



Fiscal Year 2012

Budget Briefing

Lincoln D. Chafee
Governor

Embargoed until:
7:00 PM

March 8, 2011

Presented By:
Thomas A. Mullaney
State Budget Officer



FY 2011 Supplemental Budget

By Source of Funds	FY 2011 Enacted	FY 2011 Supplemental	Change
General Revenue	\$2,942.1	\$2,965.3	\$23.2
Federal Funds	\$2,903.5	\$3,011.2	\$107.7
Restricted Receipts	\$180.1	\$178.5	(\$1.6)
Other Funds	\$1,838.4	\$1,956.3	\$117.9
Total	\$7,864.1	\$8,111.3	\$247.2

(in millions)



Changes to FY 2011 Enacted Budget

	Budget as Enacted	FY 2011 Supplemental	Change
Opening Surplus - FY 2011	\$14,215	\$17,889,522	\$17,875,307
Enacted Revenues	\$3,020,646,545	\$3,020,646,545	\$0
November REC Changes to Enacted		\$16,708,455	\$16,708,455
Reappropriated Surplus		\$3,364,847	\$3,364,847
Changes to Adopted Revenues			
DOH: Influenza Project Grant		\$97,880	\$97,880
Close out of Bond Proceeds		\$2,268,285	\$2,268,285
Less Transfer to Budget Reserve Fund	(\$78,537,180)	(\$79,497,878)	(\$960,698)
Total Available Resources	\$2,942,123,580	\$2,981,477,656	\$39,354,076
Enacted Expenditures	(\$2,942,118,704)	(\$2,942,118,704)	\$0
Recommended Expenditure Adjustments		(\$23,186,250)	(\$23,186,250)
Total Expenditures	(\$2,942,118,704)	(\$2,965,304,954)	(\$23,186,250)
Projected Ending Balance	\$4,876	\$16,172,702	\$16,167,826

(in millions)



FY 2011 Supplemental Budget

Expenditure Issues

- Loss of Enhanced FMAP - \$38.4 million
- Transportation Winter Maintenance Deficit - \$12.6 million
 - Shift of Debt Service to General Revenue
- Distressed Local Communities
 - Central Falls Deficit - \$1.8 million
 - Distressed Communities Relief Fund - \$5.2 million increase
- College Access Challenge Grant MOE - \$0.6 million
- Pension Fund Payment for Trooper Training Class Time - \$0.6 million
- Generate Surplus for FY 2012



FY 2011 Supplemental Budget

Expenditure Reductions

- Defer RICAP Repayment to FY 2013 - \$22.0 million
- Reduced Caseloads Estimates (CEC) - \$9.6 million
- Statewide savings in Personnel/Operating - \$3.7 million
- Miscellaneous Other Changes/Debt Service Savings - \$0.7 million
- Projected Ending Balance - \$16.2 million



Governor's
Recommended
FY 2012 Budget

HOPE



FY 2012 Projected Deficit

Original Projected Deficit based on Current Services Level	(\$319.63)
November REC Changes to Budget Office Projections	\$15.69
November CEC Changes to Budget Office Projections	\$9.34
Revised Deficit Post REC/CEC	(\$294.59)

(in millions)



Subsequent Changes to Projected Expenditures

Education Aid Funding Formula - based on latest data	(\$7.45)
Education Housing Aid	(\$1.73)
Teacher Retirement - State Share	(\$3.67)
Higher Ed - total of \$10 million above 11 enacted	(\$6.74)
Central Falls Deficit	(\$4.90)
Transportation - Structural Deficit	(\$12.02)
Total Additional Projected Expenditures	(\$36.52)
Revised Projected Deficit for FY 2012	(\$331.11)

(in millions)



Resolution of FY 2012 Deficit

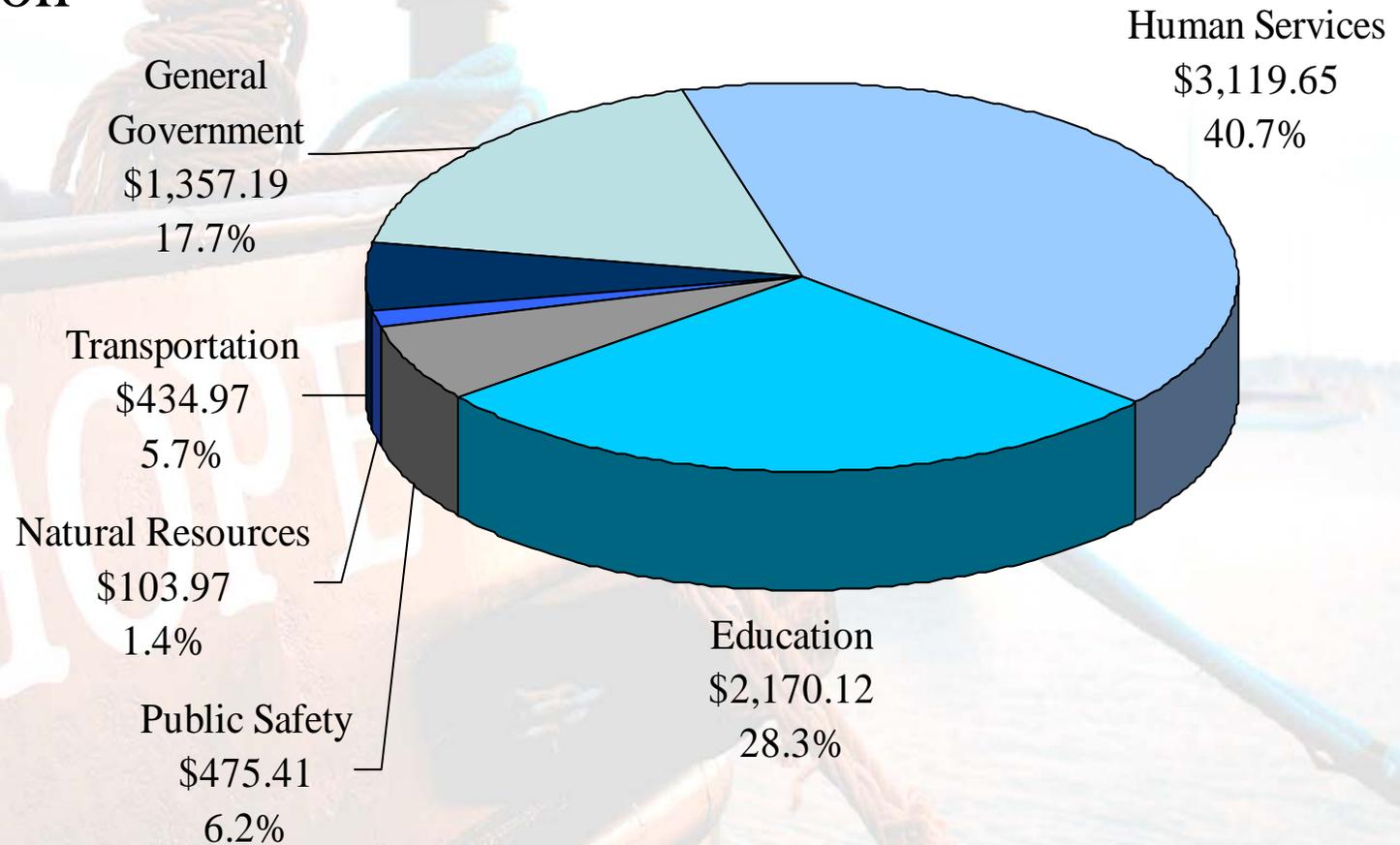
	Value of Change	Share of Resolution
Opening Surplus from FY 2011	\$16.17	4.9%
Net Additional Revenues	\$162.34	48.9%
Expenditure Adjustments	\$153.45	46.2%
	\$331.96	
Closing Balance	\$0.85	

