Gina M. Raimondo, Governor

State of Rhode Island and Providence Plantations

Fiscal Year 2018 Budget

Executive Summary

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.

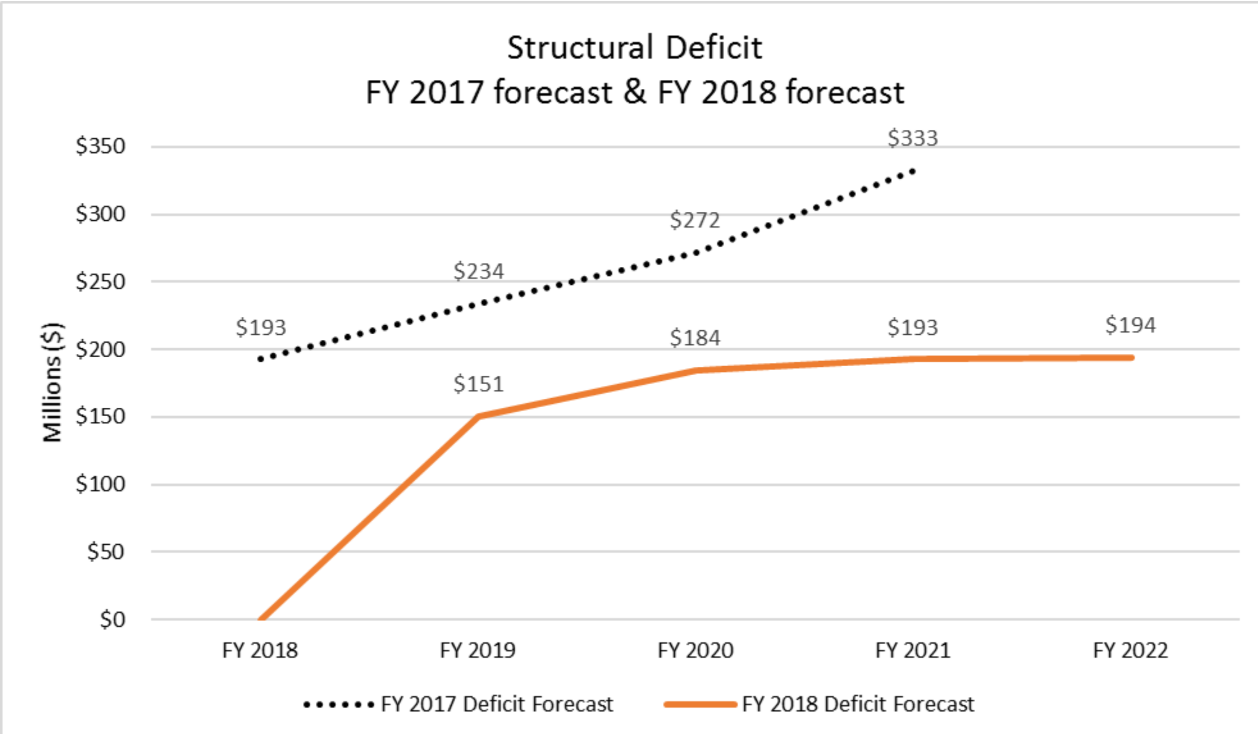
The five-year financial projection includes tables that present anticipated revenues and expenditures for the five fiscal years ending in June 2022. Also included are tables that provide detail on the planning values used in these projections. The planning values reflect policy assumptions, as well as 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 2018 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2022. The operating deficits by fiscal year are as follows: $150.6 million in FY 2019, $184.1 million in FY 2020, $192.6 million in FY 2021, and $194.1 million in FY 2022. In percentage terms, the deficits are projected to range from 3.8 percent of spending in FY 2019 to 4.6 percent of spending in FY 2022. The expenditure-side of the budget is estimated to increase at an average annual rate of 2.7 percent from the FY 2017 base to FY 2022. 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 2.5 percent over this same period.

In the FY 2018 Budget Act, the Governor proposes a fiscally responsible change to the excise tax on motor vehicles. The recommended proposal includes a reduction in the valuation assigned to motor vehicles, from the current 100 percent of “clean retail value” to 70 percent. This reduction in the assessed value of motor vehicles will decrease local car taxes paid by most residents by an estimated $58.0 million beginning in FY 2019. The Governor’s proposal would appropriate increased state aid to municipalities beginning in FY 2019, so that local cities and towns are not forced to absorb revenue shortfalls initiated by the state. In contrast to a full phase-out of the car tax, this proposal gives the state the ability to meet its other financial obligations while delivering meaningful tax relief. Even with this additional commitment of resources by the Governor, the structural deficit is lower than previous projections.

