Capital Fund					
Capital Projects Disbursements	*$161.2*	*$136.8*	*$112.6*	*$99.9*	*$78.9*



[(1)] *Under the Rhode Island Constitution, the budget must be balanced each year, thus deficits in any given fiscal year cannot be carried forward to the ensuing fiscal year.*

General Revenue Outyear Estimates

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Income Tax	**$ 1,263,499,140**	**$ 1,309,123,338**	**$ 1,375,333,179**	**$ 1,418,227,408**	**$ 1,454,463,374**
General Business Taxes:					
Business Corporations	163,651,005	163,303,703	176,062,452	180,811,293	185,954,771
Public Utilities	104,500,000	105,296,752	106,742,865	108,188,976	109,635,089
Financial Institutions	19,500,000	18,854,403	20,046,589	19,168,751	17,484,378
Insurance Companies	127,674,000	124,235,859	128,400,122	130,417,753	135,534,334
Bank Deposits	2,300,000	2,374,680	2,449,360	2,524,040	2,598,720
Health Care Provider	45,100,000	46,705,882	48,089,941	49,476,583	50,857,705
General Business Taxes	**$ 462,725,005**	**$ 460,771,280**	**$ 481,791,328**	**$ 490,587,397**	**$ 502,064,997**
Sales and Use Taxes:					
Sales and Use	1,017,677,054	1,054,299,058	1,082,852,916	1,112,040,508	1,142,363,891
Motor Vehicle	12,200,000	-	-	-	-
Motor Fuel	500,000	365,310	346,790	307,782	390,271
Cigarettes	145,088,709	143,638,144	140,729,110	136,677,625	132,238,463
Alcohol	19,500,000	19,972,371	20,633,573	21,288,185	21,936,640
Controlled Substances	-	-	-	-	-
Sales and Use Taxes	**$ 1,194,965,763**	**$ 1,218,274,882**	**$ 1,244,562,388**	**$ 1,270,314,101**	**$ 1,296,929,265**
Other Taxes:					
Estate and Transfer	20,400,000	21,308,546	23,511,206	24,759,289	26,823,588
Racing and Athletics	1,100,000	1,079,953	1,051,080	1,014,257	967,983
Realty Transfer Tax	10,300,000	9,205,610	8,915,890	9,426,746	10,252,870
Other Taxes	**$ 31,800,000**	**$ 31,594,109**	**$ 33,478,175**	**$ 35,200,293**	**$ 38,044,441**
Total Taxes	**$ 2,952,989,908**	**$ 3,019,763,610**	**$ 3,135,165,070**	**$ 3,214,329,198**	**$ 3,291,502,077**
Total Departmental Receipts	369,500,902	380,382,163	373,024,013	378,228,758	367,531,427
Taxes and Departmentals	**$ 3,322,490,809**	**$ 3,400,145,772**	**$ 3,508,189,083**	**$ 3,592,557,956**	**$ 3,659,033,505**
Other Sources					
Other Miscellaneous	23,341,000	769,975	740,597	712,515	662,922
Lottery Commission Receipts	354,700,000	359,250,507	308,575,513	305,981,054	304,553,707
Unclaimed Property	8,800,000	9,052,453	9,317,093	9,553,177	10,774,710
Other Sources	**$ 386,841,000**	**$ 369,072,936**	**$ 318,633,202**	**$ 316,246,747**	**$ 315,991,338**
Total General Revenues	**$ 3,709,331,809**	**$ 3,769,218,708**	**$ 3,826,822,285**	**$ 3,908,804,703**	**$ 3,975,024,843**