(in millions)



FY 2012 All Funds Budget

Total Spending by Function

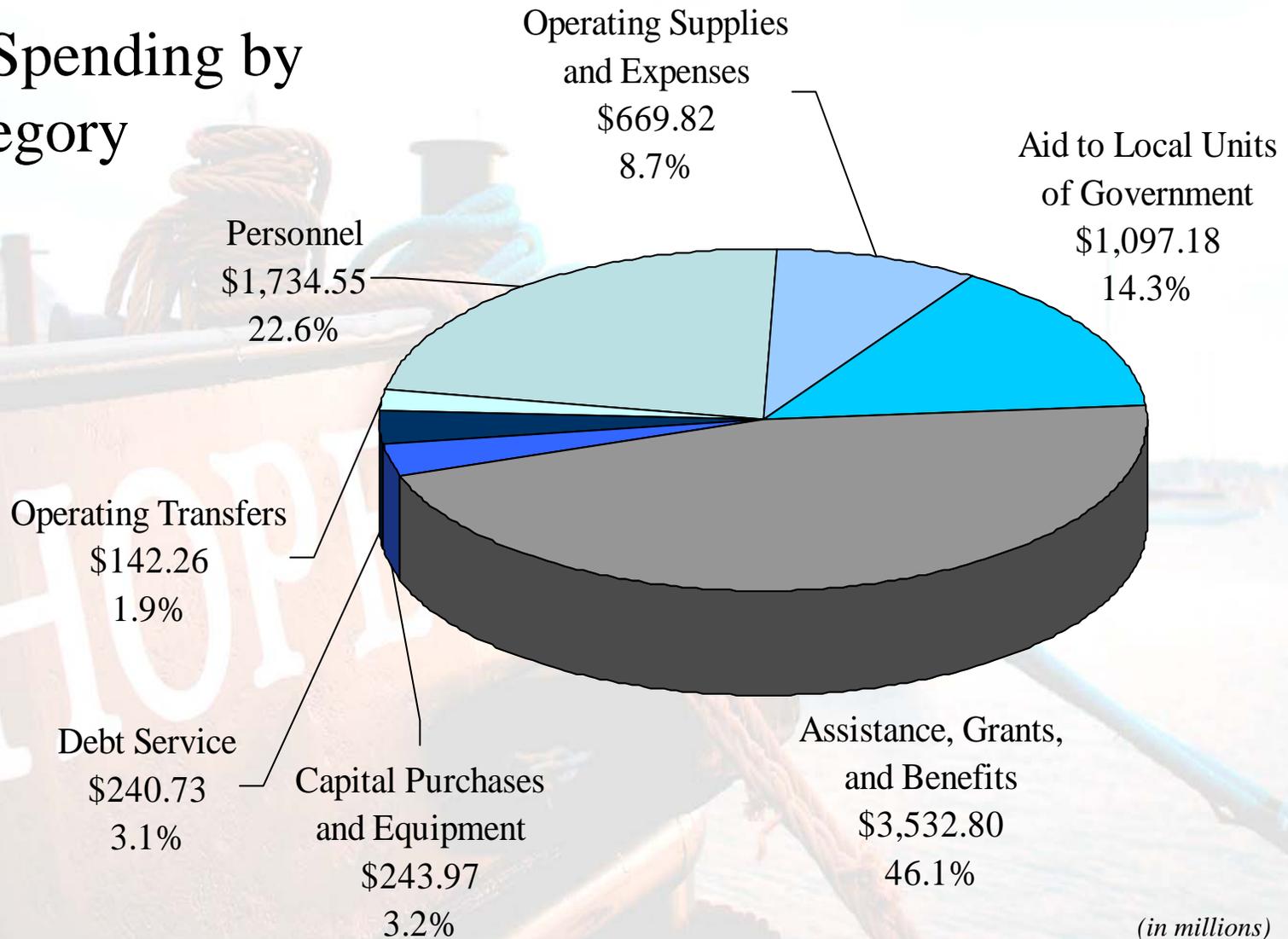


(in millions)