FY 2017 – FY 2021 Overview



Revenues

The revenue projections contained in the five-year forecast incorporate the Governor's proposed FY 2018 general revenue changes to the estimates adopted at the November 2016 Revenue Estimating Conference. Overall revenues are expected to grow from $3.833 billion in FY 2018 to $4.152 billion in FY 2022. This is an increase of $319.1 million, or 8.3 percent more revenues than in the FY 2018 recommended budget.

Lottery transfers to the State general fund are expected to remain flat between FY 2018 and FY 2022. The lottery transfer projection incorporates the opening of a new gaming facility in Tiverton in FY 2019. This facility will include both the operation of video lottery terminals and table games. The opening of the Tiverton gaming facility is expected to result in an increase to the lottery transfer of $33.3 million in FY 2019, $42.7 million in FY 2020, $47.9 million in FY 2021, and $47.9 million in FY 2022. The five-year forecast also incorporates other changes to projected lottery transfer revenues: a $2.6 million revenue loss in FY 2017 from increased gaming competition in the region; a $2.4 million revenue gain in FY 2018 predicated on the opening of a 200 room hotel at Twin River in March 2018, and a $50.5 million revenue loss in FY 2019 when Massachusetts' resort casinos are expected to open in Springfield and Everett. For the FY 2020 to FY 2022 period, Rhode Island gaming revenues are expected to stabilize showing very modest declines as the southern New England gaming market approaches its saturation point.

The five-year projection anticipates average annual general revenue growth of approximately 2.2 percent over the FY 2018 through FY 2022 period, based upon the adopted November 2016 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 continue its modest rate of growth for FY 2018 through FY 2020. This is reflected in non-farm employment growth rates of 0.5, 0.3, and 0.4 percent respectively for these three fiscal years. The underlying forecast in FY

2018 anticipates growth for nominal wages and salaries and nominal personal income of 4.3 percent and 4.0 percent respectively, while the forecast projects growth in dividends, interest and rent income of 3.2 percent in FY 2018 and 5.2 percent in FY 2019. The state's unemployment rate is projected to decrease from 5.4 percent in FY 2018 to 5.3 percent in FY 2019 and FY 2020.

FY 2018 shows a doubling of general revenue growth when compared to FY 2017 from 1.5 percent to 3.0 percent. General revenue growth remains positive but moderates for the FY 2019 to FY 2022 period at approximately 2.0 percent annually, as the Rhode Island economy reaches a steady-state growth path and resort casinos come online in Massachusetts. The effect of Massachusetts-based gaming facilities is expected to be less impactful than in previous five-year revenue forecasts based on the resiliency of Rhode Island gaming facilities in the face of increased competition and the opening of a new casino in Tiverton

Personal income is forecasted to grow at an average annual rate of 4.2 percent over the FY 2018 – FY 2022 period. Non-farm employment is anticipated to grow at an average annual rate of 0.4 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 4.4 percent over the FY 2018 – FY 2022 period, the strongest growth of any personal income component.

There are several potential weaknesses to the economic forecast. First, the modest bounce-back in payrolls in Rhode Island's manufacturing sector in the past three years may have run its course. Going forward, declines in Rhode Island manufacturing employment are expected to resume and persist through the end of the decade. Second, Rhode Island's slow population and labor-force growth could prove to be a significant drag on economic growth. These forecasts do not take into account any impact of the Governor's proposals in the FY 2018 Budget to improve Rhode Island's manufacturing sector.

Professional business services payrolls are expected to average 2.3 percent annual growth between FY 2018 and FY 2022. This growth, however, will be concentrated in the administrative and support and waste management and remediation subsector. As a result, although the number of new jobs created could be high, the wages paid in this subsector are a fraction of the professional, scientific, and technical services subsector. This could dampen wage growth over the forecast period. The healthcare sector, however, is expected to return to its status as a stable source of new jobs for Rhode Islanders.

As part of the FY 2018 Budget, the Governor recommends a statutory change that requires remote sellers to report, to both consumers and the Division of Taxation, all purchases made in a given year. This tax reporting requirement is expected to increase compliance with existing law as it pertains to use tax owed on purchases from remote sellers. This policy is projected to result in an increase of $34.7 million in FY 2018 sales and use tax revenue, with further growth in the out-years of the forecast. Average annual growth in sales and use taxes over the next five years was revised from 1.9 percent to 2.3 percent. Most of this growth is from taxes expected from remote sellers as more online transactions are expected.

