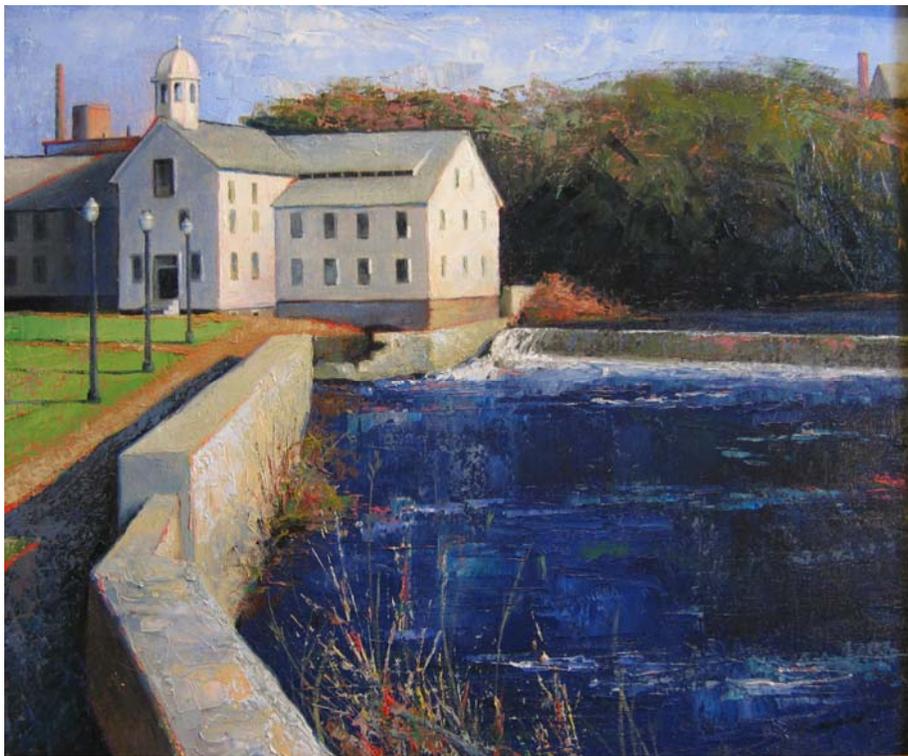


State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2014

Lincoln D. Chafee, Governor

The image on the cover of this year's budget document is of the historical Slater Mill in Pawtucket from Artist Peter Campbell of Lincoln and is reproduced by permission of the artist in collaboration with the Rhode Island State Council on the Arts.



State of Rhode Island and Providence Plantations
State House, Room 224
Providence, Rhode Island 02903
401-222-2080

Lincoln D. Chafee
Governor

January 16, 2013

To the Honorable, the General Assembly:

The Fiscal Year 2014 budget I recommend to you today was crafted to increase Rhode Island's economic competitiveness and maximize employment in our state.

When Rhode Islanders are working, our other challenges become more manageable. The confidence to create jobs comes from a climate of certainty, stability, and predictability. This budget works to achieve this goal by adhering to a philosophy of fiscal discipline and responsibility. It also contains strategic investments in education, infrastructure, and workforce development and supports and strengthens our cities and towns.

The FY 2014 budget is submitted to you on January 16, 2013 – on time, and the earliest in over twenty years. This demonstrates my Administration's commitment to sending a clear message to taxpayers and businesses within our borders and beyond that we are serious about the fiscal discipline necessary to maintain a pro-economic development and pro-growth environment. For the second consecutive year, the state is projected to finish the fiscal year with a surplus. Additionally, in the FY 2013 revised budget, all state departments and agencies are at or below the initial enacted budget by the General Assembly (notwithstanding re-appropriations and expenditures relating to Hurricane Sandy). This is the result of strong management and a climate of accountability in state government, overseen by the able and dedicated members of my Cabinet.

The budget I submit to you contains no tax or fee increases of any kind, and it will substantially improve Rhode Island's economic climate by reducing the corporate tax rate from 9.0 percent to 7.0 percent over the next three years. This budget also continues to capitalize on Rhode Island's assets by investing in our tourism efforts and the ongoing work of the I-195 Redevelopment Commission.

Throughout my career in public service, I have been committed to quality public education. There is no more important investment we can make than in the potential of our students. That is why, in my first two years as Governor, we have invested over \$88.0 million in public K-12 and higher education in Rhode Island. That commitment continues with this budget, which fully funds the K-12 funding formula with an additional \$30.3 million in aid and includes an additional \$6.0 million for higher education. My goal and expectation is that the leadership of our three state institutions of higher education will couple this funding with savings and efficiencies to ensure no tuition increase this year

To the Honorable, the General Assembly
January 16, 2013
Page Two

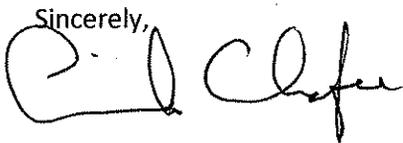
at the Community College of Rhode Island, Rhode Island College, or the University of Rhode Island. Rising tuitions prevent hardworking and qualified Rhode Island students from attaining a quality education and improving their future prospects – as well as our economy. We must keep tuition rates affordable and allow our students to attend and graduate from college without being burdened with crushing debt.

Because education and training does not end at the gates of our educational institutions, my proposed budget includes \$3.0 million to create new workforce development initiatives. It also provides an enhanced child-care subsidy using Temporary Assistance for Needy Families (TANF) block grants coupled with a subsidized job training program to empower low-income Rhode Islanders to get back to work.

Investments to repair and upgrade Rhode Island's ailing infrastructure will produce benefits in both the long- and short-term, boosting our economic competitiveness while getting Rhode Island construction workers back on the job. I am pleased to note that my Administration has taken historic steps in reforming how we finance our transportation system here in Rhode Island. For the first time in recent memory, we are not borrowing to receive our state match for federal support to maintain our highways. This means that our valuable resources can be put toward important repair and improvement projects, rather than debt service. Building on these reforms, this budget includes a number of strategic infrastructure investments, including advancing \$11.0 million in Rhode Island Capital Plan (RICAP) funds to get key projects underway as soon as possible. I also recommend modifying the Historic Structures Tax Credit program by providing access to abandoned tax credits in order to entice new construction in our distressed communities and urban centers.

Finally, as I have often said, our state as a whole cannot be successful without improving and maintaining the financial health of our cities and towns. In addition to the \$30.3 million in new local education funding, this budget adds \$20 million in additional aid to our cities and towns – with particular attention to distressed communities. This funding will help alleviate the pressure on municipal governments to raise property taxes on already heavily burdened taxpayers. I have also allocated \$10 million in RICAP funds to support a local road and streetscape improvement program in FY 2014.

Over the past several years, we have come together to do good work on behalf of our citizens, operating Rhode Island government more responsibly and effectively and making needed investments in the future of our state. There remain many challenges ahead, but with those challenges come tremendous opportunities. I look forward to joining with you once again to seize those opportunities. The budget I respectfully submit to you today is an important step toward a stronger and more prosperous Rhode Island.

Sincerely,


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

FY 2014 Budget Documents

Governor Chafee's *FY 2014 Executive Summary* is the first of eight documents that contain the summaries of revenue and expenditures on a statewide, functional, and departmental basis and also presents statewide expenditure data by *category* or object of expenditure. This same data is presented in the *Budget* in more detail by program.

The *Executive Summary* contains special reports on Education Aid and State Aid to provide a historical perspective on these state expenditures and also contains a "Budget Primer" which is intended to assist the reader of the budget documents in understanding the budget process in Rhode Island. Specific recommendations for FY 2014 for the departments are presented in this document, as well as the five-year financial projection as provided by law. Further detail is provided in the *Technical Appendix*.

The Budget consists of four volumes that provide an overview of state expenditures, as well as an in-depth presentation of the State Budget by program. The financial data presented for state agencies in *The Budget* for the past two fiscal years (FY 2011 and FY 2012) is generally derived from the appropriation accounting and receipt accounting files of the State Controller, as of the time of year-end closing. In the case of the accounts under the jurisdiction of the Board of Governor's of Higher Education, these columns reflect independently audited records.

The financial data for state agencies for the current fiscal year is from the enacted budget, modified in some cases to reflect recommended supplemental appropriations or withdrawals, revised expenditure estimates by category of expenditure or program, and revised estimates of federal grant awards or restricted receipts. In this document, the general revenue balance forward is included at the account level. The proposed changes to the enacted FY 2013 budget are included in the financial data by program for FY 2013. Totals and subtotals often appear to be inaccurate by small amounts or may disagree by small amounts with other budget and financial documents; this is due to differences in rounding procedures. The annual Appropriations Act is the absolute reference for state appropriation amounts.

The Budget also contains both narrative descriptions of Rhode Island's quasi-public agencies, authorities and entities, which are component units of state government for financial reporting purposes, and presents financial data provided by these entities. The Budget Office requests that quasi-public agencies and authorities submit information in the format used by the agency; no attempt is made to conform the financial presentation of the agencies data. In most cases, the FY 2013 and FY 2014 information has not been officially approved by the entities' governing bodies.

The *FY 2014 Budget* reports performance measurements for most programs, as required by legislative mandate to develop performance measurements for use in the budget process. Measurements are provided after each programs financing and personnel supplement pages. The *Budget* now contains information that was previously presented in the *Personnel Supplement*. The two documents have been merged. The *Budget* document provides information relating to personnel costs by program. It also reflects capital project summary narratives of all capital projects approved by the Governor as recommended by the Capital Development, Planning and Oversight Commission.

The *Capital Budget* contains information on the Governor's recommended capital improvement plan and contains individual project expenditures as well as contains the debt service component relating to capital improvements and any "pay-as-you-go" capital, which is financed from current revenues.

The *Budget as Enacted* will be prepared after final enactment by the 2013 General Assembly.

Executive Summary

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Introduction

Rhode Island is steadily emerging from the recent recession, with unemployment heading in the right direction and a number of key indicators suggesting a strengthening economy.

While this is encouraging news for Rhode Island's economic outlook, we must not let the momentum slip away. We must demonstrate the necessary fiscal discipline at both the state and local levels so that we can ensure taxpayers get high value for their investment in government and adequately prepare for the challenges that lie ahead. Given the ongoing uncertainty at the federal level, Rhode Island must keep its fiscal house in order to remain agile enough to address any effects experienced by federal action or inaction.

Instilling Fiscal Discipline – Back to Basics

Through diligence and hard work, Rhode Island finished FY 2012 with a healthy surplus, nearly \$21.3 million more than planned. We are projected to finish FY 2013 with another sizable surplus, totaling \$79.3 million. This will represent the third year in a row that the state will have completed its fiscal year with a strong surplus.

My Cabinet members have managed their departments and agencies within their means, and this budget demonstrates their efforts through tight spending controls throughout state government. In fact, my FY 2013 revised budget, which is \$28.2 million less than the enacted, reflects a spending plan where each individual agency and department will spend at or less than the enacted level – requiring no additional funding for agency operations. Although there are funds associated with re-appropriations from FY 2012 to support specific expenditures that did not occur on time, and there are additional expenditures totaling \$4.1 million associated with unanticipated expenditures related specifically to Hurricane Sandy, the FY 2013 revised budget that I present to the General Assembly does not require any additional support for agencies to operate and meet their obligations.

We must act expeditiously to address the challenges facing our great state. In that spirit, I have submitted the FY 2014 budget on January 16, 2013. I am pleased to note that this submission is not only on time, but earlier than any budget submitted in the past twenty years. I appreciate all of the hard work the state departments and agencies and my budget office put into this effort to adhere to this aggressive timeline. The early submission will provide the General Assembly additional time to thoughtfully and deliberatively review my proposed budget and the initiatives contained within, and I look forward to working with the state's legislative leadership throughout this important process to move Rhode Island forward.

The budget that I submit today on behalf of the Rhode Island taxpayers does not increase any taxes, fees, or charges to support the FY 2014 spending plan. In fact, my proposed budget includes additional tax reform that builds on our recent success on the personal income tax. I am proposing to reduce the state's corporate tax from 9.0 to 7.0 percent over the next three years. This will improve our economic competitiveness, help our existing businesses grow, and encourage others to invest in our wonderful state.

The following recommended budget outlines my FY 2013 revised budget and my FY 2014 proposed budget in greater detail. While we have been able to take advantage of stronger financial management and good fortune to end the FY 2012 and FY 2013 budgets with strong surpluses, I still faced some very difficult decisions to deliver a balanced budget for the General Assembly's consideration. For example, the FY 2014 budget does not include planned cost of living increases for hospitals and nursing homes, and limits the increases permitted to managed care providers.

In addition, the FY 2014 budget proposes to close one special care facility operated by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals by moving current residents to other long-term care locations. Other initiatives within this department will focus on employment as a first option in rehabilitation services and expansion of options available to individuals that will move them away from psychiatric inpatient stays, emergency room visits and substance abuse detoxification readmissions. Although these proposals will be beneficial in the long term for clients of these programs, there will be a reduction in funds to community providers that service these populations.

While I certainly would have liked to avoid such actions, they were less onerous than some of the other choices that I had before me as my team worked to close the \$128 million projected deficit for FY 2014.

Introduction

I set out clear directions to state departments and agencies to identify savings in operations, personnel, and other initiatives that would prevent drastic changes in programs and services, especially those that could impact our most vulnerable citizens. This budget avoids eliminating programs that were once considered as options given the enormity of the deficits we have faced in the past. This budget does not eliminate dental services to low-income adults, does not include additional reductions to mental health and developmental disability support services, and does not eliminate the General Public Assistance Program (GPA). Through the hard work of the Office of Health and Human Services, as well as other departments and agencies that are experiencing reductions in their appropriations, we have been able to stave off such drastic reductions in services. I have asked my departments and agencies to continue their efforts to constrain operating costs to ensure we continue to operate within our means.

These efforts are reflected in the updated five-year forecast, which shows improvement over the forecast from one year ago. Although expenditures are projected to exceed revenues in each of the out-years projected through FY 2018, the gap has narrowed in each year by an average of \$80.0 million compared to the FY 2014 – FY 2017 forecast. The operating deficits by fiscal year are projected at \$170.5 million in FY 2015, \$254.5 million in FY 2016, \$377.8 million in FY 2017, and \$468.9 million in FY 2018. In percentage terms, the deficits are projected to range from 4.8 percent of spending in FY 2015 to 11.8 percent of spending in FY 2018. The expenditure-side of the budget is estimated to increase at an average annual rate 4.0 percent from the FY 2014 base to FY 2018. 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 2.4 percent over this same period.

The five-year projection for out year revenues is impacted by the expected opening of gaming facilities in Massachusetts in the coming years. Lottery transfers to the State general fund are projected to diminish by a total of \$307.6 million over the five year forecast period, due to the increased competition to Rhode Island's gaming facilities in Lincoln and Newport. Without this impact on Rhode Island's revenues, the five year forecast would show deficits of \$170.5 million in FY 2015, \$200.8 million in FY 2016, \$264.4 million in FY 2017 and \$328.4 million in FY 2018. In FY 2018, the deficit would be 8.3 percent of expenditures, as opposed to the 11.8 percent under the current forecast, or a total of \$140.6 million less.

Improving Rhode Island's Economic Climate

As we work to ensure that the state budget represents a disciplined approach to managing taxpayer resources, it is essential that we direct these resources to what I believe to be our most essential goals – improving Rhode Island's economic climate and maximizing employment. Strategic investments to get Rhode Islanders back to work and support businesses that are already here will be key to our success.

We have seen from numerous national studies and rankings that Rhode Island is perceived – rightly or wrongly – as noncompetitive. However, we have made a number of significant improvements to our tax climate, our costs of doing business, and our ability to offer a skilled and trained workforce. These rankings fail to reflect the historic reforms we made to our personal income tax system, and do not reflect the aggressive efforts that are underway to improve our regulatory environment. Nor do these rankings really capture our outstanding workforce or our extensive higher education offerings.

But we need to continue to push forward to make our business tax climate more attractive and strengthen our efforts to attract and retain investments here in the Ocean State. This is why my budget contains absolutely no increases in any tax, fee, or charges of any kind. My goal was to combat our projected deficit on the expenditure side of the ledger so we can keep our taxes competitive.

I have also proposed a reduction in the state's corporate tax from 9.0 percent to 7.0 percent over three years. I have front-loaded the decrease in the tax rate so we can move toward a more competitive corporate tax rate faster, with a 1.0 percentage point reduction in the rate in tax year 2014. Once fully implemented, Rhode Island's corporate tax rate of 7.0 percent will be lower than both of our neighbors and will no longer be viewed as an impediment to attracting and growing businesses here.

Introduction

Investing in our economic climate and improving our competitiveness does not end with tax policy. I have invested an additional \$600,000 in the state's tourism marketing efforts, bringing the level to \$1.0 million annually. Tourism has been and must remain a key sector of our economy. I have also invested an additional \$500,000 in the I-195 Redevelopment Commission to enhance its operations and move ahead with its important work. The former I-195 land represents a unique and rare opportunity to strategically capitalize on the extensive medical and educational assets in our capital city, the benefits of which will resonate throughout Rhode Island.

We were fortunate to have the Rhode Island Public Expenditure Council analyze how we can best improve the state's economic development efforts. One recommendation in particular that I intend to build upon is to develop and cultivate ongoing economic analyses for the state so decision makers have sound information as they work to develop appropriate economic policy. With this in mind, I have invested \$150,000 in my proposed budget, and will continue this investment in FY 2015 to support the development of this initiative in concert with the Association of Independent Colleges and Universities, bringing together all 11 Rhode Island private and public higher education institutions' expertise and resources to help move Rhode Island's economy forward.

My Administration has already begun to thoroughly evaluate the impact that state regulations have on small businesses, and I intend to reform those regulations that unnecessarily impede growth. I have directed the Office of Management and Budget to focus on the efforts underway by the Office of Regulatory Reform, and I expect this comprehensive evaluation to be completed by March 31, 2014. While it is only a first step, my FY 2014 budget removes a fee charged to businesses that potentially expose employees to toxic or hazardous substances in the course of their work. These businesses are required to post a list detailing the substances to which employees are being exposed and the rights of the employees regarding hazardous substances on the business' premises. In addition, the businesses are required to pay a fee to the State. The requirement to keep employees informed will not change, but I am recommending that this unnecessary and burdensome fee be eliminated.

Investing in our Education Institutions and Workforce

My commitment to investing in education and our workforce goes hand in hand with our efforts to make Rhode Island more competitive and attractive for economic growth. My first priority was to fully fund the state's school aid formula, including all the categorical aid programs, and my FY 2014 Budget includes \$30.3 million in additional education aid to our cities and towns to make sure this is done.

I have also allocated \$17.2 million in pay-as-you-go Rhode Island Capital Plan Fund (RICAP) financing over the next six years to invest in repairs at the state's vocational education facilities. We have already invested a considerable amount of taxpayer funding for these schools, and I believe it necessary to protect these facilities to extend their useful life so that future Rhode Island students continue to benefit from their use..

In addition, I remain extremely concerned about the cost of higher education. Rhode Island families have enough burdens and challenges to struggle with – increasing tuition should not be one of them. Therefore, I have included \$6.0 million in new general revenue funding for the three institutions of public higher education to ensure there is no tuition increase next year. This will still require our university and colleges to identify savings in their operating budgets to accomplish this goal, but I am confident that the leadership of these institutions will rise to the task and make sure that the opportunity to get a quality education here in Rhode Island remains affordable.

My capital plan includes over \$52.5 million in pay-as-you-go funding for various projects to support our higher education institutions in FY 2013 and FY 2014. These infrastructure improvements at all three institutions reflect my ongoing commitment to offering safe and modern learning environments that will continue to attract and retain top students and faculty.

Our investment in our workforce should not stop at the gates of our public learning institutions. Rhode Islanders looking for work or to advance in their careers need appropriate opportunities to learn and grow so that they can be more marketable not only in today's economy, but the economy of tomorrow. Therefore, I have invested an additional \$3.0 million in workforce development support, of which I have proposed to spend \$1.0 million immediately in FY 2013 and the balance in FY 2014 to develop a Statewide Work Immersion Program. This

Introduction

program will provide meaningful work experiences to students and unemployed adults, as well as assisting businesses in training individuals for employment.

While these investments are important, we can do more. Therefore, I have proposed to allocate TANF Block grant funds to initiate a short-term enhanced child-care subsidy program that is coupled with subsidized job training and work for low income Rhode Islanders currently receiving income support. This will help 400 families and put people back in the workforce without using any general revenue funding. A similar program run by the state a number of years ago resulted in over 50.0 percent of those in subsidized employment retaining the job after the State's subsidy expired.

Shoring up our Infrastructure

Another key component to getting our economy going and putting Rhode Islanders back to work as soon as possible is investment in our infrastructure. RICAP, our pay-as-you-go capital funding program, offers a number of opportunities to get limited resources on the ground to help get people working. I have included in my FY 2013 revised budget a proposal to advance over \$11.0 million in already approved capital projects from future years of our five-year plan to the current year because departments and agencies have demonstrated that these projects are "shovel ready," meaning if the funding were available, these projects could begin immediately. This is an exciting opportunity to get the trades back to work and improve the condition of our ailing infrastructure.

I firmly believe that targeted investment in our urban centers to improve the condition and usefulness of historic buildings is essential to preserving our heritage while attracting investment in our urban settings. Therefore, my FY 2014 budget includes an initiative to provide access to abandoned historic structures tax credits so we can entice investors into bringing properties in distressed communities back to life and on local tax roles.

We recently took historic steps in reforming how we finance our transportation system here in the Ocean State. The Department of Transportation is now off the habit of borrowing – and paying interest – to receive our state match for federal support to maintain and improve our highways. Working with the General Assembly, we were able to develop a funding strategy to support our match using RICAP financing and fees from the Registry of Motor Vehicles. This past November marked the first time in memory voters did not have to approve a bond referendum to support transportation costs. This is truly remarkable, because over time, the funding we have been allocating to support debt service rather than direct support for our highways and bridges will begin to shift to direct transportation support. This represents a fundamental improvement in how we finance our transportation system.

Similarly, this year we embarked on a program to shift transportation debt service costs from the gas tax to the state's general fund. We have shifted \$8.0 million in FY 2013, which has freed up gas tax proceeds to support transportation projects rather than debt service. I have continued this strategy in the FY 2014 Budget, shifting \$10 million in debt service from the gas tax to the general fund. This ensures that we are maximizing our limited transportation resources to improve our roads and bridges. My five-year forecast shows that we intend to increase this shift to the general fund each year until we free the gas tax of debt service and dedicate those funds to transportation improvements.

While most think of roads and bridges when discussing Rhode Island's infrastructure, in my view it also includes very valuable assets to our economy that preserve our environment. The Department of Environmental Management has been working to acquire Rocky Point, and I have included \$2.5 million in pay-as-you-go capital funding to remediate and clean up this land and make sure it is accessible to all Rhode Islanders as quickly as possible. In addition, my budget invests over \$3.2 million in pay-as-you-go capital funding to repair piers and docks at the Port of Galilee, which will be matched with \$2.9 million in federal funds. Lastly, I have set aside \$3.0 million in capital funding for Hurricane Sandy-related capital expenditures we deem necessary to fully recover, repair and protect our infrastructure. We expect federal match for much of these storm-related expenditures.

Introduction

Strengthening our Cities and Towns

While we are certainly making strides in getting Rhode Island's fiscal house in order and maintaining the economic recovery, it is incumbent on all of us to ensure that we continue to adequately support our cities and towns. Rhode Island's 39 municipalities are on the front line of meeting many of our needs, and state investment is critical to their success. Therefore, my budget includes a series of initiatives to assist our cities and towns and to ensure they are successful in delivering quality services to our citizens.

As mentioned earlier, my budget fully funds the local school funding formula with an additional \$30.3 million in state support. While this is a critical investment in the education of our young people, it also helps reduce pressure on the local property tax in our communities.

To further support our cities and towns, I have included an additional \$20.0 million in local aid in my budget, increasing the distressed community relief fund in both FY 2013 and FY 2014 by \$5.0 million each year, and establishing a new \$10.0 million state aid program in FY 2014 distributed based on population. It is critical to target these funds towards cities and towns facing the greatest challenges given the current economy, and these funds can help address their financial constraints immediately. In order for communities to access the additional \$10.0 million in funds, I am recommending that they must have a locally approved pension improvement plan by November 2013.

This requirement is consistent with the recommendations of the local pension commission and the recent pension reform law enacted in November 2011. It is imperative that our municipalities improve the health of local independent pension plans; these plans need to be sustainable to ensure the benefits are there when needed and to remain affordable to the taxpayers. It would be short-sighted for the state to address its pension plans without outlining a path to a healthier financial position for our locally administered plans.

Another strategic investment in our cities and towns is an additional \$10.0 million in pay-as-you-go capital funding through our RICAP program to help communities improve their roads and streetscapes. The state received a \$10.0 million premium from bond sales that must be deposited into the RICAP fund. This one-time resource is a perfect opportunity to make a targeted investment in our local roads. These funds will be made available to our cities and towns through a formula based on local road miles to help repave, refurbish, or improve our local streets and streetscapes. Communities have had to limit their investments in roadways given the most recent economic downturn, and this investment will help jumpstart many of the necessary improvements we know are needed.

Establishing the Health Exchange

The FY 2013 Revised Budget and the FY 2014 Budget includes the federal funding for the Health Benefits Exchange, which will serve as a resource for Rhode Islanders and Rhode Island businesses to learn about and easily compare the quality and affordability of their health insurance options, enroll in coverage and, if eligible, access subsidies for coverage. The Exchange is a way for small employers and their employees and individuals to have an advocate and negotiator, and a quality monitor to represent them in their interactions with health insurers and health care providers.

Overview

Overview of the FY 2014 Proposed Budget

The Governor's FY 2014 Proposed Budget was designed to address a projected \$128.0 million operating deficit. Departments and agencies were asked to develop options within their budgets to address a 7.0 percent reduction in their current services budget for FY 2014. "Current services" is defined as what resources it would take to perform the same level of services and program assuming no change in public policy. Although the projected deficit for FY 2014 was somewhat lower than deficits faced in recent fiscal years, previous reductions to and/or program eliminations left fewer options available to balance the FY 2014 budget.

The Governor's FY 2014 recommended budget was developed to begin addressing the state's ongoing structural deficit, but also to provide additional assistance to the state's troubled municipalities, which have experienced large reductions in financial assistance from the state in recent years. Governor Chafee's FY 2014 Proposed Budget does indeed improve the out-year forecast, and provides resources to our struggling cities and towns. This has been done without asking more of our already burdened taxpayers.

An essential component to reducing the long-term structural deficits was the recent pension reforms to the State's various pension programs. While very difficult choices were made, the reforms result in providing a sustainable pension program at a price taxpayers' can afford. The savings derived from the reforms also ensured that the State's general revenue budget could maintain desired levels of services, programs and staffing necessary to deliver quality services to Rhode Islanders.

The Governor, working closely with the General Assembly and the General Treasurer, enacted historic, comprehensive pension reform legislation in the fall of 2011, resulting in new actuarial rates that are significantly lower than those that would have otherwise gone into effect. As a result of this legislation, projected general revenue spending for FY 2013 was reduced by over \$117.9 million. These savings continue to carry forward in the State's FY 2014 budget.

FY 2014 Proposed Budget: Governor Chafee recommends an all funds budget totaling \$8.172 billion for FY 2014, an increase of \$92.8 million, or 1.2 percent, from the FY 2013 Revised Budget of \$8.079 billion. Of this total, \$3.399 billion, or 41.6 percent, is from general revenue, \$2.645 billion, or 32.4 percent, is from federal funds, \$1.875 billion, or 23.0 percent, is from other sources, and \$252.8 million, or 3.1 percent, is from restricted or dedicated fee funds. The Governor's FY 2014 Proposed Budget includes 15,171.6 authorized FTE positions, which is 69.1 FTE positions higher than what is included in the Governor's FY 2013 Revised Budget Plan and 145.3 FTE positions more than what is included in the FY 2013 Enacted Budget.

Recommended FY 2014 general revenue funding of \$3.399 billion represents an increase of \$103.3 million, or 3.1 percent, over the FY 2013 enacted budget of \$3.295 billion, and is 4.0 percent higher than the FY 2013 Revised Budget proposed by the Governor. Federal funds decrease from \$2.676 billion in the FY 2013 enacted budget to \$2.645 billion in the recommended FY 2014 budget. Other funds decrease from \$1.895 billion to \$1.876 billion.

FY 2013 Revised Budget: Governor Chafee recommends a revised all funds budget totaling \$8.079 billion for FY 2013, a decrease of \$20.2 million, or 0.25 percent, from the FY 2013 Enacted Budget of \$8.099 billion. Of this total, \$3.268 billion, or 40.4 percent, is from general revenue, \$2.659 billion, or 32.9 percent, is from federal funds, \$1.883 billion, or 23.3 percent, is from other sources, and \$270.2 million, or 3.3 percent, is from restricted or dedicated fee funds. The Governor's FY 2013 Revised Budget includes 15,102.5 authorized FTE positions, which is 76.2 FTE positions higher than what is included in the FY 2013 Enacted Budget.

Recommended FY 2013 general revenue funding of \$3.267 billion represents a decrease of \$28.2 million, or 0.85 percent, from the FY 2013 enacted budget of \$3.296 billion, and is 5.1 percent higher than the FY 2012 actual expenditure. Federal funds decrease from \$2.676 billion in the FY 2013 enacted budget to \$2.659 billion in the revised FY 2013 budget. Other funds decrease from \$1.895 billion to \$1.883 billion compared to the enacted plan.

Overview

Tax reform: As noted in the introduction of this document, Governor Chafee's revenue plan was very simple – taxpayers have already shouldered enough of the cost of government, and the delicate recovery we are in today should not be derailed by any tax increases. Therefore, Governor Chafee's FY 2014 Proposed Budget does not include any increases in taxes, fees or charges.

In fact, Governor Chafee has introduced an initiative in his FY 2014 Budget to reduce the State's corporate tax rate from 9.0 percent to 7.0 percent over the next three years. The initiative reduces the corporate tax rate from 9.0 percent to 8.0 percent in tax year 2014, and further reduces it to 7.5 percent in tax year 2015 and finally to 7.0 percent in tax year 2016. In order to offset some of the costs of this initiative, the Governor proposes to reduce the benefits of the Jobs Development Tax Credit by 50.0 percent during this period of time. In addition, Governor Chafee proposes to eliminate the Enterprise Zone tax credits that are applicable to the Corporate Tax.

Governor Chafee's revenue plan also accounts for a revenue loss of \$385,000 due to eliminating a fee considered a nuisance by businesses - the hazardous substance right-to-know fee.

Expenditure Plan: Governor Chafee focused attention on the current year spending levels and the FY 2014 spending levels to address the projected operating deficits. The challenge of balancing the State Budget is more difficult based upon a review of where overall general revenue actually goes. Expenditures from general revenue are projected to total \$3.399 billion for FY 2014, increasing by \$131.5 million over FY 2013 revised spending levels.

Human Services agencies represent the largest share of the growth with nearly \$67.0 million of the general revenue growth attributed to human services programs. Expenditures totaling \$1.337 billion for human services agencies represent nearly 39.3 percent of the total general revenue budget to support various health care and prescription drug coverage programs for low-income children, their parents, seniors and the poor, and community residential and treatment programs for the disabled.

Education is the second largest component of State spending, totaling \$1.154 billion, or 34.0 percent of general revenue spending. This includes the State support for local education aid, support for the state university and colleges, and scholarships. General revenue expenditures for General Government and Public Safety comprise \$456.6 million (13.4 percent) and \$414.2 million (12.2 percent), respectively. General Government includes, along with state operations, state aid to municipalities and direct property tax relief. Public Safety includes the state prisons, Military Staff, State Police, Attorney General and Judicial departments. Finally, expenditures for Natural Resources comprise \$37.2 million, or 1.1 percent of total general revenue funding. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending. Note that Governor Chafee's FY 2014 Proposed Budget continues to shift gas tax supported debt service to the state's general revenue fund.

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. The largest component is grants and assistance expenditures of \$1.248 billion, comprising 36.7 percent of total general revenue spending. Local aid expenditures of \$1.002 billion represent 29.5 percent of total spending; personnel expenditures of \$825.2 million comprise 24.3 percent of the budget; operating expenditures total \$123.9 million, or 3.7 percent of the budget; and capital expenditures, including debt service, total \$195.6 million, or 5.7 percent of the total general revenue budget. Due to a proposed change in accounting for hospital and group home expenditures under the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, the allocation of costs by category for general revenue funds has changed from prior years, with a greater allocation to assistance and grants and less to personnel and operating. On an all funds basis, these adjustments net out and do not impact the comparison with prior years.

General revenue funding for local education aid increases by a net of \$28.8 million in FY 2014, as compared to the FY 2013 enacted funding level. The Governor's budget provides \$27.6 million for year three of the new

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funding formula and \$3.1 million more for categorical aid. Education aid provided to local communities, charter schools, and state schools in FY 2014 total \$945.2 million or \$33.8 million more than provided in the FY 2013 Revised Budget.

Education Aid: Beginning July 1, 2011, the new education aid formula began to distribute education aid to all local educational agencies (LEA), including districts, charter schools and state schools (with the exception of the School for the Deaf, which will be separately funded). The formula allows for the funding to follow the student and was developed with the following guiding principles: build a strong foundation for all children; improve equity among districts and schools; be transparent; and be financially responsible. The new education aid formula determines the amount of funding each LEA shall receive per year. The Governor's budget includes the best data available at the time of the budget submission; however these calculations will be updated using March 2013 student data, including final charter school lottery data, which is expected to be finalized by April 1, 2013.

The enacted formula legislation also allowed for additional funding from the state to districts for certain categorical programs, including high-cost special education, career and technical education, early childhood programs, certain transportation costs, and a limited two-year bonus for regionalized districts. Governor Chafee's FY 2014 budget recommends fully funding each of these programs at an additional cost of \$3.1 million over enacted FY 2013 levels.

The State's FY 2014 share of teacher retirement costs increases by \$2.7 million from the FY 2013 enacted levels to \$82.5 million. In addition to anticipated payroll growth, the required rate of contribution for the State share increases from 19.29 percent in FY 2013 to 20.68 percent in FY 2014.

Human Services: After education aid, the next largest growth area in the FY 2014 budget is in human service programs. The Departments under the Executive Office of Health and Human Services have implemented a number of initiatives authorized in the FY 2013 enacted budget with the goal of addressing the significant and unsustainable growth in this functional area. These efforts will continue in FY 2014 by implementing proposals recommended by the Governor.

In the Medical Assistance program, the Governor recommends a \$14.0 million reduction to the Caseload Estimating Conference's adopted funding level. This is achieved through three distinct policy actions designed to contain the Medicaid program's expenditure growth in FY 2014. First, the Governor recommends reductions to all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2013, for savings totaling \$4.4 million in general revenue. Rates will be negotiated so as to limit average annual growth in these rates to 1.6 percent, as opposed to the 3.0 percent increase assumed at the November 2012 CEC. The Governor further recommends a one year freeze at FY 2013 payment rates for inpatient and outpatient hospital services within both the fee-for-service and managed care segments of the Medical Assistance program, yielding \$5.2 million in general revenue savings. Lastly, the Governor recommends the suspension of the rate increase to nursing care and hospice facilities scheduled for October 1, 2013, generating savings of \$3.9 million in general revenue. The latter two measures will require both statutory amendments as well as the prior approval of the Centers for Medicare and Medicaid Services (CMS); the Governor's FY 2014 Appropriations Act contains legislation designed to meet both objectives.

Personnel: State personnel costs comprise 22.5 percent of total recommended spending in FY 2014. Actual filled positions totaled 13,656.9 FTE positions as of December 29, 2012, a 48.2 position decrease from the 13,705.1 filled position level as of January 14, 2012, and 1,425.9 FTE positions below the 15,082.8 FTE positions level in July 2007. The filled FTE position level of 13,656.9 is 1,396.4 FTE positions less than the FY 2013 enacted cap of 15,026.3 FTE positions.

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In the FY 2013 revised budget, the Governor recommends a FTE position level of 15,102.5, an increase of 76.2 FTE positions from the FY 2013 enacted budget. In the FY 2014 budget, the Governor recommends an increase of 61.1 FTE positions from the FY 2013 revised budget, or 15,171.6 FTE positions.

Personnel costs increase \$21.6 million, or 1.2 percent, in FY 2014, as compared to the FY 2013 Revised Budget. The budget assumes no cost of living adjustment for state employees in FY 2014, given that most employee contracts expire on June 30, 2013 and are subject to renegotiation. Until the contracts are resolved, the Governor's budget assumes no significant personnel cost increases or savings.

Governor Chafee's FY 2013 Budget submission last Spring included an initiative to begin analyzing the State's personnel system to identify where improvements can be made to make it more efficient, cost effective and more agile for today's needs. The General Assembly included \$250,000 in funding to do this work, and an initial report is nearing completion. The current Merit System was designed and implemented in 1956 with few amendments since that time. Given the tremendous investment the State makes to support its workforce, the Governor believes there are opportunities to modernize the current outdated and cumbersome system and provide more flexibility for the day-to-day hiring and management of personnel, while still maintaining its collective bargaining process. Governor Chafee has included \$500,000 in FY 2013 and \$500,000 in FY 2014 to continue this work, focusing on reforming the classification system, which serves as the foundation to all personnel actions.

Energy Policy: There has been considerable progress made in developing a centralized effort for the oversight and administration of state and federal energy policies and programs in the State. The development of the Office of Energy Resources (OER) within the Department of Administration has brought cohesion to the process, and therefore, the Governor recommends bringing the balance of these programs within the Office. This will require that the administration of the Renewable Energy Fund program be transferred from the Economic Development Corporation to the Office of Energy Resources. Centralizing energy programs will provide the State with strong policy leadership for energy procurement and project development. The OER will provide more transparency and offer greater access for individuals, businesses, and municipalities looking for information on energy programs.

Transportation Finance: As the Governor highlighted in his FY 2013 Budget submission, the Department of Transportation is facing the same type of ongoing structural deficits that plague the State as a whole. The failure of the gas tax to keep pace with the growth in transportation expenditures will result in projected annual deficits in the Department for the foreseeable future. A significant contributor to this imbalance is the growth in debt service on general obligation debt issued on behalf of the Department and used for the match to federal highway funds. The General Assembly recognized that this method of providing the State match is not sustainable and in the 2011 session, enacted a plan to move the Department off of debt to pay-as-you-go financing for transportation projects.

The General Assembly enacted into law (1) an increase of \$30.00 in biannual motor vehicle registration fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015; (2) an increase of \$15.00 in annual motor vehicle registration fees in \$5.00 increments effective July 1st of 2013, 2014 and 2015; and (3) a \$30.00 increase in operator license fees in \$10.00 increments effective July 1st of 2013, 2014 and 2015. The proceeds from these fee increases are to be used to finance the newly created Rhode Island Highway Maintenance Trust Fund and, combined with a \$20.0 million appropriation from the Rhode Island Capital Plan Fund, should be sufficient to provide the necessary match to federal funds. The FY 2014 Appropriations Act makes some technical adjustments to the fee structure to ensure it is implemented as intended.

Although this plan would have long-term benefits to the Department's operating structural deficit, it does not address the short-term operations and highway maintenance needs. As such, in the FY 2014 recommended budget, the Governor continues to deal with the operating deficits in both the short and long term, as well as keep to the plan enacted by the General Assembly to address the capital funding side. The Governor recommends that debt service expenses on transportation debt be moved off of the Department of Transportation's budget and onto the Department of Administration's general revenue funded budget, where most other debt service is budgeted.

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The plan would involve decreasing debt service expenses on the Transportation budget by \$10.0 million in FY 2014 and to continue shifting debt service to the general fund in the out years until all such costs are being charged to general revenue funds under the Administration budget. Although this will cause more pressure on the general revenue budget and on projected out year deficits, the Governor believes that this is the best way to get the Department of Transportation on to sound financial footing and will ultimately lead to additional funding available for state and local infrastructure projects.

Similarly, the Governor proposes to assist the Rhode Island Public Transit Authority (RIPTA) in addressing projected operating shortfalls in its FY 2013 and FY 2014 budgets by transferring the cost of debt service on general obligation bonds issued on behalf of RIPTA from the Authority's budget to state general revenue. This will free up over \$1.6 million of Authority resources in each fiscal year.

Digital Government: As part of the FY 2012 enacted budget, the General Assembly created the Technology Investment Fund. This fund is intended to provide resources to improve State Government information technology through the acquisition of new hardware, software and consulting services, with the goal of more efficient and user-friendly systems. While the financing source for this fund is the sale of state property, the FY 2013 Budget as Enacted included a one-time infusion of \$9.0 million to jump-start the fund and get key technology initiatives off the ground. The recently created Office of Digital Excellence is responsible for the process and allocation of these funds.

Performance Management: Governor Chafee has implemented a Performance Management initiative for Rhode Island government departments and agencies to improve the effectiveness and efficiency of state programs and to maximize the value of taxpayer dollars. By developing performance measures and analyzing program data, departments and agencies are able to make better decisions about allocating personnel and financial resources to have the greatest impact.

In FY 2013, departments created new performance measures for their programs, and they now report data on a regular basis to the Office of Management and Budget (OMB). An interagency Performance Management team meets with departmental leadership quarterly to review performance data, determine whether departments are meeting their goals and develop innovative solutions to solve problems.

The Governor's FY 2014 budget submission includes many new performance measures, as well as historical data and targets when available. The OMB will work with remaining departments and agencies to develop performance measures that reflect the impact of their programs. The OMB will also report performance data on a regular basis to improve the transparency and accountability of Rhode Island government.

The following narratives provide a more detailed account of the Governor's FY 2013 Revised Budget and his FY 2014 Budget proposal. This document is accompanied by six other volumes to provide greater detail on the operating and capital budget plan.