General Revenue Outyear Estimates - Percentage Changes

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Income Tax	**4.0%**	**3.6%**	**5.1%**	**3.1%**	**2.6%**
General Business Taxes:					
Business Corporations	6.6%	-0.2%	7.8%	2.7%	2.8%
Public Utilities	0.5%	0.8%	1.4%	1.4%	1.3%
Financial Institutions	10.2%	-3.3%	6.3%	-4.4%	-8.8%
Insurance Companies	4.3%	-2.7%	3.4%	1.6%	3.9%
Bank Deposits	0.0%	3.2%	3.1%	3.0%	3.0%
Health Care Provider	2.5%	3.6%	3.0%	2.9%	2.8%
General Business Taxes	**4.2%**	**-0.4%**	**4.6%**	**1.8%**	**2.3%**
Sales and Use Taxes:					
Sales and Use	3.7%	3.6%	2.7%	2.7%	2.7%
Motor Vehicle	-66.3%	-100.0%	n/a	n/a	n/a
Motor Fuel	0.0%	-26.9%	-5.1%	-11.2%	26.8%
Cigarettes	2.1%	-1.0%	-2.0%	-2.9%	-3.2%
Alcohol	2.6%	2.4%	3.3%	3.2%	3.0%
Controlled Substances					
Sales and Use Taxes	**1.4%**	**2.0%**	**2.2%**	**2.1%**	**2.1%**
Other Taxes:					
Estate and Transfer	-11.3%	4.5%	10.3%	5.3%	8.3%
Racing and Athletics	0.0%	-1.8%	-2.7%	-3.5%	-4.6%
Realty Transfer Tax	3.0%	-10.6%	-3.1%	5.7%	8.8%
Other Taxes	**-6.7%**	**-0.6%**	**6.0%**	**5.1%**	**8.1%**
Total Taxes	**2.8%**	**2.3%**	**3.8%**	**2.5%**	**2.4%**
Total Departmental Receipts	**3.6%**	**2.9%**	**-1.9%**	**1.4%**	**-2.8%**
Taxes and Departmentals	**2.9%**	**2.3%**	**3.2%**	**2.4%**	**1.9%**
Other Sources					
Gas Tax Transfers	n/a	n/a	n/a	n/a	n/a
Other Miscellaneous	2881.0%	-96.7%	-3.8%	-3.8%	-7.0%
Lottery Commission Receipts	-0.6%	1.3%	-14.1%	-0.8%	-0.5%
Unclaimed Property	-12.9%	2.9%	2.9%	2.5%	12.8%
Other Sources	**5.2%**	**-4.6%**	**-13.7%**	**-0.7%**	**-0.1%**
Total General Revenues	**3.1%**	**1.6%**	**1.5%**	**2.1%**	**1.7%**