Expenditures

Expenditure side risks must also be noted within the five-year projection. There are initiatives contained in the Governor's FY 2018 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 these costs have been accelerating. This impacts both the costs incurred for the clients the state serves 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 5.5 percent annually through FY 2022. 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 that 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 status of the Affordable Care Act at the federal level and the impact any changes will have on state expenditures for medical services to Medicaid eligible and other citizens.

Personnel and Other Operations

The wage projections contained in the personnel estimates include cost of living adjustments provided to certain employee unions in recent years, but assume no specific broad based cost of living adjustments for the state workforce. As a proxy for step and educational incentive increases and potential pay adjustments in years subsequent to current collective bargaining contracts, annual increases of 2.0 percent have been included for FY 2019 and thereafter. In FY 2018, salary costs are projected to grow 2.0 percent compared to the revised FY 2017 Budget. This is followed by estimated increases of 2.0 percent in each fiscal year through FY 2022.

The forecast reflects employee cost sharing that will continue to offset health insurance costs in FY 2018 and throughout the forecast period. Average employee cost sharing of 20.0 percent of medical premium cost in FY 2018 and thereafter is projected. Gross medical cost increases for health care premiums are expected to grow 5.5 percent annually on average throughout the forecast period.

Although pension reform legislation enacted in the fall of 2011 has had a major impact on personnel costs since its enactment, pension rates are projected to increase over the forecast period. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required contribution rate for state employees is expected to increase from 24.87 percent in FY 2018 to 26.94 percent in FY 2022. 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 $104.7 million in FY 2018 to $122.2 million in FY 2022, reflecting growth of $17.4 million in retirement costs, an average increase of 3.9 percent a year.

Personnel and operating costs continue to be constrained during FY 2018. The current five year forecast assumes $1.158 billion of personnel and operating costs in FY 2018 and an average growth of 2.1 percent over the five year interval, resulting in an estimated cost of $1.258 billion in FY 2022, an increase of $100.2 million.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 3.8 percent annually from FY 2018 to FY 2022. This growth rate results in an increase of $200.1 million in this category of spending over the five year horizon. The growth rates used in the five year forecast were derived from Medicaid expenditure projections released by the Centers for Medicaid and Medicare Services (CMS) in July 2016, as well as Budget Office estimates based on CPI-U for medical services and historical spending patterns in Rhode Island. 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 2018.

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 3.0 percent per year on average until FY 2022. Incorporated into the FY 2018 expenditure base for managed care are various proposals in the Governor's recommended FY 2018 Budget. In the Medical Assistance program, the Governor recommends a $78.6 million reduction to the Caseload Estimating Conference's (CEC) adopted funding level from all sources of funds, or $40.6 million from general revenue. This is achieved through various policy actions designed to contain the Medicaid program's expenditure growth in both FY 2018 and subsequent years.

Similarly, cost trends in institutional long term care include an average annual growth rate of 4.1 percent from FY 2018 through FY 2022. For home and community based long-term care, the growth rate over the forecast horizon is estimated at 5.2 percent.

Five-year estimates also reflect a schedule of increasing federal "clawback" assessment charges for Part D Medicare benefits to dually eligible Medicaid clients.

The five year financial projection for Medical Assistance expenditures incorporate 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. Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapsed 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 enacted budget includes general revenue financing for the state's increasing share of these costs. Total funding of $176.5 million spanning the projection period of FY 2019 through FY 2022 is estimated to be needed 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 $106.0 million in FY 2018 to $125.6 million in FY 2022, which equates to an average annual growth rate of 4.4 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 2018 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 $84.9 million to $93.6 million between FY 2018 and FY 2022. This increase of $8.7 million over the five year period, equates to an average annual growth rate of 2.5 percent. The Governor's FY 2018 Budget recommendation for services provided by the Department of Children Youth and Families incorporates implementation of comprehensive reforms and reprocurement of many of the services the Department provides to children and families. The reprocurement is designed to allow the department substantial flexibility in service utilization, depending on its actual requirements. Through the reprocurement, the department was able to reduce spending in areas of low need and reinvest savings into new services designed to help find a permanent home for children more quickly.

Also included under the Grants category are scholarship funds within the Office of the Post-Secondary Commissioner, including funding for the Governor's *Rhode Island Promise* initiative that will guarantee two years of free tuition to eligible students at the three Rhode Island public higher education institutions. All 2017 Rhode Island high school graduates who enroll full-time at the Community College of Rhode Island will be eligible beginning in the fall of 2017. Those students who enroll at Rhode Island College or the University of Rhode Island will receive a scholarship for tuition and fees for their junior and senior years. Students will be required to stay on track toward finishing their degrees on time to remain eligible. The recommended FY 2018 includes funding of $10.0 million to begin this initiative, which is estimated to increase in cost in FY 2020 to $18.0 million and in FY 2021 to $30.0 million, as the junior and senior year students begin to benefit from the program.