The Economy

Introduction

The Consensus Revenue Estimating Conference (REC) convenes at least twice each year, typically within the first ten days of May and November. Historically, the purpose of the conference was confined to forecasting current and budget year revenue estimates. During the 1998 legislative session, the Revenue Estimating Conference statutes were modified to also require the adoption of a consensus economic forecast. Prior to the November 2001 conference, the conferees adopted a forecast for Rhode Island total employment, Rhode Island personal income, and the U.S. consumer price index for all urban consumers (CPI-U) covering the state's prior fiscal year, its current fiscal year, and the budget year.

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

Economic Forecast

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

During its November 2012 meeting, a forecast of the U.S. and Rhode Island economies was presented by Moody's Economy.com. The Rhode Island Department of Labor and Training (DLT) also presented current employment and labor force trends in Rhode Island. The conferees heard the testimony from an economist with Moody's Economy.com, and the Assistant Director for DLT's Labor Market Information unit.

The Revenue Estimating Conference adopted the economic forecast, shown at the end of the section, on November 5, 2012 through a consensus process informed by the testimony provided to the conferees. The updated economic forecast made significant changes to the consensus outlook adopted at the May 2012 Revenue Estimating Conference.

As reported at the November 2012 Revenue Estimating Conference, testimony noted that the state's current economy "lacks spark but is not in recession". The State's economic recovery is being slowed by significant macroeconomic headwinds and uncertainty. In particular, goods-producing industries are essentially seeing no growth, while service-based industries are experiencing enough modest gains to offset the contraction of public sector employment. According to written testimony, the Philadelphia Federal Reserve Bank's coincident index, a measurement of economic activity, Rhode Island's economy bottomed out in 2009 at a level of 143.5. In June of 2012 the index was 148.1, a gain of only 3.2 percent, providing further evidence that Rhode Island's economy, although far from "healthy", is not contracting. These findings mirror three other major indices: the Moody's Analytics Adversity Index, the Rhode Island Current Conditions Index and the Bryant University Current Economic Indicator.

Of particular concern for Rhode Island's economy is the competition from neighboring states. As Rhode Island tries to attract new and develop existing industries, in particular biotechnology and information services, other states are doing the same. These companies may look to Connecticut or Massachusetts for more favorable investment opportunities. Because of these factors and the beginning of Rhode Island's slow economic recovery, Rhode Island's unemployment rate is expected to remain above 10.0 percent

The Economy

until CY 2014 and won't fall below 6.0 percent until CY 2017. Housing prices in the State are projected to bottom out at the end of CY 2012 and show modest increases over the CY 2013 and CY 2014 periods. Personal income growth is anticipated to trail that of the U.S. as a whole, but be positive for the CY 2013 to CY 2015 forecast period. This trend is reversed in CY 2016 through CY 2018 when Rhode Island personal income growth is projected to exceed that of the United States as a whole.

While testimony from Economy.com gave a broad picture of Rhode Island's economic conditions as of November prior to the presidential election, the Rhode Island Department of Labor presented a detail analysis on Rhode Island's labor market. The Rhode Island Department of Labor and Training reported that the Rhode Island unemployment rate declined to 10.5 percent in September 2012. Rhode Island's resident employment figure peaked at 548,900 in December 2006. Rhode Island resident employment in September 2012 totaled 499,400, or 49,500 off the peak.

Rhode Island's seasonally adjusted unemployment rate for November 2012 stood at 10.0 percent. This was up from 9.9 in October 2012 and at the time of testimony was the second straight month over month increase in Rhode Island's unemployment rate.

Rhode Island establishment employment decreased over the period September 2011 to September 2012 resulting in 1,700 job losses. The sector breakdown of job losses were as follows: Government, (1,300); Educational Services, (1,200); Other Services, (900); Trade Transportation and Utilities, (900); Professional and Business Services, (600); Manufacturing, (300); and Information, (100). The broad sectors of the Rhode Island economy which added jobs year-over-year in September 2012 were as follows: Financial Activities, 300; Construction, 800; and Leisure and Hospitality, 2,500. The Natural Resources and Mining sectors of the Rhode Island economy remain unchanged relative to September 2011.

Sector	Jobs Change	Sector	Jobs Change
Government	(1,300)	Information	(100)
Education and Health Services	(1,200)	Natural Resource & Mining	-
Other Services	(900)	Financial Activities	300
Trade, Transportation & Utilities	(900)	Construction	800
Professional & Business Services	(600)	Leisure & Hospitality	2,500
Manufacturing	(300)	Total Non-Farm	(1,700)

Staff from the Rhode Island Department of Labor and Training (DLT) testified that they expect to see significant revisions to the June 2012 job numbers reported by the Bureau of Labor Statistics (BLS). Using a methodology developed by the University of Massachusetts, DLT staff expects total non-farm employment for June 2012 to be revised upward by 5,700 jobs. It should be noted that Moody's economic forecast incorporated upward revisions to BLS data for forecast numbers, but used current BLS total employment numbers for historical figures. As a result, it is expected that the May 2013 Revenue Estimating Conference will see significant changes to the forecast presented in the next section. The changes by sector as calculated by DLT are shown in the table below.

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Sector	Jobs Change	Sector	Jobs Change
Professional & Business Services	3,000	Other Services	100
Trade, Transportation & Utilities	2,800	Natural Resource & Mining	-
Leisure & Hospitality	2,700	Information	(700)
Education and Health Services	400	Manufacturing	(1,300)
Financial Activities	200	Government	(1,500)
Construction	100	Total Non-Farm	5,700

Source: RI Department of Labor and Training, Labor Market Information Unit, Quarterly Census of Employment & Wages (QCEW) and Current Employment Statistics (CES) data, Using methodology developed by the University of Massachusetts.

* Difference is a result of rounding

While there is no official measurement and dating of recessions at the state level, employment is usually used to gauge the cyclical status of the state economy. In FY 2012, total non-farm employment declined by 0.3 percent. In FY 2013, non-farm employment is expected to decrease by 0.4 percent. Total non-farm employment is projected to increase by 1.2 percent from 457,200 in FY 2013 to 462,800 in FY 2014, the first year of positive growth since FY 2007. Over the FY 2015 through FY 2018 period, Rhode Island's economy is expected to add 27,357 jobs. It should be noted that adopted growth rates indicate a positive trend from FY 2014 through FY 2016 before a slowing down in FY 2017 and FY 2018 at rates of growth of 1.9 percent and 0.6 percent respectively.

The unemployment rate for FY 2013 is projected to decline slightly from 11.1 percent in FY 2012 to 10.4 percent. As recovery takes hold, Rhode Island's unemployment rate is expected to decline rapidly from 10.4 percent in FY 2013 to 5.3 percent in FY 2018. Even at this lower rate, Rhode Island's unemployment rate will be 0.4 percentage points higher than the unemployment rate achieved when the economy peaked in FY 2007 of 4.9 percent.

Personal income growth is expected to be 2.6 percent in FY 2013 down from the 3.2 percent growth in FY 2012. The November 2012 Revenue Estimating Conference estimates for personal income growth suggest a positive upward trend from FY 2013 through FY 2017. It should be noted that for FY 2012 through FY 2013 the adopted estimates for personal income growth are below the adopted estimates from the May 2012 Revenue Estimating Conference for the same period. The FY 2012 projected growth rate for personal income is down 0.8 percent growth rate that was adopted in May 2012 of 4.0 percent. For FY 2013 the adopted November 2012 REC estimate is 1.3 percent down from 3.9 percent that was adopted in May. The personal income growth rate is expected to increase to 7.0 percent in FY 2015 and remain at or above 4.4 percent throughout the remainder of the forecast period. This projection indicates that personal income growth will take one more year to accelerate than originally projected in May 2012.

Similarly, FY 2013 estimates of dividend, interest and rents are expected to decrease from FY 2012 growth of 6.5 percent before bouncing back considerably in FY 2014 through FY 2018. Wage and salary income growth is forecasted lower in FY 2012 relative to the projected growth adopted in May 2012. For the FY 2013 to FY 2018 period, the November 2012 growth rates were revised upwards when compared to the forecast adopted in May 2012. Wage and salary income growth is expected to improve beginning in FY 2013 with projected growth of 2.6 percent, an increase of 0.4 percentage points from FY 2012. The rate of growth accelerates in FY 2014 to 5.7 percent and increases again in FY 2015 and FY 2016 to 7.0 percent before decelerating in FY 2017 and FY 2018 to 6.4 percent and 4.8 percent respectively.

The U.S. rate of inflation as measured by the Consumer Price Index for all urban consumers (CPI-U) is anticipated to decrease to 1.9 percent in FY 2013 from 2.9 percent in FY 2012. The decrease is mainly due to the increase in gasoline, fuel oil and natural gas prices combined with the expectation of quantitative easing from the Federal Reserve. The rate of growth in CPI-U is forecasted to increase in FY

The Economy

2014 to 2.5 percent before rising to 2.6 percent in FY 2015. In FY 2016 and FY 2018, inflation is expected to decelerate and settle at 2.3 percent.

From FY 2013 through FY 2015, the interest rate on three month Treasury bills is expected to remain low with rates below 0.8 percent. In FY 2016, the interest rate on three month Treasury bills is expected to rise to 2.6 percent and increase again by 1.1 percentage point to approximately 3.7 percent in FY 2017 before stabilizing at 3.5 percent in FY 2018. The interest rate on ten year Treasury notes is expected to decrease slightly from 2.1 percent in FY 2012 to 1.9 percent in FY 2013 but rise to 3.0 percent and 4.0 percent in FY 2014 and FY 2015. The interest rate on ten year Treasury notes is anticipated to increase again to 4.9 percent in FY 2016 and then decrease to 4.8 percent in FY 2017 and 4.7 percent in FY 2018.

The Consensus economic forecast for the fiscal years 2013 through 2018 agreed upon by the conferees at the November 2012 Revenue Estimating Conference is shown in the following table.

The November 2012 Consensus Economic Forecast						
Rates of Growth (%)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Non-Farm Employment	-0.4	1.2	3.0	3.2	1.9	0.6
Personal Income	2.6	5.1	7.0	6.5	5.7	4.4
Wage and Salary Income	2.6	5.7	7.0	7.0	6.4	4.8
Dividends, Interest and Rent	3.2	7.4	11.4	10.3	6.9	4.2
Nominal Rates (%)						
U.S. CPI-U	1.9	2.5	2.6	2.4	2.3	2.3
Unemployment Rate	10.4	9.7	7.9	6.6	5.5	5.3
Ten Year Treasury Notes	1.9	3.0	4.0	4.9	4.8	4.7
Three Month Treasury Bills	0.1	0.2	0.8	2.6	3.7	3.5

Changes from May 2012 to November 2012 Consensus Economic Forecast					
Rates of Growth (%)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Non-Farm Employment	-1.3	-0.5	0.1	0.2	0.4
Personal Income	-1.3	0.2	1.0	1.0	1.1
Wage and Salary Income	-2.1	0.2	1.1	1.0	1.4
Dividends, Interest and Rent	-1.0	0.0	1.5	2.3	1.8
Nominal Rates (%)					
U.S. CPI-U	0.1	0.3	-0.2	-0.2	0.0
Unemployment Rate	0.1	0.3	0.4	0.4	0.1
Ten Year Treasury Notes	-1.2	-1.2	-0.6	0.1	-0.1
Three Month Treasury Bills	0.0	-0.3	-1.1	-0.5	0.2

General Revenues

Introduction

The Governor's recommended budget is based on estimated general revenues of \$3.331 billion in FY 2013 and \$3.426 billion in FY 2014. Annual estimated growth during FY 2013 and FY 2014 is 1.9 percent and 2.9 percent, respectively. Estimated deposits of \$103.8 million and \$105.2 million will be made to the Budget Reserve and Cash Stabilization Fund during these fiscal years. The contributions to the Budget Reserve and Cash Stabilization Fund are funded by limiting annual appropriations to 97.0 percent of estimated revenues in FY 2013 and 97.0 percent of estimated revenues in FY 2014. The revenue estimates contained in the Governor's FY 2013 supplemental and FY 2014 recommended budgets are predicated upon the revenue estimates adopted at the November 2012 Consensus Revenue Estimating Conference (REC) and the Governor's recommended changes to the adopted general revenues.

The Consensus Revenue Estimating Conference is required by statute to convene at least twice annually to forecast general revenues for the current year and the budget year, based upon current law and collection trends, and the consensus economic forecast. The Conference members are the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor. Typically, the two required meetings of the Consensus Revenue Estimating Conference occur in November and May of each fiscal year.

FY 2013 Revised Revenues

The principals of the November 2012 Revenue Estimating Conference adopted revenue estimates that were \$7.5 million greater than the enacted FY 2013 revenue estimates, an increase of 0.2 percent. As shown in the *Changes to FY 2013 Enacted Revenue Estimates* table in Appendix A of this document, the Governor's revised FY 2013 Budget recommends a net increase of \$2.8 million in revenues.

The recommended change to the FY 2013 adopted estimates is attributable to anticipated receipts of \$4.4 million in overdue payments for the FY 2012 Hospital Licensing Fee. Additionally, the change to the FY 2013 adopted estimates incorporates a decrease of \$1.6 million for administrative and staffing expenses associated with the operation of table games at Twin River Casino.

FY 2013 Revised Revenues vs. FY 2012 Final Revenues

Recommended revenues for FY 2013 are based upon a \$60.5 million increase in total general revenues over final FY 2012, or growth of 1.9 percent. Much of this increase can be found in personal income taxes, business corporations and franchise taxes, sales and use taxes, and the lottery transfer. These increases are partially offset by estimated decreases in inheritance and gift taxes, other miscellaneous revenues, and the unclaimed property transfer.

Personal income tax collections continue to be the single largest source of state general revenues in FY 2013 at 32.4 percent. Personal income tax collections are estimated to expand at an annual rate of 1.7 percent or \$18.1 million for FY 2013. Much of this increase is due to increased final income tax payments of \$9.4 million and increased withholding tax payments of \$10.9 million. The overall increase, however, is slightly offset by an increase in refund payments by \$6.8 million.

General business tax collections are projected to increase by \$23.7 million or 6.2 percent, due primarily to an estimated increase in business corporations taxes of \$12.8 million and an increase in financial institutions taxes and public utilities gross premiums taxes of \$4.6 million and \$3.4 million respectively. Each component of general business taxes are anticipated to increase when compared to final audited FY 2012.

General Revenues

Sales and use tax collections are projected to increase by \$28.3 million or 3.3 percent, over final FY 2012 collections. The anticipated increase in sales and use tax revenues is partially attributable to the passage of a sales tax base expansion on three items effective October 1, 2012 in the enacted FY 2013 Budget signed into law on June 15, 2012. Sales and use taxes represent 26.4 percent of total general revenues in FY 2013. For FY 2013 sales and use tax collections are projected to be \$879.4 million.

Excise taxes other than the sales and use tax are expected to increase by \$7.3 million or 3.7 percent in FY 2013 over final audited FY 2012 collections due to a projected increase in cigarette and other tobacco product taxes of \$6.6 million. The anticipated increase in cigarette and other tobacco product taxes is the result of increased tax enforcement and an increase in the cigarette excise tax rate. Motor vehicle operator's licenses and registration fees, motor carrier fuel use, and alcohol excise taxes tax collections are estimated to increase by \$308,436, \$267,328 and \$126,354 respectively in FY 2013.

Other taxes are projected to decrease by \$12.7 million, or 30.5 percent in FY 2013 relative to final audited FY 2012 receipts. Of the total decrease in other taxes, inheritance and gift taxes are expected to decrease by \$12.6 million, or 27.2 percent. The expected decrease in inheritance and gift tax collections is attributable to fewer receipts. In FY 2012 several large estate receipts were received and it is anticipated that these receipts will not re-occur in FY 2013. Realty transfer taxes are anticipated to increase by \$65,335 and racing and athletics tax collections are projected to decline by \$127,003. Racing and athletics taxes' downward trend is expected to continue as Twin River is no longer required to offer live greyhound racing and now solely relies on simulcast racing for pari-mutuel wagering. Racing and athletics taxes are expected to total \$1.2 million in FY 2013 a decrease of 9.6 percent from final FY 2012 collections. Realty transfer taxes are expected to total \$6.5 million in FY 2012, an increase of 1.0 percent from final audited FY 2012 collections.

In the Governor's FY 2013 Budget, departmental receipts are projected at \$351.9 million, an increase of \$12.0 million from final audited FY 2012 collections, or 3.5 percent. The increase in the departmental receipts is attributable to anticipated receipts in overdue payments for the FY 2012 Hospital Licensing Fee amounting to \$4.4 million and an increase in expected revenues adopted at the November 2012 Revenue Estimating Conference of \$7.6 million. It should be noted that only a partial payment is expected in FY 2013 from an overdue payment of a FY 2012 Hospital Licensing Fee. The remainder is expected to be received in FY 2014.

In addition to the above general revenue components, an increase is expected in FY 2013 for the lottery transfer to the general fund of \$7.4 million, or 2.0 percent from the final audited FY 2012 transfer. The increased lottery transfer in FY 2013 is due to the results of the November 2012 REC which increased the estimated transfer amount from the video lottery terminals installed at Twin River and Newport Grand by \$7.6 million and increased instant tickets and on-line games by \$1.4 million from the enacted FY 2013. Additionally, the FY 2013 revised lottery transfer incorporates administrative and operating expenses netted for the operation of table games at Twin River of \$1.6 million. Under current law, the transfer to the State occurs after the expense to implement, regulate, and monitor table games by the Division of Lottery and is deducted from the State's share of gross table game revenues.

The unclaimed property transfer to the general fund is forecasted to decrease by \$8.3 million in FY 2013 or 56.7 percent from final audited FY 2012 revenues. The decrease in the unclaimed property transfer is based on the testimony provided by the Office of the General Treasurer at the November 2012 REC. For FY 2013, other miscellaneous general revenues are projected to decrease by \$15.5 million from final audited FY 2012 revenues.

General Revenues

FY 2014 Proposed Revenues

The Governor's recommended FY 2014 budget estimates general revenues of \$3.426 billion, an increase of 2.9 percent from the revised FY 2013 level. The Governor's recommendation is comprised of \$3.288 billion of revenue estimated at the November 2012 Revenue Estimating Conference and \$138.3 million of changes to the adopted estimates. These changes are shown in the schedule *Changes to FY 2014 Adopted Revenue Estimates* located in Appendix A of this document.

The largest source of FY 2014 general revenues is the personal income tax, with estimated receipts of \$1.131 billion, \$1.8 million more than the November 2012 REC adopted estimate for FY 2014 or growth of 4.8 percent from the revised FY 2013 amount. This revenue increase is partly the result of the Governor's recommendation for the administration of a special investigation tax unit located in the Division of Taxation. The FY 2014 budget projects increased revenue collections of \$1.0 million from the investigation tax unit through the process of more efficiently and effectively identifying, monitoring, and quantifying tax fraud and related activity within personal income tax collections. The Governor also proposes to allow the Division of Taxation to hire out of state collection agencies to more effectively collect debts from non-resident individuals and business. According to the Division of Taxation, there are currently 11,554 non-resident individuals owing the state over \$28.89 million. The FY 2014 budget projects increase revenue collections of \$750,000.

General Business taxes are projected to comprise 11.2 percent of total general revenue collections in the FY 2014 Budget. Business corporations tax revenues are expected to yield \$135.1 million, a decrease of \$5.3 million from the FY 2014 estimate adopted at the November 2012 REC. This decrease is partially attributable to the Governor's recommendation to reduce the state's corporate tax from 9.0 percent to 7.0 percent over a three year period beginning January 1, 2014.

The three year tax decrease is as follows:

- Effective January 1, 2014 the business corporation tax rate will decrease from 9.0 percent to 8.0 percent.
- Effective January 1, 2015 the corporate tax rate will decrease from 8.0 percent to 7.5 percent.
- Effective January 1, 2016 the corporate tax rate will decrease from 7.5 percent to 7.0 percent.

The FY 2014 budget estimates decreased revenue collections of \$8.0 million as the result of the rate reduction. The Governor also proposes to reduce the value of the business corporation tax reduction title the "Jobs Development Act" (JDA). For tax years beginning on or after January 1, 2014 and before January 1, 2015 the tax benefit a company receives from the JDA shall be reduced by 25.0 percent. For tax years beginning on or after January 1, 2015 and thereafter the tax benefit a company receives from the JDA as of tax year 2013 shall be reduced by 50.0 percent. The FY 2014 recommended budget estimates additional revenue of \$2.4 million from the JDA rate reduction. Additionally the Governor recommends the sunset of the Rhode Island General Law Chapter 42-64.3 titled "Distressed Areas Economic Revitalization Act" for tax years beginning on or after January 1, 2014. It is anticipated that revenues will increase by \$309,380 as a result of the sunset legislation. The estimated growth rate in business corporations taxes over the FY 2013 revised level is -0.6 percent.

Insurance companies gross premiums taxes are projected to reach \$96.8 million in FY 2014, a decrease of \$177,932 from the FY 2014 estimate adopted at the November 2012 REC. This decrease is the result of a rate decrease to managed care. The recommended growth rate in FY 2014 insurance companies gross premiums taxes over the FY 2013 revised estimate is 5.4 percent.

General Revenues

FY 2014 recommended revenues for the public utilities gross earnings tax, the financial institutions tax, and the bank deposits tax are at the same levels as were adopted at the November 2012 REC. The FY 2014 recommended growth rate for public utilities gross earnings tax relative to the FY 2013 revised estimates is -1.5 percent. For financial institution taxes the recommend growth rate for FY 2014 relative to FY 2013 revised estimates is -62.2 percent. Bank deposit taxes are expected to grow by 4.8 percent in the FY 2014 recommended revenue level from the revised FY 2013 estimate.

The health care provider assessment on nursing homes is forecasted to yield \$43.1 million, a decrease of \$430,279 from the estimate that was adopted at the November 2012 REC. This decrease is attributed to the estimated decline in revenues from the Governor's proposal to suspend the cost of living adjustment nursing homes are scheduled to receive October 1, 2013. The recommended growth rate in FY 2014 health care provider assessment taxes over the FY 2013 revised estimate is 1.8 percent.

Sales and use tax collections are expected to yield \$904.3 million in FY 2014, \$200,000 more than was adopted at the November 2012 Revenue Estimating Conference for FY 2014. This increase is attributable to the Governor's recommendation for a special investigation tax unit within the Division of Taxation. The FY 2014 budget projects increased revenue collections of \$200,000 from this proposal. Sales and use taxes are anticipated to contribute 26.4 percent to total general revenues in FY 2014.

Motor vehicle operator license and vehicle registration fees are forecasted to equal \$48.7 million in FY 2014, the same amount that was adopted at the November 2012 REC. Motor Fuel tax revenues are projected to be \$1.0 million, the same as the estimate adopted at the November 2012 Revenue Estimating Conference.

Cigarette and other tobacco products tax revenues and alcohol tax revenues are expected to total \$137.4 million and \$12.2 million, the same amounts that were adopted at the November 2012 REC. The respective growth rates over the revised FY 2013 estimate for cigarette and other tobacco product taxes is -0.2 percent. Alcohol tax revenues are anticipated to increase by 1.7 percent over the FY 2013 revised estimate.

Inheritance and gift taxes, racing and athletics taxes, and the realty transfer are all equal to the amount adopted at the November 2012 REC. Inheritance and gift taxes are estimated at \$35.4 million, racing and athletics taxes are expected to total \$1.1 million, and the realty transfer is estimated to generate \$6.7 million in FY 2014. Other taxes are expected to comprise 1.3 percent of total general revenues in FY 2014.

FY 2014 departmental receipts are expected to generate \$1.4 million less than the revised FY 2013 estimate. Inclusive of the Governor's proposed changes to departmental receipts, total departmental revenues are expected to be \$353.3 million in FY 2014, or 10.3 percent of total general revenues. The anticipated increase in FY 2014 departmental receipts is the result of the one time inclusion of an overdue hospital licensing fee payment in the revised FY 2013 budget. The Governor's FY 2014 recommended budget includes the reinstatement of the hospital licensing fee at the current rate of 5.350 percent applied to the current base of hospital fiscal year 2011 net patient revenues. The hospital licensing fee rate of 5.350 percent is discounted by 37.0 percent "for all hospitals located in Washington County, Rhode Island" subject to the approval of the Centers for Medicare and Medicaid Services. The 37.0 percent discount yields an effective hospital licensing fee rate for Washington County hospitals of 3.3705 percent. In addition to the hospital licensing fee reinstatement the FY 2014 recommended departmental revenues figure includes the following proposals:

General Revenues

- An increase of \$141.3 million from reinstating the hospital licensing fee at 5.350 percent of 2011 net patient revenues, “except that the license fee for all hospitals located in Washington County, Rhode Island shall be discounted 37.0 percent”;
- An increase of \$5.6 million from anticipated receipts in overdue payments for the FY 2012 Hospital Licensing Fee;
- A decrease of \$384,575 from the elimination of the Department of Labor and Training hazardous substance right to know fee;
- An increase of \$40,000 in interest paid on overdue taxes from the creation of a special investigation tax unit;
- An increase of \$10,000 in penalties paid on overdue taxes from the creation of a special investigation tax unit;

The FY 2014 recommended revenues for the other sources component totals \$412.8 million, an increase of \$16.8 million, or 4.2 percent, compared to the revised revenue estimate for FY 2013. Other miscellaneous revenues are anticipated to generate \$2.4 million in FY 2014 the same level adopted at the November 2012 Revenue Estimating Conference.

Within the gas tax transfer component, the Governor’s FY 2014 Budget shows no change from the FY 2013 revised estimate. Effective July 1, 2009, the state’s general fund no longer receives any of the revenues generated by the state’s \$0.32 per gallon gas tax.

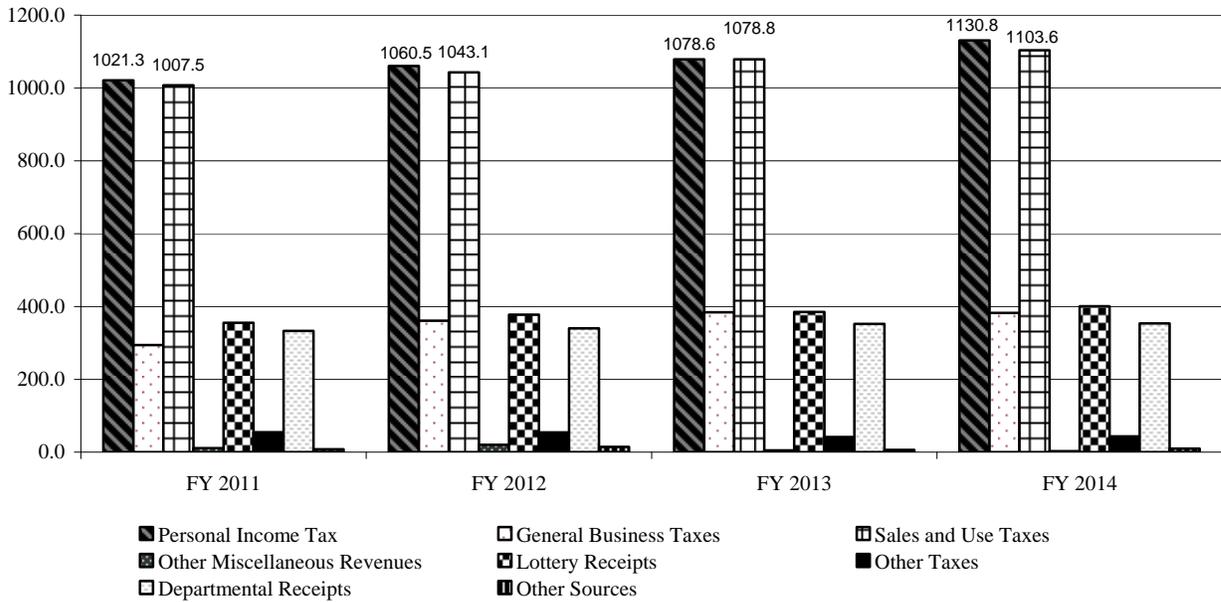
Within the lottery category, the recommended FY 2014 budget is \$15.7 million more than the revised FY 2013 budget, an increase of 4.1 percent. The Governor recommended FY 2014 estimate is \$4.3 million lower than the estimate adopted at the November 2012 REC. This decrease is to account for the administrative and operating expenses netted against gross receipts for the operation of table games at Twin River. In FY 2014, the lottery transfer is expected to be \$400.8 million and comprise 11.7 percent of total general revenues.

The final category of general revenue receipts is the unclaimed property transfer. In FY 2014, this transfer is expected to increase by \$3.3 million, or 52.4 percent, from the revised FY 2013 estimate. The unclaimed property transfer is projected to be \$9.6 million in FY 2014, and comprises 0.3 percent of all general revenues.

The chart below shows the sources of general revenues for the period FY 2011 – FY 2014. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted.

General Revenues

General Revenue Sources (\$ millions)



Restricted Receipts and Other Sources of Revenue

Introduction

The Governor's recommended budget proposes changes to revenue sources other than general revenues for FY 2014. The revenue estimates in the Governor's FY 2014 recommended budget contains a net change total of \$(645,627) in non-general revenue adjustments.

FY 2014 Recommended Non-General Revenues

The Governor's FY 2014 budget proposes to rename the "Rhode Island Highway Maintenance Trust Fund" the "Rhode Island Highway Maintenance Account" and establish the account in the Intermodal Surface Transportation Fund (ISTF). The ISTF is the State's financing source for the Department of Transportation. In addition, to renaming and establishing an account within the ISTF, the Governor has reevaluated the data and information provided by the Department of Revenue's Division of Motor Vehicles to ensure the original intent of the FY 2013 Enacted Budget's "Rhode Island Highway Maintenance Trust Fund" is implemented beginning July 1, 2014. As a result of this analysis the Governor recommends a decrease of \$725,627 to FY 2014 non-general revenue, more specifically the Rhode Island Highway Maintenance Account.

The Governor's recommended FY 2014 budget proposes to classify surplus receipts from the TDD relay program to the commission on the Deaf and Hard of Hearing for a new program. The new program titled the Emergency and Public Communication Access Program (EPCAP) will allow the Commission to further support communication access for the State's deaf and hard of hearing population. The FY 2014 recommended budget includes an increase of \$80,000 in non-general revenues for this program.

All Sources

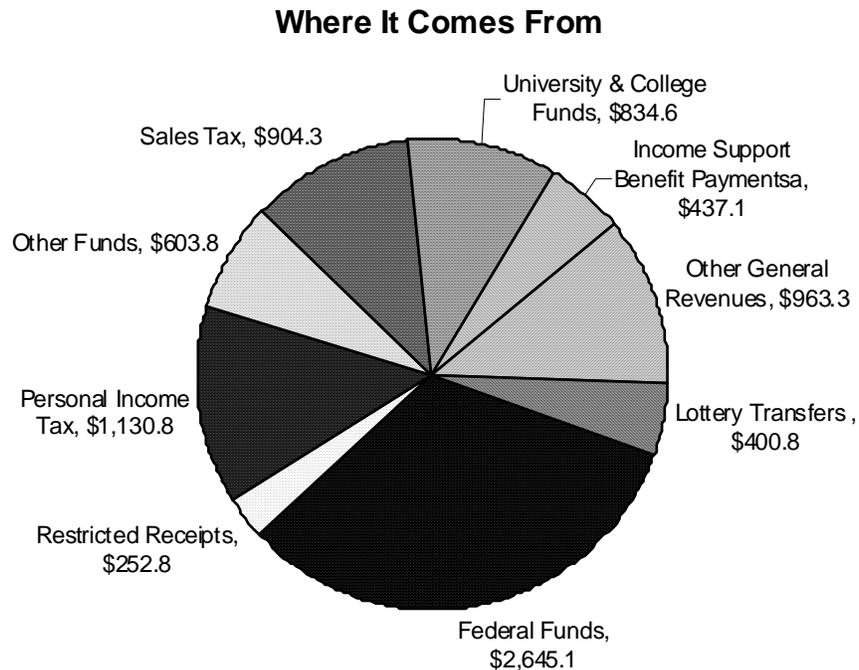
The FY 2014 total budget of \$8,172.5 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 32.4 percent of all funds. Over 71.8 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales Taxes combined represent 24.9 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 10.2 percent, and 5.3 percent of the total, respectively.

Remaining sources include: Other General Revenues, 11.8 percent; the Lottery Transfer, 4.9 percent; Restricted Receipts, 3.1 percent; and Other Funds 7.4 percent.



All Expenditures

The Governor's FY 2014 Budget recommendation is \$8.172 billion in all funds comprised of six functional units of state government: Human Services, Education, General Government, Public Safety, Transportation, and Natural Resources.

Approximately 40.1 percent of all expenditures are for Human Services, comprised of agencies that engage in a broad spectrum of activities including income support, client subsidies, case management and residential support, and medical regulation, prevention, treatment, and rehabilitation services. The FY 2014 recommended budget for all human service agencies is \$3.317 billion.

Approximately 28.4 percent of all expenditures are for Education, which includes the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, and the Historical Preservation and Heritage Commission. The FY 2014 recommended budget for education is \$2.319 billion.

Approximately 17.5 percent of all expenditures are for General Government, which includes agencies that provide general administrative services to other state agencies, assist in developing the state's workforce, assist municipalities in achieving fiscal health, and those that perform state licensure and regulatory functions. The FY 2014 recommended budget for all General Government agencies is \$1.431 billion.

Approximately 6.4 percent of all expenditures are for Public Safety, which is the system that provides law enforcement, adjudicates justice, performs correction and rehabilitative services, and handles emergencies impacting Rhode Island's citizens. The FY 2014 recommended budget for the public safety system is \$524.6 million.

Approximately 5.7 percent of all expenditures are for Transportation, which provides for the state's maintenance and construction of a quality transportation infrastructure. The FY 2014 recommended budget for transportation is \$469.9 million.

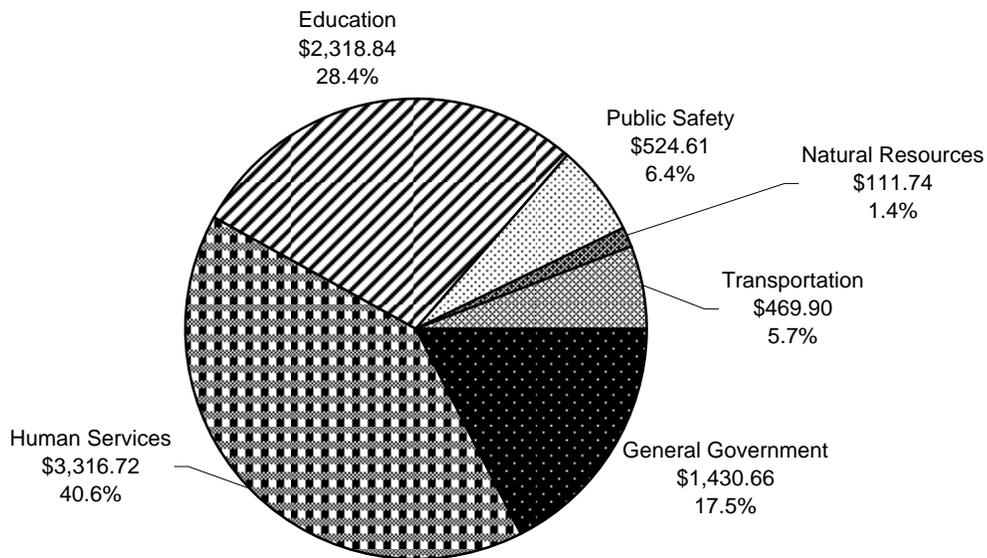
Approximately 1.4 percent of all expenditures are for Natural Resources, which includes the Department of Environmental Management and the Coastal Resources Management Council. The FY 2014 recommended budget for natural resources is \$111.7 million.

Expenditure Summary

All funds expenditures for FY 2014 are \$8.172 billion. Of this total, \$3.399 billion, or 41.6 percent, is from general revenue, \$2.645 billion, or 32.4 percent, from federal funds, \$1.876 billion, or 23.0 percent, from other sources, and \$252.8 million, or 3.1 percent, is from restricted or dedicated fee funds.

On a functional basis, the largest percentage of expenditures is in the Human Services area, which comprises \$3.317 billion, or 40.6 percent of the total budget. This is followed by spending for Education of \$2.319 billion, which comprises 28.4 percent of all spending, and expenditures for General Government of \$1.431 billion, equaling 17.5 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$1.106 billion, or 13.5 percent of the total budget.

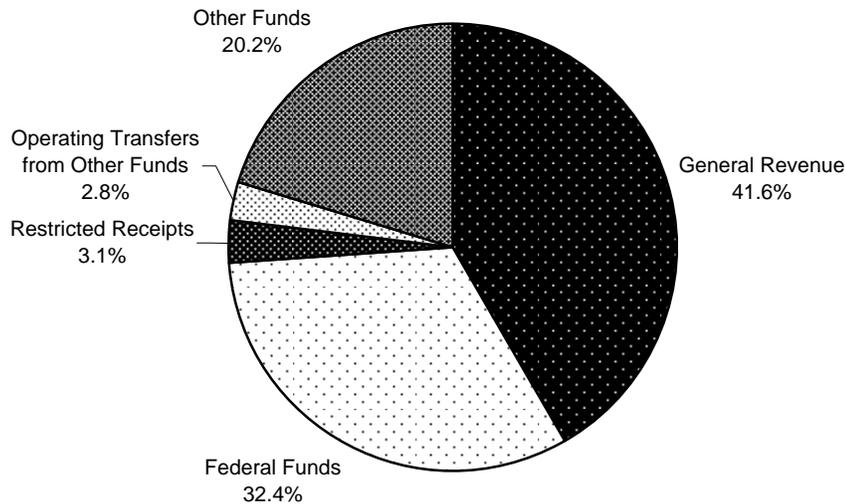
All Funds Expenditures by Function



The second way to view expenditures is by major category. On this basis, the largest share of the FY 2014 budget is for assistance, grants and benefits equaling \$3.779 billion or 46.2 percent of the total. This is followed by personnel expenditures, which comprise 22.5 percent, or \$1.835 billion, and local aid expenditures, which make up 14.4 percent, or \$1.178 million of the total budget. Expenditures for capital purchases and debt service total \$649.3 million or 7.9 percent, with the balance of spending used to finance operating expenditures and operating transfers of \$731.4 million, or 8.9 percent of the total.

Expenditure Summary

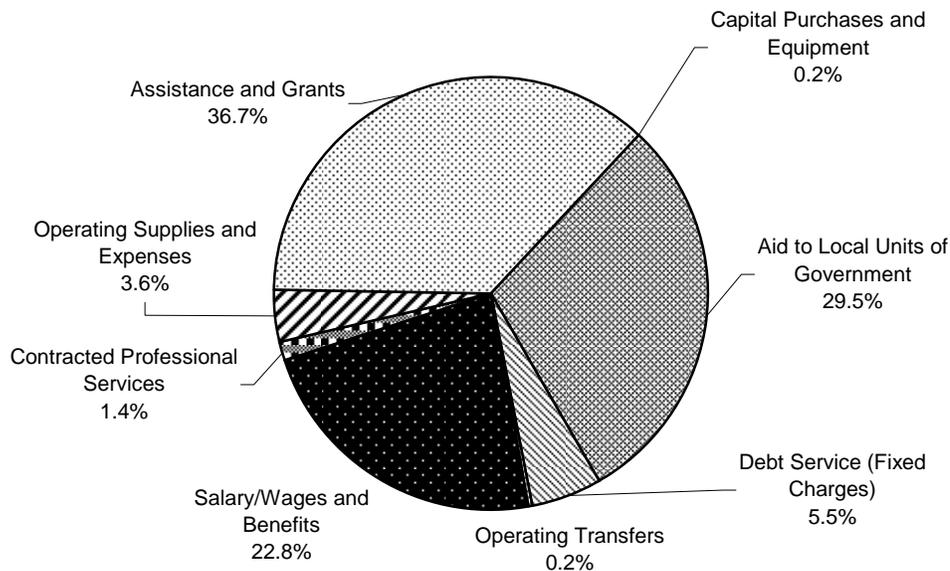
All Funds Expenditures by Source



Expenditures from general revenue total \$3.399 billion for FY 2014. By function, spending by Human Service agencies represents the largest share with expenditures, totaling \$1.337 billion, or 39.3 percent of the general revenue budget. This is followed by spending for Education, which totals \$1.154 billion, or 34.0 percent. General revenue expenditures for General Government and Public Safety comprise \$456.6 million (13.4 percent) and \$414.2 million (12.2 percent), respectively. Expenditures for Natural Resources comprise \$37.2 million, or 1.1 percent of total general revenue spending. Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel.

General Revenue Expenditures Statewide



Expenditure Summary

The largest components of general revenue expenditures are assistance, grants, and benefit expenditures of \$1.248 billion, comprising 36.7 percent of total general revenue spending. Local Aid expenditures of \$1.003 billion represent 29.5 percent of total spending; personnel expenditures (including contracted services) of \$825.2 million comprise 24.3 percent of the budget; operating expenditures and operating transfers total \$131.1 million, or 3.9 percent of the budget; and, capital expenditures and debt service total \$192.6 million, or 5.7 percent of the total general revenue budget.