FY 2012 All Funds Budget

Total Spending by Category

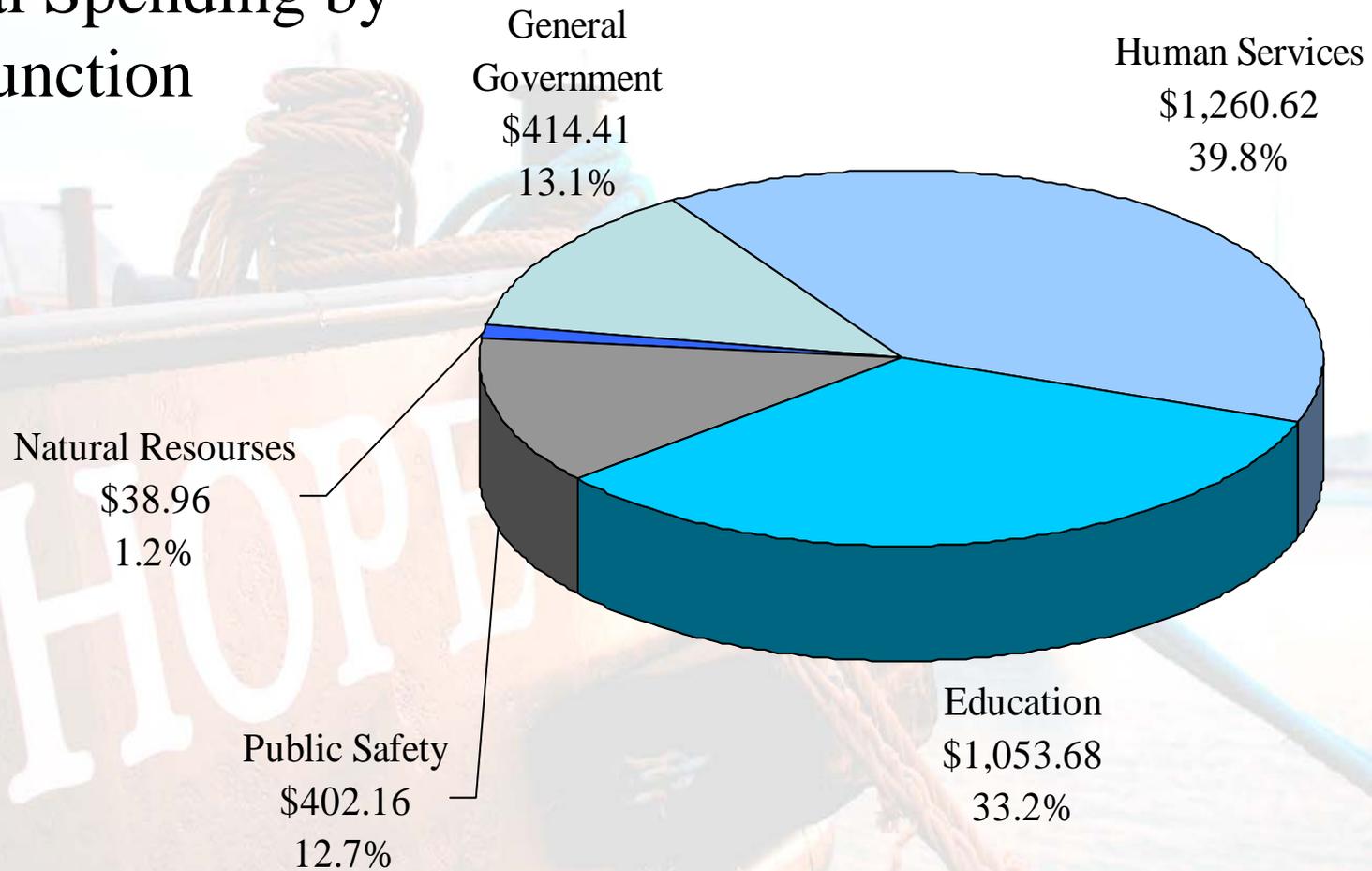


(in millions)



FY 2012 General Revenue Budget

Total Spending by Function

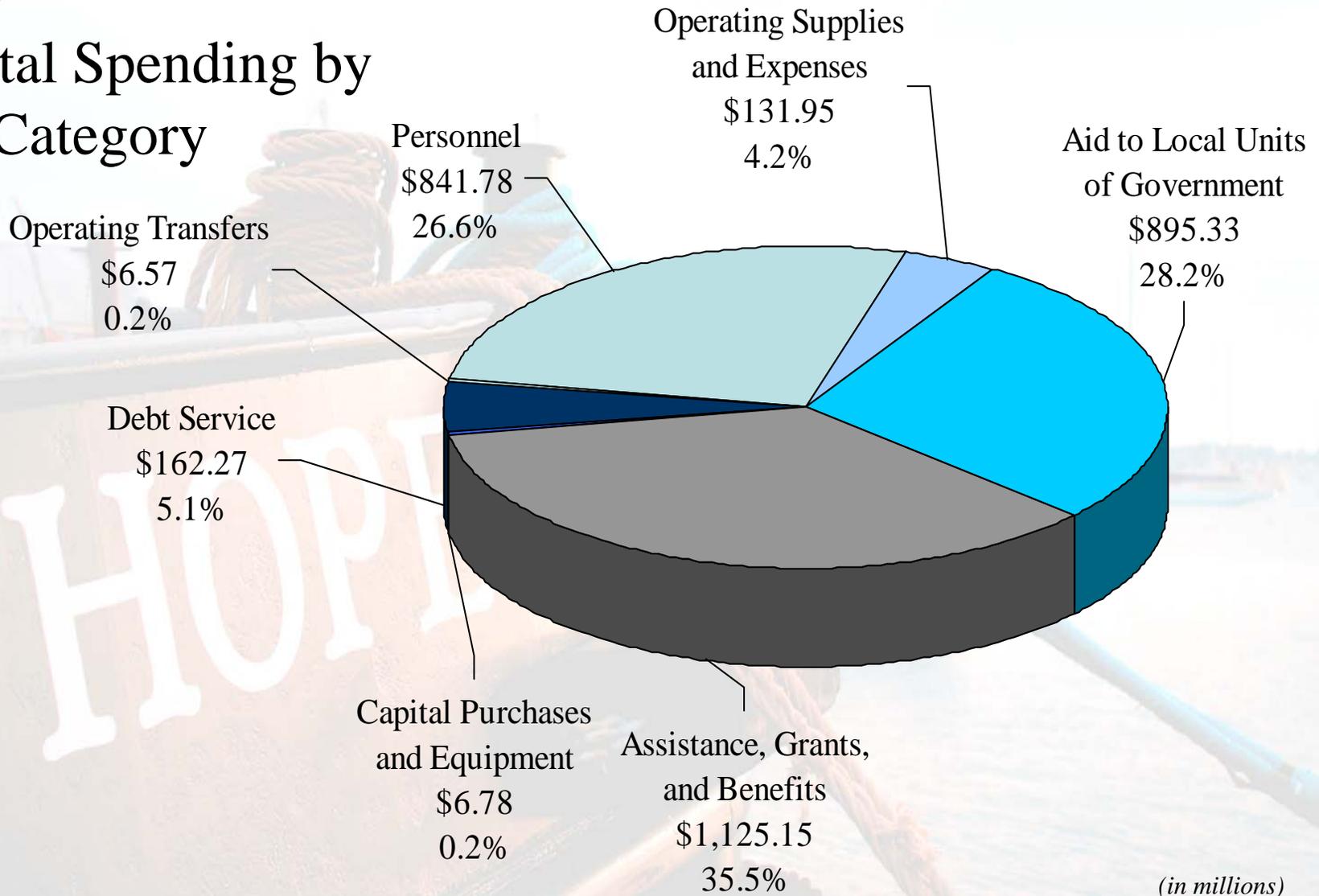


(in millions)



FY 2012 General Revenue Budget

Total Spending by Category



(in millions)



FY 2012 Recommended Budget

All Funds FY 2012 Recommended vs. FY 2011 Recommended

Category	FY 2011 Enacted	FY 2011 Supplemental	FY 2012 Gov Recommend	Change from FY 2011 Rec.
Personnel	\$1,661.8	\$1,696.6	\$1,734.5	\$37.9
Operating Supplies and Expenses	633.2	670.7	669.8	(0.9)
Aid To Local Units Of Government	1,054	1,105.6	1,097.2	(8.4)
Assistance, Grants and Benefits	3,864.3	3,961.3	3,532.8	(428.5)
Capital Purchases and Equipment	267.0	305.3	244.0	(61.3)
Debt Service	233.8	232.9	240.7	7.8
Operating Transfers	150.1	139.0	142.3	3.3
Total	\$7,864.2	\$8,111.4	\$7,661.3	\$(450.1)

(in millions)