Local Aid

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

The Distressed Communities, Fiscal Oversight Reimbursement, and Library Aid are level funded over the period; Distressed Communities at $12.4 million, Fiscal Oversight at $130,000, and Library Resource Sharing Aid at $9.4 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 PILOT program is estimated to increase based on growth in real estate values. The five year forecast projects growth of $7.0 million over the forecast period, an average growth rate of 3.7 percent.

In the FY 2018 Budget Act, the Governor proposes legislation to change the way vehicles are valued by local communities for taxation purposes. The Governor's plan would limit the value of a vehicle to seventy percent (70.0%) of the clean retail value as determined by the Vehicle Value Commission. Under the Governor's proposed plan, the State would reimburse communities for the loss of tax revenue from this reduction in values. This is estimated to cost $58.0 million beginning in FY 2018, growing to over $62.0

million by FY 2022. The Motor Vehicle Excise Tax Reimbursement program base funding of $10.0 million continues to be funded over the forecast period to reimburse municipalities for the minimum $500 exemption required under current state law.

Education Aid is expected to increase by a total of $44.8 million from the FY 2018 base level of $1,132.1 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. FY 2018 is the seventh year of the transition period and thus all gaining communities will reach a more steady state of aid in this year. Losing communities will still see adjustments to their aid through FY 2021. The five year forecast assumes annual growth of about 1.0 percent from FY 2019 through FY 2022, after several years of growth in excess of 4.0 percent.

The five year forecast maintains categorical funding streams at the enacted FY 2018 levels. Although some categorical programs have received increased funding in recent years, there is no statutory requirement to provide annual increases and thus any additional funding has been subject to recommendation by the Governor through the annual budget process.

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. Growth in the formula is estimated to be approximately $8.7 million per year for FY 2019 through FY 2022, in contrast to previous years with growth of over $40.0 million per year.

State contributions for teachers' retirement increase by $10.3 million, from $100.7 million in FY 201 to $111.0 million in FY 2022. Projections for future required employer contributions to the teachers' retirement fund reflect average annual growth of 2.5 percent from FY 2019 through FY 2022, 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 2018 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 2018 level. Combined, this program provides $80.0 million towards school construction projects annually.

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2018 – FY 2022 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations is projected to increase from $175.3 million in FY 2018 to $188.0 million in FY 2022, an increase of $11.3 million. Debt service financing in FY 2018 is $33.5 million higher than FY 2017, primarily due the restructuring of general obligation bond debt in FY 2016. 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 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, exclusive of new issuances of debt. 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. These increases are offset over the next five years as certain debts are paid off.

The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2018 - 2022 Capital Budget. Interest rates for fixed rate general obligation bonds to be issued to fund projects are projected at between 4.5 percent and 5.0 percent. Historic Tax Credit debt is projected to be issued at 4.5 percent over nine years in in 2018. Projected amortization schedules are found in the exhibits contained in Appendix C of the Capital Budget document.

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. Performance based obligations remain at $7.0 million through FY 2021, declining to $1.0 million in FY 20122. Debt service on certificates of participation decrease by $2.6 million from $28.4 million in FY 2018 to $27.2 million in FY 2022. Current debt service projections include full issuance of all COPS authorization, as well as newly proposed authorizations. Convention Center debt service remains relatively stable over the five year period.

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.

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 FY 2021, declining to $1.0 million in FY 2022. The FY 2018 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 $3.6 million debt service through FY 2021.