Enacted and proposed expenditures for general revenue funds, by category of expenditure are shown in the following table:

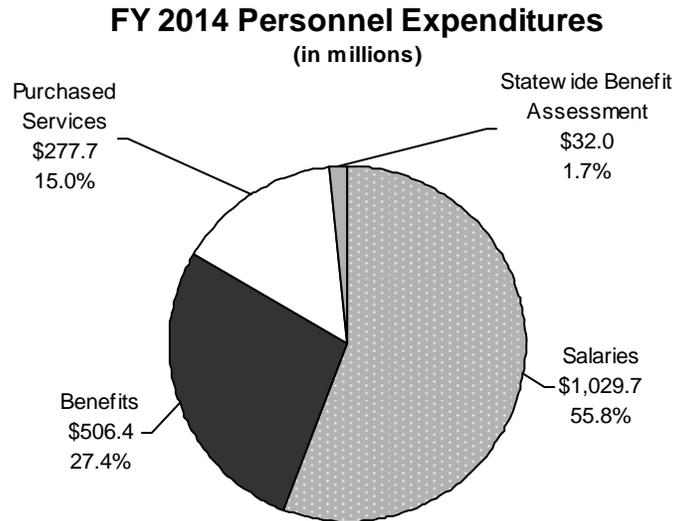
General Revenue Funds	FY 2013	FY 2013	Change	FY 2014	Change
Category of Expenditure	Enacted	Revised	from Enacted	Recommended	from Enacted
Salary/Wages and Benefits	\$812.0	\$805.1	-\$6.9	\$776.4	-\$35.6
Contracted Professional Services	\$46.4	\$47.7	\$1.3	\$48.8	\$2.4
Operating Supplies and Expenses	\$126.2	\$128.8	\$2.6	\$123.9	-\$2.3
Assistance and Grants	\$1,152.8	\$1,127.2	-\$25.7	\$1,247.7	\$94.9
Capital Purchases and Equipment	\$5.6	\$10.4	\$4.9	\$6.7	\$1.1
Aid to Local Units of Government	\$962.4	\$960.9	-\$1.5	\$1,002.7	\$40.2
Debt Service	\$184.4	\$181.2	-\$3.2	\$185.8	\$1.4
Operating Transfers	\$5.9	\$6.3	\$0.4	\$7.1	\$1.2
Total	\$3,295.8	\$3,267.7	-\$28.2	\$3,399.2	\$103.3
<i>(in millions)</i>					

Enacted and proposed expenditures by source of funds are shown in the following table:

Source of Funds	FY 2013	FY 2013	Change	FY 2014	Change
Source of Funds	Enacted	Revised	from Enacted	Recommended	from Enacted
General Revenue	\$3,295.8	\$3,267.7	-\$28.2	\$3,399.2	\$103.3
Federal Funds	\$2,676.3	\$2,659.1	-\$17.3	\$2,645.1	-\$31.3
Restricted Receipts	\$232.5	\$270.2	\$37.7	\$252.8	\$20.2
Operating Transfers	\$181.5	\$197.1	\$15.6	\$226.4	\$44.9
Other Funds	\$1,713.7	\$1,685.7	-\$28.0	\$1,649.1	-\$64.6
Total	\$8,099.9	\$8,079.7	-\$20.2	\$8,172.5	\$72.6
<i>(in millions)</i>					

Personnel Summary

The Governor's FY 2014 recommended budget finances personnel at \$1.8 billion. This includes \$1.5 billion for salary and benefits (83.2 percent), \$277.7 million for purchased services (15.1 percent), and \$32.0 million (1.7 percent) for such statewide benefits as severance, unemployment and workers compensation that are funded by a statewide assessment. This total includes expenditures financed from general revenues, federal grants, restricted receipts, other funds, and internal service funds. General revenue finances 44.7 percent of FY 2014 personnel expenditures. Federal funds finance 20.9 percent, Other Funds (primarily college tuition funds) and Internal Service Funds finance 23.3 percent, and restricted receipts finance the remaining 11.1 percent. The personnel supplements provided in the budget volumes contain all expenditures for personnel, including those of the internal service funds, as noted above. Since internal service fund positions are financed through charges to state agencies categorized as operating expenses, totals shown will differ in some cases from personnel costs shown in complementary documents of the FY 2014 Budget. After adjusting to reflect internal service fund personnel expenditures in the personnel category rather than as an operating expense, personnel expenditures constitute approximately 22.5 percent of the state budget, the second largest category of spending (after assistance, grants and benefits).



Personnel expenditures recommended for FY 2014 increase by \$22.2 million from the FY 2013 revised budget, and by \$25.4 million (1.4 percent) from the FY 2013 enacted budget. From the enacted budget, direct salaries decrease by 0.8 percent, overtime increases by 25.0 percent, fringe benefits increase by 4.5 percent overall, with retiree health and retirement both increasing by 9.3 percent and 6.2 percent respectively. Medical benefits (including the medical waiver bonus) increase by 1.6 percent.

Rhode Island state government experienced significant attrition from retirements in FY 2009. Between May 1, 2008 and October 1, 2008, 1,396 state employees, who were members of the Employees Retirement System, retired. Overall, state employee full time equivalent positions declined from the FY 2008 final enacted level of 15,688.7 to 14,935.3 in the FY 2012 budget, a reduction of 753.7 positions. The FY 2013 enacted budget reversed this trend, with the addition of 91.3 FTE positions primarily in Human Service agencies to meet program needs in Health, Children Youth and Families, and the Office of Health and Human Services. In the FY 2013 revised budget, the Governor recommends an FTE level of 15,102.5, an increase of 76.2 FTE positions from the FY 2013 enacted budget. In the FY 2014 budget,

Personnel Summary

the Governor recommends a further increase of 69.1 FTE positions from the FY 2013 revised budget, or 15,171.6 FTE positions.

Current Retiree Health Benefit Structure

In order to address the unfunded liability associated with retiree health benefits and reduce the ongoing cost to the taxpayer, eligibility requirements and co-share percentages for retiree health were modified in the 2008 session of the General Assembly. The new plan provided that employees retiring after October 1, 2008 would be eligible for retiree health coverage through the State if they are age 59 or over with a minimum of 20 years of service. For employees retiring before October 1, 2008, an employee with over 10 years of service as of July 1, 2005 was eligible for retirement with at least 28 years of service at any age, or at least 10 years of service and at least age 60, and was therefore eligible for retiree health. For those employees with less than 10 years of service prior to July 1, 2005, the employee had to be age 59 with at least 29 years of service, age 65 with ten years of service, or age 55 with 20 years of service in order to be eligible for retirement and therefore also eligible for retiree health. The enacted reform modified the co-share percentage to require a 20 percent co-share on the full cost of the early retiree or post-65 plan in which the retiree is enrolled. For those retiring prior to October 1, 2008, the early retirees pay a co-share based on years of service on the active employee rate. For these employees retiring prior to October 1, 2008, who are over age 60 with at least 28 years of service, the state pays 100 percent of the cost of the plan.

Funding of Retiree Health Unfunded Liability

The Governor's recommended budget includes previously added provisions requiring that the State fund retiree health benefits on an actuarial basis and amortize the unfunded liability over a thirty year period. This funding mechanism will provide transparency with respect to the true cost of the benefit offered to state employees after employment. In compliance with GASB Statements 43 and 45, "Other Post Employment Benefits," in July 2007, the State obtained an actuarial estimate of the unfunded liability relating to retiree medical benefits. Pursuant to GASB Statement 45, "Other Post Employment Benefits" the State obtained an updated actuarial valuation of the unfunded liability relating to retiree medical benefits for the period ending June 30, 2009. The unfunded liability as of June 30, 2009 was determined to be approximately \$774.7 million, including \$673.6 million for State employees, \$67.1 million for State Police, \$11.8 million for Legislators, and \$8.7 million for Judges, and \$13.5 million for the State's share for teachers. This was calculated using an investment rate of return of 5.0 percent and assumes that future funding will be on an actuarial basis. The annual required contribution as a percentage of payroll in FY 2013 is budgeted at 6.86 percent, 33.18 percent, 46.35 percent and 7.19 percent (no rate for teachers), respectively. Prior to FY 2011, the State had not set aside any funds on an actuarial basis to address the unfunded retiree medical benefit liabilities. During the 2008 session of the General Assembly, in order to begin funding this unfunded liability, legislation was enacted that would require the State to fund on an actuarial basis and authorized creation of a trust fund for retiree medical benefit liabilities. During the 2009 Session of the General Assembly, this actuarial funding requirement was delayed until FY 2011.

Beginning with the first pay period of FY 2011, the state began providing the resources necessary to the OPEB trust fund to finance retiree health benefit costs on an actuarial basis, which will be used to pay current benefits and hold assets for investment.

Because a new actuarial study had not been completed at the time, the FY 2013 current services targets assumes that retiree health rates would remain the same as in the enacted FY 2013 budget. For FY 2014, the retiree health insurance rates reflect the valuation of the retiree health insurance fund as of June 30, 2011 issued by Gabriel, Roeder, and Smith (GRS) in May 2012. Retiree health is calculated on salaries of different

Personnel Summary

categories of employees, including state employees, State Police, judges, and legislators. The rates also reflect a proposal from the Department of Administration's Office of Employee Benefits to implement a Medicare Exchange for post-65 retirees, where retirees choose between multiple Medicare supplemental plans from different insurers. The State will set up Health Reimbursement Accounts (HRAs) for retirees in the state-sponsored health plans and deposit money each month into the account. The amount would be determined by the current level of subsidy the State provides, i.e. a 100 percent subsidized retiree would receive 100 percent of the maximum HRA amount, and an 80 percent subsidized retiree would receive 80 percent of the maximum HRA amount. Approximately 5,300 post-65 retirees currently receive subsidies and an additional 2,700 non-subsidized members are on the plan (spouses and public school teachers).

The Governor recommends total savings of \$1.1 million, including \$600,000 general revenue based on the more competitive rates available in the open market comparing the State's current plans with available plans in the Rhode Island market. Access to the exchange will provide retirees with additional choices and the ability to buy the plan that best fits their needs each year. The exchange will also provide, for the first time for retirees, access to Medicare Part D plans and access to \$0 Medicare Advantage plans. A retiree may choose to purchase a lower cost supplemental plan and use the rest of the HRA funds to purchase a plan for a spouse, for dental or vision expenses, or for payment of the Medicare Part B premium.

Statewide Cost of Living Adjustment

Most current labor contracts expire June 30, 2012. Without a negotiated cost of living adjustment, no accommodation has been made in the FY 2014 Budget for any such increase.

Employee Medical Benefits

The FY 2013 enacted budget for health benefit costs was predicated upon a planning value of \$16,956 based on a weighted average of the three cost components consisting of medical, dental, and vision rates for both individual and family plans. The currently active rates for FY 2013, which are the rates used in the revised FY 2013 budget, are revised to a new total of \$16,821. This amount is \$135, or approximately 0.8%, less than the rates used in the enacted budget.

Based on current and projected balances in the state's Health Insurance Fund, the Governor recommends a medical holiday in FY 2013. The state is self-insured for medical benefits and develops annual working rates based upon prior claims experience, adjusted for medical inflation. This fund is used to pay insurers for medical benefits for state employees. Revenue is generated by assessing state agencies on a bi-weekly basis and by co-shares from employees. In the event that there is a surplus, the balance may be used to reduce the working rates by not charging the state agencies for medical coverage for a particular pay period, known as a medical holiday. Employees paying a co-share based on a percentage of the premium cost are also not charged for the respective pay period. Employees paying a co-share based on a percentage of their pay are still charged. The Governor recommends a statewide reduction of 3.85 percent for medical insurance only.

For FY 2014, the budget instructions contained an estimated planning value equal to \$18,433, an increase of 8.7 percent from the original FY 2013 enacted amount of \$16,956. This is the increase upon which the statewide target adjustment was based. Subsequent to this, there were several items that are projected to result in savings in medical benefit costs. The first is based on the expectation that the year-over-year increase in costs for health insurance will be lower than assumed in the projections developed by the Budget Office in July 2012 for FY 2014. The Budget Office, based on national trend data and information provided by the state's health insurance provider, United Healthcare, assumed an increase of 10.0 percent in overall medical benefit rates in FY 2014 vs. FY 2013. Based on the surplus in the health insurance fund in FY 2013, the

Personnel Summary

Budget Office recommends lowering this growth projection from 10.0 percent to 5.8 percent. This is the equivalent of an additional one day medical holiday in FY 2014, although an actual holiday will not be taken; instead, the rates put in effect for FY 2014 will be lowered to match this new growth rate.

In addition, the Department of Administration's Office of Employee Benefits proposed two initiatives for FY 2014 that would result in overall savings in health insurance costs. The Governor recommends these proposals be adopted, which will result in overall savings of almost \$2.2 million (\$1.4 general revenue) to the fund. The two initiatives are:

- Eliminate health coverage for former spouses of State employees. The State currently covers 405 former spouses, at an annual costs approximately \$2.86 million. Many of these former spouses have access to their own employer-sponsored health plan, but instead are on the state health plan because there is no cost to them or because the state health plan provides better coverage. With the creation of the RI Health Exchange, everyone will have access to health care coverage.

The RI Health Exchange is expected to be operational on January 1, 2014 and will provide access to health coverage for all Rhode Islanders who do not have other coverage, regardless of preexisting conditions. Dependent on income, federal subsidies will be available through the Exchange to help Rhode Islanders pay for coverage.

The FY 2014 Budget includes a proposal that the State no longer cover former spouses of State employees effective January 1, 2014. These individuals would either move to their own employer sponsored health plan or move to a plan under the RI Health Exchange. This proposal assumes six (6) months of savings or \$1.43 million all funds, including \$739,000 general revenue.

- Exclude Nexium as a covered prescription and replace with a generic equivalent. The FY 2014 Budget proposes to exclude the drug Nexium from its prescription formularies due to the availability of equivalent generic protein pump inhibitors available to treat the symptoms of heartburn effective July 1, 2013. This proposal is assumed to save \$737,000 all funds, \$382,000 general revenue.

Further identified savings come in the Dental Cost portion of Health Benefits. The State Employee Dental contract expires December 31, 2013. The contract provides for two one-year extensions. The original contract provided for a maximum increase of six percent (6.0%) in Calendar Year 2013. The contractor, Delta Dental, has offered to extend the contract with a three percent (3.0%) increase if the State extends the contract for the additional two years. The Department of Administration's Office of Employee Benefits proposes that the contract be extended for an additional two years with an increase of three percent (3.0%), as opposed to the six percent (6.0%) increase assumed in the current service projections developed by the Budget Office. The Governor recommends savings of \$250,000 all funds, including \$140,000 general revenue in FY 2014.

Full-Time Equivalent Positions (FTE)

The FY 2013 enacted budget contained 15,026.3 full-time equivalent (FTE) positions, including 776.2 FTE positions that are federal/sponsored research positions in Higher Education. In order to maintain an acceptable level of critical services and to address new program concerns, the Governor recommends 15,102.5 FTE positions in the revised FY 2013 budget, an increase of 76.2 FTE positions from the enacted level. In FY 2014, the Governor recommends a total FTE position level of 15,171.6, including 776.2 Higher Education federal/sponsored research positions, an increase of 69.1 FTE positions from the revised FY 2013 level and a 145.3 increase from the FY 2013 enacted level.

Personnel Summary

In **General Government**, the Governor recommends a net increase of 7.0 FTE positions in FY 2014 from the FY 2013 enacted budget. The largest decrease is in the Department of Labor & Training, where a reduction of 70.5 positions results from the end of Extended Benefits Unemployment Insurance federal funds. The Governor recommends a 40.5 FTE position increase in the Department of Administration due to program additions and adjustments in the Office of Digital Excellence (5.0), Human Resources (3.5), Planning (1.0), Purchasing (2.0), Capital Properties (1.0), Energy Resources (2.0) (from the Economic Development Council), Information Technology (8.6), and the Office of Management & Budget (2.4). Also in Administration, 15.0 positions are added to staff the Health Exchange. The Governor also recommends the addition of 34.0 FTE positions in the Department of Revenue, 31.0 in FY 2013 in the Lottery Division to supervise table gaming operations recently approved for the Twin River Casino; 2.0 in the Taxation Division related to the creation of a Special Investigation Unit to review and investigate alleged tax law violations; and 1.0 chief financial officer position in the Office of the Director. There are also increases of 1.0 FTE position in the General Treasurer (a legal counsel in the Retirement program), and 2.0 FTE positions in the Public Utilities Commission (1.0 in audits and 1.0 in the consumer unit to deal with utility shutoffs). There is also an increase in FY 2013 of 1.0 consumer affairs FTE position in the Department of Business Regulation's Insurance Regulation program for the Affordable Health Care Act. In FY 2014, the task will be performed through contract services.

In **Human Services**, the Governor recommends a net increase of 101.9 FTE positions in FY 2014 from the FY 2013 enacted FTE authorization. The Governor recommends the following increases:

- 40.2 FTE positions in the Department of Behavioral Healthcare, Development Disabilities, and Hospitals, due to the addition of 41.2 FTE positions to hire more full time employees and the recruit nurses, nursing assistants, attendants, cook's helpers, and community living aides, as well as to transfer a financial officer to the Executive Office Health and Human Services;
- 33.9 FTE positions in the Department of Human Services due to the addition of 6.0 in FY 2013 and 12.0 in FY 2014 limited term positions to implement the Unified Health Infrastructure Project (UHIP), the addition of 7.0 eligibility technicians in the Health Care Eligibility program, 6.0 social caseworker positions and 4.0 SNAP food stamp eligibility technicians in the Individual and Family Support program, and to transfer a financial officer to the Executive Office of Health and Human Services;
- 26.0 FTE positions in the Executive Office of Health and Human Services, 1.0 new position in FY 2013 to administer a supplemental program within the Aging and Disability Resource Centers (ARDC), transfer of 4.0 positions from other human service agencies and add 21.0 administrative staff positions.
- 5.0 FTE positions in the Department of Children, Youth and Families to add 6.0 FTE positions in FY 2013 funded from Race to the Top Early Childhood Learning and other grants, and to transfer a financial officer to the Executive Office of Health and Human Services;

There is also a net reduction of 3.2 FTE positions in the Department of Health, with additional public health promotion specialists (5.0) offset by reductions in other positions in Central Management, Public Health Information, and Community and Family Health and Equity program, and the transfer of 1.0 associate director of finance position to the Executive Office of Health and Human Services.

Personnel Summary

In **Education**, the Governor recommends a net decrease of 3.6 FTE positions in FY 2014 from the FY 2013 enacted budget. This includes a net increase of 2.0 FTE positions in Elementary and Secondary Education in the Administration for Comprehensive Education Strategy (ACES) program. Public Higher Education includes an increase of 11.0 FTE positions, 1.0 new commissioner, 6.0 new faculty members and 1.0 criminologist position at the University of Rhode Island, and 2.0 new faculty members and 2.0 staff at Rhode Island College. There is also a reduction of 2.6 FTE positions in the Higher Education Assistance Authority. Finally, the Governor recommends a 14.0 FTE position reduction in the Public Telecommunications Authority due to the end of state funding for the agency.

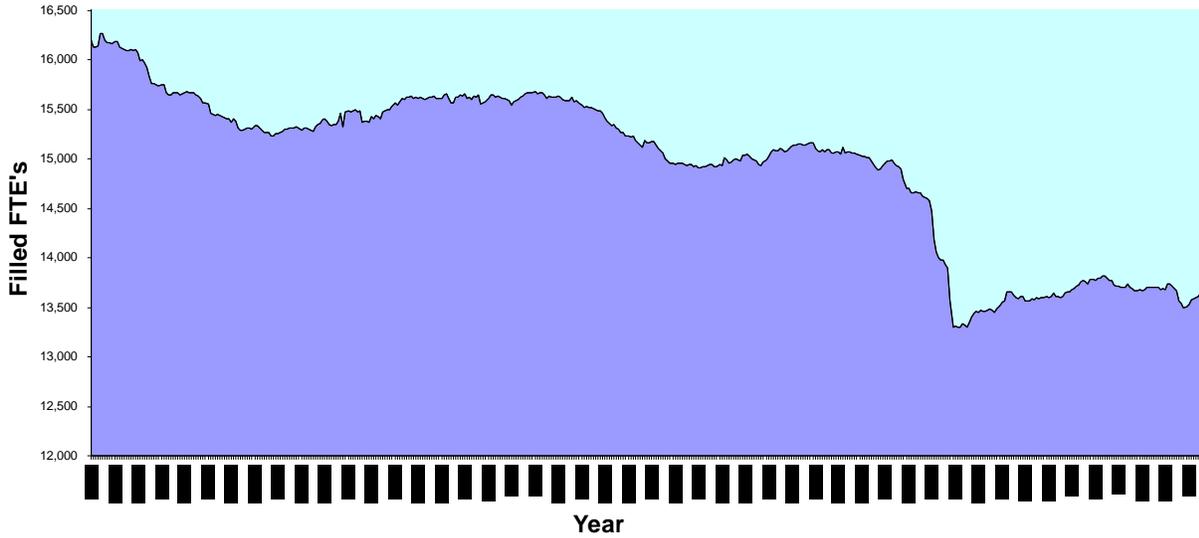
In **Public Safety**, there is a net increase of 47.0 FTE positions in FY 2014 from the FY 2013 enacted budget. The Governor recommends an additional 40.0 FTE positions the Department of Public Safety for the July 2013 State Trooper Academy class, as well as 1.0 public information officer and 1.0 paralegal. The Governor also recommends an increase of 5.0 FTE positions in the Military Staff, in the Emergency management program. These positions will act as coordinators and managers for the state's interoperability communication program, the incident management system, the critical infrastructure program, the domestic preparedness program, and all hazard planning.

In **Natural Resources**, there is a reduction of 8.0 FTE positions in FY 2013 and FY 2014. In FY 2014, there is a 1.0 FTE increase from the enacted budget due to the addition of a clerk position in the Bureau of Natural Resources.

In **Transportation**, the Governor recommends no change from the enacted levels of 772.6 FTE positions, in both FY 2013 and FY 2014.

As directed by the Governor, the overall filled FTE position level must be constrained through careful management by cabinet directors and other agency heads of existing and upcoming vacancies. Actual filled positions totaled 13,656.9 as of December 29, 2012, a 48.2 position decrease from the 13,705.1 filled position level as of January 14, 2012, and 1,425.9 below the 15,082.8 in July 2007. The filled level is 1,396.4 FTE positions less than the enacted cap of 15,026.3 FTE positions. Because of resource constraints, as reflected in the Governor's recommended turnover across most agencies, there are FTE positions in the roster that will not be filled in FY 2013 or FY 2014.

Personnel Summary

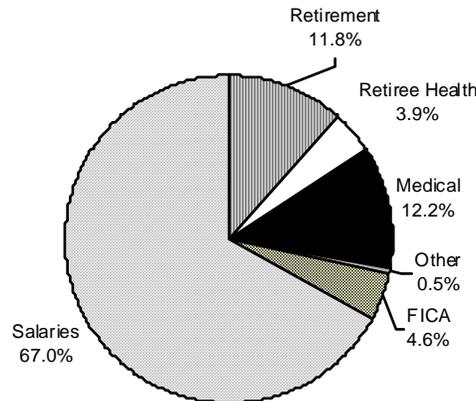


Salaries and Benefits

The largest category of personnel expenditures is for salaries and benefits. Salaries and benefits (including temporary and seasonal) represent \$1,536.1 billion or 83.2 percent of total personnel costs. Salaries, including payroll accrual, overtime, holiday, and other salary-related items, equal \$1.029.7 billion and fringe benefits equal \$506.4 million. Fringe benefit payments include \$181.2 million for retirement costs, \$187.5 million for medical benefits (including \$186.0 million for benefit plans and \$1.5 million for medical benefits-salary disbursements), \$59.9 million for retiree health benefits, \$70.4 million for FICA, and \$7.4 million for other benefits, including group life insurance and other contract stipends. In addition, the statewide benefit assessment is included to finance severance, unemployment, employee assistance, workers' compensation payments and administrative costs, and DLT employer assessments, and totals \$32.0 million.

Direct Salaries increase by 3.2 percent in the FY 2013 Revised Budget over FY 2012 (audited expenditures), but increase by 1.2 percent in FY 2014 over FY 2013 revised. The FY 2013 budget includes no longevity increases for non-union personnel and for union personnel whose contracts end June 30, 2012, as these were abolished in the FY 2012 enacted budget.

FY 2014 Salaries and Benefits



Personnel Summary

Fringe benefit adjustments increase by 3.2 percent in FY 2013 revised over FY 2012 actual expenditure and increases by 4.5 percent in FY 2014 over FY 2013 enacted. **Retirement** increases by 6.2 percent from the enacted budget in FY 2014 and by 8.8 percent from the FY 2013 revised budget. This includes a one percent defined contribution addition of \$6.5 million. Within state agency budgets, state employer retirement contributions are budgeted at 21.18 percent of payroll for FY 2013 enacted and revised, but at 23.05 percent in FY 2014. **FICA** decreases by 1.0 percent in FY 2014 from the enacted budget but increases by only 0.3 percent from the revised budget. **Retiree Health** increases by 9.3 percent in FY 2014 from the FY 2013 enacted budget. The rate remains at 6.86 percent in FY 2013 enacted and revised, and rises to 7.64 percent in FY 2014 for state employees.

The largest fringe benefit increase is in **medical benefits**. The FY 2013 revised budget of \$174.3 million includes an overall increase of 8.8 percent over FY 2012 actual expenditure levels. For FY 2014, the recommendation of \$187.5 million in medical benefits is an increase of 7.6 percent from the recommended revised budget amount for FY 2013. The increases include estimated reductions in FY 2013 due to a medical benefit holiday and changes in FY 2014 in estimated costs and program modifications.

Workers' compensation costs budgeted directly in the agencies in FY 2013 and FY 2014 are \$231,492 and are funded in the Department of Corrections. These amounts reflect the continuation of wages in excess of those amounts received as a result of the Workers' Compensation statute (primarily as a result of assault cases). Since FY 2001, all workers' compensation costs, as well as unemployment insurance and unused leave severance payments, have been paid from a separate Assessed Fringe Benefits Administrative Fund. The fund is financed by a statewide benefit assessment of a fixed percentage of direct salaries that is charged to every department and agency in this document. The FY 2013 revised and FY 2014 budgets are 3.75 percent for regular state employees, no change from the enacted level. However, certain agencies and/or certain employee classifications are not assessed the full rate because they do not receive worker's compensation benefits. Also, certain higher education employees do not receive severance payments. The assessed fringe benefit rate is applied to all direct salaries, except overtime. Expenditures from the fund have grown from \$31.1 million in FY 2008 to \$43.1 million FY 2009, but decreased in FY 2010 to \$28.8 million. The surge in severance payments was due to the large number of employees that retired prior to changes in retiree health benefit provisions, which became effective October 1, 2008. The FY 2013 revised budget is \$31.7 million, an increase of 2.5 percent from FY 2012 actual expenditure. The budget in FY 2014 is \$32.0 million, an increase of 0.8 percent from the revised recommendation.

The Assessed Fringe Benefit Fund is used to fund the following: services provided by the Donley Center; services of the Workers' Compensation Court; the Division of Workers' Compensation administrative costs related to workers' compensation activities; workers' compensation benefit payments to employees; payments to workers' compensation providers; unemployment compensation payments; severance payments to employees for unused leave upon termination from state service; and Cornerstone Program administrative costs for the Flexible Health savings account.

Purchased Services

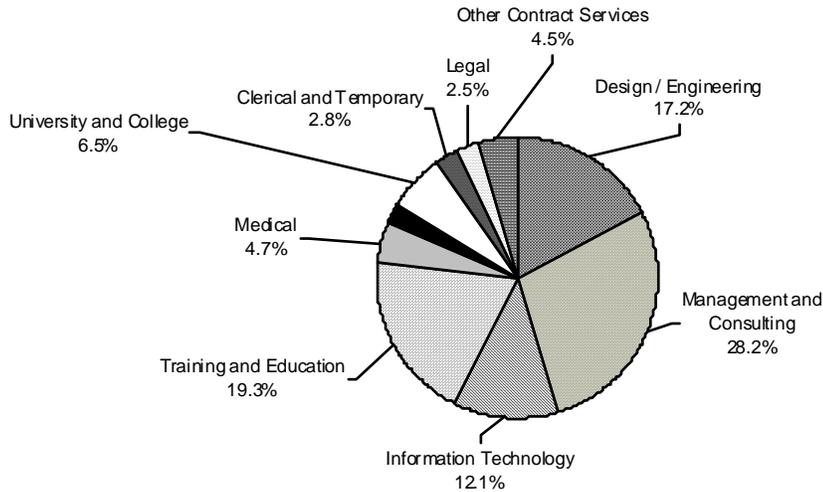
Purchased Services costs in the FY 2014 Budget total \$277.7 million, and represent 15.0 percent of total personnel costs. Expenditures in this category are for services provided by outside contractors in cases where special expertise is needed or where it would be less effective to hire full-time employees. Major categories of expenditure are management and consulting services (comprising 28.2 percent of the total), design and engineering services (comprising 17.2 percent), training and education services (comprising 19.3 percent), and

Personnel Summary

information technology services (12.1 percent).

Recommended expenditures in FY 2013 revised are \$16.6 million more than FY 2013 enacted expenditures, a 6.0 percent increase in spending for services, including training and education services (\$5.9 million), university/college services (\$3.7 million), and information technology services (\$15.8 million). A major portion of this increase is in the Health Benefits Exchange for the development of the web-based exchange that will be available to Rhode Islanders and Rhode Island businesses. Recommended expenditures in FY 2014 are \$14.2 million less than FY 2013 revised. The greatest decreases are in training and education services. A major reason for the decline is the finalization of project work in FY 2013, particularly in the areas of university/college services, information technology and design and engineering services, and the policy goal to reduce contract employee services.

FY 2014 Purchased Services



For each department or agency of state government, the Budget volumes contain an agency summary of personnel costs. For each program, the Budget volumes display all positions and their respective costs. Footnotes will assist readers in understanding variances between the years. Additionally, there are a number of terms used that are not part of every day usage. A Glossary with extended explanations is included in the back of the Technical Appendix. For more information on the codes used to identify the pay scales, refer to the Glossary. Pay scales are provided on the State's Human Resources web site under the Compensation and Classification section.

General Government

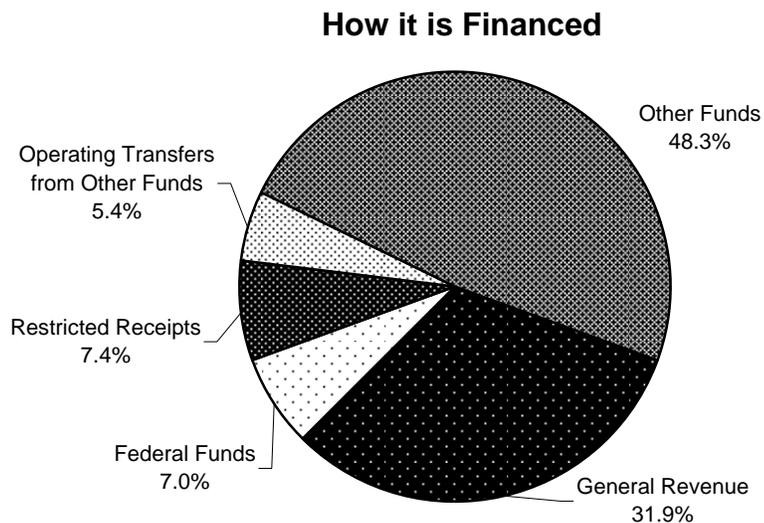
General Government

Summary

General Government includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. It includes: most *elected officials*, including the Governor, Lieutenant Governor, General Treasurer, and the Legislature; *administrative agencies*, including the Department of Administration, the Department of Revenue, the Department of Labor and Training, the Board of Elections and the Commission for Human Rights; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,306.7 FTE positions in the revised FY 2013 budget and 2,283.7 FTE positions in FY 2014 within general government agencies.

The FY 2013 revised budget for General Government agencies totals \$1.537 billion, including \$447.0 million in general revenue, \$168.9 million in federal funds, \$131.4 million in restricted receipts, and \$789.7 million in other funds. The revised budget from all fund sources for General Government agencies is \$13.4 million, or 0.9 percent more than the FY 2013 enacted budget of \$1.523 billion. Of the \$1.537 billion recommended for FY 2013, \$547.7 million is for grants and benefits, \$315.0 million is for operating, \$271.6 million is for personnel, \$72.4 million is for local aid, \$233.1 million is for debt service, \$42.7 million is for capital, and \$54.7 million is for operating transfers.

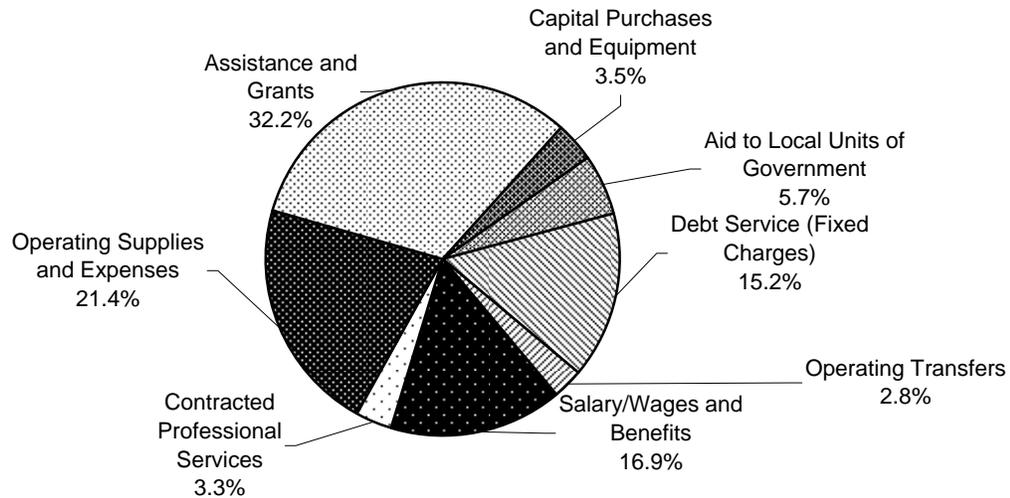
For FY 2014, the Governor recommends expenditures of \$1.431 billion for General Government programs. The programs are financed with \$456.6 million of general revenue, \$99.9 million of federal funds, \$106.0 million of restricted receipts, and \$768.1 million of other funds. The FY 2014 recommendation for General Government agencies is \$93.1 million, or 6.1 percent, less than the FY 2013 enacted level across all fund sources.



Of the \$1.431 billion recommended for FY 2014, \$460.3 million is for grants and benefits, \$306.6 million is for operating, \$275.3 million is for personnel, \$81.2 million is for local aid, \$216.8 million is for debt service, \$50.7 million is for capital, and \$39.7 million is for operating transfers. In the Governor's FY 2014 Budget, the General Government function represents 17.5 percent of the total budget for Rhode Island.

General Government

How it is Spent



General revenue financing for General Government agencies in FY 2014 increases by \$14.8 million, or 3.4 percent, from the FY 2013 enacted appropriations. The increase is largely attributable to the Department of Revenue, which increases by \$14.6 million in FY 2014, reflecting two initiatives of the Governor - an additional \$5.0 million for distressed community aid and, \$10.0 million in Municipal Incentive Aid to encourage fiscal responsibility of locally administered pension plans. General revenue also increases by \$2.0 million from FY 2013 enacted amounts in the Department of Labor and Training, attributable to additional financing provided for the Governor's Statewide Work Immersion Initiative. These increases are offset by: reduction of \$1.1 million in the Department of Administration, reflecting constraint of personnel and operating expenditures across several divisions; \$315,205 less in the Secretary of State's Office due to FY 2014 not being an election year, and; \$230,111 less in the Legislature, reflecting a return to typical levels of expenditure after significant technological upgrades are completed in FY 2013.

In FY 2014, federal funds recommended in General Government agencies decrease by \$66.7 million, or 40.0 percent, from the FY 2013 enacted level. The change is largely attributable to the Department of Labor and Training, where the Governor recommends a decrease of \$72.0 million due to the expiration of enhanced and extended federal stimulus unemployment compensation. The Governor also recommends an increase of \$28.0 million in the Department of Administration, offset by decrease of \$22.2 million in the Governor's Office, to reflect the reassignment of the Health Benefits Exchange to Administration.

Recommended FY 2014 restricted receipts increase by \$6.0 million, or 6.0 percent from the FY 2013 enacted level, which includes increases of \$6.8 million for the Department of Labor and Training and \$900,906 more for Administration, offset by \$2.3 million less for the General Treasury. The increase in Labor and Training is attributable to additional financing available for the Governor's Workforce Board for its employment sector partnership efforts. In Administration, restricted receipts will be used in the Renewable Energy Fund, a transfer from the Economic Development Corporation to Administration, to better coordinate energy financing and technical assistance to businesses, municipalities and the citizens of Rhode Island. The decrease in Treasury reflects expected activity in claim payouts from the Unclaimed Property Program from \$13.5 million to \$8.5 million, offset by an increase in the transfer to

General Government

the general fund surplus, expected to be \$1.7 million more in FY 2014, or \$9.6 million in total.

Other funds recommended in FY 2014 decrease by \$47.2 million, or 5.8 percent, from the FY 2013 enacted level. This change includes a decrease of \$67.9 million for the Department of Labor and Training due to expected levels of financing from the federal government for the Unemployment Insurance program. In the Department of Revenue, an increase of \$12.7 million relates to projected increase in Lottery collections, which has a corresponding increase on Lottery expenditures in addition to financing for table-gaming, approved by the voters in November, 2012. The other funds increase of \$7.9 million in the Department of Administration relates to increases in Rhode Island Capital Plan Fund financing for various projects under its purview, offset by reduction of debt service for Department of Transportation debt, which is proposed to be funded with general revenue in FY 2014.

General Government

Department of Administration

For the Department of Administration's FY 2013 revised budget, the Governor recommends all fund expenditures of \$423.5 million. This consists of \$269.2 million of general revenue, \$66.0 million of federal funds, \$15.3 million of restricted receipts, and \$73.0 million of other funds. This represents an all funds increase of \$33.5 million from the enacted budget of \$389.9 million. Of this amount, general revenue expenditures decrease by \$3.3 million, primarily due to debt service savings of \$3.9 million; federal funds expenditures increase by \$40.5 million; restricted receipt expenditures decrease by \$943,309; and other fund expenditures decrease by \$2.7 million.

Changes in general revenue expenditures in the FY 2013 revised budget include: reductions of \$512,705 for personnel, \$514,252 for operating expenditures, \$500,000 for assistance and grants, and \$3.9 million for debt service payments; increases of \$1.4 million for contracted professional services, \$342,520 for capital purchases and equipment; and \$421,650 for operating transfers. Some of the major general revenue-funded changes in the revised budget include: (a) a decrease of \$827,488 for utility savings associated with lower than expected natural gas and sewer charges; (b) an increase of \$500,000 for an Employee Classification Study under the Office of Management and Budget; (c) an increase of \$698,000 for purchased legal services, including \$500,000 as a contingency for potential legal costs stemming from a lawsuit against the Department of Children, Youth and Families and \$198,000 for legal services related to upcoming labor contract negotiations; (d) an increase of \$427,732 for computer hardware and software, including additional Oracle licenses and upgrades of unsupported versions of operating systems; (e) an increase of \$572,225 for information technology FTE positions, including 5.0 new FTE positions in the Office of Digital Excellence and 3.0 new positions in the Division of Information Technology; and (f) a decrease of \$1.2 million for turnover savings department-wide.

Within debt service, general revenue expenditures decrease by \$3.9 million from \$159.8 million to \$155.9 million. This includes savings from a general obligation bond refunding of \$578,671; savings on the issuance of new general obligation bonds, compared to projected interest costs, of \$487,914; savings of \$3.2 million due to the delay in the issuance of new certificates of participation for previously authorized energy savings projects; savings of \$473,889 because the issuance of tax anticipation notes will not be required in FY 2013 and savings of \$1.0 million in projected interest costs on the new debt issuance related to the acquisition of land made available from the relocation of I-195. These savings are offset by an increase of \$250,000 on debt service related to the achievement of more job rent credits by Fidelity Investments and \$1.6 million from the transfer of RIPTA debt service from Authority funding to general revenue in FY 2013 due to projected shortfalls in the RIPTA operating budget.

Of the \$40.5 million increase in federal funds expenditures, \$28.8 million is for the Health Benefits Exchange, while \$9.5 million is for new State Energy Plan Grant and an Energy and Conservation Block Grant in the Energy Resources program. As part of the FY 2013 revised budget, the Governor recommends transferring the Health Benefits Exchange from the Governor's Office to the Department of Administration. This includes the transfer of staff and related federal funds. The expenditures for the Health Benefits Exchange are related to purchases of contracted professional services, particularly information technology, required to get the Health Benefits Exchange up and running by January 1, 2014. The \$28.8 million amount includes \$1.5 million for personnel, \$26.8 million for contracted professional services, and \$121,380 for capital purchases and equipment. The Health Benefits Exchange will initially be staffed with 15.0 FTE positions.

General Government

The \$943,309 decrease in restricted receipt expenditures is largely due to a \$2.3 million reduction in debt service funding intended for the payment of interest on tax anticipation notes with interest earnings on the borrowed funds until they are used, which is partially offset by a \$1.3 million increase in expenditures projected under the Information Technology Investment Fund.

Of the \$2.7 million decrease in other fund expenditures, \$2.0 million is associated with a decrease in Rhode Island Capital Plan Fund expenditures for various projects managed by the Capital Projects and Property Management Division. Some of the significant changes in Rhode Island Capital Plan Fund financing funding in FY 2013 include decreases of \$2.2 million for the Statehouse Renovation project, \$1.5 million for the Chapin Laboratory, \$1.0 million for Zambarano building repairs, \$800,000 for Pastore Center parking, and \$750,000 for the Board of Elections new building; and increases of \$1.8 million for the Pastore Center Power Plant, \$750,000 for the Zambarano Wood Chip Boiler, \$500,000 for the Rhode Island Convention Center, and \$601,211 for the Veterans' Auditorium project.

Some of the funding changes for capital projects in the FY 2013 revised budget reflect the Governor's state-wide initiative to expedite the start of "shovel ready" projects, which will help create jobs and stimulate the economy. For a project to be considered "shovel ready", it must be a high priority project, be in the current five-year capital plan, and be able to be completed or substantially completed in FY 2013. The Department of Administration's capital projects deemed "shovel ready" include the Pastore Center Power Plant, the Veterans' Auditorium, and the Big River Management Area.