General Revenue Outyear Expenditure Estimates

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
State Operations					
Personnel	$945,710,000	$967,570,000	$992,420,000	$1,016,670,000	$1,043,320,000
Other State Operations	216,510,000	222,960,000	229,670,000	235,640,000	241,220,000
Subtotal	**$1,162,220,000**	**$1,190,530,000**	**$1,222,090,000**	**$1,252,310,000**	**$1,284,540,000**
		2.4%	2.7%	2.5%	2.6%
Grants and Benefits					
Executive Office of Health and Human Services & Department of Human Services					
Hospitals	33,190,000	35,000,000	37,030,000	39,660,000	42,390,000
Managed Care	552,140,000	563,910,000	579,020,000	595,530,000	618,110,000
Nursing Care	98,060,000	101,980,000	105,960,000	110,060,000	114,130,000
Home Care (HCBS)	37,870,000	40,260,000	42,780,000	45,680,000	48,800,000
Other Medicaid	29,290,000	30,880,000	32,570,000	34,110,000	35,580,000
Pharmacy	50,000	50,000	60,000	60,000	70,000
DEA Medicaid/CNOM	3,390,000	3,600,000	3,830,000	4,090,000	4,360,000
Cash Assistance- RIW/CCAP/GPA	19,590,000	20,170,000	20,780,000	21,320,000	21,830,000
Cash Assistance - SSI	18,500,000	18,690,000	18,870,000	19,060,000	19,250,000
Clawback	56,530,000	58,210,000	59,960,000	61,520,000	62,980,000
DSH	62,120,000	63,970,000	63,970,000	63,970,000	63,970,000
ACA- MA Population Expansion	12,140,000	26,330,000	31,950,000	42,980,000	52,040,000
Department of Children Youth & Families					
Children & Family Services	90,620,000	95,530,000	100,770,000	105,530,000	110,080,000
Department of Behavioral Healthcare, Developmental Disabilities & Hospitals					
Developmental Disabilities-Private	102,390,000	107,940,000	113,850,000	119,240,000	124,380,000
Other Grants and Benefits	94,100,000	96,910,000	99,820,000	102,420,000	104,850,000
Subtotal	**$1,209,980,000**	**$1,263,430,000**	**$1,311,220,000**	**$1,365,230,000**	**$1,422,820,000**
		4.4%	3.8%	4.1%	4.2%
Local Aid					
Education Aid	1,077,800,000	1,121,160,000	1,139,720,000	1,161,020,000	1,178,750,000
Municipal Incentive Aid	0	0	0	0	0
Motor Vehicle Tax Reimbursements	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
PILOT	41,980,000	41,980,000	41,980,000	41,980,000	41,980,000
Distressed Communities	10,380,000	10,380,000	10,380,000	10,380,000	10,380,000
Fiscal Oversight Reimbursement	130,000	130,000	130,000	130,000	130,000
Library Aid	8,770,000	8,770,000	8,770,000	8,770,000	8,770,000
Library Construction Aid	2,220,000	2,160,000	2,020,000	1,780,000	1,740,000
Property Revaluation Prgm	560,000	820,000	1,640,000	780,000	1,150,000
Central Falls New Pension Plan	0	330,000	300,000	290,000	290,000
Subtotal	**$1,151,840,000**	**$1,195,730,000**	**$1,214,940,000**	**$1,235,130,000**	**$1,253,190,000**
	2.9%	3.8%	1.6%	1.7%	1.5%
Capital					
Debt Service					
General Obligation	55,190,000	99,430,000	109,540,000	122,790,000	140,090,000
Historic Tax Credit Program	30,995,000	31,110,000	19,820,000	19,820,000	19,830,000
EDC Job Creation Guaranty	3,025,000	12,880,000	12,350,000	12,320,000	12,290,000
COPS/Other Leases	32,060,000	27,080,000	27,090,000	27,120,000	25,500,000
Convention Center	22,460,000	21,570,000	21,570,000	21,560,000	23,040,000
Performance Based	7,000,000	7,000,000	7,000,000	7,000,000	7,040,000
Subtotal	**$150,730,000**	**$199,070,000**	**$197,370,000**	**$210,610,000**	**$227,790,000**
		32.1%	-0.9%	6.7%	8.2%
Expenditures	**$3,674,770,000**	**$3,848,760,000**	**$3,945,620,000**	**$4,063,280,000**	**$4,188,340,000**
		4.7%	2.5%	3.0%	3.1%
Difference	**$98,260,000**	**$173,990,000**	**$96,860,000**	**$117,660,000**	**$125,060,000**
	2.75%	**4.73%**	**2.52%**	**2.98%**	**3.08%**