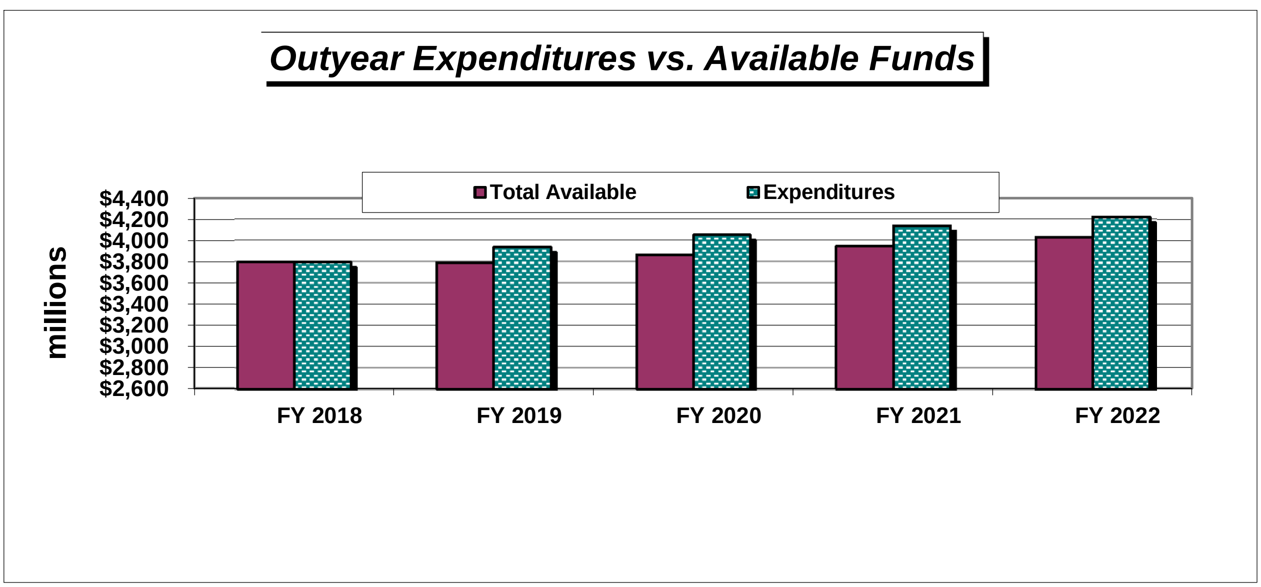
Conclusion

Overall, the Governor’s recommended FY 2018 budget reduces projected out-year deficits. Compared to FY 2017 projections the FY 2018 budget shrinks the projected FY 2019 deficit by 37 percent from $234 million to $148 million. Decreases in later years are also substantial, with the FY 2020 deficit declining 32 percent and FY 2021 dropping 42 percent. These declines are even more substantial if the car tax reimbursement is not included.

These projected declines in the out-year deficits are mostly attributable to four reasons. First, growth in the second and third quarters of calendar year 2016 was strong – leading to a strong November revenue estimate and strong economic growth projections for later years. Second, the planned opening of the Tiverton Casino and delays in Massachusetts gaming has improved the revenue forecast for gaming revenue in Rhode Island. Also, FY 2018 is the last year of projected substantial (over $40 million) increases to the K-12 funding formula. Finally, the addition of remote seller sales tax revenue helps improve sales tax revenue growth rates over the forecast horizon. While more work remains to be done, the Governor’s budget makes progress in closing Rhode Island’s structural deficit.

General Revenue Outyear Estimates FY 2018 - FY 2022

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Opening Surplus [1]	**$78.0**	**$0.6**	**$0.0**	**$0.0**	**$0.0**
Plus:					
Taxes and Departmentals	3,443.1	3,533.6	3,609.1	3,686.7	3,773.1
Other Sources (incl. Lottery)	389.6	369.2	376.0	379.7	378.5
Budget Stabilization Fund	(117.3)	(117.1)	(119.6)	(122.0)	(124.6)
Total Available	**3,793.3**	**3,786.3**	**3,865.6**	**3,944.4**	**4,027.1**
Minus Expenditures	**3,792.7**	**3,936.3**	**4,049.7**	**4,136.9**	**4,221.3**
Equals Ending Balance	**$0.6**	**($150.0)**	**($184.1)**	**($192.6)**	**($194.1)**
Operating Surplus or Deficit	***($77.4)***	***($150.6)***	***($184.1)***	***($192.6)***	***($194.1)***
Budget & Cash Stabilization Balance	$195.5	$195.2	$199.3	$203.3	$207.6
RI Capital Fund Balance	$19.6	4.7	($0.8)	$2.1	$22.3
Rhode Island Capital Fund					
Capital Projects Disbursements	*$182.4*	*$132.4*	*$121.0*	*$115.0*	*$100.1*