The FY 2013 revised budget for the Department of Administration shifts the State Building Code Commission, the Fire Code Board of Appeals and Review, and the Contractors' Registration Board from the Capital Projects and Property Management program to a new program entitled "Construction Permitting, Approvals and Licensing," or CPAL. Also, the FY 2013 revised budget shifts the responsibility for the development of an electronic local permitting system from the CPAL program to the Office of Management and Budget's Regulatory Reform unit.

The FY 2013 enacted budget established a new Office of Digital Excellence. This Office will be responsible for managing the implementing all new and mission critical technology infrastructure projects and upgrades for state agencies. DoIT will continue to manage and support all day-to-day operations of the state's technology infrastructure, telecommunications, and associated applications.

For FY 2014, the Governor recommends an all funds budget of \$425.8 million including \$271.5 million of general revenue, \$53.6 million of federal funds, \$17.2 million of restricted receipts, and \$83.5 million of other funds. This represents an all funds increase of \$35.9 million compared to the FY 2013 enacted budget. Compared to the FY 2013 enacted budget, general revenue expenditures decrease by \$1.1 million, while federal funds expenditures increase by \$28.0 million, other funds expenditures increase by \$7.9 million, and restricted receipt expenditures increase by \$990,906.

Changes in general revenue expenditures in FY 2014 compared to the FY 2013 enacted budget include the following changes: increases of \$1.7 million for personnel, \$1.1 million for operating transfers, \$885,684 for contracted professional services, \$70,456 for capital expenditures and equipment, and \$28,952 for aid to local units of government; and decreases of \$4.4 million for assistance and grants, \$249,659 for debt service, and \$224,133 for operating costs. Some of the major general revenue-funded changes in the FY 2014 budget include: (a) an increase of \$1.1

General Government

million for statewide current services adjustments related to the cost of providing employee benefits such as healthcare, (b) an increase of \$500,000 for an Employee Classification Study under the Office of Management and Budget, which is also funded in the FY 2013 revised budget; (c) an increase of \$1.2 million for the annualized cost of new information technology FTE positions, which include 5.0 new FTE positions in the Office of Digital Excellence and 3.0 new positions in the Division of Information Technology; (d) an increase of \$501,000 for the I-195 Redevelopment Commission to fund required activities in FY 2014; (e) an increase of \$600,000 in the Economic Development Corporation budget for the Governor's Tourism initiative; and (f) a reduction of \$500,000 for the Slater Centers of Excellence.

Of the \$28.0 million increase in federal funds expenditures compared to the FY 2013 enacted budget, virtually all of the increase is associated with the transfer of the Health Benefits Exchange program to the Department of Administration, which has \$28.3 million budgeted in federal funds. Expenditures for federal fund expenditures for grants in for the Energy Resources program are \$266,852 higher than the FY 2013 enacted budget.

In FY 2014, other funds expenditures increase by \$7.9 million. This increase is primarily due to a \$10.2 million increase in expenditures for Rhode Island Capital Plan Fund financed capital improvement projects, including increases of \$5.8 million for the Veterans' Memorial Auditorium, \$2.1 million for Zambarano building repairs; \$1.2 million for Ladd Center building demolition; \$1.0 million for the Rhode Island Convention Center; and \$925,000 for the Dunkin' Donut Center renewal and replacement fund.

In FY 2014, debt service general revenue expenditures decrease by \$249,659 compared to the enacted FY 2013 budget of \$159.8 million. This net decrease is comprised of a number of changes. For general obligation debt, savings from the annual pay down of debt coupled with savings from an April 2012 refunding total \$10.7 million. This is offset by increased funding of \$769,650 for the new bond issuance in October 2012; \$1.0 million for projected debt service on the bond issuance planned for FY 2014; a shift of an additional \$2.0 million, for a total of \$10.0 million, in transportation debt-related debt service from gas tax funding under the Department of Transportation to general revenue; and, as in FY 2013, the transfer of \$1.7 million for RIPTA debt-related debt service from Authority funding to general revenue to help alleviate the Authority's operating deficit. For certificates of participation debt, there is a net increase of \$622,648 for year over year savings on outstanding debt of \$875,102, offset by an increase of \$1.5 million for projected new issuance for FY 2014.

As with FY 2013, there will be no projected need to issue tax anticipation notes in FY 2014 for savings of \$473,889. Other debt service changes include 1) increased costs on outstanding historic structures tax credit debt of \$2.1 million; 2) an increase of \$600,000 related to the anticipated achievement of more job rent credits by Fidelity Investments; 3) savings of \$318,000 related to the I-195 land acquisition; and 4) new funding of \$2.5 million for the EDC Job Creation Guaranty program to restore funding to the 38 Studios Capital Reserve Fund, as required under the State's moral obligation. As a result of the bankruptcy of the 38 Studios, the State will fund the annual debt service on the balance of the outstanding debt.

Restricted receipt expenditures increase by \$990,906 compared to the FY 2013 enacted budget. The largest change is the result of the Governor's proposal to transfer the Renewable Energy Fund from the Economic Development Corporation to the Office of Energy Resources. This results in an increase of \$2.5 million in FY 2014.

General Government

The Governor recommends 723.7 FTE positions in the FY 2013 revised budget, which is an increase of 36.5 FTE positions from the enacted FY 2013 level of 687.2 positions. The 36.5 additional FTE positions reflect increases of (a) 5.0 FTE positions in the Office of Digital Excellence; (b) 2.4 FTE positions in the Office of Management and Budget, which includes the transfer of the Office of Regulatory Reform from the Economic Development Corporation to the Office of Management and Budget; (c) 2.0 FTE positions in Purchasing; (d) 3.6 FTE positions in Human Resources, 1.0 FTE position of which is a Director of Human Resources position; (e) 8.6 FTE positions in the Division of Information Technology, including 5.6 FTE positions that were incorrectly recommended to be eliminated by the department in the FY 2013 budget and 3.0 Oracle-related enterprise positions; (f) 1.0 FTE position in Planning; and (g) 15.0 FTE positions for the Health Benefits Exchange.

For FY 2014, the Governor recommends 727.7 FTE positions. The additional 4.0 FTE positions compared to the FY 2013 revised budget include 2.0 FTE positions in the Office of Energy Resources transferred from the Economic Development Corporation with the Renewable Energy Fund, 1.0 FTE position for project management in Capital Projects and Property Management, and 1.0 FTE position in Purchasing.

Department of Business Regulation

The Governor recommends a revised FY 2013 Budget of \$14.6 million, including \$9.2 million in general revenue, \$3.4 million in federal funds, and \$2.0 million in restricted receipts. All funds increase by \$616,484 from the enacted FY 2013 Budget. Most of this increase is in federal funds, while general revenues decrease by \$161,536 from the FY 2013 enacted level, including reductions in personnel costs due to vacancies of \$116,549, statewide medical benefits savings of \$33,387, and operating savings of \$11,600.

For FY 2014, the Governor recommends \$13.2 million, including \$9.4 million in general revenue, \$1.7 million in federal funds, and \$2.0 million in restricted receipts. All funds decrease by \$787,429, of which general revenues increase \$83,830, from the FY 2013 enacted level. Personnel and operating costs decrease by \$362,153 for vacancies and savings, while benefits increase by \$504,675 and statewide medical adjustments, other retiree health and dental benefit proposals save \$58,692. Federal funds decrease by \$971,492 as a result of three federal grants expiring, and restricted receipts increase \$100,233, comprised of \$60,716 for insurance and \$39,517 for real estate and commercial licensing, racing and athletics.

The Governor recommends a total of 95.0 FTE positions in FY 2013 and 94.0 positions in FY 2014, a decrease of 1.0 FTE position formerly funded through a federal grant.

Department of Labor and Training

The Governor recommends revised FY 2013 expenditures of \$641.6 million for the Department of Labor and Training, including \$8.8 million in general revenue, \$94.7 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$45.2 million, \$17.0 million in Unemployment Insurance Administration funds and \$13.6 million in Workforce Investment Act funds, \$60.8 million in restricted receipts, \$1.5 million in Rhode Island Capital Plan Fund (RICAP) financing and \$475.7 million in other funds. The revised Budget reflects a total decrease of \$20.0 million, primarily attributable to a \$61.1 million reduction in assistance and grants for Unemployment Insurance, federal Stimulus – Extended Unemployment Compensation and Temporary Disability Insurance benefits. The reduction is offset by increases of \$983,845 in

General Government

personnel, \$2.4 million in contract services, \$771,251 in operating, \$821,179 for capital purchases, \$19.0 million in debt service, and \$17.0 million in operating transfers.

General revenue in the revised FY 2013 budget increases by \$969,731, attributable to increases in assistance and grants of \$996,806 and personnel of \$16,184, which are offset by reductions in operating of \$30,652, contract services of \$7,235 and capital purchases of \$5,372. The increase in assistance and grants is attributable to Governor Chafee's Statewide Work Immersion Initiative, which provides a state match to Rhode Island businesses that hire youth and adult Rhode Islanders for a ten-week work immersion program, with additional subsidies provided for businesses that hire unemployed workers and/or provide full-time employment upon completion of the program. The FY 2013 Revised Budget includes \$1.0 million for this initiative. Assistance and grants for Police and Firemen's Relief decrease by \$2,421.

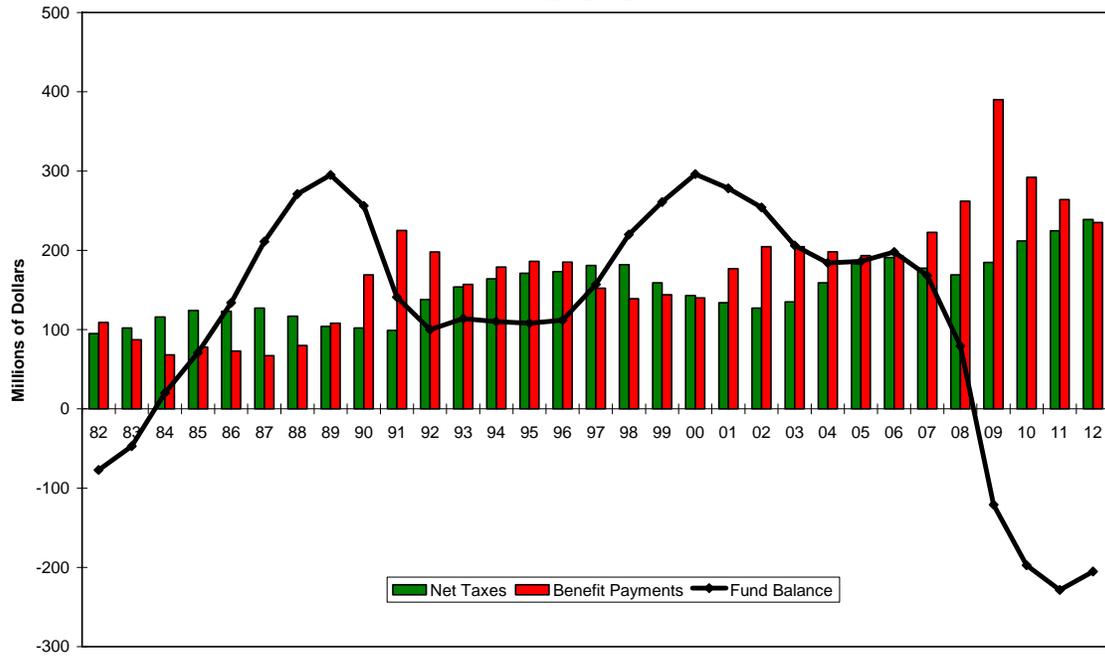
The \$17.0 million decrease in federal funding in the revised budget is primarily due to a \$27.1 million reduction in available Stimulus – Extended Unemployment Compensation funds. Rhode Island Capital Plan funds in Central Management increase by \$397,097, including \$190,467 in unspent funds carried forward from FY 2012 to complete Center General Building roof repairs and various Center General Building asset protection projects. Capital computer equipment purchases increase by \$204,006. The revised FY 2013 Budget includes \$37.6 million for payment to the federal government for the Unemployment Insurance loan, comprised of \$30.0 million for the principal and \$7.6 million for interest.

The Governor recommends 423.0 FTE positions in FY 2013, a 39.5 FTE position decrease from the enacted level of 462.5 FTE positions, due to layoffs of 61.5 FTE positions resulting from the expiration of federal Unemployment Insurance Administration funds, and the subsequent temporary rehiring of 22.0 FTE positions due to Unemployment Insurance Administration funds being restored through June of 2013.

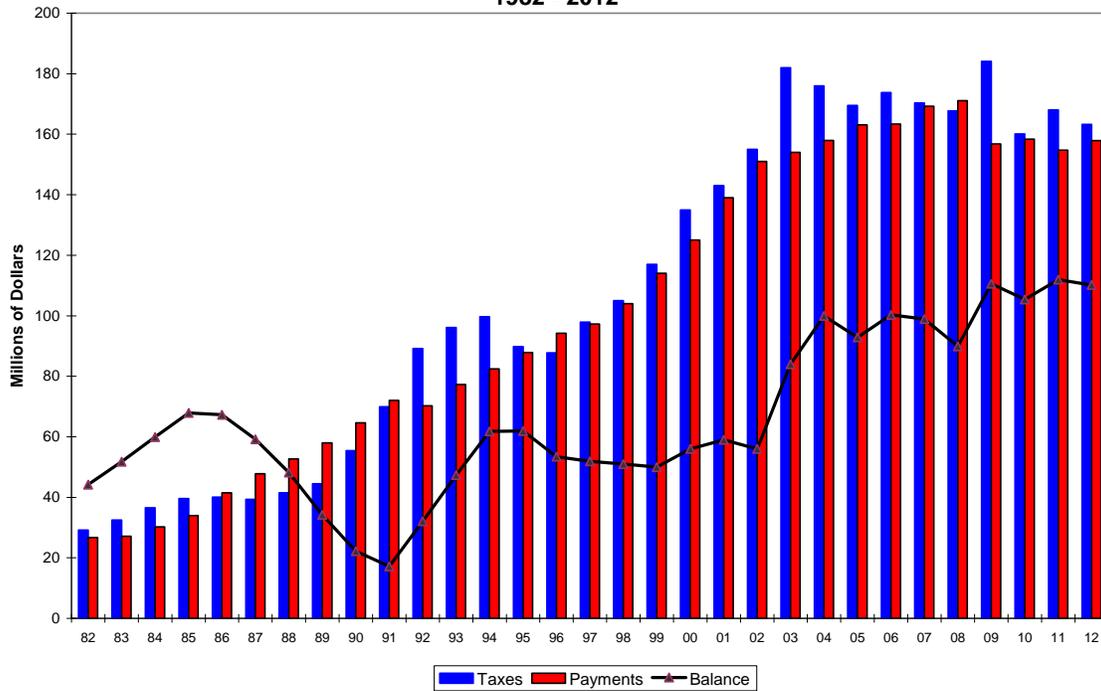
The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. In both graphs, 2012 data is based on actual data through November and estimated data for December. It should be noted that Rhode Island's Employment Security Fund is in a declining condition due to the state's high unemployment rate. As of the end of calendar year 2012, the Employment Security Trust Fund and the TDI Trust Fund are projected to have negative balances of \$205.0 million and \$110.0 million, respectively. These negative balances represent an Unemployment Insurance increase of \$10.2 million (10.2 percent) and a TDI decrease of \$2.0 million (1.6 percent) from 2011 to 2012.

General Government

Unemployment Insurance Fund Activity
1982 - 2012



Temporary Disability Insurance Fund Activity
1982 - 2012



General Government

For FY 2014, the Governor recommends \$530.6 million for the Department of Labor and Training, including \$9.8 million in general revenue, \$39.8 million in federal funds, \$43.1 million in restricted receipts, \$702,000 in Rhode Island Capital Plan Fund financing and \$437.1 million in other funds. The Governor's recommendation reflects a decrease of \$131.0 million from the FY 2013 enacted Budget, and includes \$2.0 million more general revenue, \$72.0 million less federal funds, including reductions in Stimulus – Extended Unemployment Compensation funding of \$72.3 million and Unemployment Insurance Administration funding of \$1.1 million, a \$6.8 million increase in restricted receipts, \$362,150 less Rhode Island Capital Plan Funds and \$67.5 million less in other funds.

General revenue increases are primarily attributable to increases in assistance and grants of \$2.0 million related to Governor Chafee's Statewide Work Immersion Initiative that will subsidize up to 1,050 internships in the State, offset by a \$73,948 decrease in Police and Firemen's Relief benefit payments. General revenue financed personnel increases by \$74,459 and capital purchases by \$5,916, while operating expenses and contract services decrease by \$20,843 and \$4,972, respectively.

The FY 2014 Budget reflects total personnel savings of \$813,781, an increase of \$692,838 in contract services, an operating increase of \$760,125, an assistance and grants reduction of \$134.9 million, capital expense savings of \$1.3 million, a \$3.9 million increase in debt service for the federal Unemployment Insurance loan, and an increase of \$604,302 for operating transfers. FY 2014 personnel expense reflects a program reduction of 70.5 FTE positions from the FY 2013 enacted level. This personnel savings result from a program reduction, which is necessary due to decreased federal funding availability; federal funds for personnel decrease by \$599,878 compared to the FY 2013 enacted budget, and by \$2.3 million when compared to the Governor's FY 2013 recommendation, which includes funds for the temporary 22.0 FTE position restoration. In the contract services category, \$1.6 million will be used for medical services, \$1.1 million for legal expenses and \$599,120 for information technology.

The FY 2014 Budget includes \$22.5 million for payment to the federal government for the Unemployment Insurance loan for federal funds borrowed to finance the state's Unemployment Insurance obligations, consisting of \$15.0 million for the principal and \$7.5 million for interest. In capital expenses, \$702,000 in Rhode Island Capital Plan Funds has been allocated for asset protection. Capital expense also includes \$95,888 to purchase computer equipment, reflecting a \$57,953 decrease from the FY 2013 enacted appropriation.

The Governor recommends a FY 2014 FTE position authorization of 392.0 FTE positions for the Department of Labor and Training, reflecting a 70.5 FTE position decrease from the FY 2013 enacted level. This decrease is attributable to a 30.0 FTE position reduction in the Income Support division in conjunction with the 39.5 FTE position decrease from the FY 2013 revised FTE authorization due to the initial expiration of federal Unemployment Insurance Administration funds.

Department of Revenue

The Governor's revised FY 2013 budget for the Department of Revenue is \$334.1 million, including \$99.9 million in general revenue, \$2.9 million in federal funds, \$1.8 million of restricted receipts, and \$239.4 million in other funds. This represents an all funds increase of \$10.6 million from the enacted FY 2013 budget of \$333.5 million. Of this amount, general revenue expenditures increase by \$4.6 million, primarily due to Governor Chafee's initiative to

General Government

increase Distressed Community Aid by \$5.0 million in FY 2013 increasing the total to \$15.4 million; other funds expenditures increase by \$5.5 million due to a \$5.4 million increase in the Lottery Division to support efforts to implement table gaming; restricted receipt expenditures increase by \$565,114; and federal funds increase by \$446,621.

On an all funds basis, changes in the FY 2013 revised budget include the following changes: increases of \$5.1 million for aid to local units of government, \$3.9 million for operating expenditures, \$1.2 million for capital expenditures and equipment, and \$581,247 for personnel cost; and decreases of \$687,399 for purchased contract services and \$3,727 for assistance and grants. The increase in aid to local units of government is associated with the increased Distressed Community Aid. Most of the increase in operating expenditures is for a \$3.5 million increase in Lottery Division payments. The increase in funding for personnel is for the Lottery Division to hire an additional 31.0 FTE positions beginning in February/March 2013 to implement table gaming. The Lottery Division is planning to begin table gaming at the Twin River Casino by July 1, 2013.

The Governor recommends \$361.4 million in expenditures from all funds for the Department of Revenue in FY 2014, including \$110.0 million in general revenue, \$3.0 million in federal funds, \$1.8 million of restricted receipts, and \$246.6 million in other funds. This represents an all funds increase of \$27.9 million from the enacted FY 2013 budget. Compared to the FY 2013 enacted budget, general revenue expenditures increase by \$14.6 million, other funds expenditures increase by \$12.6 million, and federal funds expenditures increase by \$597,942. Restricted receipt expenditures decrease by \$23,369.

The increase in general revenue expenditures is largely due to Governor Chafee's \$15.0 million initiative to increase state aid, which includes a continuation of the \$5.0 million increase for Distressed Community Aid which is included in the FY 2013 revised budget, and an additional \$10.0 million in state aid for a new Municipal Incentive Aid program. The purpose of the Municipal Incentive Aid program is to provide financial incentives for municipalities to work towards improving the condition of their respective retirement plans in order to provide sustainable pension security for municipal employees. The increased expenditures of \$12.7 million from other funds include \$4.3 million for costs related to table gaming and \$8.2 million for Lottery Division payments.

The \$14.6 million increase in general revenue expenditures in FY 2014 includes increases of \$13.9 million in state aid, \$1.1 million in personnel, and \$317,928 in operating expenditures. Offsetting some of these increases are reductions of \$551,345 for contracted professional services, \$92,540 for capital expenditures and equipment, and \$3,727 for assistance and grants. The increase in personnel costs is largely associated with a \$722,197 increase in statewide employee benefit costs, including medical benefits. The increase in operating expenditures is for computer maintenance costs, which increase by \$600,000, in the Registry of Motor Vehicles.

Under current law, the Registry of Motor Vehicles is required to begin issuing new license plates by September 1, 2013. The Governor recommends delaying this reissuance of license plates until FY 2016. This will allow the Department to install the new Registry of Motor Vehicle computer software system before undertaking the license plate reissuance, and will avoid \$5.5 million in new costs in FY 2014.

The Governor recommends 489.0 FTE positions in FY 2013, an increase of 31.0 FTE positions from the enacted level of 458.0 FTE positions. The 31.0 additional FTE positions are for the

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Lottery Division to supervise and oversee table gaming operations at Twin River Casino. For FY 2014, the Governor recommends 492.0 FTE positions. The additional 3.0 FTE positions compared to the FY 2013 revised budget include 2.0 FTE positions in the Taxation Division and 1.0 FTE position in the Office of the Director. The additional FTE positions in the Taxation Division are part of a reorganization in the Division to create a new Special Investigations Unit to review alleged violations to tax laws, investigate those alleged violations, and to recommend criminal prosecutions as warranted. The additional FTE position in the Office of the Director is to hire a full-time Chief Financial Officer in the Department of Revenue. Presently, the Department of Administration Chief Financial Officer is performing this function for both departments.

Legislature

The revised FY 2013 Budget for the Legislature totals \$41.9 million, including \$40.4 million in general revenue and \$1.5 million in restricted receipts, as requested by the legislative branch, with adjustments for statewide savings. The general revenue recommendation is an increase of \$3.2 million over the FY 2013 enacted amount, and incorporates a portion of the \$6.4 million reappropriation from FY 2012. Restricted receipts for audits of federal programs decrease by \$101,591 from the FY 2013 enacted amount to a total of \$1.5 million based on expected collections and expenditures from the 0.05 percent fee on all federal cash receipts.

Salary and benefit financing totals \$31.6 million, or \$1.5 million less than the FY 2013 enacted level. The decline in personnel financing occurs mostly in the Legislative Council and Joint Committee on Legislative Services programs attributable to absence of longevity increases, constrained hiring in these programs, and removal of \$161,240 for a medical benefit holiday proposed for the current year. Consultant expense increases by \$578,500, from \$538,850 in the enacted to \$1.1 million in the FY 2013 Revised Budget to accommodate legal challenges to the reconfigured boundaries as a result of the redistricting project, if required. Operating expense increases by \$1.0 million, from the enacted level of \$2.6 million to \$3.6 million, and capital expense increases by \$3.0 million, from \$355,500 to \$3.4 million in the Governor's FY 2013 Revised Budget, attributable to on-going technical and information system improvements including bill tracking software systems, website upgrades, and conversion of broadcast environments from analog to digital platforms, in addition to typical operating and capital expense requirements of the several offices that comprise the Legislature.

The FY 2014 Budget totals \$38.6 million for the Legislature, including \$37.0 million in general revenue and \$1.6 million in restricted receipts, as requested by the legislative branch, with adjustments for statewide savings. This is a decrease of \$230,111 from the FY 2013 enacted amount for general revenue and \$22,559 in restricted receipts. The general revenue decrease reflects statewide savings in the health and dental premiums, and the retiree health benefit calculation. Technological improvements not completed in FY 2013 may continue into FY 2014 and an additional \$166,130 above enacted amounts is included for operating expense. The capital portion of these improvements is expected to be complete in FY 2013, and the recommendation for capital expenditure in FY 2014 decreases by \$86,000 from the enacted level of \$355,500 to \$269,500. Legislative grants are recommended at the enacted level of \$2.3 million in both FY 2013 and FY 2014.

The recommended budget includes 298.5 FTE positions in FY 2013 and FY 2014, the same as the enacted Budget authorization for FTE positions in the Legislature.

General Government

Office of the Lieutenant Governor

The revised FY 2013 budget for the Office of the Lieutenant Governor is \$1.1 million, consisting of \$958,311 in general revenue and \$131,439 in Exchange Establishment One Grant federal funds. The FY 2013 revised budget consists of \$1.0 million for personnel, \$25,538 for operating expenses, \$1,250 for capital purchases, and \$750 for contract services. The Exchange Establishment One Grant federal funds are appropriated for personnel expenses related to health policy implementation, and reflect a \$1,702 increase above the enacted budget due to revisions in the proportions of positions allocated to the fund. General revenue decreases by \$4,644 and is primarily attributable to a \$4,256 reduction in personnel expenses. The proposed medical benefit holiday included in the FY 2013 revised recommendation is responsible for \$3,194 of this decrease.

For FY 2014, the recommended budget of \$1.1 million is \$33,306 greater than the FY 2013 enacted budget, consisting of \$986,890 in general revenue and \$139,108 in Exchange Establishment One Grant federal funds for personnel costs related to health policy implementation. The FY 2014 budget consists of \$1.1 million for personnel, \$25,805 for operating expenses, \$1,250 for capital purchases, and \$750 for contract services. Exchange Establishment One Grant federal funds increase by \$9,371, attributable to the revised position allocation to the fund and increased rates for retirement and retiree health contributions. General revenue increases by \$23,935, resulting from a \$26,382 personnel increase. The increased personnel results from a \$9,211 increase in salaries due to step increases, as well as increased contributions to retirement and retiree health insurance.

The budget authorizes 8.0 FTE positions in revised FY 2013 and 8.0 FTE positions in FY 2014, the same as the enacted FY 2013 level.

Secretary of State

The revised FY 2013 Budget for the Secretary of State is \$7.4 million, including \$6.9 million in general revenue, \$2,566 in federal funds, and \$481,597 in Historical Records Trust restricted receipts. General revenue decreases by \$19,713 as a result of the proposed medical benefit holiday. Federal funds increase by \$2,566 for expenditure of remaining funds on the Help America Vote Act (HAVA) account. Restricted receipts decrease by \$23,472.

Due to unanticipated delays in the project timeline, general revenue to install the Quick Start Master Application increases by \$30,000 from the enacted budget, which reflected the Secretary of State forgoing a reappropriation due to the anticipated completion of the project prior to FY 2013.

The contract service and operating expense budget for the 2012 General Election, consisting of printing, postage, interpreter and translator services, and legal expenses, decreased by \$70,000 due to lower than anticipated expenditures and revised projections. The Secretary of State began a two-year initiative to replace all printers, copiers and fax machines with multi-function copy machines at a total cost of \$123,576 in FY 2013, resulting in increases of \$23,688 in general revenues and \$289 in restricted receipts.

Available Historical Records Trust restricted receipt collections have been projected to decrease by \$23,472 from the enacted projection; the decrease in available funds is primarily evident in the State Archives operating budget and resulted in an \$11,451 increase in the general revenue share

General Government

of property rental for the 337 Westminster Street facility in Providence. The budget also includes \$856,460 in Record Center Internal Service Funds, a \$40,612 decrease from the FY 2013 enacted budget.

The FY 2014 Budget includes \$7.0 million for the Secretary of State, including \$6.6 million in general revenue and \$449,931 in Historical Records Trust restricted receipts. This reflects a \$370,343 decrease from the FY 2013 enacted budget, including decreases of \$315,205 in general revenue and \$55,138 in Historical Records Trust restricted receipts. Due to FY2014 being a non-election year, there is a \$696,550 reduction in the Elections and Civics program. The general revenue reduction is offset by a \$325,556 general revenue increase above the FY 2013 enacted budget for personnel, primarily due to the anticipated hiring of a new Director of Elections and Civics and three Administrative Assistants, whose positions are currently vacant.

The Secretary of State will complete its multi-function copier machine initiative in FY 2014, at a total cost of \$19,250. The initiative results in a \$12,902 increase above the FY 2013 enacted level, consisting of an additional \$17,700 in general revenue and \$2,161 in restricted receipts.

Decreased projections for revenues in Historical Records Trust restricted receipt accounts result in a \$55,138 decrease from the FY 2013 enacted budget, primarily impacting the State Archives budget. In order to offset the impact of the decrease in Historical Records Trust restricted receipts, various operating reductions were made and the general revenue portion of the rental payment for the facility at 337 Westminster Street in Providence increased by \$52,320. The FY 2014 budget also reflects a \$27,615 decrease Record Center Internal Service Funds, resulting in a total budget of \$869,457.

The budget authorizes 57.0 FTE positions in revised FY 2013 and FY 2014, consistent with the enacted FY 2013 authorization.

Office of the General Treasurer

The revised FY 2013 Budget of \$45.2 million for the Office of the General Treasurer includes \$2.6 million in general revenue, \$1.1 million in federal funds, \$41.3 million in restricted receipts, and \$216,588 in other funds. The revised Budget for all funds is an increase of \$7.6 million from the enacted level, mostly attributable to restricted receipts, which increase by \$11.1 million for claim payouts in the unclaimed property program based on significant collection of recoveries in the current year, offset by reduction of \$2.0 million in the Retirement program, for realignment of expected capital costs associated with implementing a new member database system. The larger payout of claims in the Unclaimed Property program also contributes to a reduction of \$1.6 million from the transfer to the general fund surplus, from \$7.9 million in the FY 2013 enacted to \$6.3 million in the Governor's recommendation to reflect revenue and expenditure trends for the program as reported to the November 2012 Revenue Estimating Conference.

The revised FY 2013 Budget for consultant expenses in the defined benefit sub-program in the Retirement Division increases by \$177,730, to reflect required actuarial expense and system design services for the new membership database. Special legal services are also increased by \$140,000 to a total of \$375,000 in FY 2013, should challenges to the 2011 pension reform require additional legal representation. Outside of the Employees' Retirement System of Rhode Island trust (the 'Trust'), are predicted costs associated with the non-Trust supported defined contribution sub-program. The Governor provides \$269,457 in general revenue in the current year for staff effort associated with member outreach, advertising, and web-site upgrades.

General Government

Also in FY 2013, the budget provides an additional \$75,000 in the Unclaimed Property Program for a record imaging system for more safe and efficient record storage and retrieval of tangible and intangible unclaimed property, which it must do into perpetuity. In the Crime Victim's Compensation Program, an increase of \$36,575 in general revenue is recommended in order to relieve administrative expense financed with the federal grant and court receipts, to further secure those resources for claim payouts to victims of violent crimes.

The FY 2014 Budget totals \$35.1 million, which includes \$2.4 million from general revenue, \$1.1 million from federal funds, \$31.3 million from restricted receipts, and \$228,923 from other funds. Across all funds and department-wide, personnel financing totals \$8.8 million, or \$369,589 more than the FY 2013 enacted level. The increase is attributable to \$173,577 more for step increases and vacancy financing, due to the staff being relatively new to state service since the January, 2011 inauguration of the new Treasurer, in addition to \$57,901 in salary for an additional legal position in the Retirement Program to assist with legal review and compliance in the Defined Benefit program. Department-wide, the increase in the employer contribution rate for the retirement premium adds \$156,143 and \$58,092 is required for the increase to the Retiree Health Insurance premium. These increases are offset by reduction of \$115,057 in health and dental benefits, attributable to statewide reduction of the health premium. The budget also provides \$246,971 in restricted receipt financing to replace general revenue for staff associated with the Defined Contribution program whom will now be financed with revenue from an \$8.00 per participant annual fee, which is part of the contract with the program administrator, TIAA-CREF.

In FY 2014, consultant expense increases by \$431,730 above the FY 2013 enacted amount, including \$180,000 more for a total of \$500,000 for actuarial studies, and \$88,000 more for a total of \$160,000 for accounting services in the Defined Benefit Retirement Program. The new membership database also requires additional financing in FY 2014, an increase of \$150,000 from the FY 2013 enacted amount of \$0, to implement the system which is expected to span several years.

Operating expenses in FY 2014 total \$18.1 million or \$2.0 million less than the FY 2013 enacted amount of \$20.1 million. Of the reduction, \$5.0 million is reduced from claim payouts in the Unclaimed Property program which is expected to revert to historical levels in FY 2014. This reduction is offset by an additional \$1.7 million, for a total of \$9.6 million, expected to be transferred from the program to the general fund surplus. Capital expenses are reduced by \$1.0 million, to \$3.1 million in FY 2014, to accommodate expected annual expense for the new member database for the Defined Benefit retirement program. Grants remain at the enacted level of \$1.9 million, comprised of federal and court receipts used for crime victim compensation.

The budget authorizes an authorized FTE level of 82.0 positions in FY 2013 and 83.0 FTE positions in FY 2014.

Board of Elections

The Governor's revised FY 2013 Budget for the Board of Elections is \$1.9 million. The budget consists entirely of general revenue and reflects a \$30,293 decrease from the FY 2013 enacted budget. A reduction of \$17,128 in personnel is attributable to lower than anticipated expenditures for temporary personnel assisting with the 2012 General Election. Non-personnel related expenses related to the 2012 General Election decrease by \$17,800, in categories including printing, print advertising, postage and postal services and office supplies. Software maintenance

General Government

agreements increase by \$6,750 to hosting the Electronic Reporting and Tracking System (ERTS), which was not included in the FY 2013 enacted budget.

For FY 2014, the Governor recommends \$1.7 million financed entirely by general revenue, a \$212,755 decrease from the FY 2013 enacted Budget. The FY 2014 recommendation reflects a \$378,900 decrease attributable to removing expenses for the 2012 General Election, which will not be required in FY 2014. The FY 2014 also includes a \$150,000 increase in the Board's IT programming budget to implement an electronic filing system for independent advocates, required pursuant to House Bill H-7859 of 2012. Consistent with the Governor's revised FY 2013 recommendation, an additional \$6,750 is added in software maintenance agreements for ERTS hosting.

The Governor recommends 11.0 FTE positions in revised FY 2013 and FY 2014, consistent with the enacted FY 2013 authorization.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2013 budget for the Rhode Island Ethics Commission of \$1.6 million, composed entirely of general revenue. This amount is \$7,028 less than the FY 2013 enacted level. The revised budget includes reductions of \$10,000 in contracted professional services, which is partially offset by increases of \$2,234 for operating costs and \$738 for salaries and benefits.

For FY 2014, the Governor recommends expenditures of \$1.6 million in general revenue. This amount is \$19,323 more than the FY 2013 enacted budget and fully funds current services of the Commission. The general revenue increase of \$19,323 includes a \$40,023 increase for personnel costs, a \$11,250 decrease for contracted professional services, a \$8,450 decrease for operating costs, and a \$1,000 decrease for capital purchases and equipment.

The Governor recommends the FY 2013 enacted level of 12.0 FTE positions in revised FY 2013 and FY 2014.

Office of the Governor

The Governor's revised FY 2013 Budget for the Office of the Governor is \$4.2 million, all in general revenue. The recommendation is a decrease of \$22.2 million from the FY 2013 enacted amount, including \$22.2 million less in federal funds and \$17,383 less in general revenue. The federal funds decrease reflects the reassignment of the Health Benefits Exchange program to the Department of Administration. The program had been established in the Governor's Office by virtue of Executive Order 11-09 on September 19, 2011, and is proposed to be centrally located in Administration, in line with its task of providing near-universal health coverage for all Rhode Islanders. The general revenue reduction in FY 2013 relates to removal of financing for a proposed medical holiday. The Governor's FY 2013 recommendation provides \$3.9 million for personnel, \$260,850 for operating, and \$14,000 for capital expenditures. The recommendation also includes \$250,000 in contingency fund financing, same as the FY 2013 enacted level.

The Governor's FY 2014 Budget for the Office of the Governor is \$4.5 million, all in general revenue. The recommendation is a decrease of \$22.1 million from the FY 2013 enacted amount for all funds. The federal reduction of \$22.2 million relates to the reassignment of the Exchange as described for FY 2013. This reduction is offset by an additional \$75,223 in general revenue, in

General Government

relation to the FY 2013 enacted amount. The additional general revenues in FY 2014 allow for full financing for all filled positions in the office, providing \$4.0 million for personnel. The Governor's FY 2014 recommendation also includes \$234,215 for operating and \$24,000 for capital expense, specifically for expected lease costs on the Office's copy machines, and replacement of computers as required. The Governor's Contingency Fund is again recommended at \$250,000 for FY 2014.

The Governor recommends 45.0 FTE positions in FY 2013 and FY 2014, which is the same as the enacted level for the Office.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2013 Budget of \$1.4 million for the Commission for Human Rights, including \$1.1 million from general revenue and \$306,688 from federal funds. This recommended level is \$23,973 less than the FY 2013 enacted level and consists of \$4,639 less in general revenues and \$19,304 less in federal funds. The decrease in federal funds expenditures is due primarily to less operating costs being financed by federal funds from the US Equal Employment Opportunity Commission (EEOC) and the Department of Housing and Urban Development (HUD). The decrease in general revenue expenditures is attributable to statewide medical holiday savings.

For FY 2014, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million from general revenue and \$308,638 from federal funds. Compared to the FY 2013 enacted level, the FY 2014 recommended expenditures are \$4,337 less, reflecting \$13,017 more general revenues and \$17,354 less federal funds. The increase in general revenue is due primarily to higher employee benefit costs for retirement and retiree health. Similar to the FY 2013 revised budget, the decrease in federal funds expenditures is to bring operating expenses more in line with anticipated reimbursements from the two federal agencies for discrimination cases handled on their behalf by the Commission.

The Governor recommends 14.5 FTE positions in the FY 2013 revised and FY 2014 budgets, which were the same level authorized in the FY 2013 enacted budget.

Public Utilities Commission

The Governor recommends a revised FY 2013 Budget of \$8.5 million for the Public Utilities Commission. This revised level of funding consists of \$348,421 from federal funds and \$8.1 million from restricted receipts. Compared to the FY 2013 enacted budget, it is a \$243,232 increase, including \$26,626 more in federal funds and \$216,606 more in restricted receipts.

For FY 2014, the Governor recommends total expenditures of \$8.6 million, consisting of \$166,818 from federal funds and \$8.4 million from restricted receipts. This level reflects an increase of \$322,675 when compared to the FY 2013 enacted appropriations and consists of \$154,977 less in federal funds and \$477,652 more in restricted receipts. The Governor recommends an additional Investigative Auditor position in FY 2013 to address backlogs in the audits and accounting section and an additional Consumer Agent position in FY 2014 to address backlogs in the Consumer Section as a result of the drastic increase in consumer related billing issues, service quality concerns and termination proceedings due to recent changes in Rhode Island statutes.

General Government

The Governor recommends 48.0 FTE positions in the FY 2013 revised budget, an increase of 1.0 FTE position from the enacted authorization, as explained above. For FY 2014, the Governor recommends the one additional FTE position discussed above for a total ceiling of 49.0 FTE positions.

Human Services

Human Services

Summary

The Human Services function of state government engages in a broad spectrum of activities including, but not limited to, medical assistance, economic support, rehabilitation services, client subsidies, case management, residential supports, behavioral healthcare, services for at-risk children, and medical provider regulation.

In FY 2014, despite an improving but constrained budgetary outlook, the Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The social and economic needs of clients continue to be provided by the Executive Office and Health and Human Services, which oversees the Departments of Children, Youth, and Families; Health; Human Services; Behavioral Healthcare, and Developmental Disabilities, and Hospitals. The Governor remains a strong advocate of building a sustainable safety net in Rhode Island, with adequate programs of medical and cash assistance for the most vulnerable populations of the State, such as low-income children, parents, pregnant women, frail elders, veterans, the medically needy, and those with physical and developmental disabilities. To this end, the Governor is fully supportive of the provisions of the federal Patient Protection and Affordable Care Act that expand the scope of the Medicaid program beginning in 2014. The establishment of a state-based Health Benefits Exchange also provides the State with a unique opportunity to pursue the Unified Health Infrastructure Project: construction of a modern, fully integrated eligibility system covering multiple programs of public assistance.

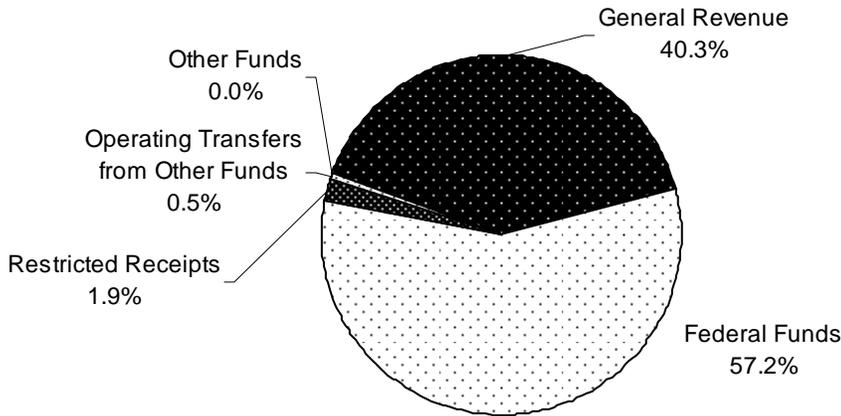
The Governor is further committed to preventing child abuse and neglect by intervening for and on behalf of abused and neglected youth, and rehabilitating delinquent youth through education and training at DCYF. The dual role of advocacy and education continues to be provided by agencies including the Offices of the Child Advocate and Mental Health Advocate, the Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing.