General Revenue Outyear Planning Values

Estimates and Growth	FY2017	FY2018	FY2019	FY2020	FY 2021
Personal Income (billions) [1]	$57.2	$60.0	$62.3	$64.2	$66.3
Change	*5.2%*	*4.8%*	*3.8%*	*3.2%*	*3.1%*
Nonfarm Employment (thousands) [1]	495.8	503.3	508.9	511.6	512.8
Change	*1.7%*	*1.5%*	*1.1%*	*0.5%*	*0.2%*
CPI-U (U.S.) [1]	2.44%	2.98%	3.01%	2.60%	2.37%
Personal Income Tax [2]	4.0%	3.6%	5.1%	3.1%	2.6%
Business Corporation Tax [2]	6.6%	-0.2%	7.8%	2.7%	2.8%
Provider Tax [2]	2.5%	3.6%	3.0%	2.9%	2.8%
Sales Tax [2]	3.7%	3.6%	2.7%	2.7%	2.7%
Gasoline Tax [3]	-0.8%	-0.7%	-0.5%	-0.8%	-0.8%
Other Taxes and Departmentals [4]	-0.3%	-0.7%	-0.1%	0.7%	-0.8%
Salaries and Fringe Benefits					
Salary COLA - [9]	2.44%	2.98%	3.01%	2.60%	2.37%
Steps and Longevity Increases [13]	0.00%	0.03%	0.03%	0.03%	0.03%
Medical Benefits Cost Growth [15]	5.80%	6.30%	6.40%	6.75%	6.70%
Retiree Health Rates [10]	5.97%	5.97%	5.97%	5.97%	5.97%
State Employees Retirement Rates [11]	25.34%	24.87%	24.91%	24.60%	24.69%
Home Health Care					
Expenditure Growth [5]	6.28%	6.32%	6.25%	6.79%	6.83%
Nursing Home Care					
Expenditure Growth [6]	3.96%	4.00%	3.91%	3.86%	3.70%
Managed Care					
Expenditure Growth [8]	2.53%	2.55%	2.68%	2.85%	2.93%
Other Medicaid					
Expenditure Growth [7]	4.44%	5.42%	5.48%	4.73%	4.31%
DCYF Services					
Expenditure Growth [7]	4.44%	5.42%	5.48%	4.73%	4.31%
BHDDH- MR/DD					
Expenditure Growth [7]	4.44%	5.42%	5.48%	4.73%	4.31%
Pharmacy					
Expenditure Growth [12]	7.99%	7.87%	6.79%	7.87%	7.72%
Hospital Care					
Expenditure Growth [14]	5.90%	5.45%	5.80%	7.12%	6.88%

[1] ***November 2015 Consensus Economic Forecast based on Moody's Analytics Rhode Island Forecast adopted at the November 2015 Revenue Estimating***

[2] ***Growth in estimates for FY 2017 as adopted at the November 2015 REC inclusive of the Governor's proposals, Budget Office estimated growth for FY 2018 - FY***

[3] ***Office of Revenue Analysis projection for FY 2017. FY 2018 - FY 2021 period based on United States Energy Information Agency's Annual Energy Outlook 2015 with Projections to 2040, "Energy Consumption by Sector and Source, New England, Reference case, (quadrillion Btu): Transportation, Propane, Motor Gasoline, and Distillate Fuel Oil", Released April 15, 2015, adjusted for predicted increase in Rhode Island motor fuel excise tax rates.***

[4] ***Growth in estimates for FY 2017 as adopted at the November 2015 REC for total general revenues inclusive of the Governor's proposals, excluding personal income taxes, business corporations taxes, health care provider assessment, sales and use taxes and other sources.***

[5] ***CMS National Health Expenditure Projections, July 2015, Home Health Care: State Medicaid***

[6] ***CMS National Health Expenditure Projections, July 2015, Nursing Home Care: State Medicaid***

[7] ***CPI-U Medical Care, 2010-2015 Average applied to Budget Office Estimated CPI-U Growth for FY 2018 - FY 2021***

[8] ***CMS National Health Expenditure Projections, July 2015, Total Health Expenditures: Private Health Insurance as proxy.Adjusted for anticpated policy-based***

[9] ***Based on CPI-U [1].***

[10] ***State of Rhode Island Budget Office Estimate consistent with actuarial rate.***

[11] ***Estimate of actuarially required contribution based upon a % of payroll (GRS analysis of RI Retirement Security Act, Dec. 2013)***

[12] ***CMS National Health Expenditure Projections, July 2015, Prescription Drugs: State Medicaid***

[13] ***Step increases only; longevity increases no longer apply.***

[14] ***CMS National Health Expenditure Projections, July 2015, Hospital Care: State Medicaid***

[15] ***CMS National Health Expenditure Projections, July 2015, State and Local Government, Employer contributions to private health insurance premiums.***