[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 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Income Tax	**$ 1,316,950,000**	**$ 1,350,926,462**	**$ 1,394,110,000**	**$ 1,442,748,443**	**$ 1,491,434,037**
General Business Taxes:					
Business Corporations	167,550,000	183,705,658	190,900,258	194,641,678	201,592,625
Public Utilities	105,500,000	106,818,718	108,195,327	109,571,936	110,948,545
Financial Institutions	22,100,000	21,522,319	19,424,820	19,359,850	19,434,180
Insurance Companies	134,419,046	146,817,766	145,012,895	147,657,401	149,028,865
Bank Deposits	2,500,000	2,534,320	2,616,320	2,698,321	2,780,321
Health Care Provider	42,869,727	44,253,366	45,747,966	46,717,935	48,811,755
General Business Taxes	**$ 474,938,773**	**$ 505,652,148**	**$ 511,897,586**	**$ 520,647,120**	**$ 532,596,292**
Sales and Use Taxes:					
Sales and Use	1,074,710,095	1,108,041,756	1,134,080,002	1,157,297,224	1,179,829,673
Motor Vehicle	*	*	*	*	*
Motor Fuel	*	*	*	*	*
Cigarettes	141,472,824	137,182,101	133,544,573	130,083,705	126,793,261
Alcohol	20,800,000	21,836,153	22,272,573	22,730,300	23,235,052
Controlled Substances	-	-	-	-	-
Sales and Use Taxes	**$ 1,236,982,919**	**$ 1,267,060,010**	**$ 1,289,897,148**	**$ 1,310,111,229**	**$ 1,329,857,985**
Other Taxes:					
Inheritance and Gift	25,600,000	23,785,502	23,511,537	23,918,387	25,318,897
Racing and Athletics	1,100,000	1,118,144	1,131,060	1,146,281	1,162,732
Realty Transfer Tax	12,500,000	13,119,344	13,412,451	14,034,931	14,641,274
Other Taxes	**$ 39,200,000**	**$ 38,022,990**	**$ 38,055,048**	**$ 39,099,599**	**$ 41,122,903**
Total Taxes	**$ 3,068,071,692**	**$ 3,161,661,611**	**$ 3,233,959,782**	**$ 3,312,606,391**	**$ 3,395,011,217**
Total Departmental Receipts	374,987,001	371,897,813	375,182,232	374,045,072	378,129,952
Taxes and Departmentals	**$ 3,443,058,693**	**$ 3,533,559,424**	**$ 3,609,142,014**	**$ 3,686,651,463**	**$ 3,773,141,169**
Other Sources					
Other Miscellaneous	14,978,021	1,648,644	1,620,562	1,570,969	1,570,969
Lottery Commission Receipts	365,000,000	357,733,650	364,263,900	367,796,000	365,400,000
Unclaimed Property	9,600,000	9,834,973	10,088,791	10,331,037	11,576,728
Other Sources	**$ 389,578,021**	**$ 369,217,267**	**$ 375,973,253**	**$ 379,698,006**	**$ 378,547,697**
Total General Revenues	**$ 3,832,636,714**	**$ 3,902,776,691**	**$ 3,985,115,267**	**$ 4,066,349,469**	**$ 4,151,688,865**

General Revenue Outyear Estimates - Percentage Changes

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Income Tax	**4.1%**	**3.9%**	**2.6%**	**3.2%**	**3.5%**	**3.4%**
General Business Taxes:						
Business Corporations	24.2%	0.0%	9.6%	3.9%	2.0%	3.6%
Public Utilities	1.0%	1.3%	1.2%	1.3%	1.3%	1.3%
Financial Institutions	-0.5%	5.2%	-2.6%	-9.7%	-0.3%	0.4%
Insurance Companies	7.0%	-3.6%	9.2%	-1.2%	1.8%	0.9%
Bank Deposits	-2.2%	0.0%	1.4%	3.2%	3.1%	3.0%
Health Care Provider	-1.9%	1.1%	3.2%	3.4%	2.1%	4.5%
General Business Taxes	**9.6%**	**-0.4%**	**6.5%**	**1.2%**	**1.7%**	**2.3%**
Sales and Use Taxes:						
Sales and Use	4.3%	6.0%	3.1%	2.3%	2.0%	1.9%
Motor Vehicle	-67.0%	-100.0%	*	*	*	*
Motor Fuel	0.0%	*	*	*	*	*
Cigarettes	-3.6%	2.7%	-3.0%	-2.7%	-2.6%	-2.5%
Alcohol	0.9%	5.1%	5.0%	2.0%	2.1%	2.2%
Controlled Substances						
Sales and Use Taxes	**0.9%**	**4.4%**	**2.4%**	**1.8%**	**1.6%**	**1.5%**
Other Taxes:						
Inheritance and Gift	-55.7%	-17.4%	-7.1%	-1.2%	1.7%	5.9%
Racing and Athletics	3.8%	0.0%	1.6%	1.2%	1.3%	1.4%
Realty Transfer Tax	11.2%	7.8%	5.0%	2.2%	4.6%	4.3%
Statewide Property Tax						
Other Taxes	**-46.4%**	**-10.3%**	**-3.0%**	**0.1%**	**2.7%**	**5.2%**
Total Taxes	**2.2%**	**3.2%**	**3.1%**	**2.3%**	**2.4%**	**2.5%**
Total Departmental Receipts	**-1.0%**	**3.1%**	**-0.8%**	**0.9%**	**-0.3%**	**1.1%**
Taxes and Departmentals	**1.9%**	**3.2%**	**2.6%**	**2.1%**	**2.1%**	**2.3%**
Other Sources						
Gas Tax Transfers	*	*	*	*	*	*
Other Miscellaneous	93.1%	89.1%	-89.0%	-1.7%	-3.1%	0.0%
Lottery Commission Receipts	-1.7%	0.4%	-2.0%	1.8%	1.0%	-0.7%
Unclaimed Property	-22.4%	-12.7%	2.4%	2.6%	2.4%	12.1%
Other Sources	**-1.4%**	**1.9%**	**-5.2%**	**1.8%**	**1.0%**	**-0.3%**
Total General Revenues	**1.5%**	**3.0%**	**1.8%**	**2.1%**	**2.0%**	**2.1%**