For FY 2013, the Governor recommends a revised all funds budget of \$3.163 billion for the human services function. Of this total, there is \$1.270 billion in general revenue, \$1.810 billion in federal funds, \$66.7 million in restricted receipts, and \$16.2 million in other funds. This reflects a decrease of \$24.6 million in general revenue, a decrease of \$2.3 million in federal funds, an increase of \$5.6 million in restricted receipts, and a decrease of \$2.6 million in other funds relative to the FY 2013 enacted budget. The Governor recommends 3,726.0 full-time equivalent positions in the FY 2013 revised budget, which is an increase of 54.8 FTE positions from the FY 2013 enacted budget. Total staffing authorizations recommended for FY 2014 are 3,773.1 FTE positions.

The Governor's proposed funding level of \$3.317 billion for FY 2014 maintains services for the State's most vulnerable populations. This proposal consists of \$1.337 billion in general revenue, \$1.899 billion in federal funds, \$63.6 million in restricted receipts, and \$17.7 million in other funds. This reflects an increase of \$42.4 million in general revenue, an increase of \$86.3 million in federal funds, an increase of \$2.5 million in restricted receipts, and a decrease of \$1.1 million in other funds relative to the FY 2013 enacted budget. The FY 2014 recommendation constitutes 40.6 percent of the total proposed expenditures for the state. Social services block grants and federal financial participation for medical assistance programs constitute the primary sources of federal funding. The chart below displays funding by source for the Governor's FY 2014 recommendation for the human service agencies and departments.

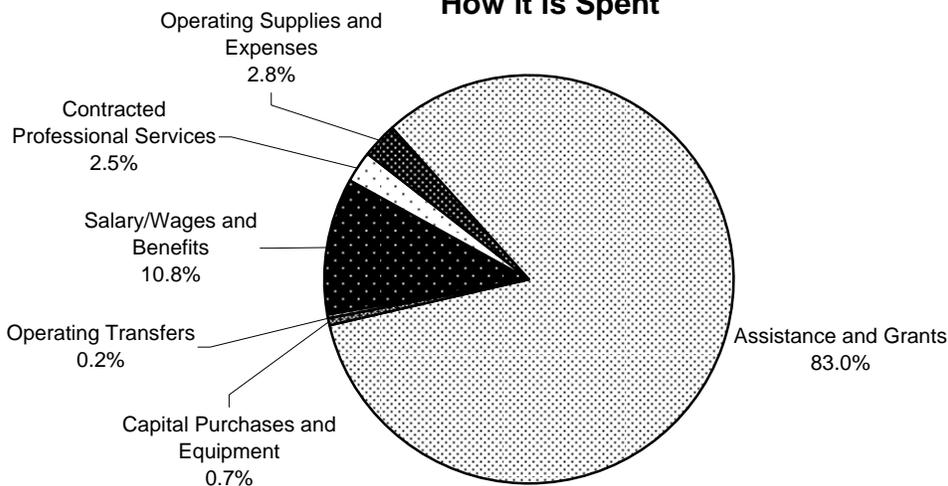
Human Services

How it is Financed



The Governor's FY 2014 recommendation includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, including purchased services, accounts for \$439.8 million, or 13.3 percent, of all expenditures programmed for human services. Grants and benefits expenditures of \$2.754 billion account for the largest outflow of identified resources, reflecting 83.0 percent of the total human services function. The chart below shows the outflows of all resources by category of expenditure for the human services function.

How it is Spent



Human Services

Executive Office of Health and Human Services

The Governor recommends total expenditures of \$1.722 billion for the revised FY 2013 budget of the Executive Office of Health and Human Services (EOHHS). This is comprised of general revenue totaling \$801.4 million, federal funds of \$907.8 million, and restricted receipts of \$13.2 million. Relative to FY 2013 enacted levels, recommended general revenue financing decreases by \$23.7 million, or 2.9 percent, while federal financing decreases by \$7.0 million, or 0.8 percent. Restricted receipts increase by \$769,244, or 6.2 percent.

The decreases in both general revenue and federal financing in the current year are driven exclusively by revised appropriations for the Medical Assistance program, as adopted by the November 2012 Caseload Estimating Conference and further modified by the Governor (see below). The Governor's FY 2013 revised budget for the Central Management program contains reappropriations of general revenue totaling \$379,593 relating to unexpended FY 2012 financing for the Coordinated Health Planning Project (\$150,000), various legal services (\$113,065), computer equipment (\$27,751), and office space redesign expenses (\$88,777). Other significant expenditure plan adjustments, many of which recur in FY 2014, include increases to personnel expenses of \$399,546 (reflective of both unachieved turnover and a restructuring of the Office's personnel roster) and \$1.4 million for the Unified Health Infrastructure Project (discussed below), offset by downward revisions of \$150,000 for the nurse's aide training program grant and \$1.0 million for various contracted professional services. Exclusive of reappropriations, general revenue financing for Central Management increases by \$514,201 from the enacted level of \$25.4 million.

The Governor recommends total expenditures of \$1.860 billion for the FY 2014 budget of the Executive Office of Health and Human Services. This is comprised of general revenue totaling \$851.0 million, federal funds of \$999.4 million, and restricted receipts of \$10.0 million. Relative to FY 2013 enacted levels, recommended general revenue financing increases by \$25.9 million, while federal financing increases by \$84.5 million, and restricted receipts decrease by \$2.5 million. With the full reassignment of the State's Title XIX Medical Assistance (Medicaid) program from the Department of Human Services to the Executive Office of Health and Human Services in the FY 2013 enacted budget, the Executive Office now consists of two distinct budgetary programs: Central Management and Medical Assistance.

Central Management

The Central Management program includes all financing for the operational activities of the Executive Office. These consist of the following core components: Office of the Secretary, Budget, Policy, Program Oversight, Legal Services, and Medical Assistance Administration. The Governor recommends \$30.1 million in general revenue for Central Management in FY 2014, an increase of \$4.7 million, or 18.3 percent, relative to the enacted base. Federal funding for this program also increases considerably, from \$75.3 million to \$86.6 million.

The additional fiscal resources recommended by the Governor in FY 2014 are in part attributable to two significant modifications to the Office's personnel structure. First, the Governor recommends to transfer (4.0) chief financial officer positions from the Department of Health; the Department of Human Services; the Department of Children, Youth and Families; and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals to the Executive Office in FY 2014. Moreover, due to the enhanced programmatic scope of the agency and the myriad of ongoing special projects currently underway at the Secretariat, the Governor's recommendations include a 21.0 FTE position expansion of staffing at the Executive Office in FY 2014. Combined with statewide adjustments for fringe benefit rates and the restoration of FY 2013 managed turnover

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savings, these measures result in recommended personnel expenditures totaling \$23.5 million, or \$13.0 million in general revenue, an increase of \$2.7 million above the enacted general revenue base.

Commencing in FY 2013, the Executive Office, in partnership with other EOHHS agencies and the Rhode Island Health Benefits Exchange, launched the Unified Health Infrastructure Project (UHIP) to build a fully integrated and interoperable system of eligibility determination spanning multiple programs of public assistance and the Exchange. Supported largely through an enhanced federal matching rate of 90 percent, available pursuant to the Patient Protection and Affordable Care Act (PPACA), UHIP is the successor to the now-antiquated “InRhodes” system. A complex and multi-phase project, UHIP requires considerable investments in state personnel, contracted IT and project management services, and technical equipment acquisition. The Governor recommends total financing of \$14.0 and \$20.3 million for the EOHHS components of UHIP in FY 2013 and FY 2014, respectively. Corresponding general revenue of \$1.4 million in FY 2013 and \$3.6 million in FY 2014 are likewise recommended, with an allocation of 7.0 FTE positions from the Office’s recommended FTE complement in each year specifically dedicated to UHIP activities.

Also funded through enhanced federal matching funds of 90 percent, the Governor recommends \$2.0 million, or \$200,000 in general revenue, to develop enhancements to the Medicaid Management Information (MMIS) system that incorporate the use of real-time “predictive modeling” in the analyses of Medical Assistance claims. With this investment, EOHHS expects to improve its ability to recoup, and eventually prevent, overpayments to providers due to fraudulent and/or abusive activity. Use of predictive modeling will facilitate the transition from a post-payment “chase” model to a preventative model, ultimately leading to the disqualification of unscrupulous providers from participation in the Medical Assistance program.

The Governor recommends \$200,000, of which \$100,000 is from general revenue, to create an EOHHS strategic plan. This plan will clarify the future goals and objectives of the Executive Office in its role as the Single State Agency for Medicaid Administration and the coordinating authority for all major human services agencies within state government. Furthermore, the strategic plan will foster the effective and efficient implementation of various programmatic efforts already underway, such as UHIP, Affordable Care Act adherence, and performance-based management.

For FY 2014, the Governor recommends significant revisions to various Medicaid-financed programs known as “Costs Not Otherwise Matchable” (CNOM). Generally housed within the Department of Human Services, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, and the Executive Office of Health and Human Services, the CNOM initiatives represent formerly State-only programs that in FY 2009 became eligible for federal financial participation under the provisions of the Global Consumer Choice Compact Section 1115 Demonstration (the “Global Waiver”). The institution of a CNOM did not entail systemic (all-funds) savings, but rather the substitution of federal funds for general revenue to the extent of the prevailing Federal Medical Assistance Percentage (FMAP).

With the advent of federal healthcare reform under the Patient Protection and Affordable Care Act (PPACA), which mandated an (now optional) expansion of Medicaid coverage to a states’ population of non-disabled, childless adults up to 138 percent of the Federal Poverty Level (FPL) in January 2014, it is anticipated that there will be considerable migration of current CNOM beneficiaries into the EOHHS Medical Assistance program. As the provisions of PPACA allow for full federal financing of this expansionary population until 2017, the Governor recommends the recognition of general revenue cost-avoidance totaling \$4.2 million generated by the transition of applicable populations from CNOM programs to the Medical Assistance program for

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the third and fourth quarters of FY 2014. These reductions are contained within recommended FY 2014 CNOM appropriations for BHDDH (\$2.2 million), DHS (\$1.5 million), and the Executive Office (\$0.5 million). Savings were calculated using an estimate of the percentage of a particular CNOM program's services that are covered under the Medical Assistance program, coupled with the estimated proportion of the current recipient pool that would become Medicaid-eligible as of January 1, 2014. For the Executive Office, the affected CNOM is that for the Ryan White HIV Care Program, which in FY 2014 is financed at \$2.9 million, consisting of \$1.5 million in general revenue.

The Governor recommends staffing authorizations of 169.0 FTE positions in FY 2013, an increase of 1.0 FTE position from the enacted level representing a new position responsible for the administration of the Money Follows the Person Demonstration Grant's supplemental program for Aging and Disability Resource Centers (ADRC). For FY 2014, the Governor recommends staffing authorizations of 194.0 FTE positions, 25.0 FTE positions above the revised level, reflecting both the transfer-in of 4.0 chief financial officer positions from the major human services departments and the augmentation of the EOHHS administrative staff by 21.0 FTE positions.

Medical Assistance

The November 2012 Caseload Estimating Conference (CEC) adopted total financing of \$1.588 billion for the Medical Assistance program in FY 2013, consisting of \$775.3 million in general revenue. This constitutes a 3.0 percent decrease relative to enacted general revenue of \$799.6 million, as is largely attributable to projected savings in the Medicaid managed care programs (RIte Care and Rhody Health Partners) that stem from downward revisions to capitation rates (monthly costs per member) and updated caseload data, both of which are trending lower than those embedded in enacted estimates. For the FY 2013 revised budget, the Governor recommends a single modification to the CEC estimate: the shift of \$251,334 from general revenue to federal funds in recognition of federal IDEA Part C funding that became available subsequent to the conclusion of the Conference. The Governor therefore recommends all-funds Medical Assistance expenditures as adopted, with \$775.1 million derived from general revenue.

The November 2012 Caseload Estimating Conference (CEC) adopted total financing of \$1.665 billion for the Medical Assistance program in FY 2014, consisting of \$834.9 million in general revenue. This represents a 4.4 percent increase relative to enacted general revenue, and a 7.7 percent rate of growth over the FY 2013 adopted level. Comparing expenditures as adopted by the November 2012 CEC, the increase to the Medical Assistance program's state funding requirement in FY 2014 was quite significant at \$59.6 million. Though approximately \$16.0 million of this increase is driven by a year-over-year decrease in the Federal Medical Assistance Percentage (FMAP) from 51.26 percent to 50.11 percent, it is primarily tied to continuing trends in caseloads, utilization rates, and unit prices that have continually given rise to the upward trajectory in the total cost of the Medical Assistance program.

Exclusive of federal pass-through reimbursements to LEAs for Medicaid-eligible children in special education programs (which are not estimated at the CEC), the Governor recommends \$1.724 billion for Medical Assistance in FY 2014, consisting of \$820.9 million in general revenue. This constitutes a \$14.0 million reduction to the CEC adopted level, and is achieved through three distinct specific policy actions designed to contain the Medicaid program's expenditure growth in FY 2014. First, the Governor recommends reductions to all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2013, for savings totaling \$4.4 million in general revenue. Rates will be negotiated so as to limit average annual growth in these rates to 1.6 percent, as opposed to the 3.0 percent increase assumed at the November 2012 CEC. The Governor further recommends freezing (for one year) FY 2013 payment rates for inpatient and outpatient hospital

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services within both the fee-for-service and as the managed care segments of the Medical Assistance program, yielding \$5.2 million in general revenue savings. Lastly, the Governor recommends the suspension of the rate increase to nursing care and hospice facilities scheduled for October 1, 2013, generating savings of \$3.9 million in general revenue. The latter two measures will require both statutory amendments as well as the prior approval of the Centers for Medicare and Medicaid Services (CMS); the Governor's FY 2014 Appropriations Act contains legislation designed to meet both objectives.

In addition to these policy initiatives, the Governor recognizes savings of \$1.0 million, or \$500,000 in general revenue, stemming from the aggressive recoupment of fraudulent or otherwise inappropriate Medicaid payments uncovered by the newly established Office of Program Oversight. The Office will employ both traditional rules-based claim screening techniques as well as advanced predictive analytics (through the aforementioned MMIS enhancements) to ensure that expenditures under the Medical Assistance program are free of fraud, waste, and abuse.

The Executive Office of Health and Human Services is currently conducting a comprehensive assessment of the Medicaid-specific provisions of the Patient Protection and Affordable Care Act (PPACA), the ramifications of which are multifaceted and complex. Although the programmatic details and cost estimates remain somewhat uncertain, the Governor recommends the incorporation of two key PPACA elements within recommended appropriations for the Medical Assistance program: (1) The expansion of Medicaid coverage to non-disabled, childless adults up to 138 percent of FPL, commencing January 2014 and (2) The increase of both fee-for-service and managed care Medicaid payment rates for primary care physicians (offering certain specified services) to align with those of the federal Medicare program, commencing January 2013. To accommodate the attendant costs of each provision, PPACA provides for 100 percent federal funding in FY 2013 and FY 2014. Accordingly, there is no general revenue impact programmed in the FY 2013 revised or FY 2014 budget(s). The Governor recommends additional appropriations of federal funds totaling \$8.5 million and \$17.0 million in FY 2013 and FY 2014, respectively, for the primary care rate provision. In FY 2014, the Governor recommends an additional \$69.8 million in federal funds relating to the expansion of Medical Assistance eligibility.

Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapses in January 2017, after which the federal matching rate declines incrementally until reaching 90 percent for 2020 and thereafter. Furthermore, full federal funding for the enhancement of primary care payment rates is only available for calendar years 2013 and 2014. The resulting out-year general revenue exposure is captured in the Governor's Five Year Financial Projection, contained in Appendix E of this document.

Department of Children, Youth and Families

The Governor recommends \$213.1 million in the revised FY 2013 Budget for the Department of Children, Youth and Families (DCYF), including \$152.0 million in general revenue, \$55.1 million in federal funds, \$2.5 million in restricted receipts, and \$3.5 million in other funds. The Governor's revised Budget includes a net decrease of \$589,366 in general revenue expenditures, which represents a 0.39 percent reduction from the enacted budget.

Expenditures for grants and benefits in the Department of Children, Youth, and Families have decreased significantly in general revenue and federal funds over the past few years even though expenses related to providing services to children and families should have amplified due to FMAP increases and trend growth rates. This is due to the Department's successful execution of major

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savings initiatives, including better practice improvements and the full implementation of the System of Care Transformation in July of 2012, which restructures programs into a more community-based system of support. The goal of the restructuring was to deliver more children's services in home and community settings, giving the children, guardians, and community the benefit of inclusion in the rehabilitative process, and to allow the development of more natural supports.

Phase One of the implementation of these programs began in FY 2009. This Phase implemented Family Care Community Partnerships (FCCP) for children and families who are at risk for Department involvement due to abuse and neglect or serious emotional disturbance (SED) and youth who are returning to the community following a Rhode Island Training School sentence. Phase Two was instituted with the contracting of Networks of Care. This Phase is designed to service Rhode Island's families with children who are formally involved with DCYF and who are in need of, or at risk for, out of home placement with a goal of facilitating permanency plans, decreasing the need for hospitalizations and residential placements, and increasing access to home and community-based services and supports.

Due to the full implementation of the System of Care, there has been a major grants and benefits shift of \$11.0 million from all funds, or \$7.6 million from general revenue, from the Children's Behavioral Health and Juvenile Corrections programs to the Child Welfare program, which houses the expenditures for the new networks. There is a decrease of \$1.7 million on an all funds basis department-wide for grants and benefits and an increase of \$942,384 in general revenue that offsets a portion of the decrease in Title IV-E revenue that was anticipated in the enacted budget. General revenue overtime expenditures increase by \$1.1 million from the enacted level in the Juvenile Corrections and Child Welfare programs. These increases are offset by a decrease of \$2.7 million in general revenue for personnel expenditures, which reflects a significant increase in turnover and a statewide medical benefits holiday.

Other general revenue changes from the FY 2013 enacted Budget include a decrease in contract service expenditures of \$159,613 and an increase of \$40,281 for operating expenses and capital purchases.

The Governor's recommendation includes a total of 671.5 FTE positions for FY 2013, which consists of 6.0 FTE positions more than the enacted level of 665.5 FTE positions. The additional positions are federally funded through the Race to the Top - Early Childhood Learning and SAHMSA grants.

The Governor recommends total expenditures of \$211.3 million in FY 2014 for the Department of Children, Youth and Families. This is comprised of \$152.9 million in general revenue, \$54.2 million in federal funds, \$2.6 million in restricted receipts, and \$1.6 million in other funds. The recommended FY 2014 general revenue budget increases by \$340,539, or 0.22 percent from the enacted FY 2013 Budget.

Major general revenue changes for FY 2014 from the FY 2013 enacted Budget include a net decrease of \$317,645 for personnel expenditures (excluding overtime). This reduction includes a savings of \$1.3 million for increased turnover that is somewhat offset by \$984,784 for rate changes to medical insurance, retirement, retiree health, and an election day holiday. Overtime expenditures increase by \$678,864 from the FY 2013 enacted Budget.

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Other general revenue changes from the FY 2013 enacted Budget include decreases of \$191,603 for purchased services and \$693,881 for operating expenses and capital purchases. This includes savings initiatives from the Department to close its East Bay office through consolidation and to reduce in-state mileage expenses.

In FY 2014, the Department continues to achieve savings with the implementation of the System of Care and better practice techniques. Although there is a general revenue increase of \$673,200 for grants and benefits from the FY 2013 enacted Budget due to a continued anticipated loss of Title IV-E revenue, there is an all funds decrease of \$2.9 million for grants and benefits. This is relatively consistent with the FY 2013 revised Budget level of services provided through the System of Care. Compared to the enacted, this also includes an additional \$671,629 (\$576,340 from general revenue) in savings initiatives related to renegotiation of rates paid for Bradley Group Homes, contract reductions, and the enhancement of claims under the Medicaid Rehab Option.

General revenue reductions associated with the Rhode Island Global Consumer Choice Compact Demonstration Waiver for CNOM's financing are attributed to the diversion of residential services for at-risk youth into a more community-based approach. The department continues to achieve the programmed savings associated with this 2009 initiative in FY 2014. This includes \$4.1 million from federal matching funds that were previously services that qualified for state-only funding.

The Governor includes in his recommendation an additional \$500,000 for educational costs related to youth who are in the custody of the Department and placed in an educational setting outside of the home school district. The Rhode Island Department of Elementary and Secondary Education (RIDE) is required by statute to determine a methodology to set the rate to be used by school districts when paying the Department of Children, Youth, and Families. RIDE is currently transitioning to a new methodology that will result in the shift of some of the costs from school districts to DCYF. FY 2014 is the second year of a five year transition plan.

This recommendation includes a total of 670.5 FTE positions in FY 2014, which is 1.0 FTE position less than the FY 2013 revised Budget recommendation and is related to the Department's Chief Financial Officer being transferred to the Executive Office of Health and Human Services for reporting purposes.

Department of Health

The Governor recommends total expenditures of \$126.8 million for the Department of Health's FY 2013 revised budget, including \$24.7 million from general revenue, \$70.4 million from federal funds, \$31.5 million from restricted receipts, and \$126,311 from other funds. The FY 2013 revised budget represents an increase of \$7.2 million from all sources of funds, of which \$5.4 million is federal funds and \$2.0 million is restricted receipts. There is a decrease of \$100,114 in general revenue funding and \$45,689 in other funds.

The net decrease in general revenue expenditures of \$100,114 from the FY 2013 enacted amount of \$24.8 million is primarily due to offsetting various costs to the Indirect Cost Recovery account. By category of expenditure within general revenues, personnel costs (\$44,306), contracted professional services (\$55,893), and assistance and grants (\$50,000) increase, while operating supplies (\$7,935) and capital purchases (\$42,150) decrease.

The increase in federal funds expenditures of \$5.4 million is constructed of changes across many of the Department's grants. However, a large portion is due to increases in the Affordable Care Act Maternal, Infant and Early Childhood Home Visiting grant of \$2.2 million and the Comprehensive

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HIV Prevention grant of \$1.2 million. The majority of the federal funds change, by program, exists within Community and Family Health and Equity, \$3.1 million, and Public Health Information, \$1.9 million.

The increase in restricted receipt expenditures is also closely associated with the Community and Family Health and Equity program where expenditures for the Adult Immunizations and the Lead Poisoning Program are increasing by \$2.0 million. Funded from an assessment on insurance companies, the Adult Immunization program provides for the purchase and distribution of vaccines. The additional funding for the Lead Poisoning Program is due to a contribution from the Providence Water Supply Board in support of lead poisoning prevention.

For the revised FY 2013 budget, the Governor recommends an authorized FTE level of 498.0 positions, an increase from 497.3 FTE positions in the FY 2013 enacted budget. The revised budget continues to accommodate the transition of 39.0 contracted employees to FTE positions, as well as the authorization for 20.0 new federally funded positions, as provided for in the enacted budget.

For FY 2014, the Governor recommends total expenditures of \$121.1 million for the Department of Health. This is comprised of \$24.9 million from general revenue, \$62.0 million from federal funds, \$34.1 million from restricted receipts, and \$35,310 from operating transfers. The FY 2014 recommended funding level from all sources of funds is \$1.6 million higher than the FY 2013 enacted budget. Compared to the enacted budget, general revenue financing increases by \$78,455, federal financing decreases by \$3.0 million, restricted receipt financing increases by \$4.6 million, and other funds financing decreases by \$136,690.

The decrease in federal funds expenditures of \$3.0 million is almost exclusively due to federal grants in the Community and Family Health and Equity program, which decreased by a total of \$2.8 million compared to the FY 2013 enacted budget. Though no single grant accounted for the decline in federal funding, the Affordable Care Act Maternal, Infant and Early Childhood Home Visiting grant constituted \$881,559 of the decline. The \$4.6 million increase in restricted receipt expenditures is mostly comprised of an increase of \$4.7 million in Community and Family Health and Equity offset by decreases in other restricted programs. This increased expenditure amount is largely due to Newborn, Child, and Adult Immunizations, which had a corresponding change in FY 2013.

The Governor recommends transferring certain costs formerly financed with general revenues to federal indirect cost recovery funds in FY 2014, yielding general revenue savings of \$567,835. Anticipated cash balances within the associated restricted receipt account are projected to be sufficient to absorb these additional expenditures.

For FY 2014, the Governor recommends an FTE position level for the Department of Health of 494.1 positions, which is 3.2 FTE positions less than the enacted budget of 497.3 in FY 2013. The reduction in FTE positions is evident in the Public Health Information and the Community and Family Health and Equity programs with small offsetting increases in Central Management, Environmental and Health Services Regulation, and Infectious Disease and Epidemiology.

Department of Human Services

The Governor recommends total expenditures of \$666.6 million for the revised FY 2013 budget of the Department of Human Services (DHS). This is comprised of general revenue totaling \$96.8 million, federal funds of \$553.0 million, restricted receipts of \$12.2 million, and other fund expenditures of \$4.6 million. Relative to FY 2013 enacted levels, recommended general revenue

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financing decreases by \$178,701, or 0.2 percent, while federal financing increases by \$13.3 million, or 2.5 percent.

The general revenue decrease in the revised budget solely reflects statewide savings assessed for a one-pay period medical benefit 'holiday' in FY 2013; no further reductions to enacted financing are recommended. However, revised general revenue appropriations do contain expenditure plan adjustments among the Department's various programs. Specifically, general revenue for the Department's programs of cash assistance, as estimated by the November 2012 caseload Estimating Conference, increase by \$59,761, consisting of an increase of \$320,612 for the Supplemental Security Income (SSI) program and an offsetting decrease within the General Public Assistance (GPA) program of \$260,851.

A net general revenue reduction of \$238,462 is recommended throughout the Department's other programs. This consists of increases to the Office of Child Support Services (\$48,352), the Individual and Family Support Program (\$440,973), the Division of Veterans' Affairs (\$76,941), and Central Management (\$134,859). Offsetting decreases are witnessed in Health Care Eligibility (\$744,985) and the Division of Elderly Affairs (\$194,602). These interprogram shifts generally reflect the realignment of enacted resources to better conform to current Departmental priorities, particularly with respect to the DHS personnel structure and projected hiring patterns for vacant line staff. Also recommended within revised appropriations is the continuation of the Work Support Strategies initiative for public assistance system enhancements, as well as the addition of 6.0 limited-term, federally funded FTE positions to support DHS activities under the EOHHS-based Unified Health Infrastructure Project (UHIP).

The Governor recommends total expenditures of \$676.4 million for the FY 2014 budget of the Department of Human Services. This is comprised of general revenue totaling \$99.5 million, federal funds of \$562.8 million, restricted receipts of \$9.6 million, and other fund expenditures of \$4.5 million. Relative to FY 2013 enacted levels, recommended general revenue financing increases by \$2.5 million, while federal financing increases by \$23.0 million and restricted receipts increase by \$487,673. The Governor's FY 2014 recommendations for the Department's various programs are discussed below.

The Governor recommends general revenue totaling \$5.0 million for the Central Management program, a decrease of \$57,672 from the FY 2013 enacted level. Driving this decrease is a reduction of \$105,334 to the Costs Not Otherwise Matchable (CNOM) program for Federally Qualified Health Centers generated by the transition of certain beneficiaries to full federal financing under the Medical Assistance program, pursuant to the Patient Protection and Affordable Care Act (PPACA). Minor increases to both personnel and operating financing comprise the balance of the general revenue recommendation.

The Governor recommends general revenue totaling \$2.4 million for the Office of Child Support Services, \$64,453 above the FY 2013 enacted level, reflecting current services and the partial restoration of constable services expenditures. Funding for these services was reduced in the enacted base due to the heightened use of regular mail to notify parties to appear at Family Court. Although this initiative has been successful, original savings estimates have been deemed too aggressive. As such, the Governor recommends \$480,000 for these services, consisting of \$163,200 in general revenue.

The Governor recommends general revenue of \$21.4 million for the Individual and Family Support (IFS) program, \$767,675 above the FY 2013 enacted level and \$326,702 above the Governor's FY 2013 revised recommendation. This increase primarily reflects the augmentation

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of vital line staff involved in the specific program areas of either Rhode Island Works (RIW) or the Supplemental Nutrition Assistance Program (SNAP). Relative to enacted levels, IFS-based CNOM programs decrease by \$94,592 due to the transition of certain beneficiaries to full federal financing under the Medical Assistance program, pursuant to PPACA.

Salient revisions to non-general revenue funding within IFS include an increase to the Low Income Home Energy Assistance and Weatherization Assistance Programs totaling \$14.5 million and additional funding of \$2.7 million under the Race to the Top Early Learning Challenge Grant.

The Governor also recommends new allocations of TANF State Family Assistance Grant funds for DHS administrative grants that will finance new and/or expanded programs in job preparation for Rhode Island Works (RIW) recipients, such as the “On the Job Training” program, the “Small Group Classes for Life Skills” program, and a new pilot program combining subsidized employment services and expanded child care assistance for certain RIW recipients. This pilot program, limited to 400 families, will more effectively incorporate work support strategies and transitional child care for the successful transition of families from the Rhode Island Works Program. The pilot will draw on current on-the-job training and subsidized employment activities, expanding those in some cases, and developing an enhanced, but limited, child care benefit to more effectively transition families from the RIW to self-sufficiency. The enhanced child care benefit will provide child care assistance for families with incomes up to 225 percent of the federal poverty level. To launch this pilot initiative in FY 2014, total financing of \$3.0 million is recommended, \$1.5 million of which is contained within the IFS budget for the subsidized employment component.

The Governor recommends general revenue of \$21.2 million for the Veterans’ Affairs program, \$1.6 million above the FY 2013 enacted level, inclusive of upward adjustments to personnel totaling of \$1.5 million. This increase contains \$872,000 in additional funds for overtime expenditures, which were underfunded in the FY 2013 enacted budget. The remainder of this financing is related to the expansion of clinical staffing to support anticipated increases in the resident census of the Rhode Island Veterans’ Home. Allocations of dedicated restricted receipt funds for various capital projects at the Home total \$2.4 million and \$0.8 million in FY 2013 and FY 2014, respectively. The Department of Human Services and the Department of Administration have begun planning for the design and construction of a new Veterans’ Home complex in Bristol, financed by the issuance of \$94.0 million in general obligation bonds recently approved by the voters.

The Governor recommends that the Health Care Quality, Financing and Purchasing program (HCQFP) be renamed as the Health Care Eligibility program. Over the course of the FY 2012 and FY 2013 budget cycles, the majority of HCQFP was relocated to the Central Management program of EOHHS. However, DHS field office support of the Medical Assistance program’s casework and eligibility determination functions (including the InRhodes contract) remained under DHS budgetary auspices. Accordingly, the program is now more aptly termed “Health Care Eligibility”. The Governor recommends general revenue of \$8.3 million for this program, \$11,801 above the enacted level and \$0.8 million above the Governor’s FY 2013 revised recommendation. This increase is primarily due to expanded staffing for both Medical Assistance eligibility technicians and the DHS segment of the Unified Health Infrastructure Project (12.0 limited-term FTE positions, in addition to the 6.0 FTE positions recommended for this purpose in FY 2013).

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The Governor recommends general revenue of \$10.7 million for the Division of Elderly Affairs, \$5,756 below the FY 2013 enacted level. The Governor recommends the continuation of the Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) program, and includes \$174,484 from general revenue for this purpose. This represents a partial restoration of state funding for RIPAE, as the FY 2013 enacted budget shifted all general revenue appropriations to available reserves of pharmaceutical rebate funds. The Governor's recommendation for DEA also recognizes savings within various CNOM programs resulting from the anticipated movement of certain beneficiaries to full federal financing under the Medical Assistance program, pursuant to PPACA.

The Governor's FY 2014 recommendations for the programs of cash assistance administered by the Department of Human Services are as follows. For RIW (formerly the Family Independence Program) and the Child Care Assistance Programs, total financing of \$92.7 million is recommended, consisting of \$9.7 million in general revenue, reflecting caseloads as adopted by the November 2012 Consensus Caseload Estimating Conference coupled with an increase of \$1.5 million in federal TANF funding for the expanded Child Care Assistance pilot program. For SSI, the Governor recommends total financing of \$18.8 million, consisting entirely of general revenue and reflecting caseloads as adopted by the November 2012 Consensus Caseload Estimating Conference. For General Public Assistance (GPA), the Governor recommends \$2.1 million in general revenue, consistent with a reduction of \$241,800 to adopted GPA estimates for the anticipated shift of GPA Medical (GMED) recipients to full federal financing under the Medical Assistance program, pursuant to PPACA. Recommended general revenue for GPA also includes a \$210,000 allotment for the Hardship Contingency Fund, as authorized in Article 1 of the Governor's FY 2014 Appropriations Act.

The Governor recommends an additional 6.0 limited-term FTE positions to support UHIP implementation in FY 2013. When combined with other personnel realignments, this yields recommended staffing authorizations of 946.6 FTE positions for FY 2013, an increase of 5.9 FTE positions relative to the FY 2013 enacted level of 940.7 positions. For FY 2014, the Governor recommends 974.6 FTE positions, 28.0 positions above the FY 2014 revised level due to: (1) 12.0 additional limited-term FTE positions for the administration of UHIP, (2) 7.0 additional Eligibility Technician positions within the Health Care Eligibility program, (3) 6.0 RIW Social Caseworker positions and 4.0 SNAP Eligibility Technicians within Individual and Family Support, and (4) the transfer of an Associate Director of Financial Management position (i.e. chief financial officer) to the budget of the Executive Office of Health and Human Services in FY 2014.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Governor's revised FY 2013 Budget for the Department of Behavioral Healthcare, Developments Disabilities, and Hospitals totals \$431.6 million, including \$193.2 million in general revenue, \$223.5 million in federal funds, \$7.2 million in restricted receipts, and \$7.7 million in other funds. On an all funds basis, the \$431.6 million revised Budget is \$14.1 million less than the FY 2013 enacted Budget of \$445.7 million, consisting of the following net changes: an increase of \$96,705 in general revenue, a decrease of \$10.6 million in federal funds, a decrease of \$11,468 in restricted receipts, and a decrease of \$3.5 million in other funds.

The FY 2013 revised Budget encompasses an all funds reduction of \$4.4 million, or \$3.5 million from general revenue, for department-wide personnel expenditures (excluding overtime), which is related to increased turnover, delays in hiring, and a statewide medical benefits holiday. Due in part to setbacks in the hiring process, overtime expenses have increased by \$5.0 million in

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general revenue and \$4.2 million in federal funds. The enacted Budget contained significant savings in overtime based on the employment of more full time employees and the implementation of continuous recruitment for Certified Nursing Assistants, Community Living Aides, Registered Nurses, Institutional Attendants, and Cook's Helpers. Per request of the department, the revised Budget authorizes an additional 41.2 FTE positions to remedy the impediments of the hiring process. Approximately \$400,000 of the overtime increase in general revenue related to costs associated with Hurricane Sandy in the hospitals and RICLAS group homes.

Department-wide, the Governor's recommendation includes a general revenue increase of \$215,177 for purchased services and \$500,014 for operating expenditures and capital purchases and equipment. Grants and benefits decreased by a total of \$15.7 million, or \$2.1 million from general revenue. The majority of this decrease is related to the underutilization of services that had been anticipated in the enacted Budget for the Health Homes initiative. A small portion of the grants and benefits savings in the current fiscal year is related to a shift of funding from general revenue to federal block grants and residential adolescents aging out of the system.

Other funds were reduced by \$3.5 million, a portion of which was related to the hospital consolidation project. The hospital consolidation plan emphasizes efficiency gains by consolidating the Eleanor Slater Hospital footprint on the Pastore Campus. This will result in a more efficient use of resources, which will reduce staffing costs, reduce the hospital's maintenance and utility budget, and improve security for staff. The enacted budget provided \$2.0 million in FY 2013 for this project. The Governor's revised recommendation shifts some of the funding from FY 2013 to FY 2014 through FY 2017.

Project Sustainability redesigned the developmentally disabled service system. The redesign changed the assessment tool to a nationally recognized validated assessment tool, the Supports Intensity Scale (SIS), for the entire population of consumers served by the system. The redesign also included the development and implementation of a new rate and payment methodology applied to all service providers and will increase transparency and consistency across the system. The result of these changes will eventually be a system that is more easily described and understood and a realignment of resources within the system, while maintaining the services and supports that consumers require, with application of consistent standards and payments across the system.

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals had worked with providers, families and advocates, and other state agencies to define and implement this assessment tool, services, and rates. As this new assessment tool is implemented, assessment data will be compared to utilization data and resource allocations will be refined and rates will be adjusted. The FY 2012 budget contained savings of \$19.3 million from all funds. The Department continues to be successful in implementing and administering this program in FY 2013.

For FY 2013, the Governor recommends an authorized level of 1,424.4 FTE positions, which is 41.2 FTE positions more than the enacted level of 1,383.2 FTE positions. These added positions will give the Department the ability to accelerate the hiring process. The Department anticipates that the additional staffing will result in reduced overtime expenditures at the state hospital.

Human Services

The Governor's FY 2014 recommendation totals \$444.5 million, including \$206.6 million from general revenue, \$220.1 million from federal funds, \$7.1 million from restricted receipts, and \$10.6 million from other funds. The general revenue portion of the budget reflects an increase of \$13.5 million from the FY 2013 enacted Budget.

There is an increase in general revenues of \$5.8 million related to base adjustments in the federal match and trend growth associated with Medicaid; statewide adjustments for medical benefits inflation, retirement rate change, benefits assessment rates, and retiree health; and decreased turnover savings that had been built into the base. Current service adjustments also added back \$11.0 million in general revenue to account for the expiration of the Health Homes initiative in the beginning of the 2014 federal fiscal year. This was a federal enhancement effective October, 2011 from the Centers for Medicare and Medicaid Services. Eligibility criteria for these expanded programs included individuals who met one of the following criteria: 1) have at least two chronic conditions; or 2) have one chronic condition and are at risk for another. The program provided additional federal funding for eight (8) quarters from October 2011 through September 2013.

As discussed under the EOHHS section of this document, pursuant to the Patient Protection and Affordable Care Act (PPACA), the Governor recommends general revenue savings totaling \$2.2 million generated by the movement of beneficiaries from certain CNOM programs to full federal financing under the Medical Assistance program. Savings were calculated using an estimate of the percentage of a particular CNOM program's services that are covered under the Medical Assistance program, coupled with the estimated proportion of the current recipient pool that would become Medicaid-eligible as of January 1, 2014. For the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, the affected CNOMs are the following: Developmental Disability Day and Supported Employment, Community Mental Health Services, Community Medication Assistance Program, Mental Health Inpatient Non-Hospital Care, Substance Abuse Community Programs, Substance Abuse Methadone Program, and the Substance Abuse Residential Non-IMD Program.

In addition to proposed initiatives and other funding changes, the Governor proposes a major change in methodology in the way in which the Department accounts for and budgets for expenditures in the state run facilities (RICLAS and Eleanor Slater), known as 'net budgeting'. The old methodology budgeted all expenditures for these two state run facilities in general revenue and federal accounts. Because the facilities are run by the state, the agency essentially pays itself and receives the federal dollars as a credit to expenditures in the general revenue accounts.

This old methodology has been the source of much contention because of the lack of transparency. The recommended FY 2014 Budget proposes a new method for tracking expenditures in the state run facilities that budgets the state and federal matching funds in the grants and benefits category and provides a corresponding restricted receipt account to receive the reimbursement for the services provided. In order for the expenditures to not be double counted in all funds, the restricted receipt account also budgets a negative dollar amount in operating expenditures that nets the restricted receipts to zero. This new methodology will allow for a more transparent accounting of all expenditures that will post to any account related to RICLAS and Eleanor Slater. However, because this new method tracks categorical expenses only in the restricted receipt account, it appears that general revenue grants and benefits have a major increase and the remaining categories have decreased significantly. On an all funds basis, each category is consistent with annual trend growth rates.

Human Services

As in the Governor's FY 2013 recommendation, salaries and benefits decrease by \$4.8 million, from the originally enacted FY 2013 Budget, which is offset by an increase of \$6.4 million in overtime. This recommendation assumes that the agency will have authorization for the 41.2 FTE positions and that continuous recruitment for these positions will be in full effect.

The FY 2014 Governor's recommendation includes general revenue savings of \$363,975 for the Work First initiative. This program advances employment as the first option for rehabilitation services and incorporates it as a part of an individual's recovery and a vital connection that enhances one's dignity, self-worth and connection to the community. The Housing First savings initiative of \$375,000 from general revenue provides an opportunity to address a system issue in Rhode Island regarding homelessness and over utilization of emergency rooms. The Department will also save \$708,593 in general revenue by closing a special care facility and moving the residents to another long-term care environment, increasing third party billing, and shifting prevention coalition services from general revenue funding to federal block grants.

For FY 2014, the Governor recommends an authorized level of 1,423.4 FTE positions, which is 1.0 FTE position less than the revised FY 2013 Budget due to the transfer of the department's Chief Financial Officer to the Executive Office of Health and Human Services.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$834,468 for FY 2013 for the Governor's Commission on Disabilities. This consists of \$357,498 in general revenue, \$182,291 in federal funds, \$9,214 in restricted receipts, and \$285,465 in Rhode Island Capital Plan funding. The revised funding level is \$83,029 above the FY 2013 enacted level, mostly attributable to an increase in federal funding of \$61,642 and an increase in Rhode Island Capital Plan funding of \$35,465. General revenues decrease by \$13,598, reflecting the savings associated with the addition of a new hire at a lower salary than the previous staff member amongst other small changes. The Commission will use approximately \$285,465 in FY 2013 Rhode Island Capital Plan Funding for both the Accessibility to Disability Service Providers plan (\$50,000) and to finish the construction of the Groden Center elevator (\$235,465).