FY 2012 Recommended Budget

General Revenue FY 2012 Recommended vs. FY 2011 Recommended

Category	FY 2011 Enacted	FY 2011 Supplemental	FY 2012 Gov Recommend	Change from FY 2011 Rec.
Personnel	\$794.9	\$798.2	\$841.8	\$43.6
Operating Supplies and Expenses	131.6	130.2	132.0	1.8
Aid To Local Units Of Government	875.8	874.1	895.3	21.2
Assistance, Grants and Benefits	946.4	979.3	1,125.2	145.9
Capital Purchases and Equipment	6.0	5.9	6.8	0.9
Debt Service	158.2	170.4	162.3	(8.1)
Operating Transfers	29.3	7.2	6.6	(0.6)
Total	\$2,942.2	\$2,965.3	\$3,169.8	\$204.7

(in millions)



The Governor's Revenue Program



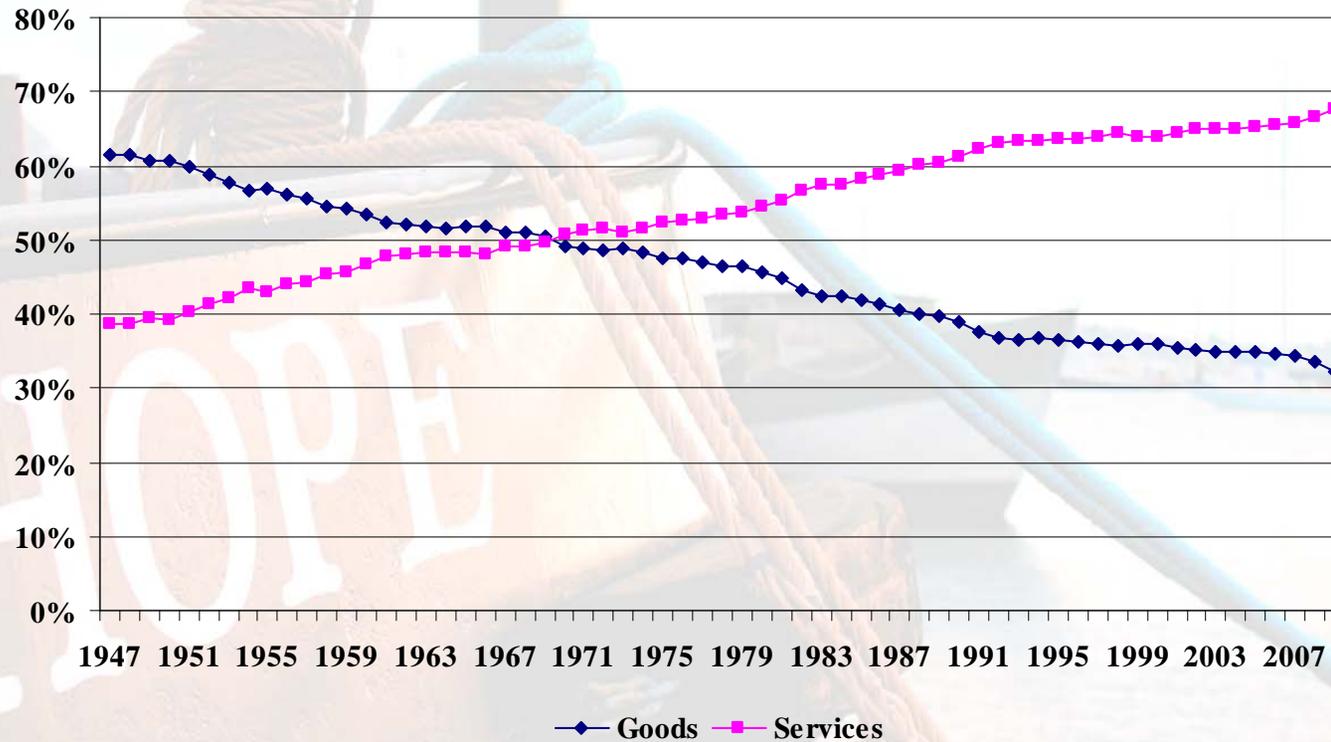
The Governor's Revenue Program

- Sales Tax Modernization
- Business Tax Competitiveness
- Other Revenue Changes



Goods and Services Expenditures

Goods and Services Expenditures as a % of Total PCEs





Sales Tax Modernization

- Lower Sales Tax Rate from 7.0% to 6.0%
- Modernize Sales Tax Base to Include Select Services at 6.0%
- Removal of Sales Tax Exemption for Certain Items at 6.0%
- Tax Certain Currently Exempt Items at 1.0%
- Maintain 8.0% tax on meals and beverages with 1.0% going to MAST
- Maintain 8.0% tax on lodging/room rentals with 1.0% going to TAP
- Apply Sales and Use Tax to Medical Marijuana
- Disallow Insurance Proceeds Trade-In Allowance



Sales Tax Modernization General Revenues

General Revenues	FY 2012
Sales Tax Rate Reduced to from 7.0% to 6.0%	(\$117,714,286)
Sales Tax Base Modernization at 6.0% Rate	\$197,594,235
Net Revenue from 1.0% Tax on Certain Exempt Items	\$85,000,451
Total Sales Tax Modernization General Revenues	\$164,880,400



Sales Tax Modernization Non-General Revenues

Non-General Revenues	FY 2012
Maintain Meals & Beverage Tax at 8.0% Rate for MAST Fund	\$19,330,231
Retain Tax on Rooms & Lodging at 8.0% Rate for TAP Fund	\$2,620,180
Total Non-General Revenue Sales Tax Modernization Proposal	\$21,950,411



Business Tax Competitiveness

- Phased reduction in Business Corporation Tax from 9.0% to 7.5% over three years (beginning in tax year 2012; 8.5% in 2012, 8.0% in 2013, and 7.5% in 2014)
- Phased elimination of the Jobs Development Act rate reduction over three years (beginning in tax year 2012)
- Implement Combined Reporting
- Apply Corporate Minimum Tax to Limited Partnerships and Limited Liability Partnerships
- Restructure Corporate Minimum Tax from flat \$500 to a graduated tax based on RI Gross Receipts



Combined Reporting

- Prevents multistate corporations from shifting income from higher corporate tax states to lower or no corporate tax states
- Current reporting requirements shifts corporate tax burden to local and regional companies with a smaller national footprint
- Required by Maine, New Hampshire, Vermont and Massachusetts
- Required by the Federal Government



Restructure of Corporate Minimum

Rhode Island Gross Receipts	Business Structure	Estimated Number of Taxpayers	Minimum Tax
\$0 to \$999,999	C-corporation	11,538	\$500
	S-corporation, LLC, LP or LLP	34,831	\$250
\$1,000,000 to \$2,499,999	C-corporation	380	\$1,000
	S-corporation, LLC, LP or LLP	631	
\$2,500,000 to \$4,999,999	C-corporation	188	\$1,500
	S-corporation, LLC, LP or LLP	325	
\$5,000,000 and over	C-corporation	127	\$2,000
	S-corporation, LLC, LP or LLP	220	