General Revenue Outyear Expenditure Estimates

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
State Operations					
Personnel and Contract Services	$958,560,000	$983,030,000	$1,007,640,000	$1,032,970,000	$1,059,650,000
Other State Operations	199,920,000	202,420,000	205,050,000	207,510,000	210,000,000
Impact of Initiatives/Other Changes	-	(7,064,000)	(10,545,000)	(10,975,000)	(10,975,000)
Subtotal	**$1,158,480,000**	**$1,178,386,000**	**$1,202,145,000**	**$1,229,505,000**	**$1,258,675,000**
Grants and Benefits					
Executive Office of Health and Human Services & Department of Human Services					
Hospitals	22,080,000	23,440,000	25,040,000	26,690,000	28,290,000
Managed Care	570,040,000	586,570,000	602,270,000	618,230,000	640,660,000
Nursing Care	82,820,000	85,820,000	89,030,000	92,300,000	95,520,000
Home Care (HCBS)	34,380,000	36,100,000	38,020,000	40,090,000	42,140,000
Other Medicaid	42,340,000	44,190,000	46,230,000	48,270,000	50,220,000
Pharmacy	0	0	0	0	0
DEA Medicaid/CNOM	3,450,000	3,620,000	3,810,000	4,020,000	4,230,000
Cash Assistance- RIW/CCAP/GPA	16,030,000	16,430,000	16,860,000	17,260,000	17,680,000
Cash Assistance - SSI	18,450,000	18,640,000	18,820,000	19,010,000	19,200,000
Clawback	64,740,000	66,360,000	68,080,000	69,720,000	71,390,000
DSH	67,830,000	69,520,000	71,330,000	73,040,000	74,790,000
ACA- MA Population Expansion	27,470,000	33,240,000	39,380,000	48,510,000	55,410,000
Department of Children Youth & Families					
Children & Family Services	84,900,000	87,030,000	89,290,000	91,430,000	93,630,000
Department of Behavioral Healthcare, Developmental Disabilities & Hospitals					
Developmental Disabilities-Private	105,950,000	110,560,000	115,660,000	120,780,000	125,660,000
Other Grants and Benefits	105,700,000	109,300,000	117,060,000	123,680,000	127,410,000
Subtotal	**$1,246,180,000**	**$1,290,820,000**	**$1,340,880,000**	**$1,393,030,000**	**$1,446,230,000**
Local Aid					
Education Aid	1,132,080,000	1,142,120,000	1,153,020,000	1,164,350,000	1,176,890,000
Municipal Incentive Aid	0	0	0	0	0
Motor Vehicle Tax Reimbursements	10,000,000	68,000,000	69,510,000	70,940,000	72,400,000
PILOT	45,210,000	46,880,000	48,570,000	50,410,000	52,180,000
Distressed Communities	12,380,000	12,380,000	12,380,000	12,380,000	12,380,000
Fiscal Oversight Reimbursement	130,000	130,000	130,000	130,000	130,000
Library Aid	9,360,000	9,360,000	9,360,000	9,360,000	9,360,000
Library Construction Aid	2,320,000	2,310,000	3,760,000	3,680,000	3,220,000
Property Revaluation Prgm	940,000	1,630,000	690,000	1,000,000	1,560,000
Central Falls New Pension Plan	310,000	290,000	290,000	280,000	260,000
Subtotal	**$1,212,730,000**	**$1,283,100,000**	**$1,297,710,000**	**$1,312,530,000**	**$1,328,380,000**
Capital					
Debt Service					
General Obligation	86,540,000	102,570,000	116,320,000	109,360,000	117,030,000
Historic Tax Credit Program	31,110,000	19,820,000	19,820,000	19,830,000	19,830,000
EDC Job Creation Guaranty/Other	650,000	1,100,000	12,320,000	12,290,000	0
COPS/Other Leases	28,440,000	31,910,000	31,930,000	30,320,000	27,160,000
Convention Center	21,570,000	21,570,000	21,550,000	23,040,000	23,030,000
Performance Based	7,000,000	7,000,000	7,000,000	7,040,000	950,000
Subtotal	**$175,310,000**	**$183,970,000**	**$208,940,000**	**$201,880,000**	**$188,000,000**
Expenditures	**$3,792,700,000**	**$3,936,276,000**	**$4,049,675,000**	**$4,136,945,000**	**$4,221,285,000**
Difference to data tab					
Difference	**$92,295,000**	**$143,576,000**	**$113,399,000**	**$87,270,000**	**$84,340,000**
	2.49%	**3.79%**	**2.88%**	**2.15%**	**2.04%**