The Governor recommends total expenditures of \$1.5 million in FY 2014, including \$357,711 in general revenues, \$129,989 in federal funds, \$10,365 in restricted receipts, and \$957,271 from Rhode Island Capital Plan funding. The recommended general revenue funding in FY 2014 is \$13,385 less than the FY 2013 enacted level, mainly attributable to the offset of some personnel costs to the federal grant entitled *New England ADA Center*. The FY 2014 recommendation reflects the Commission's efforts to offset expenses to its federal grants and restricted receipt resources as allowed, as it continues to coordinate the state's compliance with federal and state disability rights laws. The Governor recommends the Commission use \$957,271 in FY 2014 Rhode Island Capital Plan Funding for the Accessibility to Disability Service Providers plan, the Accessibility Fire Safety Renovations plan, and the Accessibility to Higher Education plan.

The recommended FTE position authorization for revised FY 2013 and FY 2014 is 4.0 FTE positions, the same as the FY 2013 enacted level.

Human Services

Commission on the Deaf and Hard of Hearing

The Governor's revised FY 2013 budget for the Commission on the Deaf and Hard of Hearing totals \$381,701, consisting solely of general revenue to finance the Commission's personnel, operating, and interpreter referral services. This represents an overall decrease of \$8,550, or 2.2 percent, from the FY 2013 enacted budget. This revision is mostly attributable to a \$9,440 decrease in personnel costs due to a new FTE position starting at the first step, offset by smaller increases across other categories.

For FY 2014, the Governor recommends \$471,609, consisting of general revenues of \$391,609, and restricted receipt funding of \$80,000 to support the Commission's current operations and start the Emergency and Public Communication Access Program. This represents an increase of \$81,358, or 20.8 percent, from the FY 2013 enacted level of \$390,251. The increase in the Governor's FY 2014 recommendation is mostly attributable to \$80,000 in new restricted receipt funding for the Emergency and Public Communication Access Program.

The Governor recommends legislation to create the Emergency and Public Communication Access Program which shall be funded through the relay fund surcharge outlined in Section 39-1-42 of the Rhode Island General Laws. A total of \$80,000 annually will be used to fund this program to provide the deaf and hard of hearing population within the state improved communication access in emergency situations and when conducting business with the State. As a result of the funding coming from the already established relay fund, there will be no impact upon taxes or general revenue.

Staffing authorizations for the Commission remain unchanged at 3.0 FTE positions.

Office of the Child Advocate

The Governor's revised FY 2013 Budget for the Office of the Child Advocate is \$636,732, including \$590,664 in general revenue and \$46,068 in federal funds. The recommended general revenue appropriation is \$20,805 less than the enacted budget of \$611,469, mostly due to a decrease in personnel expenses from vacancies early in the fiscal year, offset by small increases within other categories.

For FY 2014, the Governor recommends total expenditures of \$655,148, including \$615,151 in general revenue and \$39,997 in federal funds. The general revenue increase of \$3,682 compared to the FY 2013 enacted budget is mainly attributable to increased personnel expenses offset by small changes within other categories.

The Governor recommends an authorized FTE level of 5.8 positions in revised FY 2013 and FY 2014, consistent with the FY 2013 enacted budget.

Human Services

Office of the Mental Health Advocate

The Governor recommends revised FY 2013 general revenue expenditures of \$360,207 for the Office of the Mental Health Advocate, a decrease of \$86,912 from the enacted level of \$447,119. The decrease includes a reduction of \$86,328 in personnel expenses due to vacancies during part of this fiscal year, which were slightly offset by an increase of \$584 in operating supplies.

The Governor recommends total FY 2014 general revenue expenditures of \$486,144, reflecting full funding for the agency's current services and an increase of \$39,025 from the enacted FY 2013 budget. General revenue appropriations include a personnel increase of \$39,609, which reflects both statewide personnel cost increases and full funding for all 3.7 FTE positions. This increase in personnel was slightly offset by changes in financing for operating supplies.

The Governor recommends the FY 2013 enacted staffing authorization of 3.7 FTE positions for both revised FY 2013 and FY 2014.

Education

Education

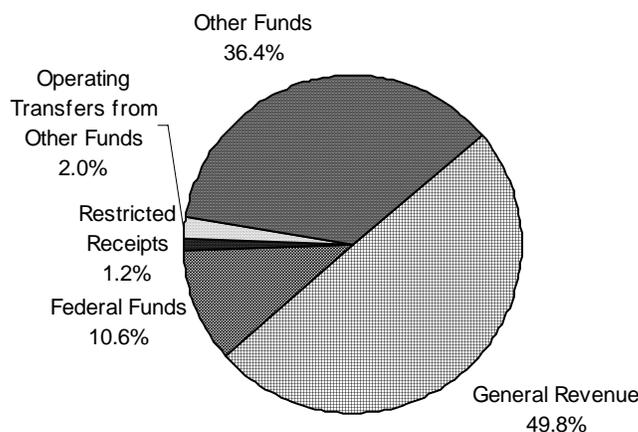
Summary

The Education function of state government includes services provided by the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The Governor recommends 3,903.4 FTE positions in FY 2013 and 3,900.4 FTE positions in FY 2014.

Prior to 2013, two boards governed Education activities in Rhode Island. The Board of Regents, with the advice of the Commissioner of Education, established policy with respect to the operations of the Department of Elementary and Secondary Education, state education aid programs, the Central Falls School District, and the three state schools: the School for the Deaf, the Davies Career and Technical School, and the Metropolitan Career and Technical School. The Board of Governors for Higher Education, with the advice of the Commissioner of Higher Education, established policy with respect to operations at the three state institutions of higher education. Effective January 1, 2013, pursuant to R.I.G.L. 16-97-1, a new Board of Education was established. This new board will be appointed by the Governor, with the advice and consent of the Senate, and will be responsible for overall education policy and oversight of the elementary and secondary and higher education systems in Rhode Island.

The FY 2013 revised recommendations for Education agencies total \$2.281 billion, or \$14.1 million more than enacted appropriations of \$2.267 billion. As compared to the enacted budget, general revenue decreases \$4.9 million, or 0.4 percent, federal funds increase \$6.6 million or 2.6 percent, restricted receipts increase \$938,307 or 3.5 percent, and other funds increase \$1.5 million, or 0.2 percent. American Recovery and Reinvestment Act of 2009 and Race to the Top funding comprises \$40.8 million, or 15.8 percent of the federal funds.

How it is Financed

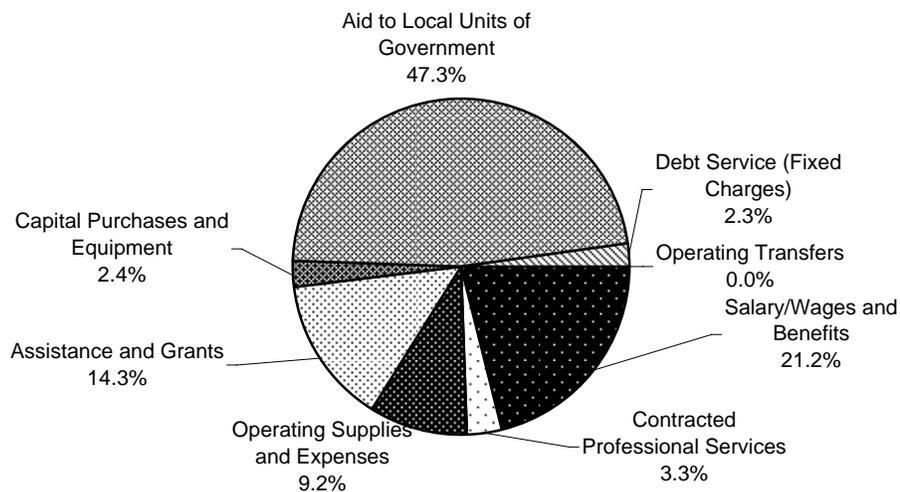


In the Education function of state government, other funds consist of: Rhode Island Capital Plan Funds, Institutional Revenues, Sponsored Research Programs, Scholarships and Fellowships, and Auxiliary Enterprises in Public Higher Education.

Education

The Governor recommends total expenditures of \$2.318 billion for Education in FY 2014, including \$1.154 billion from general revenue, \$246.9 million from federal funds, \$28.8 million from restricted receipts, and \$888.8 million from other funds. American Recovery and Reinvestment Act of 2009 and Race to the Top funding comprises \$31.2 million, or 12.6 percent of the federal funds.

How it is Spent



The Governor's general revenue recommendation of \$1.154 billion for Education for FY 2014 is an increase of \$36.3 million, or 3.2 percent from FY 2013 enacted levels.

Aid to Local Units of Government accounts for 47.3 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 33.8 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 18.9 percent of expenditures occur in grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$1.208 billion in FY 2013 revised expenditures from all funds for the Department of Elementary and Secondary Education, an increase of \$9.9 million from the enacted level of \$1.198 billion. Of this total, \$930.2 million is general revenue expenditures, \$238.0 million is federal funds, \$26.6 million is restricted receipt funds, \$13.0 million is Rhode Island Capital Plan Fund financing, and \$300,000 is other fund expenditures. In relation to the FY 2013 enacted budget, general revenue expenditures decrease by \$5.2 million, federal expenditures increase by \$7.2 million, restricted receipt expenditures increase by \$940,153, Rhode Island Capital Plan Fund financing increases by \$6.8 million, and other fund expenditures increase by \$69,376.

In the revised FY 2013 budget, general revenue financing of the Administration of the Comprehensive Education Strategy (ACES) program is reduced by \$138,994 from the enacted level. This reduction is mostly attributed to a decrease in contracted services. The Governor provides \$18.8 million in general revenue and \$263.1 million in all funds for the ACES program.

All of state-supported schools, except for the School for the Deaf, are subject to the funding formula. General revenue support for the Davies Career and Technical School, the Metropolitan Career and Technical School, and the Central Falls School District each remained at the enacted level of \$13.3 million, \$11.6 million, and \$39.7 million, respectively. General revenue support decreases by \$58,057 from the enacted level of \$6.2 million for the Rhode Island School for the Deaf. This change is largely attributed to a reduction of \$394,320 in contracted services, offset by an increase in general revenue payroll costs as a result of the conclusion of the Education Jobs Fund.

The Governor's revised FY 2013 budget includes a net reduction to general revenue based on mid-year adjustments to the following programs: the School Housing Aid program decreases by \$2.5 million to \$72.1 million due to certain projects that were not complete by the end of FY 2012 and therefore are not eligible for reimbursement in FY 2013; a \$2.9 million decrease in teacher retirement resulting from a lower-than-projected teacher wage base due to updated FY 2012 closing payroll data along with an estimated 2.8 percent growth rate in teacher payroll; and an additional \$6,367 in distributed aid to local education agencies (LEAs), which is necessary according to funding formula calculations after incorporating updated student enrollment data. Additional education aid programs including the five categorical funds (career and technical education, transportation, early childhood programs, high cost special education, and regionalization bonus), non-public textbooks, and school breakfast will all remain at the enacted level in FY 2013. The general revenue support of the E-Rate program will increase by \$400,000 to leverage federal funds as well as provide a continuous source of financing for internet access lines for all K-12 public schools and libraries around the state. Group Home Aid increases by \$60,000 to adjust for updated bed count data.

As a winner in the Race to the Top competition, Rhode Island has been awarded – and the Governor has included in the FY 2013 and FY 2014 recommendations – part of \$75.0 million in federal funds that will be used over a four-year period. The Department will use Race to the Top funding to realize a single powerful vision: an educational system that prepares all Rhode Island students for success in college, careers, and life. Over the term of the grant, Rhode Island will realize this vision through five important support systems: Standards and Curriculum, Instructional Improvement Systems, Educator Effectiveness, Human Capital Development, and School Transformation & Innovation. The Governor's FY 2013 revised budget allocates \$29.7 million, while the FY 2014 budget allocates \$25.5 million from this grant.

Education

In December of 2011, Rhode Island was awarded an additional \$50.0 million through the latest round of the Race to the Top program. Under the title Race to the Top – Early Learning Challenge Grant, funding will be used to improve education for pre-school students. This program will involve multiple human service state agencies with funding allocated over a four-year span, similar to the previous Race to the Top program. Within the Department of Elementary and Secondary Education’s budget, the Governor allocates \$4.2 million in FY 2013 for year two of the program and \$4.1 million in year three, which encompasses FY 2014.

In addition, the FY 2013 enacted budget eliminated \$350,000 in general revenue financing for the Progressive Support and Intervention program, but reallocated \$183,624 of the Permanent School Fund previously only for the Central Falls school district (non-general revenue) now available to all districts. The Governor recommends redirecting an additional \$116,376 to total \$300,000 of the Permanent School Fund in each of FY 2013 and 2014 to ensure that all persistently lowest achieving districts are eligible for some form of financing. The Permanent School Fund is used for the promotion and support of public education in Rhode Island. In absence of the Progressive Support and Intervention program financing, the Permanent School Fund is the only financial support available to the urban ring and suburban schools that are often excluded from federal funding programs that support improvement.

For FY 2014, the Governor recommends \$1.226 billion in expenditures from all funds for the Department of Elementary and Secondary Education. Of this total, \$964.6 million is from general revenue, \$225.7 million is from federal funds, \$27.7 million is restricted receipts, \$7.6 million is from the Rhode Island Capital Plan Fund, and \$300,000 is from other funds. This financing level represents an increase in general revenue expenditures of \$29.3 million from the enacted FY 2013 level, a decrease of \$5.0 million in federal expenditures, an increase of \$2.0 million in restricted receipt expenditures, an increase of \$1.4 million in Rhode Island Capital Plan Fund financing, and an increase of \$69,376 in other fund expenditures.

Financing for the Department’s ACES program increases by \$470,735 in general revenue financing from the enacted FY 2013 level. This increase is due to net changes in personnel shifts from federal to state programs since many federal grants have either been eliminated or reduced significantly, an increase in the Common Core State Standards grants, a grant of \$400,000 to aid the Channel 36 transition, and restoration of financing in contracted services and operations to reflect historical expenditure. Additionally, the Governor recommends that Education shift its share of the Vision Services program, housed at Rhode Island College, to LEAs over a three-year period beginning in FY 2014. This will realize a total reduction of \$745,000 once the transition is complete and will not affect the program since the shift is in line with the original intent of the program.

All state-funded schools are subject to the education funding formula with the exception of Rhode Island School for the Deaf. General revenue funding for the Davies Career & Technical School decreases by \$664,631 from the FY 2013 enacted level; the School for the Deaf decreases by \$107,187; the Metropolitan Career & Technical School decreases by \$560,012; and the Central Falls School District decreases by \$1.5 million.

The Governor recommends fully financing year three of the funding formula in FY 2014. The Governor has also included \$10.2 million to finance four of the five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010, to be distributed to LEAs according to their own individual set of rules. The regional district bonus is excluded because it will reach the three-year phase-out for regional districts established after July 1, 2010, and no new districts have formed since then. In addition, the Governor recommends a

Education

general revenue decrease in Group Home Aid of \$1.1 million to reflect fewer beds subject to reimbursement.

The Governor recommends \$82.5 million for financing of the Teachers Retirement program, an increase of \$2.7 million from the enacted FY 2013 budget. The State of Rhode Island finances 40.0 percent of the employer's share of the necessary contribution to the Teacher Retirement System, while the municipalities contribute the balance. The employer's share is determined annually, based on actuarial reports by the Employees Retirement System of Rhode Island and is applied to the covered payroll. The projected estimate reflects a 2.8 percent growth in the teacher payroll base along with an increase in the State's share from 7.88 percent in FY 2013 to 8.42 percent in FY 2014 of payroll. Additionally, the State will be responsible for 0.4 percent of the total Defined Contribution Plan employer's share of one percent for teachers.

In FY 2014, as compared to the FY 2013 enacted level, Housing Aid decreases by \$3.4 million to account for projects that are expected to be completed in FY 2013, and thus subject to reimbursement in FY 2014.

For the entire Department, which includes the Davies Career and Technical School and the School for the Deaf, the Governor recommends staffing authorizations totaling 357.4 FTE positions in the revised FY 2013 and FY 2014 budgets. This is an increase of two (2.0) FTE positions in the ACES program to comply with legislation passed in the last General Assembly session that mandated the Department, in consultation with the Division of Municipal Finance, conduct periodic reviews of school revenues and expenses, review compliance with the approved budget model and best practices, and identify local education agencies considered to be at risk of a year-end deficit or a structural deficit that could impact future years.

Public Higher Education

The Governor recommends a revised FY 2013 Budget of \$1.037 billion for Public Higher Education, including \$172.7 million in general revenue, \$5.2 million in federal funds, \$858.3 million in other funds, \$702,583 in restricted receipts, and \$24.1 million from the Rhode Island Capital Plan Fund. General revenues increase a total of \$240,060 from the enacted level, including increases of \$658,825 for debt service and a decrease of \$418,765 for a statewide medical benefit savings. The Governor recommends the FY 2013 enacted level of 4,241.0 FTE positions.

For FY 2014, the Governor recommends \$1.058 billion for Public Higher Education, including \$180.9 million in general revenue, \$6.2 million in federal funds, \$870.4 million in other funds, \$702,583 in restricted receipts, and \$30.0 million from the Rhode Island Capital Plan Fund. The total net general revenue increase of \$8.4 million, or 4.9 percent from the FY 2013 enacted level, is comprised of a major \$6.0 million Governor's initiative to achieve a no tuition increase for the 2013 – 2014 academic year to lessen the burden of higher education costs on students and families. The remaining general revenue increase of \$2.4 million, not part of the Governor's initiative, accounts for an increase of \$1.6 million on general obligation bond debt service, the Crime Lab's \$168,507 increase to address rising crime cases' backlogs and an increase of approximately \$600,000 that includes funding for a full-time commissioner and other operating costs across the system. A decrease of \$620,113 for statewide medical benefit, retiree health and dental benefit savings is included in these amounts.

Education

For FY 2014, the budget proposed by the Governor includes a no tuition increase policy, and overall, University and College Funds are recommended at \$834.7 million, or level to the FY 2013 enacted level. Some small fee revenue growth as projected by the schools is included: housing and dining revenues at the University; research funds at the College; and enrollment and bookstore revenues, research funds, and student loans at the Community College, offset by decreases: in research funds at the University; and enrollment revenue at the College.

In FY 2014, Rhode Island Capital Plan and other funds increase \$12.4 million at the University for advancing \$10.1 million of project-ready fire safety improvements and funding \$2.5 million for nursing school improvements and further study for a combined URI and RIC Nursing Building in the Providence Knowledge District. Rhode Island Capital Plan funds at the College increase \$4.0 million for the infrastructure project renewal of steam and water lines and electrical distribution systems. Rhode Island Capital Plan and other funds increase \$649,955 at the Community College for energy improvements, asset protection, and Knight Campus renewal study.

Pursuant to FY 2007 legislation, both the FY 2013 appropriation and FY 2014 recommended budgets include debt service appropriations within Public Higher Education that were formerly funded under the Department of Administration. In FY 2013, general revenue debt service of \$25.3 million increases \$658,825 from enacted levels and in FY 2014, general revenue debt service of \$26.3 million increases \$1.6 million.

The Governor's recommendations for the Crime Lab include a total of \$1.03 million which is an increase of \$168,507 from the FY 2013 enacted Budget for equipment and staff. The College Crusade of Rhode Island and other legislative grant awards are recommended at \$706,077 in both FY 2013 and FY 2014.

The Governor recommends for FY 2014 a total of 4,252.0 FTE positions, an increase of 11.0 FTE positions that include funding for a full-time Commissioner in the Office of Higher Education, five faculty positions at the University of Rhode Island, two faculty positions and two staff positions at Rhode Island College, and one position at the State Crime Laboratory.

Rhode Island Council on the Arts

The Governor's revised FY 2013 budget for the Rhode Island Council on the Arts is \$3.9 million, including \$1.6 million in general revenue, \$754,191 in federal funds, and \$1.6 million in other funds. The recommendation for general revenue corresponds to the enacted level; a result of net changes mostly attributable to the restoration of \$12,380 in the operating budget that the General Assembly removed as retirement savings, completely offset by removing over-budgeted medical insurance for agency staff and savings achieved through the Governor's recommendation of a medical benefits holiday as compared to the enacted level.

In other funds, there is an increase of \$743,992 as compared to the FY 2013 enacted level attributed to the Arts for Public Facilities program. This program, as required by law, requires any state building or facility being constructed, remodeled or renovated, to expend at least one percent of their appropriated budget on works of art for public display. An increase in the number of public art projects has resulted in the need to expand the budget for public art in FY 2013. These are funds that come into the Allocation for Public Art account, pursuant to RIGL §42-75.2-2, and are then expended in support of art projects in public buildings and spaces.

Education

For FY 2014, the Governor recommends \$2.8 million, including \$1.3 million in general revenue, \$797,329 in federal funds, and \$632,536 in other funds. The general revenue decrease from the FY 2013 enacted level is \$230,183. This change is mostly attributed to a reduction of \$250,000 in discretionary grant financing for the WaterFire Building.

The Governor recommends 6.0 FTE positions in the revised FY 2013 and FY 2014 budgets, which is unchanged from the enacted FY 2013 level.

Rhode Island Atomic Energy Commission

The Governor's revised FY 2013 Budget for the Rhode Island Atomic Energy Commission is \$1.4 million, including \$866,750 in general revenue, \$267,044 in federal funds, and \$293,642 in other funds. The recommendation includes a net decrease of \$9,463 to general revenue appropriations, including medical benefit savings of \$2,097 and net personnel, contract services, and operating savings of \$6,366.

For FY 2014, the Governor recommends \$1.4 million, including \$861,710 in general revenue, \$267,044 in federal funds, and \$307,977 in other funds. The decrease of \$14,503 in general revenue from the FY 2013 enacted Budget recognizes net personnel and contract services savings of \$35,209, a benefits and an operational increase of \$25,219 and net savings from the statewide medical decreases and retiree health and dental benefit proposals of \$4,513 compared to the enacted level. The Governor recommends 8.6 FTE positions in both FY 2013 and FY 2014.

The Rhode Island Atomic Energy Commission (RIAEC) will continue to operate the state-of-the-art reactor at the Rhode Island Nuclear Science Center (RINSC) for the purposes of research, education and training and environmental monitoring. Moreover, the staff of the RINSC will continue to provide technical assistance to other state agencies, including the Rhode Island Department of Health and the University of Rhode Island. The staff provides 2.6 FTE positions to the University of Rhode Island to run its radiation safety functions. This support service includes salary and benefits and operating expenses of \$257,977 for FY 2014. The Governor's budget will enable the Commission to explore additional commercial uses for the RINSC, including new technology involved in cancer research.

Rhode Island Higher Education Assistance Authority

The Governor recommends a revised FY 2013 Budget of \$27.0 million, including \$5.7 million in general revenue, \$12.8 million in federal grants, and \$8.5 million in other funds. General revenues increase a net \$76,603 from the enacted level. Decreases include medical benefit savings of \$993, personnel savings from vacancies and cost allocation shifts of \$48,904, and operating savings of \$15,500. State general revenue funded needs-based scholarships of \$5.01 million increase \$142,000 to \$5.16 million to provide federal maintenance of effort for a College Access Challenge Grant in the Office of Higher Education.

For FY 2014, the Governor recommends \$27.0 million, including \$5.2 million in general revenue, \$13.3 million in federal funds, and \$8.5 million in other funds. General revenues decrease \$385,338 from the FY 2013 enacted level. Personnel costs of \$284,909 and contract services of \$8,100 were shifted entirely out of general revenues, offset by operating and adjustments of \$36,948, due to the wind down of the Authority, leaving only an operating computer system enhancement payment of \$200,000 and New England Board of Higher Education assessment of \$147,000 in general revenue expenditures excluding scholarships.

Education

State general revenue needs-based scholarships of \$4.9 million decrease \$129,277 from the FY 2013 enacted level. Overall in all funds, total scholarship aid decreases by \$79,277 since Tuition Savings Program awards increase \$50,000.

The Governor recommends 36.0 FTE positions in revised FY 2013 and in FY 2014, a decrease of 2.6 FTE positions from the FY 2013 enacted level.

Rhode Island Historical Preservation and Heritage Commission

The Governor recommends total expenditures of \$2.5 million for the revised FY 2013 budget for the Rhode Island Historical Preservation and Heritage Commission, consisting of \$1.3 million in general revenue, \$589,279 in federal funds, \$454,191 in restricted receipts, and \$216,606 in other funds. The recommendation reflects a general revenue decrease of \$96,384 from the enacted level, attributable to additional turnover from a delay in filling the Senior Historical Preservation Specialist position and adjusting salary and benefits to reflect required levels.

The Governor recommends total financing of \$3.5 million for FY 2014, including \$1.3 million in general revenue appropriations, \$609,949 in federal funds, \$454,491 in restricted receipts, and \$1.1 million in other funds. General revenue decreases by \$29,291 from the enacted FY 2013 level mostly attributed to salaries and benefits adjustments made to reflect appropriate rates for agency staff, offset by an additional \$15,200 for emergency repairs at the Eisenhower House. In other funds as compared to the FY 2013 enacted level, the recommended \$1.1 million is composed of a \$925,000 increase in Rhode Island Capital Plan Fund financing dedicated to the Eisenhower House overhaul and additional financing of \$84,999 for a new staff member who will be responsible for assisting in the development and implementation of a shared information system between the Rhode Island Department of Transportation and the Commission. The position is fully-funded through Transportation with federal highway monies and will be absorbed into the current FTE authorization level.

The Governor recommends 16.6 FTE positions in the revised FY 2013 and FY 2014 budgets, which is unchanged from the enacted FY 2013 level.

Rhode Island Public Telecommunications Authority

The Governor recommends total expenditures of \$795,486 for the revised FY 2013 budget of the Public Telecommunications Authority. This consists entirely of general revenue financing, and unlike previous fiscal years, does not include financing through the Corporation for Public Broadcasting Grant.

The Governor's FY 2013 recommended budget proposed to end state general revenue support for the Authority as of January 1, 2013. The budget did not propose to terminate the Authority itself, but rather would have expected the Authority or the Rhode Island PBS Foundation to obtain other non-general revenue resources through grants, donations, fundraising and other avenues to continue to support the operation of WSBE-TV. After further consideration, the Governor requested an amendment to his FY 2013 budget to provide funding for the full fiscal year, thus allowing more time for the Authority to transition from state support, transfer their Federal Communication Commission (FCC) license to the Foundation, and address staff and fundraising issues, therefore becoming an independent entity beginning in FY 2014. The original intent to end state general revenue support for the Authority did not change, but rather the implementation date was delayed to July 1, 2013.

Education

In addition to the Governor's amendment, the General Assembly included language in Article 4 of the FY 2013 Appropriations Act to require the Administration to submit a report to the Chairpersons of the House and Senate Finance Committees that outlines a plan to transfer the Authority from state general revenue to private support and any statutory language changes required to support this transition, which the Office of Management and Budget submitted to the House and Senate Finance Committees on November 16, 2012.

On August 1, 2012, the Authority and the Rhode Island PBS Foundation entered into an agreement calling for the assignment of the broadcast licenses of WSBE from the Authority to the Foundation, and contingent upon the approval of this assignment by the FCC for the sale of the assets. On August 12, 2012, the Authority submitted an application to the FCC to assign the broadcast licenses of WSBE to the Foundation. The FCC approved the proposal on September 24, 2012 and the Authority and the Foundation consummated the assignment of the broadcasting license to the Foundation effective October 10, 2012. As of that date, the Authority no longer has responsibility for operating the WSBE-TV television station.

The Authority employees 14.0 FTE state funded positions, of which 11.0 are union members and 4.0 have twenty-year statutory status. These employees were laid off from the Authority, but offered equivalent jobs at the Foundation. All but two employees, both of which have statutory status, accepted the Foundation's offer of employment. The two employees who did not accept positions within the Foundation were found other employment opportunities within state government that best suited their skill set. December 2, 2012 marked the first day employees appeared on the Foundation's payroll. To accomplish this goal, the Authority and the State Controller's Office came to an agreement where the Authority would be provided their entire enacted amount of general revenue funding early in the fiscal year. Once these funds have been expended, the Authority will then be moved off of the state financial records.

During the 2006 Legislative session, the Rhode Island General Assembly amended RIGL 16-61 to require the Authority, or its designee, to operate and manage Public, Educational and Government Access, more commonly referred to as PEG Access. With the acquisition of the operating responsibilities came the acquisition of personnel, equipment and the assumption of leases with the execution of agreements with the cable television certificate holders, the Authority assigned its duties, rights and responsibilities to the Foundation to begin operating PEG Access.

As a result of the previously discussed actions committed by the Authority, the Governor moves forward with his recommendation to eliminate state general revenue financing for the operational support of the Rhode Island Public Telecommunications Authority. The Governor has submitted a budget article within the FY 2014 Appropriations Act to address the various sections of the Rhode Island General Laws relating to the Authority to effectuate this initiative. The recommendation reflects a \$799,077 decrease in general revenue appropriations from the FY 2013 enacted level.

The Governor recommends \$400,000 in FY 2014 in the form of a grant to the Rhode Island PBS Foundation and not as an appropriation to the Authority for transitional funding. The grant is reflected in the Rhode Island Department of Elementary and Secondary Education's FY 2014 budget. A grant at a lesser amount will also be considered for FY 2015, after which time the Foundation would expect to be self-sufficient through other fundraising and revenue generating opportunities and thus no further state grants would be required.

Education

The Governor recommends a staffing authorization level of 14.0 FTE positions in FY 2013, which is unchanged from the enacted level. In FY 2014, the Governor recommends a staffing authorization level of 0.0 FTE positions, which is a reduction of 14.0 FTE from the enacted FY 2013 level.

Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The six agencies that expend 6.3 percent of the total FY 2014 state Budget from all sources of funds to provide public safety services to the state include: the Department of Corrections; the court system (Attorney General; the Judiciary; and the Office of the Public Defender); the homeland security system (Military Staff, including both the National Guard and the Emergency Management Agency); and the Department of Public Safety (State Police, Capitol Police & Sheriffs, E-911, State Fire Marshal, and the Municipal Police Training Academy).

The FY 2013 revised budget recommends 3,189.6 FTE positions, the same as the enacted level, for this function. The FTE recommendation for FY 2014 is 3,236.6 FTE positions, an increase of 47.0 FTE positions from the enacted level, reflecting a 5.0 FTE position increase in the Military Staff (in Emergency Management), and a 42.0 FTE position increase in the Department of Public Safety.

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 39.1 percent of the total. Because the Adult Correctional Institutions, which includes seven secure facilities that operate twenty-four hours per day, the Department must provide continuous supervision of an annual average inmate population of 3,152. Additionally, the Community Corrections subprogram supervises 26,200 community-based offenders per year. The second largest share of the Public Safety budget is for the courts system, at 28.5 percent of the total. This includes 20.5 percent of expenditures for the Judiciary, supporting six courts statewide, 5.8 percent for the Attorney General and 2.2 percent for the Office of Public Defender. The Department of Public Safety's share is 23.9 percent. The Military Staff comprises 8.5 percent of Public Safety expenditures.

In the FY 2013 revised budget, the Governor recommends an all-funds budget of \$526.8 million for public safety programs. Of this amount, \$401.2 million is from general revenue, \$67.1 million is from federal funds, \$27.7 million is from restricted receipts, and \$30.7 million is from other funds. All-fund spending is \$19.6 million more than the enacted budget. There is a \$558,206 all-funds decrease in personnel expenditures, a \$666,309 increase in operating expenditures, a \$2.7 million increase for grants and benefits and a \$16.8 million increase for capital expenditures. Of this increase, the general revenue budget decreases by \$3.6 million from the FY 2013 enacted level, federal grants increase by \$19.8 million, restricted receipts decrease by \$1.3 million, and other funds increase by \$4.7 million.

All funds financed personnel expenditures are virtually flat, decreasing by 0.01 percent, reflecting constrained hiring and managed turnover. Operating expenditures increase by only 0.01 percent due to less than anticipated per diem expenditures for inmates (food, clothing, pharmaceuticals) resulting from the estimated reduced inmate census of 3,146. Grant increases are concentrated in federal funds, reflecting additional Emergency Management homeland security and related federal grants, as well as an increase of \$9.0 million for estimated reimbursement from the Federal Emergency Management Agency for Hurricane Sandy damage of public facilities. The increase in capital funding reflects \$3.0 million in additional Rhode Island Capital Plan Fund financing for the state match for Hurricane Sandy, as well as State Police projects, such as the Statewide Microwave/IT Upgrade and Parking Area Improvements.

The Governor recommends a FY 2014 budget of \$524.7 million from all funds, a decrease from FY 2013 revised of \$2.1 million, and an increase of \$17.4 million from the FY 2013 enacted budget. Expenditures of \$414.2 million are recommended for general revenue, \$9.5 million, or 1.9 percent, more than enacted

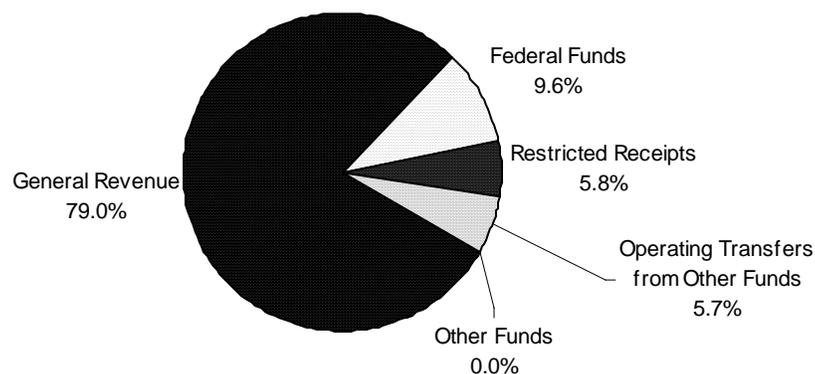
Public Safety

levels, \$2.6 million in the Department of Corrections, \$2.6 million in the Judiciary, and \$2.8 million in the Department of Public Safety. Federal funds of \$50.1 million increase by \$2.8 million. Restricted receipt expenditures of \$30.2 million increase by \$1.2 million. Other funds of \$30.1 million increase by \$4.0 million, primarily in the Rhode Island Capital Plan Fund for Corrections (a \$5.8 million increase), and the Military Staff (a \$2.6 million decrease).

The FY 2014 general revenue increase from the FY 2013 enacted budget of \$9.5 million is primarily due to a \$7.3 million increase in personnel costs for salaries and benefits. The largest increases are in Judiciary and the Department of Corrections at \$2.4 million each. For the former, the largest increases are in the Family and District Courts; for the latter, the largest increases are in the Healthcare Services, Community Corrections, and Custody and Security programs due to the filling of now vacant positions. Other increases are in the Department of Public Safety (\$1.3 million, primarily in the State Police and Security Services programs), the Attorney General (\$519,521, primarily in the Bureau of Criminal Identification), the Military Staff (\$448,606, in Emergency Management due to the addition of 5.0 FTE positions, 1.0 funded entirely from general revenue, 4.0 funded at 50 percent from general revenue), and the Office of the Public Defender (\$172,856). Contract services increase by \$285,882. Operating expenditures increase by \$1.9 million. Other categories change relatively little: expenditures for grants and benefits decrease by only \$18,101, while capital purchases and equipment expenditures are virtually flat, increasing by only \$10,883.

Funding for the Public Safety function is derived mainly from state sources. General Revenue comprises 79.0 percent and 5.7 percent is other funds (primarily from the Rhode Island Capital Plan Fund for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). Federal funds are 9.6 percent of the total, and include Emergency Management homeland security expenditures; FEMA flood reimbursements; National Guard Bureau funding; adult education, discharge and reentry services, incarceration of undocumented aliens at Corrections; and Child Support Enforcement in the Judiciary. Restricted receipts account for the remaining 5.8 percent, primarily in the Judiciary.

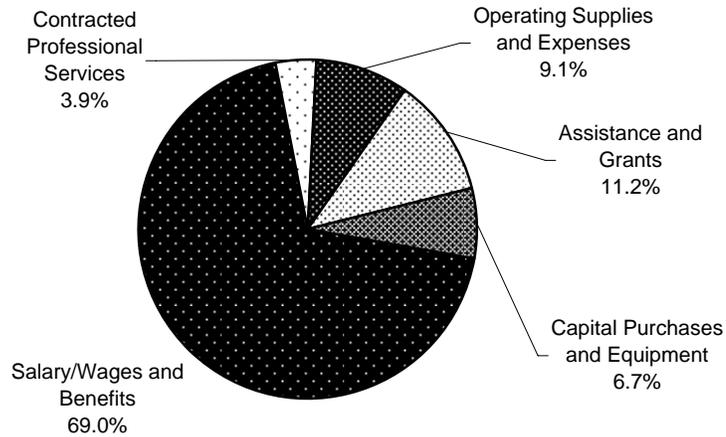
How it is Financed



Public Safety

By category of expenditures, state operations, including personnel (73.0 percent, \$382.7 million) and other operating costs (9.1 percent, \$50.1 million), total \$432.8 million, or 82.1 percent of total expenditures, and are financed primarily from general revenues. Assistance, grants and benefits are \$58.8 million or 11.2 percent, and are financed from general revenue and federal funds. Capital improvement projects, \$35.3 million or 6.7 percent, include the Rhode Island Capital Plan Fund and federal funds.

How it is Spent



Public Safety

Attorney General

The revised FY 2013 appropriations totaling \$29.5 million for the Attorney General, include \$23.0 million from general revenue, \$2.6 million from federal funds, \$3.2 million from restricted receipts, and \$600,000 from the Rhode Island Capital Plan Fund. This is a general revenue decrease of \$88,953 or 0.4 percent, from FY 2013 enacted levels. The decrease is mostly due to a \$329,312 reduction in payroll expenditures based on turnover expectations and statewide medical benefit holiday savings, offset by an increase in contracted services of \$213,326, which includes the re-appropriation of \$40,401 for the National Association of Attorney General's Tobacco Litigation from FY 2012. The budget also includes \$2.0 million in Federal Forfeitures from the Google Settlement and \$600,000 in Rhode Island Capital Plan Funds for Building Repairs and Renovations for the office building located in Providence.

The FY 2014 Budget includes \$30.4 million, including \$23.7 million from general revenue, \$1.6 million from federal funds, \$5.1 million from restricted receipts, and \$50,000 from the Rhode Island Capital Plan Fund. This includes a general revenue increase of \$580,655 or 2.5 percent, from the FY 2013 enacted budget. Personnel expenses increase by \$519,521, primarily for retirement costs totaling \$287,176, retiree health totaling \$116,557, and health benefits totaling \$106,362. The budget also includes \$4.0 million in Federal Forfeitures from the Google Settlement in restricted receipts.

The Governor recommends 233.1 FTE positions in revised FY 2013 and FY 2014, which reflects the enacted FY 2013 level.

Department of Corrections

The Governor's revised FY 2013 budget for the Department of Corrections is \$212.8 million. This includes \$184.5 million in general revenue, \$3.0 million in federal funds, \$73,362 in restricted receipts, \$9.7 million from the Rhode Island Capital Plan Fund, and \$15.4 million in other funds. The FY 2013 revised general revenue budget is \$1.3 million more than the enacted level of \$183.3 million. The Governor recommends a reappropriation of \$523,480 from FY 2012 to fund the purchase of computer equipment, software maintenance, ammunition, and other inmate-related equipment. The Governor also recommends \$730,000 in overtime incurred during Hurricane Sandy. In addition to current service adjustments, the Governor recommends additional savings in medical benefit costs as a result of a medical benefits holiday. The Governor recommends the following adjustments to the enacted budget:

Personnel Costs: The Governor recommends \$163.3 million in all funds expenditure, an increase of \$3.3 million from the enacted level. When adjusted for overtime, the Governor recommends \$141.2 million in salaries and benefits, a reduction of \$4.5 million from the enacted budget and level funded with FY 2012 actual expenditures. In order to achieve this level of expenditure, the Governor recommends delays in the hiring of certain non-correctional officer FTE positions resulting in increased turnover savings, as well as recalculation and rescheduling of contract stipend payments.

Correctional Officer Training: The Governor recommends funding one class in FY 2013, starting in March 2013, with graduation in May of approximately 40 correctional officers; \$692,472 in general revenue is included in the FY 2013 revised budget for this purpose, a decrease of \$55,303 from the enacted budget.

Public Safety

Inmate Population-Related Overtime Expenditures: The Governor recommends \$18.0 million in the Custody and Security program, an additional \$6.9 million from the enacted level, to finance overtime costs at the Department's seven inmate facilities. The Department incurred an additional \$730,000 in overtime costs due to 24/7 staffing requirements caused by the state government's two-day closure during Hurricane Sandy. In addition, savings associated with closed housing modules projected in the enacted budget have not been achieved. Two double housing units at the Intake Service Center (ISC) and the two rear rooms at Maximum Security had to be reopened to accommodate an increase in the number of commitments at the ISC and increased security requirements for the current population.

The success of the Earned Good Time initiative approved in the 2008 legislative session has decreased population levels by over 500 inmates. However, the closure of the Donald Price Medium Security facility required a shift in population and the opening of housing modules that were assumed to have remained closed. The decrease in the availability of medium custody beds, coupled with increases in the awaiting trial population, has resulted in the continued need to staff common areas of each facility. Other unbudgeted overtime expenditures result from an increase in sick time utilization, and leave taken by employees in accordance with the arbitration award of 15 paid leave days.

Inmate Population-Related Operating Expenditures: Based on Departmental projections, the Governor recommends \$11.4 million in funding for per capita operating expenses, including linens, inmate clothing, program supplies, janitorial supplies, food, pharmaceutical and medical supplies, as well as medical services, a reduction of \$353,416 from the enacted level. Reductions are concentrated in medical services and pharmaceuticals, with smaller decreases in other operating expenses, offset by a small increase in food expenditure. The estimated inmate population in the FY 2013 revised budget is 3,146, a decrease of 48 from the enacted level of 3,194.