Business Tax Competitiveness

General Revenues	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Corporate Tax Rate Reduction Phase-in from 9.0% to 7.5%	(\$8,525,365)	(\$20,005,564)	(\$33,967,968)	(\$35,345,444)	(\$36,466,135)
Three Year Phased Elimination of Jobs Development Act (JDA)	\$4,845,502	\$9,345,814	\$15,367,882	\$15,991,083	\$16,498,109
Implementation of Combined Reporting on January 1, 2012	\$8,891,640	\$9,993,357	\$10,955,116	\$11,399,371	\$11,760,808
Restructuring of Minimum Tax based on RI Gross Receipts	(\$6,117,310)	(\$6,166,843)	(\$6,241,142)	(\$6,290,675)	(\$6,364,975)
Total Revenue Impact	(\$905,533)	(\$6,833,236)	(\$13,886,113)	(\$14,245,666)	(\$14,572,193)



Other Revenue Changes

- Repeal Motion Picture Tax Credit Effective July 1, 2011
- Establish Separate Posting for Individual vs. Business Tax Delinquents
- Offset Lottery Winnings for Taxes Owed
- Division of Taxation as Collection Agent for State Agencies
- Surcharge of 4.0% on Compassion Centers



Other Revenues FY 2012

General Revenue Item	FY 2012
<i>New Initiatives</i>	
Create Separate List of Top 100 Individual Tax Delinquents	\$779,965
Create Separate List of Top 100 Business Tax Delinquents	\$1,008,702
Offset Lottery Winnings for Taxes Owed to State	\$141,457
<i>Subtotal of New Initiatives</i>	<i>\$1,930,124</i>
<i>Continuing Initiatives</i>	
Reduce Nursing Home Expenditure Base	(\$704,000)
Eliminate Requirement that DMV Issue New Reflective Plates	[\$1,593,649]
<i>Subtotal of Continuing Initiatives</i>	<i>(\$704,000)</i>



Other Revenues FY 2012

General Revenue Item	FY 2012
<i>Reclassification of General Revenues to Non-General Revenues</i>	
Transfer of 20.0 % of Registration and License Fees to DOT	(\$9,800,000)
<i>Subtotal of Reclassification of General Revenues to Non-General Revenues</i>	(\$9,800,000)
<i>Discontinued Initiatives</i>	
Repeal Motion Picture Production Company Tax Credit	\$1,627,201
<i>Subtotal of Discontinued Initiatives</i>	\$1,627,201
<i>Subtotal of Revenues from Taxes</i>	(\$6,946,675)



Other Revenues FY 2012

General Revenue Item	FY 2012
<u>Departmental Receipts</u>	
<i>New Initiatives</i>	
Require Use of Driving Record Abstracts Every 3 Years for Insurance Ratings	\$2,965,689
Institute \$25.00 Fee for Checks Returned to Division of Motor Vehicles	\$18,720
Institute Fee of \$10.00 for Conducting DCYF Background Clearances	\$110,000
Institute 4.0% Surcharge on Net Patient Revenues of Compassion Centers	\$556,092
Restructure Temporary License Plate Fees	\$0
Offset Personal Income Tax Refunds for Probation and Parole Debts	\$153,576
<i>Subtotal of New Initiatives</i>	<i>\$3,804,077</i>



Other Revenues FY 2012

General Revenue Item	FY 2012
<i>Continuing Initiatives</i>	
Reinstitute Hospital Licensing Fee at 5.465% on FY 2009 Base	\$141,816,544
Increase Fees for Parking at State Beaches	\$1,897,106
Increase Fee for Securities Sales Representative License to \$75.00	\$1,183,440
Increase Fee for Federally Covered Advisor License to \$300.00	\$41,000
Increase Estate Tax Filing Fee to \$50.00	\$108,915
Increase Letter of Good Standing Fee to \$50.00	\$122,925
Increase Fee for Fire Code Inspections to \$125.00	\$40,000
Increase Veterans Home Assessment Fee to 100.0% of Net Income	\$786,248
<i>Subtotal of Continuing Initiatives</i>	<i>\$145,996,178</i>



Other Revenues FY 2012

General Revenue Item	FY 2012
<i>Reclassification of General Revenues to Non-General Revenues</i>	
Transfer of 20.0% of Commercial Drivers License Fees to DOT	(\$74,902)
Transfer of 20.0% of Registration Reinstatement Fees to DOT	(\$166,489)
Transfer of 20.0% of Drivers License Reinstatement Fees to DOT	(\$677,486)
Transfer of 20.0% of Motor Vehicle Title Fees to DOT	(\$1,303,219)
<i>Subtotal of Reclassification of General Revenues to Non-General Revenues</i>	<i>(\$2,222,096)</i>
<i>Discontinued Initiatives</i>	
Dissolve the Health Services Council	(\$371,320)
<i>Subtotal of Discontinued Initiatives</i>	<i>(\$371,320)</i>



Other Revenues FY 2012

General Revenue Item	FY 2012
<i>Other Fee Initiatives</i>	
Indirect Cost Recovery on Restructured Telecommunications Education Access Fund	\$74,160
<i>Subtotal of Other Fee Initiatives</i>	<i>\$74,160</i>
<i>Subtotal of Revenues from Departmental Receipts</i>	<i>\$147,280,999</i>
<u>Other Sources</u>	
<i>New Initiatives</i>	
Transfer of Net Proceeds from Insurance Settlement from Rhode Island Resource Recovery Corporation	\$3,500,000
<i>Subtotal of New Initiatives</i>	<i>\$3,500,000</i>
<i>Subtotal of Revenues from Other Sources</i>	<i>\$3,500,000</i>
Total of General Revenues from All Sources	\$143,834,324



Major Initiatives



Municipal Accountability, Stability and Transparency (MAST) Fund

- The Governor is proposing to create the Municipal Accountability, Stability and Transparency (MAST) Fund.
- 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.
- The MAST Fund is designed to encourage local governments to focus on the sustainability of current pension plans and reduce the unfunded liability of significantly underfunded pension plans. In addition, the MAST Fund addresses the significant unfunded liabilities for Other Post Employment Benefits (OPEB).



Municipal Accountability, Stability and Transparency (MAST) Fund

- The Governor proposes to finance the newly created MAST Fund by maintaining the state and local meals and beverage tax rate at 8.0% and dedicating 1.0% to this fund. It is projected that this fund would total \$19.3 million in FY 2012, which would be available for municipal governments. Distribution of the MAST Fund receipts to each community will be based on the 2009 General Revenue Sharing percent distribution.
- In FY 2013, 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.
- In FY 2014, cities/towns will be eligible for MAST Fund aid if they comply with fiscally prudent management practices, and meet the minimum requirements towards funding pension and Other Post Employment Benefits (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.



Tourism Asset Protection (TAP) Fund

- The Governor proposes the creation of the Tourism Asset Protection (TAP) Fund
- The Governor proposes to finance the newly created TAP Fund by maintaining the state and local room and lodging tax rate at 8.0% and dedicating 1.0% to this fund. It is projected that this fund would total \$2.6 million in FY 2012
- The TAP Fund is designed to provide monies for the construction, improvement, and/or preservation of state assets directly related to the tourism industry.
- Funding is recommended for improvements at Fort Adams State Park with these funds in FY 2012.