General Revenue Outyear Planning Values

Estimates and Growth	FY2018	FY2019	FY2020	FY 2021	FY 2022
Personal Income (billions) [1]	$57.4	$59.9	$62.4	$65.0	$67.6
Change	*4.0%*	*4.3%*	*4.3%*	*4.1%*	*4.1%*
Nonfarm Employment (thousands) [1]	494.3	496.0	497.8	499.0	500.9
Change	*0.5%*	*0.3%*	*0.4%*	*0.2%*	*0.4%*
CPI-U (U.S.) [1]	2.50%	2.50%	2.60%	2.40%	2.40%
Personal Income Tax [2]	3.9%	2.6%	3.2%	3.5%	3.4%
Business Corporation Tax [2]	0.0%	9.6%	3.9%	2.0%	3.6%
Provider Tax [2]	1.1%	3.2%	3.4%	2.1%	4.5%
Sales Tax [2]	6.0%	3.1%	2.3%	2.0%	1.9%
Gasoline Tax [3]	-0.1%	-0.6%	-1.1%	-1.5%	-1.6%
Other Taxes and Departmentals [4]	-0.5%	0.7%	-0.3%	0.1%	0.7%
Salaries and Fringe Benefits					
Salary COLA/Steps/Longevity - [9]	2.00%	2.00%	2.00%	2.00%	2.00%
Medical Benefits Cost Growth [15]	5.50%	5.80%	5.35%	5.30%	5.60%
Retiree Health Rates [10]	5.98%	5.98%	5.98%	5.98%	5.98%
State Employees Retirement Rates [11]	24.87%	25.75%	26.11%	26.50%	26.94%
Home Health Care					
Expenditure Growth [5]	5.45%	5.01%	5.31%	5.45%	5.11%
Nursing Home Care					
Expenditure Growth [6]	3.38%	3.63%	3.74%	3.67%	3.49%
Managed Care					
Expenditure Growth [8]	5.50%	5.80%	5.35%	5.30%	5.60%
Other Medicaid					
Expenditure Growth [7]	9.15%	8.70%	9.23%	8.86%	8.08%
DCYF Services					
Expenditure Growth [7]	9.15%	8.70%	9.23%	8.86%	8.08%
BHDDH- MR/DD					
Expenditure Growth [7]	9.15%	8.70%	9.23%	8.86%	8.08%
Pharmacy					
Expenditure Growth [12]	7.39%	7.57%	8.22%	8.23%	7.29%
Hospital Care					
Expenditure Growth [14]	6.67%	6.17%	6.80%	6.60%	5.99%

[1] November 2016 Consensus Economic Forecast based on IHS Markit Rhode Island Forecast adopted at the November 2016 Revenue

[2] Growth in estimates for FY 2018 as adopted at the November 2016 REC inclusive of the Governor's proposals, Budget Office estimated

[3] Office of Revenue Analysis projection for FY 2018. FY 2019 - FY 2022 period based on United States Energy Information Agency's Annual

[4] Growth in estimates for FY 2018 as adopted at the November 2016 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 2016, Home Health Care: State Medicaid

[6] CMS National Health Expenditure Projections, July 2016, Nursing Home Care: State Medicaid

[7] CPI-U Medical Care, 2010-2015 Average applied to Budget Office Estimated CPI-U Growth for FY 2019 - FY 2022

[8] CMS National Health Expenditure Projections, July 2016, Total Health Expenditures: Private Health Insurance as proxy.Adjusted for

[9] No broad based COLA assumed in forecast; steps only; longevity increases no longer apply.

[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. 201\6)

[12] CMS National Health Expenditure Projections, July 2016, Prescription Drugs: State Medicaid

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

[14] CMS National Health Expenditure Projections, July 2016, Hospital Care: State Medicaid

[15] CMS National Health Expenditure Projections, July 2016, State and Local Government, Employer contributions to private health insurance