Other Contract Services and Operating Expenditure Reductions; In order to address the Department's projected FY 2013 deficit, the Governor recommends reductions in contract services in the Parole Board, Central Management, and Healthcare Services, as well as operating expenditure such as ammunition for correctional officer weapon qualifications, computer upgrades, and puncture-proof vests.

For the FY 2014 budget, the Governor recommends \$219.5 million in total expenditures for the Department of Corrections. This consists of \$185.9 million in general revenue, \$1.8 million in federal funds, \$64,890 in restricted receipts, \$17.2 million from the Rhode Island Capital Plan Fund, and \$15.0 million in other funds. The FY 2014 recommended general revenue budget increases by \$2.6 million from the FY 2013 enacted level and by \$1.3 million from FY 2013 revised budget recommendation. The budget includes statewide benefit adjustments reflecting the passage of pension reform legislation, including provision for defined contribution funding. The Governor recommends the following:

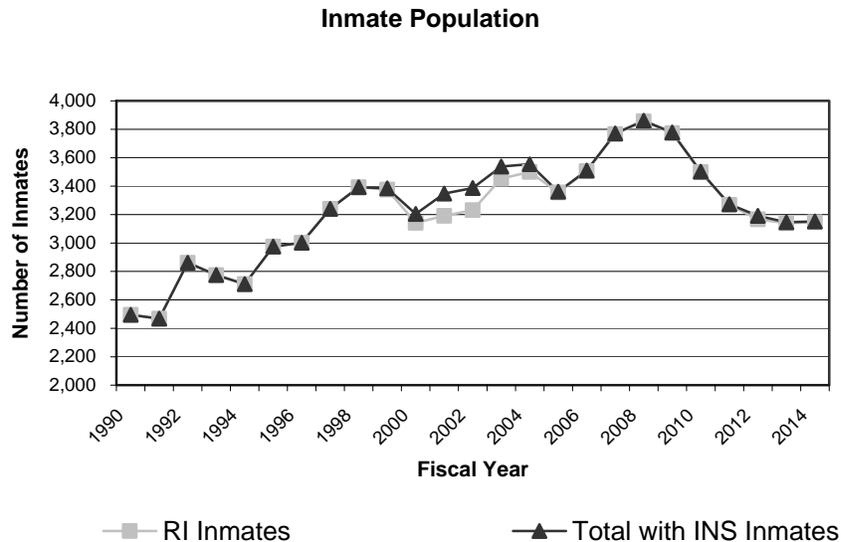
Personnel Costs: The Governor recommends \$163.4 million in all funds payroll expenditure, an increase of \$3.4 million from the FY 2013 enacted level. When adjusted for overtime, the increase is \$5.3 million in salaries and benefits. The increase in part reflects filling vacancies in FY 2014 from newly graduated correctional officers.

Correctional Officer Training: The Governor recommends \$749,522 in general revenue funds for one class in FY 2014 to train approximately 40 new correctional officers.

Public Safety

Inmate Population-Related Overtime Expenditures: The Governor recommends \$12.4 million in overtime to finance supervisory costs at several housing units, an increase of \$1.3 million from the enacted budget. Expenditures reductions in overtime from the FY 2013 revised budget recommendation are expected due to the hiring of newly trained correctional officers to fill existing vacancies.

Inmate Population: The estimate is 3,152, a decrease of 42 from the enacted level. Per capita expenditures of \$11.9 million increase by \$204,517 from the enacted budget.



Federal funds of \$3.0 million in FY 2013 and \$1.8 million in FY 2014 will finance core personnel through the State Criminal Alien Assistance Program (\$700,000), as well as adult inmate education, AIDS counseling, sex offender assessment, supervision and treatment and reentry services (\$908,000). In addition, the Department has been awarded a total of \$808,900 in FY 2013 and FY 2014 in federal grants to implement a recidivism reduction program. \$359,644 in federal American Recovery and Reinvestment Act (ARRA) grants are for programs in inmate family reunification and inmate transition through access to employment.

In order to provide necessary repairs and renovations to the Department’s aging facilities, the Governor recommends \$9.7 million in FY 2013 revised and \$17.2 million in FY 2014 from the Rhode Island Capital Plan Fund. Project funding includes a total of \$8.9 million for both years for various asset protection projects, \$1.5 million in both years in renovation costs to enable the transfer of women inmates from their current facilities to new facilities, \$2.8 million in both FY 2013 and FY 2014 to renovate the Dix Building to house departmental staff, as well as major repair projects at Medium Security (\$4.8 million both years), the Intake Service Center (\$5.6 million both years), and Minimum Security (\$2.7 million in both years).

The revised FY 2013 and FY 2014 FTE level for the Department remains the same as the FY 2013 enacted level of 1,419.0.

Public Safety

Judiciary

The revised FY 2013 Budget for the Judiciary is \$106.2 million, including \$87.9 million in general revenue, \$2.8 million in federal funds, \$11.2 million in restricted receipts, and \$4.4 million in Rhode Island Capital Plan Fund financing. In relation to the FY 2013 enacted budget, the recommendation is a decrease of \$1.4 million in general revenue, an increase of \$78,096 in federal funds, an increase of \$599,042 in restricted receipts, and an increase of \$2.7 million in Rhode Island Capital Plan Fund financing. The financing supports the six courts that comprise the Judiciary: the Supreme Court; Superior Court; Family Court; District Court, Workers' Compensation Court; the Traffic Tribunal, and in addition, the Judicial Tenure and Discipline program.

Salary, wages and benefits total \$76.8 million in FY 2013, comprised of \$67.1 million in general revenue, \$1.6 million in federal funds and \$8.1 million in restricted receipts. The retiree health calculation for judges totals \$792,355, reflecting approach to full actuarial-based financing for retired judges' health care expenses. A proposed medical benefits holiday removes \$293,801 in all funds across all courts in FY 2013, including \$255,116 in general revenue. The Governor recommends offset of \$408,654 in personnel expense to an indirect cost recovery account that the Judiciary successfully implemented for several sub-programs, including the Child Support Enforcement Unit.

Consultant services, including information technology support, stenographic services, interpreters, and legal services total \$2.4 million in FY 2013. Operating expense is \$10.0 million, including \$9.3 million in general revenue, for the several buildings and court complexes operated by the Judiciary. The Judiciary recently implemented offset of occupancy costs to the other state departments that occupy space in its courthouses, which has moderated growth in several expense areas including electricity, building maintenance, janitorial services and security services.

Grants total \$10.9 million in FY 2013 or \$156,956 more than the all funds enacted level and is comprised of \$9.7 million in general revenue, \$163,047 in federal funds, and \$1.0 million in restricted receipts. Of this amount, \$6.4 million is for judicial pensions, consisting of \$5.6 million in general revenue and \$799,956 for retired judges in the workers' compensation court financed with restricted receipts. Pension payments for judges retired prior to 1989 (also known as pay-go) are included as appropriated amounts in the Judiciary's budget. Defense of indigents is financed in the amount of \$3.5 million in FY 2013, legislative grants are provided at the enacted level of \$255,319, and other grants total \$412,632.

Capital financing is provided for the Judiciary in the amount of \$6.2 million in FY 2013, including \$544,760 in general revenue, \$200,000 federal funds, \$1.0 million in restricted receipts and \$4.4 million in Rhode Island Capital Plan funds. The Judiciary intends to use the bulk of its cost recoveries to develop and implement a new case management system, including electronic filing, in addition to the personnel offset as recommended by the Governor. Rhode Island Capital Plan Fund financing is recommended to accelerate upgrades to courtrooms, HVAC systems and renovations to the cell blocks at the Murray Judicial Complex in Newport. Other uses of capital financing include building renovations, computer equipment, software and licensing and capital lease on the Judiciary's copy machines.

The FY 2014 Budget includes \$107.8 million for the Judiciary, including \$91.9 million in general revenue, \$2.6 million in federal funds, \$11.8 million for restricted receipts, and \$1.5 million in Rhode Island Capital Plan Fund financing for the Judiciary. The recommendation represents a general revenue increase of \$2.6 million from the FY 2013 enacted Budget. Salary and benefits

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total \$80.7 million, consisting of \$70.8 million in general revenue, \$1.6 million in federal funds and \$8.3 million in restricted receipts. Across all funds, personnel increases by \$2.0 million, attributable to providing financing for several new judges, support personnel and employees to implement court technology projects in the combined amount of \$399,310.

Statewide growth in the employer retirement contribution rate for judicial staff in addition to growth in the retiree health calculation adds \$839,290 and \$324,760, respectively. For judge's retirement, the budget provides \$2.6 million, an addition of \$748,980 from the FY 2013 enacted amount. For retiree health for judges, the budget provides \$13,403, a reduction of \$795,939 from the enacted, reflecting near full financing of this plan. Across all courts and all personnel, the recommendation for the health premium is \$295,578 more in relation to the FY 2013 enacted, but reflects removal of \$427,475 from original planning value estimations due to projected savings as part of several statewide proposals.

In FY 2014, consultants total \$2.4 million or \$186,134 less than the FY 2013 enacted amount reflecting a shift from use of consultants to judiciary employees as court technology projects are implemented. Operating expense is \$10.1 million or \$218,040 more than the FY 2013 enacted level. The FY 2014 Budget includes general revenue operating expense in the amount of \$9.3 million, an increase of \$111,616 from the FY 2013 enacted level, to accommodate Judicial occupancy costs associated with its buildings and courtrooms, net of cost allocation to other state departments that have a presence in court buildings.

Grants (including pay-go pensions) total \$11.0 million, including \$3.5 million for defense of indigents, \$255,319 in legislative grants and \$412,632 in other grants. Pensions for judges appropriated in the Judiciary total \$6.6 million in FY 2014 including \$5.8 million in general revenue with the balance financed by restricted receipts.

Capital expense is \$3.7 million, comprised of \$1.5 million in Rhode Island Capital Plan funds, \$544,760 in general revenue, \$200,000 in federal funds, and \$1.4 million in restricted receipts. General revenue-financed capital is for mostly for lease payments on the courts' copy machines and for desktop computer replacements. The restricted receipt capital financing is for computer equipment and software as part of the new case management system. Rhode Island Capital Plan Fund dollars are provided for continued renovations and repair of the Court's facilities to ensure the safety of visitors and staff, and to preserve the historic nature of some of its courthouses.

The budget authorizes 723.3 FTE positions in the revised FY 2013 and FY 2014, the same as the FY 2013 enacted Budget.

Military Staff

The Governor's revised FY 2013 budget for the Military Staff is \$59.5 million, including \$3.5 million general revenues, \$48.0 million in federal funds, \$7.4 million in other funds, and \$516,890 in restricted receipts. The FY 2013 revised general revenue budget is \$7,700 less than the enacted budget. There are increases of \$14.2 million in federal funds and \$35,612 in restricted receipts. There is also a \$2.8 million increase in funding for Rhode Island Capital Plan Fund projects. In addition to salary and benefit adjustments to reflect current services (including a reduction in medical benefits), the Governor recommends the following:

Personnel costs: The Governor recommends \$11.6 million all funds (\$1.4 million general revenue) for 112.0 FTE positions, including \$8.1 million for the National Guard (85.0 FTE positions) and \$3.5 million for Emergency Management (27.0 FTE positions).

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Funeral Honors Program: The Governor recommends a total of \$86,000 in salary costs (an increase of \$18,400) to compensate military retirees who provide ceremonial services for the Funeral Honors program to conduct honorable and professional funeral ceremonies (including firing squads and buglers) for all eligible veterans in accordance with both state and federal legislation. The general revenue budget will finance firing squads and buglers in cases where federal regulations do not permit federal funds to be used.

Emergency Management Homeland Security Grants: The Governor recommends total spending of \$9.0 million in the revised FY 2013 budget for homeland security-related activities, an increase of \$544,790 from the enacted level. The funding will support state and municipal first responder equipment; equipment for local emergency response teams; interoperable communications; the Urban Search and Rescue program; municipal planning, exercises, and training; state homeland security equipment, training, exercise and planning activities; law enforcement terrorism prevention; and Citizens Corps and volunteer training programs. The total includes other related programs, such as Transit Security and Buffer Zone Protection.

Statewide Communications: \$1.2 million in general revenue funding is provided for the operation of the Rhode Island Statewide Communications Network (RISCON), a radio communications system designed to provide interoperable communications among cities and towns and the state. The FY 2013 revised budget also includes \$517,940 in federal funds to purchase such equipment for local first responders, an increase of \$388,920 from the enacted level of \$129,020.

Following the issuance of a major disaster declaration, the State of Rhode Island is eligible for federal assistance for damages incurred due to major storm events, including the March/April 2010 flood, the July 2011 Tropical Storm Irene, and the October 2012 Hurricane Sandy. Eligible work includes debris removal, emergency protective measures, permanent repairs to roads and bridges, water control facilities, buildings, equipment, utilities and parks and recreation facilities. For residual costs associated with the 2010 flood, the Governor's recommends an additional \$50,000 in general revenue to fund the 10 percent state match as required by Federal Emergency Management Agency regulations for the 90 percent federal expenditure estimates for state facilities (\$2.4 million), municipal facilities (\$900,000), and quasi-public facilities (\$500,000). A total of \$1.3 million was expended in FY 2010, \$9.6 million in FY 2011, and \$2.3 million in FY 2012.

A similar major disaster declaration made the State of Rhode Island eligible for federal assistance for damages incurred during the August 2011 Tropical Storm Irene. The Governor recommends an estimate of \$5.0 million in federal disaster assistance grants and \$500,000 in hazard mitigation grants in FY 2013 relating to this disaster. Finally, following the Hurricane Sandy major disaster declaration, the Governor recommends making \$3.0 million available in Rhode Island Capital Plan Fund financing to provide the 25 percent state match to an estimated \$9.0 million in federal disaster grants.

In addition to the Hurricane Sandy state match, the Governor recommends \$4.4 million in Rhode Island Capital Plan Funds for roof/boiler replacement at the Armory of Mounted Commands (\$1.8 million), renovation and expansion of the Command Readiness Center (\$868,491), and asset protection expenditures (\$1.1 million). The latter includes an increase of \$200,000 for facility-wide building maintenance projects to address backlogs in preventive maintenance projects, including electrical work, carpentry, heating, air conditioning and plumbing projects, and roof repairs.

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For the FY 2014 budget, the Governor recommends \$44.8 million for Military Staff programs, including \$4.6 million from general revenue, \$37.7 million from federal funds, \$523,375 from restricted receipts, and \$2.0 million from the Rhode Island Capital Plan Fund. Compared to the enacted FY 2013 budget, general revenue expenditures increase by \$1.1 million, federal funds increase by \$3.8 million, funding from the Rhode Island Capital Plan Fund decreases by \$2.6 million and restricted funds increase by \$42,097. The Governor recommends the following:

Personnel Costs: The Governor recommends \$12.6 million all funds (\$2.0 million general revenue) for 117.0 FTE positions. The FY 2014 recommended budget reflects adjustments required for salary and employee benefit costs. In addition to statewide target adjustments, the budget includes statewide reductions for retiree health and medical benefits due to identified savings. The general revenue budget increases by \$557,824, \$289,296 of which reflects funding for 5.0 additional FTE positions in the Emergency Management program. The Governor recommends the following new positions:

- A National Incident Management System (NIMS) Coordinator will provide compliance assurance to ensure that federal grant funding will be properly allocated by the recipient and by local communities, as mandated by Homeland Security directives and advisories. Funding of \$92,804 is split 50/50 between general revenue and federal funds.
- A Critical Infrastructure Program Coordinator will manage work under the National Infrastructure Protection Plan aimed at preventing or mitigating the effects of terrorist attacks or natural disasters on the nation's infrastructure. Funding of \$82,360 is split 50/50 between general revenue and federal funds.
- A Domestic Preparedness/Regional Response Coordinator will advise and assist local officials on domestic preparedness grants, emergency response plans, staffing of the Emergency Operating Center during disasters, and mobile support unit coordination. Funding of \$82,360 is split 50/50 between general revenue and federal funds.
- An All Hazards Emergency Planner will develop emergency management plans, focusing on debris management, state school and campus safety, and the active shooter program. Funding of \$82,360 is split 50/50 between general revenue and federal funds.
- A Statewide Interoperability Coordinator will manage the Rhode Island Statewide Communication Network (RISCON), including management of the technical staff and grant funding, as well as assist state agencies with planning, training and procurement of standardized communications equipment. Funding of \$119,355 is from general revenue.

Funeral Honors program: The Governor recommends \$95,600 in general revenue (an increase of \$27,400), to be used to compensate military retirees who wish to provide ceremonial services.

Continued funding is provided for various benefits provided to National Guard personnel, including the Education Benefit (enrollment of eligible guardsmen in courses at state colleges), and the Life Insurance Benefit (reimbursement for federal funded life insurance for guardsmen deployed overseas).

Statewide Communications: The Governor recommends a total of \$1.9 million in general revenue in the Emergency Management program for interoperable communications. This is an increase of \$641,817 from the enacted budget and reflects not only the additional FTE discussed but also an

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additional \$535,000 in the communication system's maintenance contract and additional operating expenditure (travel, training, preparation of a procedural manual). The general revenue funding is required to replace decreased federal resources.

Emergency Management homeland security grants: The Governor recommends total spending of \$7.5 million in the FY 2014 budget for homeland security-related activities, a decrease of \$863,157 from the enacted level.

The Governor recommends 112.0 FTE positions in revised FY 2013, no change from the enacted level. The Governor recommends 117.0 FTE positions in FY 2014, an increase of 5.0 FTE positions from the enacted level in Emergency Management, as discussed above.

Department of Public Safety

The Department of Public Safety includes the following programs: Central Management, E-911 Emergency Telephone System, State Fire Marshal, Security Services, Rhode Island State Police, and Municipal Police Training Academy.

The Governor's FY 2013 revised budget for the Department of Public Safety is \$123.1 million, including \$91.5 million in general revenue, \$10.4 million in federal funds, \$12.7 million in restricted receipts, and \$8.6 million in other funds. This recommendation is an increase of \$616,549 from the FY 2013 enacted budget of \$122.5 million, and reflects a decrease of \$3.3 million, or 3.5 percent, in general revenue expenditures, an increase of \$3.4 million, or 49.3 percent, in federal funds expenditures, a decrease of \$12,692, or 0.1 percent, in restricted receipts, and an increase of \$544,108, or 6.7 percent, in other funds.

The \$3.3 million decrease in general revenue appropriations include reductions of \$2.9 million in the State Police program, mainly due to eleven (11.0) unexpected trooper retirements, turnover expectations and statewide medical benefit holiday savings. The reduction also includes the transfer of eight (8.0) Detective Troopers in February of 2013, to the Lottery Division to accommodate implementation of table games at Twin River Casino in Lincoln, Rhode Island.

The Governor's recommendation for federal funds totals \$10.4 million in FY 2013, which is an increase of \$3.4 million from the enacted FY 2013 budget of \$6.9 million. Major changes in federal funds include increases of \$2.2 million in the State Police program and \$694,000 more in the Fire Marshal program to reflect available awards.

The Governor's recommendation for restricted receipts totals \$12.7 million in FY 2013, which is a reduction of \$12,692 from the enacted FY 2013 budget. This reduction is due to minimal variances throughout the Department's budget. The enacted FY 2013 amount for restricted receipts includes \$12.2 million in Federal Forfeitures financing from the Google Settlement.

The Governor's recommendation for other funds totals \$8.6 million in FY 2013, which is an increase of \$544,108 from the enacted FY 2013 budget of \$8.1 million. The increase is primarily due to the transfer of eight (8.0) Detective Troopers to the Lottery Division, which comprises the majority of the \$427,980 variance in the Lottery Division. In addition, the Governor includes additional Rhode Island Capital Plan Fund financing for Parking Area Improvements and the State Microwave/IT Upgrade to facilitate the start of new projects.

Public Safety

For revised FY 2013, the Governor recommends 609.2 FTE positions for the Department of Public Safety, which is no change from the enacted level.

The Governor's FY 2014 budget for the Department of Public Safety is \$125.3 million, including \$97.1 million in general revenue, \$6.2 million in federal funds, \$12.8 million in restricted receipts, and \$9.3 million in other funds. This recommendation is an increase of \$2.8 million from the FY 2013 enacted budget of \$122.5 million, and reflects an increase of \$2.3 million, or 2.5 percent, in general revenue expenditures, a decrease of \$784,616, or 11.3 percent, in federal funds expenditures, an increase of \$65,640, or 0.5 percent, in restricted receipts, and an increase of \$1.2 million, or 15.1 percent, in other funds.

The \$2.3 million increase in general revenue appropriations, reflects the hiring of forty (40.0) troopers in the second half of FY 2014, two (2.0) additional positions within the Central Management program and two (2.0) positions being shifted from contract employees to full-time general revenue funded staff.

The Governor's recommendation for federal funds totals \$6.2 million in FY 2014, which is a decrease of \$784,616 from the enacted FY 2013 budget of \$6.9 million. Major changes in federal funds include reductions of \$404,523 from the Juvenile Justice Delinquent Program grant, and \$290,000 in the FY 2010 Urban Area Security Initiative – Fusion grant to reflect available award amounts.

The Governor's recommendation for restricted receipts totals \$12.8 million in FY 2014, which is an increase of \$65,640 from the enacted FY 2013 budget of \$12.7 million. The increase is primarily due to an increase of \$75,000 in Federal Property – Retained offset by minimal reductions throughout the Department. In addition, the enacted budget included \$12.2 million in financing from the Google Settlement, which is included in the Governor's FY 2014 recommendation.

The Governor's recommendation for other funds totals \$9.3 million in FY 2014, which is an increase of \$1.2 million from the enacted FY 2013 budget of \$8.1 million. The increase is primarily due \$1.3 million for the Lottery Division transfer of eight (8.0) Detective Troopers to assist in Twin River Casino in Lincoln, Rhode Island as table games are introduced.

The Department of Public Safety also includes the Capital Police Rotary program. The program includes 8.0 FTE positions financed from the internal service fund. The Governor's recommendation for the Capitol Police Rotary totals \$837,390 in FY 2013 and \$872,233 in FY 2014.

For FY 2014, the Governor recommends 651.2 FTE positions for the Department of Public Safety. This is an increase of 42.0 FTE positions from the FY 2013 enacted. The increase is a result of forty (40.0) new trooper positions as a result of the training academy, and two (2.0) positions within the Central Management program. The additional positions are a Public Information Officer to act as a liaison between the Department and the media and a Paralegal to assist with the legal workload.

Public Safety

Office of the Public Defender

The Governor's revised FY 2013 budget for the Office of the Public Defender is \$11.0 million, including \$10.8 million in general revenue and \$291,996 in federal funds. The general revenue recommendation is \$33,812 less than the FY 2013 enacted level, while the federal funds recommendation is \$129,902 less than the FY 2013 enacted level. Personnel expenditures decrease by \$33,812 due to a statewide adjustment for a medical benefit holiday. The budget includes additional funding of \$20,412 for contract services to fund additional intake eligibility technicians and \$5,852 for operating (office related) expenditures, as well as reappropriation of \$5,326 to fund prior year FY 2012 expenditures.

The Governor recommends total expenditures of \$11.3 million in FY 2014, including \$11.0 million in general revenue and \$291,996 in federal funds. The FY 2014 general revenue recommendation is \$243,460 more than the FY 2013 enacted budget, while federal funds decrease by \$129,902. The budget reflects adjustments to current services required for salary and employee benefit requirements of the existing staff, including both initial statewide target increases for retirement, retiree health, and medical benefits and statewide reductions in these items due to identified savings. The Governor recommends an additional \$45,950 in contract services for both trial related work and continued funding of intake eligibility technicians. The Governor recommends an additional \$26,213 in operating expenditures. The Governor also recommends continued funding of \$30,215 in FY 2014 for computer network and operating systems upgrades.

The Governor recommends continued inclusion of the following federal grant funded programs: 1) \$121,996 in FY 2013 and FY 2014, for the Juvenile Response Unit; 2) \$95,000 in FY 2013 and FY 2014 for the Community Partnership program that funds legal and social work assistance to clients; and 3) \$75,000 in FY 2013 and FY 2014, for the John R. Justice Incentive Grant. Funds from this grant will be loaned out as scholarly assistance to municipal, state and federal prosecutors and defenders.

The FY 2013 revised and FY 2014 recommendations are for 93.0 FTE positions, no change from the enacted level. The staff consists of attorneys supported by social workers, investigators, interpreters, information technology, intake and clerical support.

Natural Resources

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management and the Coastal Resources Management Council. The Governor recommends total full-time equivalent positions of 428.0 FTE in FY 2013 and 429.0 FTE positions in FY 2014 for the natural resource function. Up to 350 temporary positions may also be used for seasonal support at state parks and beaches. Certain debt service for general obligation bonds issued to finance capital projects for the Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are appropriated in the Department of Administration, though the agencies themselves are not part of the state budget.

The Department of Environmental Management manages and protects Rhode Island's public and common natural assets, including land, air and water resources. It manages state-owned lands, including state parks and beaches, forests, port facilities, and fish and wildlife management areas. The department administers a capital management program financed by general obligation bonds, funds from the Rhode Island Capital Plan Fund, federal funds, restricted receipts and third-party sources (for land acquisition). Capital program activities include: acquiring and developing recreational, open space and agricultural lands; municipal and non-profit grant programs for land acquisition and development; improvements to state-owned ports and recreation facilities; Superfund federal mandates; construction of new state environmental facilities; municipal wastewater facility construction grant programs; and, grants to non-governmental entities for specified water quality improvement projects. The department also monitors the use and quality of state groundwater; regulates discharges and uses of surface fresh and salt water; enforces game, fishing and boating regulations; coordinates a statewide forest fire protection plan; regulates air quality; and monitors the disposal of solid and hazardous wastes.

The Coastal Resource Management Council seeks to preserve, protect and restore the coastal resources of the state. The council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, coastal policy analysts, marine resources and infrastructure specialists, an aquaculture and dredging coordinator, environmental scientists and administrative support staff. The council issues permits regarding proposed changes in coastal facilities within an area from three miles offshore to two hundred feet inland from coastal features, including all freshwater wetlands within the coastal zone. The council formulates, amends, and enforces violations of the Rhode Island Coastal Resources Management Plan and Special Area Management plans. The council: develops guidelines and advises communities on harbor management plans; develops a Submerged Lands Management licensing program for public trust areas; designates public rights-of-way to the shore; and serves as the aquaculture coordinator for permitting and planning actions. The council is the lead agency for all dredging and implements an extensive habitat restoration effort. It also conducts public outreach and public communication campaigns on its programs and activities, and coordinates its programs with other government agencies.

The Governor's FY 2013 revised budget in all funds for all natural resource agencies is \$104.9 million, an increase of \$1.0 million from the enacted appropriations of \$103.9 million. Of this amount, \$36.5 million, or 34.8 percent, is from general revenue, \$38.9 million or 37.0 percent is from federal funds, \$15.6 million, or 14.9 percent is from restricted receipts, and \$14.0 million, or 13.3 percent, is from other funds. General revenues decrease by \$307,256, or 0.8 percent, federal funds increase by \$2.2 million, or 6.0 percent, mainly attributable to new awards, restricted receipts increase by \$1.1 million, or 7.2 percent, and operating transfers from other funds decreased by \$1.9 million, or 12.2 percent below the enacted level.

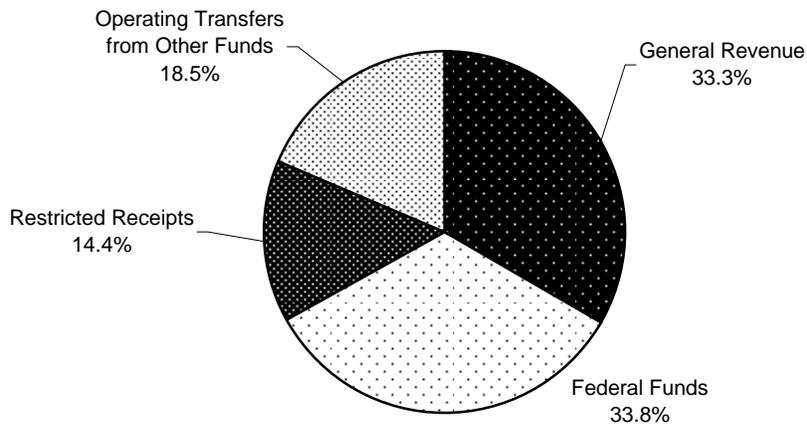
Of the \$104.9 million recommended for natural resources in FY 2013, personnel is budgeted at \$63.6 million; or 60.1 percent; operating at \$12.4 million, or 11.8 percent; assistance, grants, and benefits at

Natural Resources

\$7.4 million, or 7.1 percent; capital improvements at \$21.5 million, or 20.5 percent; and operating transfers at \$50,000, or 0.1 percent.

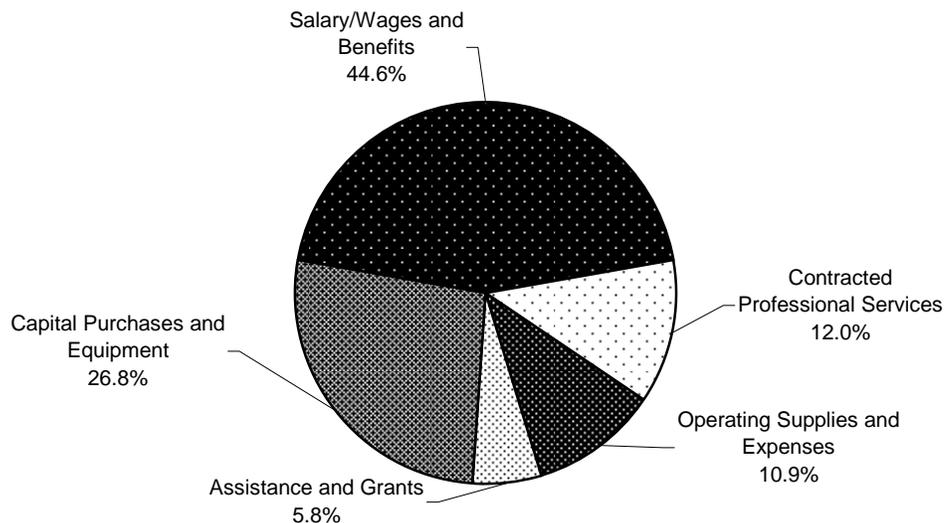
The Governor's FY 2014 budget from all funds for natural resource agencies is \$111.7 million, or an increase of \$7.8 million from the enacted appropriations of \$103.9 million. Of this amount, \$37.2 million, or 33.3 percent, is from general revenue, \$37.8 million or 33.8 percent is from federal funds, \$16.1 million, or 14.4 percent is from restricted receipts, and \$20.7 million, or 18.5 percent, is from operating transfers from other funds. General revenues increase by \$364,619 or 1.0 percent, federal funds increase by \$1.1 million, or 3.0 percent, attributable to new awards being available, restricted receipts increase by \$1.6 million, or 10.8 percent, and other funds increase by \$4.8 million, or 30.1 percent over the enacted level.

How it is Financed



Of the \$111.7 million recommended for natural resources for FY 2014, personnel is budgeted at \$63.2 million; or 56.6 percent; operating at \$12.1 million, or 10.9 percent; assistance, grants, and benefits at \$6.5 million, or 5.8 percent; capital improvements at \$29.9 million, or 26.8 percent; and operating transfers at \$50,000, or 0.1 percent.

How it is Spent



Natural Resources

Environmental Management

The Governor's revised FY 2013 Budget for the Department of Environmental Management is \$99.5 million, including \$34.3 million in general revenue, \$36.7 million in federal funds, \$15.4 million in restricted receipts, and \$13.2 million in other funds. This represents a total increase of \$697,084 from the enacted budget of \$98.8 million. Funding changes include a reduction of \$282,676 or 0.8 percent, in general revenue expenditures, an increase of \$1.7 million, or 4.8 percent, in federal funds expenditures; an increase of \$1.1 million, or 7.3 percent, in restricted receipts; and a reduction of \$1.8 million, or 11.7 percent, in other funds.

The reduction of \$282,676 in general revenue appropriations is primarily due to savings of \$144,481 for turnover expectations and \$106,779 for statewide medical benefit holiday savings in personnel. The Governor's recommendation includes half-year financing for five (5.0) currently vacant positions, which include: two (2.0) Environmental Police Officers, two (2.0) Dispatchers, and one (1.0) Deputy Chief of Forestry.

The Governor's federal funds recommendation in the Office of the Director is an increase of \$367,000 from the enacted FY 2013 Budget of \$493,000, due to an increase of \$305,000 for Stimulus Renewable Energy Projects and \$62,000 for the Blackstone Valley Watershed Project. In the Bureau of Natural Resources, the Governor recommends a decrease of \$74,786 from the enacted FY 2013 Budget of \$22.6 million for federal funds. This reduction is mainly due to variances throughout the program including reductions of \$973,642 in Forestry and \$600,000 in Boating Infrastructure, offset by increases of \$903,089 in the Comprehensive Wildlife Management Plan, \$244,085 for the National Oceanic and Atmospheric Administration (NOAA) and \$204,507 in Boating Safety. In the Bureau of Environmental Protection, the Governor recommends an increase of \$1.4 million from the federal funds enacted FY 2013 Budget of \$11.9 million. Major changes include increases of: \$388,772 for the Superfund National Priority List, \$283,044 for Leaking Underground Storage Tanks, \$271,914 for Non-Point Source Pollution Management, \$211,837 for RIPDES – Federal and \$190,000 for the Near Road Monitoring Program.

The Governor's recommendation for restricted receipts totals \$15.4 million in FY 2013, an increase of \$1.1 million from the enacted FY 2013 Budget of \$14.3 million. This increase is primarily due to additional financing of \$361,653 in Bays, Rivers and Watersheds, \$212,048 in Water and Air Protection, \$183,035 in Salt Water Fishing Licenses and \$134,643 in the Oil Spill Prevention, Administration and Response Fund (OSPAR) to reflect expected collections and expenditures in these accounts.

The Governor's recommendation for other funds totals \$13.2 million in FY 2013, which is a decrease of \$1.8 million from the enacted FY 2013 Budget. Major reductions include \$1.2 million from the Fort Adams America's Cup project due to completion of preliminary work required for the 2012 trials, and \$2.2 million for the World War II Facility shifted from FY 2013 into FY 2014 in both projects. These reductions are offset by an increase of \$1.2 million for the Blackstone Bike Path Design.

For revised FY 2013, the Governor recommends 399.0 FTE positions for the Department of Environmental Management, which is a reduction of 8.0 FTE positions from the enacted level based on the Department's request for current staffing needs.

The Governor's FY 2014 budget for the Department of Environmental Management is \$106.6 million, including \$34.9 million in general revenue, \$35.1 million in federal funds, \$15.9 million in restricted receipts, and \$20.7 million in other funds. This represents a total increase of \$7.7 million from the FY 2013 enacted budget of \$98.8 million and includes an increase of \$330,147 or 1.0 percent, in general revenue expenditures; an increase of \$128,778, or 0.4 percent, in federal funds expenditures; an increase

Natural Resources

of \$1.6 million, or 11.0 percent, in restricted receipts; and an increase of \$5.7 million, or 38.0 percent, in other funds.

The increase of \$330,147 in general revenue appropriations primarily reflects additional financing in the Department's Natural Resources program. The increase reflects financing five (5.0) currently vacant positions and one (1.0) new FTE throughout FY 2014. The positions are: two (2.0) Environmental Police Officers, two (2.0) Dispatchers, and the Deputy Chief of Forestry. The new position is a Senior Reconciliation Clerk who will work at the Department's Galilee Pier office in Narragansett, RI. In addition, the Governor includes \$100,000 in general revenue to be matched through private contributions for Local Agriculture and Seafood to provide a mechanism to catalyze and support the local food sector in Rhode Island.

The Governor's recommendation for federal funds totals \$35.1 million in FY 2014 and reflects an increase of \$128,778 from the enacted FY 2013 Budget of \$35.0 million. The Governor's recommendation in the Office of the Director is a reduction of \$343,000 from the enacted FY 2013 Budget of \$493,000, which is due to a decrease of \$360,000 for the Blackstone Valley Watershed Project, offset by an increase of \$17,000 for One-Stop Reporting. In the Bureau of Natural Resources, the Governor recommends an increase of \$1.3 million due mainly to an increase of \$1.7 million for Wildlife Habitat Development. In the Bureau of Environmental Protection, the Governor recommends a decrease of \$789,262 from the enacted FY 2013 Budget of \$11.9 million. Major changes include: a decrease of \$1.4 million in the Water Resources subprogram offset by increase of \$213,287 in the RIPDES subprogram, \$204,070 in the Waste Management subprogram and \$189,298 in the Air Resources subprogram.

The Governor's recommendation for restricted receipts totals \$15.9 million in FY 2014, which is an increase of \$1.6 million from the enacted FY 2013 Budget of \$14.3 million. This increase is primarily due to \$250,000 for the National Heritage Revolving Fund, \$224,634 for Water and Air Protection, \$200,200 for Hunting License Receipts, \$191,346 for Oil Spill Prevention, Administration and Response Fund (OSPAR), \$183,035 for Salt Water Fishing Licenses and \$180,118 for the State Revolving Fund to reflect expected collections and expenditures in these accounts.

The Governor's recommendation for other funds totals \$20.7 million in FY 2014, which is an increase of \$5.7 million from the enacted FY 2013 Budget of \$15.0 million. The major changes for the Department include increases in Rhode Island Capital Plan Funds of \$2.5 million for Rocky Point Renovations, \$1.8 million for the Natural Resources Office/Visitor's Center, and \$1.1 million for Recreational Facilities.

The Governor recommends 400.0 FTE positions for FY 2014, which is a reduction of 7.0 FTE from the FY 2013 enacted level. In relation to the Governor's FY 2013 recommendation this is an increase of one (1.0) FTE position, which is a Senior Reconciliation Clerk in the Natural Resources program.

Natural Resources

Coastal Resources Management Council

The Governor's revised FY 2013 budget for the Coastal Resources Management Council is \$5.4 million. This includes \$2.2 million of general revenue, \$2.2 million of federal funds, \$250,000 in restricted receipts and \$722,281 from the Rhode Island Capital Plan Fund. General revenue decreases by \$24,580, while federal funds increase by \$507,186, from the enacted level. General revenue personnel expenditures are level funded for 18.0 FTE positions, and include a reduction for a medical benefit holiday.

Federal funds increase by \$54,464 in the federal funded portion of personnel (11.0 FTE positions) and operating expenditures. There is also increased expenditure totaling \$477,063 in five other federal grants. Two (Aquaculture Research and R.I. River Ecosystem Restoration) reflect revised expenditure scheduling, including the latter, which is funded by American Recovery and Reinvestment Act stimulus funds to construct four fish ladders and remove two dams. The budget also includes three newly awarded federal grants that will fund development work for the Northeast Regional Ocean Council, classification of marine habitats in other New England states, and planning work on coastal and marine habitat adaptation to rising sea levels. In addition, the Governor recommends expenditure schedule revisions of existing federal grants: Narragansett Bay Habitat Restoration Planning (a \$45,271 reduction) and Aquatic Invasive Species (a \$20,930 increase).

The Governor recommends \$250,000 in restricted receipt expenditures for the Coastal and Estuary Habitat Restoration Program and Trust fund from the Oil Spill Prevention, Administration and Response Fund, to be spent on specific projects to rehabilitate coastal habitats. The Governor recommends Rhode Island Capital Plan Fund financing of \$450,000 for the South Coast Restoration project, \$222,281 for the remaining state match requirement for the Providence River Dredging project, and \$50,000 to construct a secure boat storage facility.

In the FY 2014 budget, the Governor recommends \$5.2 million, including \$2.3 million of general revenue, \$2.6 million of federal funds, and \$250,000 in restricted receipts. The general revenue budget increases by \$34,472 from the enacted budget, reflecting statewide target adjustments, including revisions in retirement, health benefit and retiree health rates. Federal Funds increase by \$959,838 from the enacted level, reflecting primarily continued work on the River Ecosystem Restoration project (a \$607,914 increase) and the Narragansett Bay Habitat Restoration project (a \$145,976 increase).

The FTE position authorization for the Council is unchanged at 29.0 FTE positions for FY 2013 and FY 2014. The staff includes engineers, environmental scientists, coastal policy analysts, marine resources and infrastructure specialists, an aquaculture and dredging coordinator, as well as administrative support staff.

Transportation

Transportation

Summary

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

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

For FY 2013 and FY 2014, the Intermodal Surface Transportation Fund (ISTF) is supported by 32.5 of Rhode Island's 33.0-cent per gallon gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation, as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Human Services (formerly the Department of Elderly Affairs). The revenue generated by the state's gasoline tax is allocated to these recipients on an individual cent basis. State law governs the distribution of the cents to the agencies. As of FY 2010, there is no longer any contribution to the general fund from the gasoline tax. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax was established at each Revenue Estimating Conference; however, as there is no longer an impact on general revenue receipts, the Conference is no longer determining the gasoline tax estimate. The Office of Revenue Analysis within the Department of Revenue has provided the estimates for FY 2013 and FY 2014. The Office of Revenue Analysis estimates gasoline tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gasoline tax supported operations.

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

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

Transportation

Current Law Gasoline Tax Allocation (in cents)							
<u>Recipient</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DOT	20.75	20.75	21.75 ³	21.75	21.75	21.75	21.75
RIPTA	7.25 ¹	7.25	9.75 ⁴	9.75	9.75	9.75	9.75
General Fund	1.0 ¹	1.0	0.0 ³	0.0	0.0	0.0	0.0
DEA/DHS	1.0	1.0	1.0 ⁵	1.0	1.0	1.0	1.0
Underground Storage Tank-DEM	1.0	0.5 ²	0.5	0.5	0.5	0.5	0.5
Total:	31.0	31.0	33.0	33.0	33.0	33.0	33.0

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

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

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

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

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

The Department of Transportation provides services through four programs: Central Management, Management and Budget, Infrastructure Engineering, and Infrastructure Maintenance. Primary funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA). Federal highway funding is provided through the Highway Trust Fund and other sources, as appropriated and allocated by Congress through transportation authorization legislation. Typically, these authorization provisions extend five to six years, allowing for mid-range capital planning at the state level. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was passed in August 2005, authorized funding for highway construction, highway safety programs, mass transit operations, and other surface transportation projects over a five-year period, from 2005 to 2009. The Act expired in 2009, but was extended by Congress for one year in 2010. In subsequent years, SAFETEA-LU was extended for short periods with minor adjustments to the substantive provisions.