Retirement Funding

- The Governor proposes that active members contribute 11.75% - 3.0 % more of pay for state employee members and 2.25 % more of pay for teacher members during FY 2012.
- This payment would be in addition to the annual required contribution; the employer contribution would not be reduced. No FY 2012 budget savings result.
- This supplemental payment would be in effect while the State investigates the need to develop a new sustainable system that provides for a formula driven sharing of the actuarial required contributions.
- Annual required contributions are projected to increase over the five year forecast.
- Employer bears 100% of any increase based on current statute



Retirement Funding

Combined unfunded liabilities total \$4.7 billion
 State Employees Plan is 59% funded

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



Retirement Funding

- Employee contribution is fixed in statute
- As the Annual Required Contribution increases, members contribute less as a percent of the total ARC
- State Employees - 40.6% in 1995, 27.6% in 2012
- Teachers- 34.67% in 1995, 29.86% in 2012

Fiscal Year	State Employees			Teachers		
	Total ARC Contribution Rate	Employee	Employee Share as a Percent of Total ARC	Total ARC Contribution Rate	Employee	Employee Share as a Percent of Total ARC
1995	19.07%	7.75%	40.6%	24.52%	8.50%	34.67%
2000	17.32%	8.75%	50.5%	24.14%	9.50%	39.35%
2005	20.26%	8.75%	43.2%	24.34%	9.50%	39.03%
2010	29.53%	8.75%	29.6%	28.51%	9.50%	33.32%
2012	31.73%	8.75%	27.6%	31.82%	9.50%	29.86%
Proposed						
ARC 2012	31.73%	8.75%	27.6%	31.82%	9.50%	29.86%
Supplemental		3.00%			2.25%	
Total	34.73%	11.75%	33.8%	34.07%	11.75%	34.49%



Retirement Funding

- Supplemental contribution estimated at \$40.7 million

Membership Group	FY2012 ARC Contribution (All Funds)	Employer Share 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	<u>82,671,070</u>	9.09%	<u>909,472,717</u>	2.25%	<u>20,463,136</u>
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



Transportation Funding

- In 1996, a Blue Ribbon Panel to Address Transportation Infrastructure Capital Funding identified the debt service problem.
- 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”.
- A Blue Ribbon Panel on Transportation Funding, which examined the transportation financing structure in 2008, echoed in its report: “Continued borrowing and sole reliance on the gas tax is not the solution.”
- In order to address this structural problem, Governor Chafee proposes to dedicate current revenues to DOT over a five-year period



Transportation Funding

- Resources would fund DOT operations and gradually provide for the required match for federal funds on a pay-as-you-go basis by FY 2016

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	\$0



Transportation Funding

- From FY 2013 through FY 2016, current resources serve increasingly as state match for federal funds and less referenda are needed

Referenda Year	Referenda Recommended	Fiscal Year	Bonds to Be Issued Per Year	Pay Go Match	Total Bonds and Paygo Cash for State Match
November 2010	\$80,000,000	FY 2011	\$40,000,000	\$0	\$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

- DOT seeks approval for a planning study of tolling certain roads in Rhode Island to provide additional new revenues to address unmet infrastructure needs.



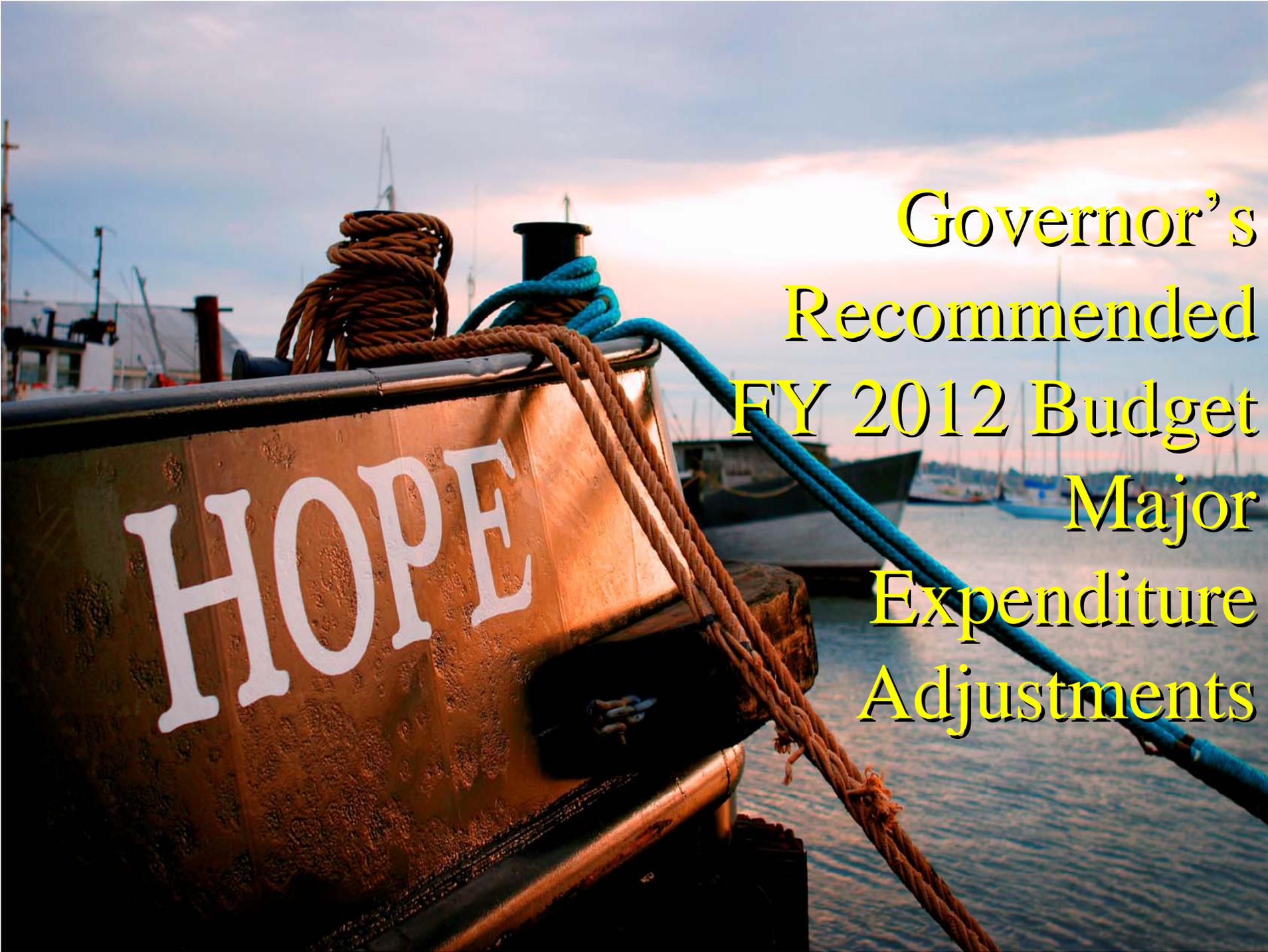
Unemployment Trust Fund Solvency

- As of February 2011, Rhode Island had borrowed \$229.4 million from the federal government to maintain payments to its unemployed workers.
- Total borrowing from the federal government for UI benefits is expected to peak at \$291.0 million this spring.
- A 1998 change to the taxable wage base resulted in employers experiencing a reduction of over \$600.0 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.
- 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 remained tied to their wages.
- Over time, wages and benefit costs grew with inflation while UI tax receipts failed to keep up.



Unemployment Trust Fund Solvency

- 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.
- The Governor proposes a reform package which brings solvency over time to the UI Trust Fund
- 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.



Governor's
Recommended
FY 2012 Budget
Major
Expenditure
Adjustments



General Government

- Funding of \$2.5 million from RICAP for Implementation of the Human Resources Module of the Oracle Financial Suite
- Additional Funding of \$1.3 million in general revenues and \$1.0 million in RICAP for other Technology Initiatives
- Reduction of \$22.3 million in Debt Service compared to projected current services level; primarily due to delay in issuance of Historic Structures Tax Credit funding
- Municipal Receivership - \$0.9 million
- Central Falls Projected FY 2012 Deficit - \$4.9 million
- Level Funding of State Aid programs over FY 2011 Enacted



Executive Office of Health and Human Services

- Undertook a cross-departmental review of all programs in the five agencies under this umbrella
- Coordinated budget proposals to assure they were consistent and actionable and to avoid cross-departmental inconsistencies
- Several broad themes emerged:
 - Service Delivery Reform/Leveraging Federal Funds
 - Rate Restructuring
 - Consolidation or Restructuring of Facilities
 - Streamlining Processes and Improving Allocation and Prioritization of Staff Resources



Department of Human Services

- Nursing Home Rate Reform (\$6.1 million in saving)
- Outpatient Hospital Rate Reform (\$2.7 million)
- Non-emergency Medicaid Transportation Mileage Rate Reform (\$2.2 million)
- Money Follows the Person Rebalancing Demonstration Grant (\$2.5 million)
- Health Home Initiative under the Affordable Care Act (\$1.3 million)
- Selective Contracting for Home Health Agencies (\$0.2 million)
- Children's Health Account (\$4.2 million)



- Health Home (\$13.4 million)
- Project Sustainability (\$2.2 million)
- Consolidation of RICLAS Group Homes (\$1.5 million)
- Adolescent Residential Substance Abuse – Require Providers to seek Third Party Payer Reimbursement (\$0.9 million)
- Reduce Overtime at Hospital by filling Vacant Positions (\$1.5 million)



Departments of Elderly Affairs

- Replace the RIPAE Program due to federal Health Care Reform with grant assistance from federal funds (\$1.3 million)
- Federal Grant Funding offset (\$0.7 million)



Department of Health

- Dissolve Health Services Council (\$0.4 million)
- Medical Examiner – reduce scope of required examinations (\$0.4 million)
- Reduce state funding in predominantly federally funded programs to level of required state match and other across the board reductions (\$2.8 million)



Department of Children, Youth and Families

- Phase II – System of Care Transformation (\$4.9 million)
- Reduce Residential Placement Duration (\$3.4 million)
- Training School Consolidation (\$1.5 million)
- Reimbursement for Training School Education costs from Local Education Agencies (\$2.1 million)
- Caseload Trends (\$7.0 million)



Department of Veterans' Affairs

- Establish new Department effective July 1, 2011
- New Director and Four Benefit Claim Specialists
- Phase I - Consolidation of Nursing Wings at the Veterans' Home to reduce overtime/contract nursing pools (\$2.2 million)
- Phase II - Increase census at the Veterans' Home through elimination of admissions waiting list; additional 35 clinical staff will be required
- Increase Monthly Maintenance Fee charged to Veterans' Home residents from 80 percent of net income to 100 percent; receipts split between Veterans' Home restricted account (20%) and state general revenues (80%)



Higher Education

- Governor's Commitment to Reverse Trend of Declining Funding
- Recommendation for \$10.0 million over the FY 2011 Enacted Funding
- Additional Funding focused towards holding the line on tuition increases at CCRI and minimizing increases at URI and RIC



Elementary and Secondary Education

- Fully fund Year 1 of new Funding Formula (additional funding of \$17.1 million)
- Restoration of Stabilization Funding (\$17.6 million)
- Withdraw general revenue funding equivalent to federal Education Jobs Fund (savings of \$32.3 million)
- Funding provided for Transportation and Regionalized Bonus Categorical programs (additional funding of \$1.9 million)
- Delay new funding for High-Cost Special Education and Career and Technical Education, and level fund Early Childhood Programs (savings of \$5.2 million)



- Correctional Officer Training - \$0.7 million
- Weapons Requalification - \$0.5 million in FY 2012; continues into FY 2013
- Inmate Population-Related Costs – savings of \$1.1 million due to lower population
- State Police Training Academy scheduled for July 2011 for 30 Troopers - \$1.2 million for academy costs; \$1.5 million for half years salaries and benefits once recruits graduate and join the force



Statewide Adjustments

- As with FY 2011, the Governor recommends some statewide savings.
 - 3% reduction in personnel expenses in cabinet level agencies and 2% in elected officials, legislature and judiciary
 - 1% reduction in operating expenses in these agencies
 - 15% reduction in funding for outside legal counsel
 - Total general revenue savings statewide = \$23.0 million



Personnel
And
FTE's



Personnel (FTE) Summary

- Personnel costs comprise 22.6% of general revenue spending
- Appropriations Act includes an authorized full time equivalent (FTE) cap for each agency
- FY 2011 Revised Budget reflects an increase of 180.0 FTE compared to FY 2011 enacted; primarily federally funded
- Enacted FY 2011 authorization was 14,827.6 FTE
- Revised FY 2011 authorization is 15,007.6 FTE
- Filled FTE positions total 13,781.2 (February 12, 2011)
- 1,046.4 under enacted cap including 834.3 state positions and 212.1 Higher Education sponsored research funded positions
- Recommended FTE cap in FY 2012 is 14,990.6

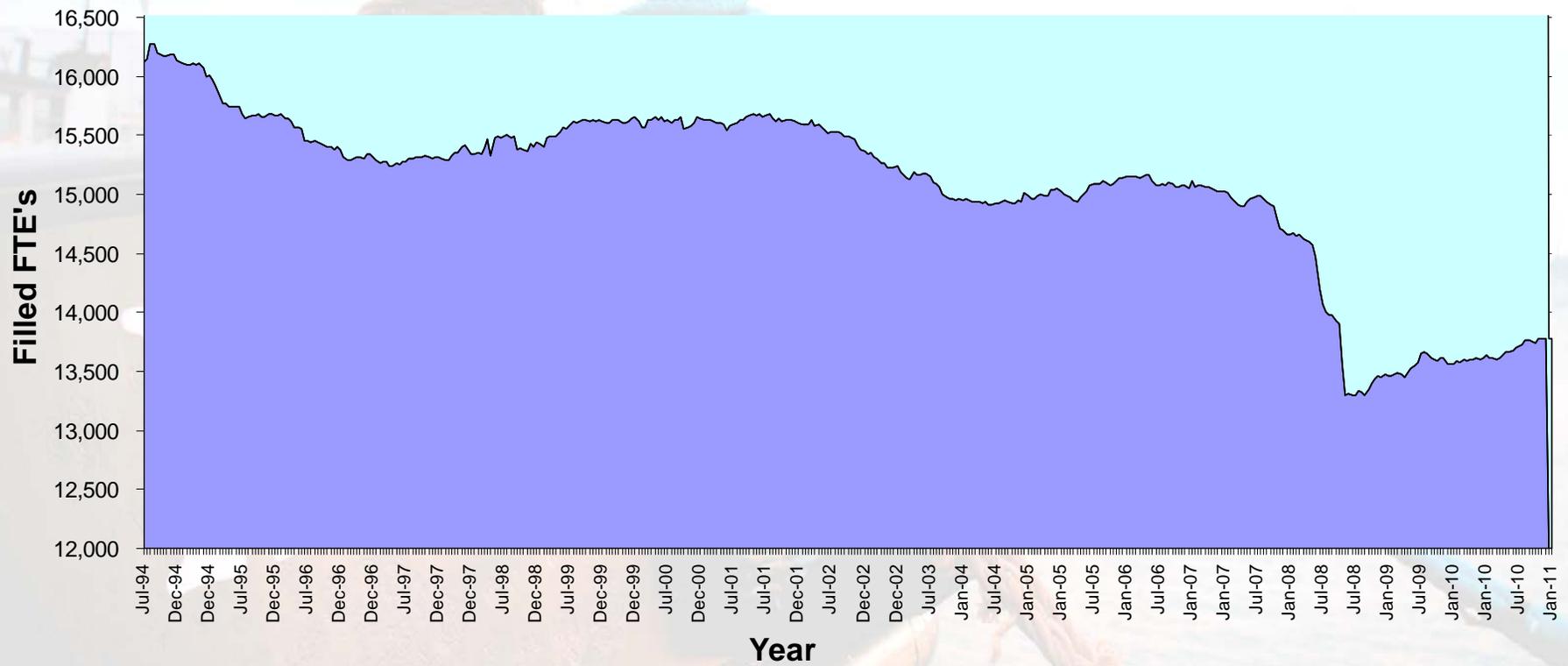


Program and Position Transfers

- Reduction in Department of Children Youth and Families FTE positions by 30.5 positions based on program consolidation and practice enhancements
- Relocation of 80.0 FTE positions associated with the administration and oversight of the State Medical Assistance Program (Medicaid) to the Executive Office of Health and Human Services (EOHHS).
- Transfer 23.0 FTE positions from other OHHS agencies to OHHS. This initiative resulted in a net reduction of 6.6 FTE positions as a result of not filling 6.6 FTE positions from the total of 29.6 FTE's
- Transfer Sheriffs from Administration to Public Safety



Personnel (FTE) Chart

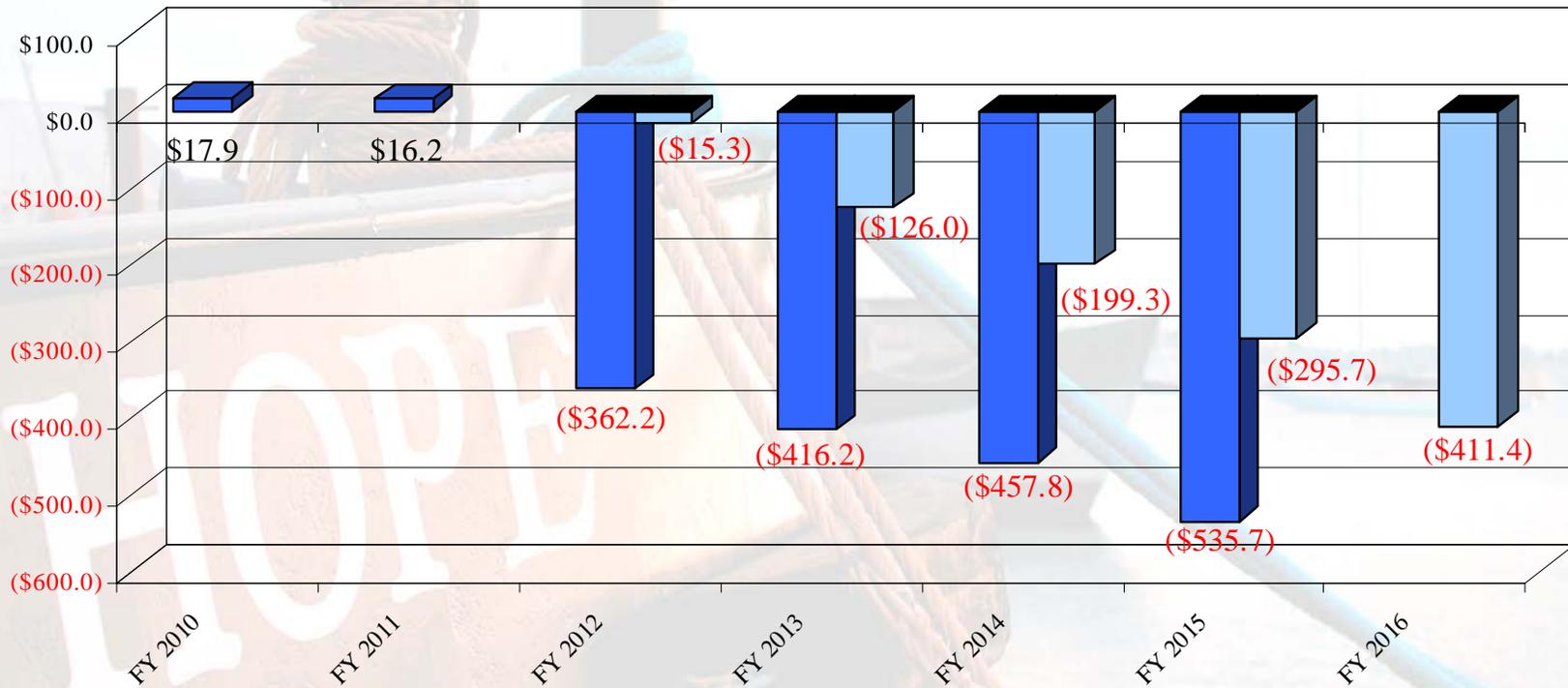




Five Year Forecast



Five-Year Forecast



(in millions)



Thank You.