In June 2012, Congress approved a new two-year transportation authorization, called Moving Ahead for Progress in the 21st Century (MAP-21). MAP-21 shifts the Federal planning and project model toward performance measurements. The limited time of the authorization is an improvement over short-term extensions, but a two-year authorization still requires the state to make assumptions when projecting the availability of future Federal resources. MAP-21 intends to create a streamlined and performance-based surface transportation program and builds on and refines many existing highway, transit, bike, and pedestrian programs and policies.

Transportation

MAP-21 sets forth the following goals:

- Strengthen America's highways
- Establish performance-based programs
- Create jobs and support economic growth
- Support the Department of Transportation's aggressive safety agenda
- Streamline Federal highway transportation programs
- Accelerate project delivery and promotes innovation

The Highway Trust Fund (HTF) is the source of funding for most MAP-21 programs. The HTF includes the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. Federal motor fuel taxes are the primary source of income for the HTF. MAP-21 extends highway-user fees (Federal gas tax and other related taxes), generally at the rates that were in place when the legislation was enacted, through September 30, 2016. It also extends provisions for full or partial exemption from highway-user taxes and provisions for deposit of almost all of the highway-user taxes into the HTF through September 30, 2016.

In MAP-21, the metropolitan and statewide transportation planning processes are continued and enhanced to incorporate performance goals, measures, and targets into the process of identifying needed transportation improvements and project selection. Requirements for a long-range plan and a short-term Transportation Improvement Program (TIP) continue, with the development of the Long-Range Transportation Plan (LRTP) incorporating the performance plans required by the Act for certain programs. The TIP must also be developed to make progress toward established performance targets and must include a description of the anticipated achievements.

Overall, MAP-21 includes an array of provisions designed to increase innovation and improve efficiency, effectiveness, and accountability in the planning, design, engineering, construction and financing of transportation projects. Prior to MAP-21, Rhode Island received one-half of one percent of all funds allocated to states nationwide as a result of the Federal funding formula. With the advent of MAP-21, the FFY 2013 allocations to states are based upon a three-year average of funds received during FFY 2009 through FFY 2011. For FFY 2014, there is a 1.4 percent escalator for all state funding levels.

The DOT Highway Improvement Program (HIP) includes highway and intermodal projects that utilize Federal funds administered by the FHWA that are typically funded with 80.0 percent Federal funding and 20.0 percent State matching funds. Prior to FY 2013, the State had traditionally matched Federal highway funds with General Obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the General Obligation bonds issued was paid with gas tax revenue. As a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance costs.

As a solution to the structural deficit and increasing debt service impact, Governor Chafee proposed shifting existing license and registration fees to transportation purposes over five years as part of his FY 2012 Budget proposal (Article 22). However, the Article 22 included in the FY 2012 Budget as Enacted, passed by the General Assembly, did not shift any existing registration and license fees, but instead increased registration and license fees and dedicated those new revenues to transportation purposes. The Article created the Rhode Island Highway Maintenance Trust Fund and prescribed a three-year, phased increase in registration and license fees, beginning in FY 2014 (July 2013). Two-year registrations and drivers licenses would each be increased by \$30 (\$10 per year for three-years), while one-year registrations would be increased by \$15 (\$5 per year for three-years).

Transportation

The General Assembly also included an annual allocation from the Rhode Island Capital Plan (RICAP) fund in the FY 2012 Budget as Enacted to supplement the revenue generated by the new fees. These two funding sources combined would eliminate General Obligation bond borrowing to match Federal highway funding by FY 2016. The General Assembly accelerated the replacement of General Obligation bond financing in the FY 2013 Budget as Enacted by including an additional \$20.0 million in RICAP funds; this eliminated the need for a final \$20.0 million transportation bond referendum in November 2012.

The HIP implements DOT's capital program as identified in the State's TIP. The TIP is a listing of transportation projects that the state plans to finance over a four-year period from Federal highway and transit funds. Federal law requires that all projects utilizing Federal transportation funds shall appear in a TIP adopted by the State Planning Council and approved by the Governor.

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

FY 2004 marked the beginning of a major effort on the part of Rhode Island government to address the rebuilding and modernization of the State's transportation systems. In December 2003, the State completed the first of a three-part bond transaction which authorized \$709.6 million and programmed \$704.0 million for five major infrastructure projects to be completed over an 8 ½ year period. This undertaking includes two financing mechanisms. The majority of the costs (\$598.4) have been financed through Grant Anticipation Revenue Vehicle bonds (GARVEE).

GARVEE is a program approved by Congress that allows states to borrow funds, which are then backed and repaid by the annual allocation of Federal Highway Administration construction funds. The remaining costs (\$105.6 million) were provided through Motor Vehicle Tax Revenue Bonds. These bonds are financed through a two-cent dedication of the Department's gasoline tax allocation. The State issued a third series of both the GARVEE and Motor Fuel Bonds program in 2009. With the established funding sources in place to meet the financing requirements of this borrowing, this program will have no fiscal impact to the State and offer no financial exposure to taxpayers other than the pledging of the FHWA and gas tax funds to repay the bonds. The projects financed under this program were the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge and the Quonset Rt. 403 construction. Also financed was the completion of the Freight Rail Improvement Program.

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Project	Total Cost	GARVEE Funding	Other Funding	GARVEE Funding Projected Through FY 2013
Route 195 Relocation (the I-Way)	\$620.6	\$383.4	\$237.3	\$371.1
Phase II, Route 403	201.7	116.5	85.2	116.5
New Sakonnet River Bridge	242.0	142.5	99.5	142.5
New Washington Bridge	68.5	68.5	0.0	60.1
Freight Rail Improvement Project (FRIP)	235.2	39.6	195.5	39.6
Total	\$1,368.0	\$750.5	\$617.5	\$729.8

*\$ in millions. Totals may vary due to rounding.

The debt service on the GARVEE bonds to be paid through the FHWA allocation in FY 2013 and FY 2014 is \$48.4 million each year and is reflected in the Department's operating budget as a Federal fund source. The gas-tax funded debt service on the Motor Fuel Tax revenue bonds totals \$8.3 million in FY 2013 and FY 2014, which is paid using 2.0 cents of total gas tax revenues. An amendment to the original GARVEE approval (as granted by Article 36 of the FY 2004 budget as enacted), which allowed \$9.6 million of the GARVEE bond authorization approved for the Washington Bridge project to be applied to the Sakonnet River Bridge project was adopted as part of Article 7 of the FY 2013 Budget as Enacted. The total GARVEE borrowing would remain unchanged; the \$9.6 million in authorization would shift between projects.

On February 17, 2009, Congress passed an economic stimulus bill, the American Recovery and Reinvestment Act (ARRA), which provided Rhode Island with \$137.0 million in additional highway funding with no required state match for highway infrastructure investment, which has been spent over three years for sixty-six separate projects throughout Rhode Island including highway, road and bridge repair, pavement resurfacing, as well as enhancement projects, such as lighting and drainage improvements.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. Operating assistance of \$40.5 million in FY 2013 and \$40.6 million in FY 2014 to the Rhode Island Public Transit Authority will be financed from a 9.25 cent allocation of the gasoline tax, as well as an additional 0.5 of the 1.0 cent Underground Storage Tank fee. Another cent of the gasoline tax not included in the Department of Transportation budget supports the efforts of the Department of Human Services to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite pass programs for the elderly and to finance compliance costs statewide associated with Americans with Disabilities Act requirements.

The revised FY 2013 budget for the Department of Transportation totals \$467.3 million, including \$316.5 million in Federal funds, \$149.9 million in other funds, and \$1.0 million in restricted receipts. This represents a \$44.3 million decrease in all funds from the FY 2013 enacted budget. Federal funds decrease by a total of \$45.9 million, while restricted receipts increase by \$11,497 from the enacted budget. Other funds for the Department increase by a total of \$1.6 million from the enacted budget. The other funds total includes gasoline tax expenditures for the Department, RIPTA, and GARVEE/Motor Fuel Revenue Bonds, as well as Rhode Island Capital Plan Fund appropriations, land sale proceeds, nonland surplus property revenues and other miscellaneous receipts.

The revised FY 2013 estimated revenue available within the ISTEAFUND is \$136.8 million, which represents the revised per penny gasoline tax yield estimate of \$4,155,025, as well as a carry forward from FY 2012 totaling \$1.7 million and an additional \$2.1 million from 0.5 cent of the 1.0 cent Underground Storage Tank fee. Gasoline tax funds within the Department of Transportation total \$96.1 million, \$47.3

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million is recommended for the operations of the Department, \$40.5 million is the operating transfer to finance RIPTA, and \$8.3 million is associated with the GARVEE/Motor Fuel Revenue Bonds program. Gasoline tax funds within the Department increase by \$323,540 from the enacted budget. The increase is a result of \$1.7 million in carry forward funds offset primarily due to a revision in the gasoline tax estimate. The original estimate used in the FY 2013 Enacted Budget was \$4,213,320 per penny. The estimate provided by the Office of Revenue Analysis has revised the per penny gasoline tax down to \$4,155,025, a decrease of \$58,295 per penny.

Other adjustments to the total gasoline tax appropriation for the Department include projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs of \$34.4 million for DOT. Due to the projected deficit caused by the continued pressure on the Department's budget with increasing debt service, and declining gasoline tax, general revenue will be used to fund \$8.0 million of the Department's debt service for FY 2013. In addition, RIDOT received \$2.0 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service. Lastly, in April 2012, a major refunding and restructuring of transportation debt was completed that will greatly help level payments over time, eliminating the "spikes" that have caused additional pressure on the shrinking gas tax revenues for the Department. The debt service adjustment to the Department represents an increase of \$105,435 from the enacted budget. Please note that debt service is reflected within the Department of Administration's budget.

Additionally, due to projected deficits at RIPTA, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded with \$1.6 million of general revenue in FY 2013 to supplement gas tax revenue generally used for debt service. A total of \$2.1 million represents the financing of Human Resources, Purchasing, and Information Technology positions that have been consolidated within the Department of Administration for employees who work at DOT but whose costs are budgeted in DOA. The total transfer amount of these positions represents a decrease of \$100,237 from the FY 2013 enacted budget. The Governor recommends a slight deficit of \$12,975 for the end of FY 2013 to be carried forward into FY 2014 based on current motor fuel tax estimates.

A total recommendation of \$26.7 million in FY 2013 from the Rhode Island Capital Plan Fund finances the Pawtucket-Central Falls Train Station Study, the Replacement of Maintenance Trucks and Capital Equipment, Salt Storage Facilities and Maintenance Facility improvements and fire alarms, and construction on the Portsmouth, East Providence and Cherry Hill Facilities. Included in the Capital Plan Fund are RIPTA projects for the Elmwood Avenue Expansion Project, Land and Buildings project, HVAC improvements and roof replacement at the Newport facility, High Speed Fueling and Fluid Monitoring upgrades, a Cash Room Security Project, along with upgrades for Fixed Route and Paratransit Cameras. Additionally, as previously mentioned, \$20.0 million in Rhode Island Capital Plan funds are included for the Highway Improvement Program. The total increase is \$2.0 million compared to the FY 2013 enacted level.

Other funds changes also include a \$505,786 decrease from the sale of land associated with the I-195 relocation project in order to reflect current project schedules. A total of \$19.9 million for the sale of land from the reconstruction of I-195 is expected to take place in FY 2013. A total of \$4.3 million in other land sales is expected in FY 2013. The Department estimates collecting \$125,000 in FY 2013 from a maintenance fee for outside advertising. Estimates increase by \$25,000 from the enacted budget. Revenue raised in FY 2013 is recommended to be used for operating expenses within RIDOT's Division of Engineering that do not qualify for Federal reimbursement.

Federal funds decrease by a total of \$45.9 million from the enacted budget. The majority of the decrease from the enacted budget is due to the Federal Highway Program projects. These expenditures are projected to decrease by \$53.8 million from the enacted level due to funding levels through MAP-21. Therefore, the

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DOT has been conservative in their construction scheduling as the construction budget of the Department is driven by the availability of funding.

Additionally, there is a decrease attributable to the infrastructure investment stimulus funds from the American Recovery and Reinvestment Act of 2009. Expected expenditures on highway projects decrease \$1.1 million from the enacted level. The Department has made commitments for all funds and expects to expend the remaining funds by the end of FY 2013.

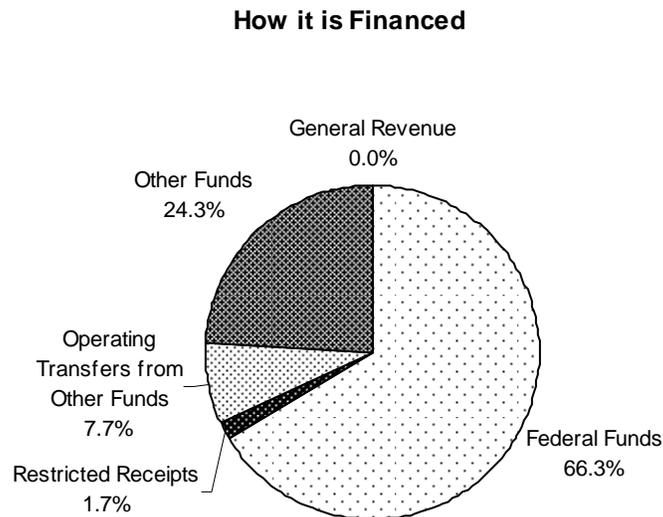
The overall decrease in Federal funds is offset by several increasing Federal grants, such as a \$1.1 million increase in National Highway Safety Administration grants to correct actual Federal grants anticipated in FY 2013 and an increase of \$6.4 million in Federal Transit funds associated with the fixed guideway (commuter rail) project. National Highway Safety Administration grants total \$5.6 million while Federal Transit grants total \$9.0 million. GARVEE debt service is deducted from the total estimated obligation authority estimate for the Federal highway fund, and totals \$48.4 million in the revised FY 2013 budget. The revised FY 2013 budget includes a total of \$12.0 million related to personnel costs associated with the GARVEE program and general obligation bonds within the federal funds category.

For the Department of Transportation, the Governor recommends 772.6 FTE positions for FY 2013. The enacted budget included 772.6 positions.

In FY 2014, recommended expenditures from all sources for transportation activities total \$469.9 million, a decrease of \$41.7 million from the FY 2013 enacted budget.

The following chart illustrates departmental expenditures by source of financing for FY 2014.

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



The other funds source represents 24.3 percent of the FY 2014 budget for the Department, or \$114.0 million. This represents an increase of \$9.6 million from the FY 2013 enacted budget. Other funds include total gasoline tax expenditures of \$98.9 million, of which \$50.0 million represents the Department of

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Transportation budget, \$38.5 million is budgeted for RIPTA's allocation of the gasoline tax, with an additional \$2.1 million for the 0.5 cents of the Underground Storage Fee allocated to RIPTA beginning in FY 2010, and \$8.3 million is budgeted for the Motor Fuel Bond allocation of the gasoline tax.

The total estimated receipts for the ISTEAE fund in FY 2014 are \$135.4 million, which represents a gasoline tax yield estimate of \$4,165,364 per penny of the gasoline tax. The total gasoline tax budget within the Department of Transportation represents a decrease of \$3.0 million from the FY 2013 enacted budget. Included in the FY 2013 gasoline tax budget for the Department is a general obligation bond debt service payment of \$29.6 million, a decrease of \$4.7 million from the FY 2013 enacted budget.

Due to continued pressure on the Department's budget with increasing debt service, and declining gasoline tax revenue as compared to previous years, general revenue will be used to fund \$10.0 million of the Department's debt service for FY 2014. In addition, RIDOT received \$2.0 million through the Build America Bond rebates that will be used to reduce the amount of gasoline tax used for debt service. Based on the refunding and restructuring of debt in April 2012, the debt service adjustment to the Department represents a decrease of \$2.7 million from the enacted budget. Similar to FY 2013 and due to projected deficits at RIPTA, the Governor recommends that debt service on outstanding RIPTA general obligation bonds be funded with \$1.7 million of general revenue in FY 2014 to supplement gas tax revenue generally used for debt service. A total of \$2.1 million represents reductions to the Department's allocation of the gasoline tax in order to finance Human Resources, Purchasing, and Information Technology positions consolidated within the Department of Administration. The transfer represents a decrease of \$96,346 from the FY 2013 enacted budget.

The FY 2014 recommendation includes Rhode Island Capital Plan Fund expenditures totaling \$36.1 million, of which \$1.5 million is for Salt Storage facilities, \$104,000 for the RIPTA Land and Buildings project, \$776,210 for Maintenance Facilities, \$1.8 million for the Portsmouth Facility, \$1.0 million for the Replacement of Maintenance Trucks and Capital Equipment, \$300,000 for Maintenance and Repairs at three train stations, and \$600,000 is recommended for the conversion of the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for RIDOT heavy equipment and RIPTA buses. Similar to FY 2013, \$20.0 million in Rhode Island Capital Plan funds are included for the Highway Improvement Program.

Lastly, the Governor recommends \$10.0 million in Rhode Island Capital Plan Fund financing towards a Local Roads and Streetscape Program in FY 2014. The purpose of a State-funded Local Roads Program is to improve the condition of local roads through a streamlined process to allow local communities to select the roads most in need of resurfacing, and to implement these projects on a local level. Funding for this program will be formula driven and will allocate available funds based on mileage within each municipality, in conjunction with other criteria developed to provide a reasonable minimum to each of Rhode Island's 39 cities and towns.

A total of \$2.5 million in other funds is from estimated land sale revenues. Additionally, DOT will receive \$43.0 million through the land sale associated with the relocation of the I-195 project, which will be used and spread out over a number of years. In FY 2014, the Department estimates using \$12.3 million from the I-195 land sale revenue. The remaining other funds for the Department is comprised of \$300,000 for outdoor advertising and non-land surplus property collections for the budget year.

The total budget for Federal grants for the department represents 66.3 percent of the budget, or \$311.8 million, including \$223.9 million in federal highway funds, a total of \$48.4 million is GARVEE debt service payments from Federal highway funds, \$1.0 million has been budgeted to account for personnel costs transferred to the GARVEE construction program, and \$1.8 million represents personnel costs allocated to

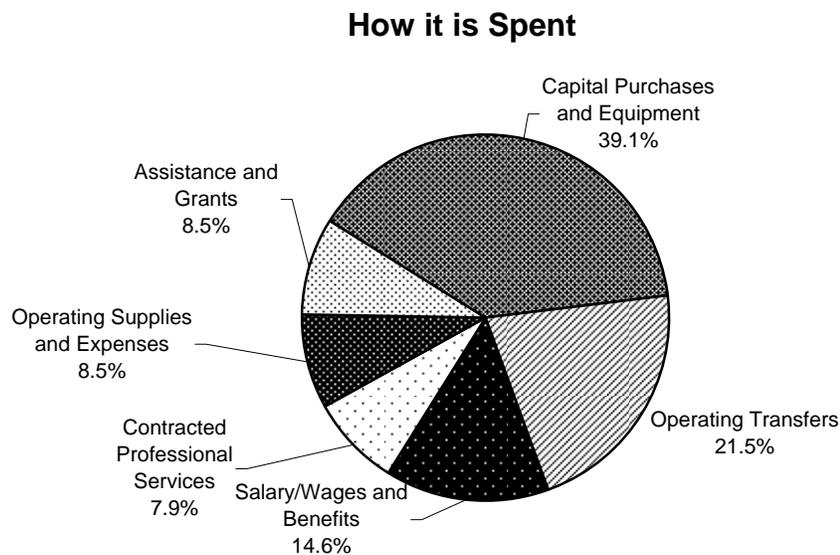
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general obligation bonds. Other Federal grants for the Department are comprised of a total of \$7.6 million in Federal Transit funds and \$5.8 million in National Highway Safety funds. Federal Transit funds increase by \$5.0 million in FY 2014 from the enacted level. National Highway Safety funds increase by \$3.1 over the FY 2013 enacted budget to correct actual Federal grants anticipated in FY 2014.

Restricted receipts represent 1.7 percent of the total budget or \$8.0 million. The majority of the funds will come from the Highway Maintenance Trust Fund, which are budgeted as a restricted receipt account for the first time in FY 2014.

For FY 2014 the Governor recommends 772.6 FTE positions for the Department of Transportation, which represents no changes from the FY 2013 enacted budget.

The following chart illustrates departmental expenditures on an all funds basis by category of expenditure for FY 2014.



The capital category of expenditure represents 39.1 percent of the total Department budget. Capital consists primarily of Federal highway dollars located within the Engineering program for infrastructure construction costs. Available funding drives the projections for the Department of Transportation.

A total of 22.5 percent represents personnel costs of the Department, which includes contract services. Initiated in FY 2008, the Department's Federal indirect cost recovery plan allows a portion of personnel, as well as contract services and operating costs to be eligible for federal reimbursement. A total of \$19.1 million of personnel and contract services costs are located within the Maintenance program where the source of funding is the gasoline tax.

The category of operating transfers represents 21.5 percent of all funds total spending for DOT, which includes the pass-through gasoline tax and underground storage tank fund revenue for RIPTA of \$40.6 million, and \$48.4 million which is paid for the GARVEE bonds through an operating transfer of federal highway funds.

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The operating category represents 8.5 percent of all funds total spending for the Department with 54.8 percent of the category representing Maintenance activities, which include pavement repair, crack sealing, pothole repair, litter collection, vehicle fleet maintenance, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program.

Assistance, grants, and benefits represent 8.5 percent of the FY 2014 budget and consist primarily of Federal Highway Administration and Federal Transit Administration grant funds.

Appendix A

Schedules

FY 2014 General Revenue Budget Surplus

	FY 2011 Audited ⁽¹⁾	FY 2012 Audited ⁽²⁾	FY 2013 Enacted ⁽³⁾	FY 2013 Revised ⁽⁴⁾	FY 2014 Recommended ⁽⁵⁾
Surplus					
Opening Surplus	\$17,889,522	\$64,229,426	\$93,870,509	\$115,187,511	\$79,315,556
Audit Adjustments	604,058	-	-	-	-
Adjustment to Opening Surplus	-	-	-	12,943,629	-
Reappropriated Surplus	3,364,847	4,532,242	-	7,726,521	-
Subtotal	\$21,858,427	\$68,761,668	\$93,870,509	\$135,857,662	\$79,315,556
General Taxes	\$2,377,381,973	\$2,518,449,026	2,578,121,440	2,578,121,440	2,664,200,000
Revenue estimators' revision - Nov	-	-	-	5,178,560	-
Governor Changes to Adopted	-	-	-	-	(3,938,206)
Subtotal	\$2,377,381,973	\$2,518,449,026	\$2,578,121,440	\$2,583,300,000	\$2,660,261,794
Departmental Revenues	332,714,668	339,895,284	342,873,883	342,873,883	206,800,000
Revenue estimators' revision - Nov	-	-	-	4,626,117	-
Governor Changes to Adopted	-	-	-	4,435,000	146,492,687
Subtotal	\$332,714,668	\$339,895,284	\$342,873,883	\$351,935,000	\$353,292,687
Other Sources					
Other Miscellaneous	11,116,047	20,110,214	4,440,000	4,440,000	2,430,000
Revenue estimators' revision - Nov	-	-	-	175,000	-
Lottery	354,860,987	377,706,394	387,553,420	387,553,420	405,100,000
Revenue estimators' revision - Nov	-	-	-	(853,420)	-
Governor Changes to Adopted	-	-	-	(1,600,000)	(4,300,000)
Unclaimed Property	7,640,462	14,555,573	7,900,000	7,900,000	9,600,000
Revenue estimators' revision - Nov	-	-	-	(1,600,000)	-
Subtotal	\$373,617,496	\$412,372,181	\$399,893,420	\$396,015,000	\$412,830,000
Total Revenues	\$3,083,714,137	\$3,270,716,491	\$3,320,888,743	\$3,331,250,000	\$3,426,384,481
Transfer to Budget Reserve	(80,657,401)	(93,378,486)	(102,442,778)	(103,781,434)	(105,171,001)
Total Available	\$3,024,915,163	\$3,246,099,674	\$3,312,316,474	\$3,363,326,227	\$3,400,529,036
Actual/Enacted Expenditures	\$2,956,153,495	\$3,110,242,012	\$3,295,836,490	\$3,295,836,490	\$3,399,154,309
Reappropriations	-	-	-	7,726,521	-
Caseload Conference Changes - Nov	-	-	-	(\$24,267,632)	-
FMAP Makeup	-	-	-	-	-
Other Changes in Expenditures	-	-	-	(\$11,634,708)	-
Total Expenditures	\$2,956,153,495	\$3,110,242,012	\$3,295,836,490	\$3,267,660,671	\$3,399,154,309
Total Ending Balances	\$68,761,668	\$135,857,662	\$16,479,984	\$95,665,556	\$1,374,727
Transfer to Other Funds ⁽⁶⁾	\$0	(\$12,943,629)	(\$16,350,000)	(\$16,350,000)	\$0
Reappropriations	(4,532,242)	(7,726,521)	-	-	-
Free Surplus	\$64,229,426	\$115,187,511	\$129,984	\$79,315,556	\$1,374,727
Budget Reserve and Cash					
Stabilization Account	\$130,258,817	\$153,407,512	\$170,737,963	\$172,969,057	\$175,285,002

⁽¹⁾ Derived from the State Controller's final closing report for FY 2011, dated December 22, 2011.

⁽²⁾ Derived from the State Controller's final closing report for FY 2012, dated January 4, 2013.

⁽³⁾ Reflects the FY 2013 budget enacted by the General Assembly and signed into law by the Governor on June 15, 2012.

⁽⁴⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2012 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

⁽⁵⁾ Reflects the Governor's recommended FY 2014 budget, including the results of the November 2012 Revenue and Caseload Estimating Conferences and any proposed legislative changes to modify adopted estimates.

⁽⁶⁾ Reflects restricted General Fund balance regarding transfers to the retirement fund and to the Information Technology Investment Fund and State Fleet Revolving Loan Fund in FY 2013.

Expenditures from All Funds

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$466,350,414	\$390,215,972	\$389,897,283	\$423,479,986	\$425,792,843
Business Regulation	9,861,335	12,591,226	13,977,309	14,593,793	13,189,880
Labor and Training	912,521,587	801,847,663	661,604,139	641,586,167	530,600,966
Revenue	268,488,387	345,151,113	333,502,288	344,075,696	361,409,239
Legislature	34,703,108	35,327,139	38,844,218	41,913,816	38,591,548
Lieutenant Governor	890,413	1,068,715	1,092,692	1,089,750	1,125,998
Secretary of State	6,995,441	6,742,224	7,418,107	7,377,488	7,047,764
General Treasurer	28,031,616	39,706,807	37,571,560	45,151,118	35,060,485
Board of Elections	3,400,118	1,660,728	1,952,116	1,921,823	1,739,361
Rhode Island Ethics Commission	1,419,805	1,410,813	1,557,881	1,550,853	1,577,204
Governor's Office	4,701,867	4,648,355	26,581,535	4,400,907	4,493,513
Commission for Human Rights	1,355,743	1,408,199	1,463,760	1,439,817	1,459,423
Public Utilities Commission	6,088,904	6,335,868	8,246,708	8,489,940	8,569,383
Subtotal - General Government	\$1,744,808,738	\$1,648,114,822	\$1,523,709,596	\$1,537,071,154	\$1,430,657,607
Human Services					
Office of Health & Human Services (2)	6,284,050	17,098,684	1,752,372,084	1,722,447,966	1,860,362,098
Children, Youth, and Families	235,882,905	216,588,816	216,622,996	213,103,548	211,323,566
Health	119,439,071	104,085,326	119,522,083	126,751,846	121,073,049
Human Services (3)	2,198,054,450	2,206,209,397	650,256,012	666,639,875	676,354,681
Mental Health, Retardation, & Hospitals	450,952,134	428,033,267	445,671,144	431,620,878	444,536,354
Governor's Commission on Disabilities	514,758	597,971	751,439	834,468	1,455,336
Commission On Deaf and Hard of Hearing	358,036	377,005	390,251	381,701	471,609
Office of the Child Advocate	597,596	558,884	657,572	636,732	655,148
Office of the Mental Health Advocate	399,837	387,894	447,119	360,207	486,144
Subtotal - Human Services	\$3,012,482,837	\$2,973,937,244	\$3,186,690,700	\$3,162,777,221	\$3,316,717,985
Education					
Elementary and Secondary	1,128,629,694	1,122,700,087	1,198,219,358	1,208,134,629	1,225,960,539
Higher Education - Board of Governors	953,160,729	1,009,942,858	1,031,676,319	1,036,976,342	1,058,235,101
RI Council on the Arts	3,454,128	2,760,123	3,408,107	3,907,496	2,765,495
RI Atomic Energy Commission	1,198,881	1,282,491	1,476,951	1,427,436	1,436,731
Higher Education Assistance Authority	23,672,445	24,036,466	27,722,149	27,043,979	26,963,735
Historical Preservation and Heritage Comm.	2,183,534	1,908,488	2,728,977	2,525,493	3,481,949
Public Telecommunications Authority	1,525,009	1,557,832	1,500,972	795,486	-
Subtotal - Education	\$2,113,824,420	\$2,164,188,345	\$2,266,732,833	\$2,280,810,861	\$2,318,843,550

Expenditures from All Funds

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	23,618,629	24,597,318	30,009,938	29,471,427	30,389,101
Corrections	183,456,477	189,703,152	196,749,862	197,378,249	204,902,527
Judicial	97,166,263	100,907,796	104,248,298	106,246,433	107,811,121
Military Staff	36,424,255	36,046,730	42,450,127	59,502,738	44,831,893
Public Safety (4)	88,811,483	102,975,645	122,500,068	123,116,617	125,349,971
Office Of Public Defender	9,990,894	10,560,860	11,213,124	11,049,410	11,326,682
Subtotal - Public Safety	\$439,468,001	\$464,791,501	\$507,171,417	\$526,764,874	\$524,611,295
Natural Resources					
Environmental Management	66,346,606	74,010,170	98,837,511	99,534,595	106,554,385
Coastal Resources Management Council	5,724,792	6,100,775	5,092,818	5,397,705	5,187,128
Water Resources Board (5)	1,335,871	-	-	-	-
Subtotal - Natural Resources	\$73,407,269	\$80,110,945	\$103,930,329	\$104,932,300	\$111,741,513
Transportation					
Transportation	345,215,545	387,375,260	511,621,101	467,338,789	469,902,993
Subtotal - Transportation	\$345,215,545	\$387,375,260	\$511,621,101	\$467,338,789	\$469,902,993
Total	\$7,729,206,810	\$7,718,518,117	\$8,099,855,976	\$8,079,695,199	\$8,172,474,943

(1) In FY 2012 the Sheriffs program was moved to the Department of Public Safety

(2) In FY 2013, the Medicaid program was moved from the Department of Human Services to the Office of Health and Human Services.

(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2012, the Water Resources Board was merged into the Statewide Planning program in the Department of Administration.

Expenditures from General Revenues

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$331,624,887	\$248,320,234	\$272,514,956	\$269,231,023	\$271,455,828
Business Regulation	8,128,770	8,394,345	9,362,048	9,200,512	9,445,878
Labor and Training	6,902,868	7,553,602	7,859,170	8,828,901	9,839,061
Revenue	35,111,465	95,686,157	95,342,244	99,940,996	109,976,995
Legislature	33,127,794	33,685,084	37,217,044	40,388,233	36,986,933
Lieutenant Governor	890,413	948,391	962,955	958,311	986,890
Secretary of State	6,564,248	6,262,148	6,913,038	6,893,325	6,597,833
General Treasurer	2,240,286	2,531,859	2,542,115	2,582,801	2,354,692
Board of Elections	3,290,424	1,610,728	1,952,116	1,921,823	1,739,361
Rhode Island Ethics Commission	1,419,805	1,410,813	1,557,881	1,550,853	1,577,204
Governor's Office	4,102,488	4,081,232	4,418,290	4,400,907	4,493,513
Commission for Human Rights	1,214,438	1,093,206	1,137,768	1,133,129	1,150,785
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	\$434,617,886	\$411,577,799	\$441,779,625	\$447,030,814	\$456,604,973
Human Services					
Office of Health & Human Services (2)	3,314,257	9,694,301	825,065,703	801,380,770	851,008,592
Children, Youth, and Families	156,123,293	154,375,838	152,586,452	151,997,086	152,926,991
Health	27,469,636	23,518,929	24,821,836	24,721,722	24,900,291
Human Services (3)	735,671,107	844,385,003	97,023,967	96,845,266	99,520,764
Mental Health, Retardation, & Hospitals	172,743,967	190,883,740	193,137,995	193,234,700	206,649,055
Governor's Commission on Disabilities	352,190	381,164	371,096	357,498	357,711
Commission On Deaf and Hard of Hearing	358,036	377,005	390,251	381,701	391,609
Office of the Child Advocate	550,911	512,165	611,469	590,664	615,151
Office of the Mental Health Advocate	399,837	387,894	447,119	360,207	486,144
Subtotal - Human Services	\$1,096,983,234	\$1,224,516,039	\$1,294,455,888	\$1,269,869,614	\$1,336,856,308
Education					
Elementary and Secondary	846,144,631	860,936,950	935,364,061	930,213,401	964,639,970
Higher Education - Board of Governors	163,941,500	165,658,691	172,456,170	172,696,230	180,892,795
RI Council on the Arts	1,681,095	1,656,365	1,565,813	1,565,813	1,335,630
RI Atomic Energy Commission	858,629	875,412	876,213	866,750	861,710
Higher Education Assistance Authority	7,320,186	5,911,331	5,617,064	5,693,667	5,231,726
Historical Preservation and Heritage Comm.	1,294,878	1,253,696	1,361,801	1,265,417	1,332,510
Public Telecommunications Authority	929,325	928,421	799,077	795,486	0
Subtotal - Education	\$1,022,170,244	\$1,037,220,866	\$1,118,040,199	\$1,113,096,764	\$1,154,294,341

Expenditures from General Revenues

	FY 2011 Actual	FY 2012 Actual	FY 2013 Enacted	FY 2013 Revised	FY 2014 Recommend
Public Safety					
Attorney General	20,763,514	22,161,393	23,076,324	22,987,371	23,656,979
Corrections	177,719,606	184,655,159	183,293,277	184,546,757	185,879,198
Judicial	84,300,614	87,723,958	89,249,996	87,871,436	91,881,359
Military Staff	3,755,542	3,491,202	3,548,775	3,541,075	4,636,684
Public Safety (4)	69,087,143	90,786,762	94,790,039	91,455,541	97,134,021
Office Of Public Defender	9,493,812	10,166,398	10,791,226	10,757,414	11,034,686
Subtotal - Public Safety	\$365,120,231	\$398,984,872	\$404,749,637	\$401,159,594	\$414,222,927
Natural Resources					
Environmental Management	34,074,887	35,707,703	34,546,300	34,263,624	34,876,447
Coastal Resources Management Council	2,063,094	2,234,732	2,264,841	2,240,261	2,299,313
Water Resources Board (5)	1,123,928	0	-	-	-
Subtotal - Natural Resources	\$37,261,909	\$37,942,435	\$36,811,141	\$36,503,885	\$37,175,760
Transportation					
Transportation	-	-	-	-	-
Subtotal - Transportation	-	-	-	-	-
Total	\$2,956,153,504	\$3,110,242,011	\$3,295,836,490	\$3,267,660,671	\$3,399,154,309

(1) In FY 2012 the Sheriffs program was moved to the Department of Public Safety

(2) In FY 2013, the Medicaid program was moved from the Department of Human Services to the Office of Health and Human Services.

(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2012, the Water Resources Board was merged into the Statewide Planning program in the Department of Administration.

Expenditures from Federal Funds

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$64,251,118	\$64,385,781	\$25,578,339	\$66,041,287	\$53,606,544
Business Regulation	465,176	2,726,596	2,719,081	3,433,208	1,747,589
Labor and Training	234,108,321	205,099,595	111,743,981	94,713,891	39,784,891
Revenue	1,139,852	1,472,179	2,450,709	2,897,330	3,048,651
Legislature	-	-	-	-	-
Lieutenant Governor	-	120,324	129,737	131,439	139,108
Secretary of State	33,659	52,872	-	2,566	-
General Treasurer	1,140,258	1,199,276	1,159,712	1,099,497	1,130,422
Board of Elections	109,694	50,000	0	0	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	40,411	(1)	22,163,245	0	0
Commission for Human Rights	141,305	314,993	325,992	306,688	308,638
Public Utilities Commission	266,641	307,914	321,795	348,421	166,818
Subtotal - General Government	\$301,696,435	\$275,729,529	\$166,592,591	\$168,974,327	\$99,932,661
Human Services					
Office of Health & Human Services (2)	2,367,877	6,506,943	914,833,795	907,825,366	999,356,222
Children, Youth, and Families	76,711,604	59,251,759	58,440,291	55,105,897	54,192,405
Health	69,303,495	55,441,392	65,015,651	70,391,194	62,004,542
Human Services (3)	1,446,893,845	1,344,961,678	539,731,758	553,002,562	562,754,777
Mental Health, Retardation, & Hospitals	267,384,605	225,892,158	234,125,964	223,479,713	220,109,814
Governor's Commission on Disabilities	124,377	70,987	120,649	182,291	129,989
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	46,685	46,719	46,103	46,068	39,997
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$1,862,832,488	\$1,692,171,636	\$1,812,314,211	\$1,810,033,091	\$1,898,587,746

Expenditures from Federal Funds

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
Education					
Elementary and Secondary	259,873,651	234,690,933	230,760,206	237,992,129	225,746,654
Higher Education - Board of Governors	10,274,936	23,218,046	4,852,615	5,226,649	6,190,306
RI Council on the Arts	954,515	824,067	998,794	754,191	797,329
RI Atomic Energy Commission	76,635	79,057	267,616	267,044	267,044
Higher Education Assistance Authority	9,744,236	9,566,865	13,346,283	12,814,483	13,274,020
Historical Preservation and Heritage Comm.	831,658	537,821	836,139	589,279	609,949
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$281,755,631	\$268,916,789	\$251,061,653	\$257,643,775	246,885,302
Public Safety					
Attorney General	1,788,468	1,475,840	1,483,604	2,644,447	1,608,532
Corrections	2,780,906	2,388,892	1,995,588	3,034,940	1,788,688
Judicial	2,555,921	2,377,916	2,682,107	2,760,203	2,624,248
Military Staff	32,256,773	31,350,783	33,842,074	48,024,778	37,653,834
Public Safety (4)	9,267,352	7,573,445	6,940,151	10,359,782	6,155,535
Office Of Public Defender	497,082	394,462	421,898	291,996	291,996
Subtotal - Public Safety	\$49,146,502	\$45,561,338	\$47,365,422	\$67,116,146	\$50,122,833
Natural Resources					
Environmental Management	19,885,602	22,171,087	34,997,551	36,678,628	35,126,329
Coastal Resources Management Council	3,501,698	3,054,725	1,677,977	2,185,163	2,637,815
Water Resources Board (5)	-	-	-	-	-
Subtotal - Natural Resources	\$23,387,300	\$25,225,812	\$36,675,528	\$38,863,791	\$37,764,144
Transportation					
Transportation	229,999,857	291,517,766	362,340,586	316,461,117	311,761,586
Subtotal - Transportation	\$229,999,857	\$291,517,766	\$362,340,586	\$316,461,117	\$311,761,586
Total	\$2,748,818,213	\$2,599,122,870	\$2,676,349,991	\$2,659,092,247	\$2,645,054,272

(1) In FY 2012 the Sheriffs program was moved to the Department of Public Safety

(2) In FY 2013, the Medicaid program was moved from the Department of Human Services to the Office of Health and Human Services.

(3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.

(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2012, the Water Resources Board was merged into the Statewide Planning program in the Department of Administration.

Expenditures from Restricted Receipts

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$14,219,372	\$15,107,473	\$16,286,426	\$15,343,117	\$17,277,332
Business Regulation	1,267,389	1,470,285	1,896,180	1,960,073	1,996,413
Labor and Training	20,821,559	23,685,420	36,292,695	60,844,618	43,125,719
Revenue	4,836,294	1,993,811	1,845,255	1,821,849	1,821,886
Legislature	1,575,314	1,642,055	1,627,174	1,525,583	1,604,615
Lieutenant Governor	-	-	-	-	-
Secretary of State	397,534	427,204	505,069	481,597	449,931
General Treasurer	24,442,547	35,767,114	33,618,221	41,252,232	31,346,448
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	558,968	567,124	-	0	0
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	5,822,263	6,027,954	7,924,913	8,141,519	8,402,565
Subtotal - General Government	\$73,941,240	\$86,688,440	\$99,995,933	\$131,370,588	\$106,024,909
Human Services					
Office of Health & Human Services (2)	601,916	897,440	12,472,586	13,241,830	9,997,284
Children, Youth, and Families	2,426,338	2,682,360	2,825,253	2,538,664	2,614,170
Health	22,658,203	25,113,233	29,512,596	31,512,619	34,132,906
Human Services (3)	10,590,911	12,585,836	9,111,103	12,213,022	9,598,776
Mental Health, Retardation, & Hospitals	6,941,943	6,973,731	7,188,834	7,177,366	7,137,054
Governor's Commission on Disabilities	5,191	7,442	9,694	9,214	10,365
Commission On Deaf and Hard of Hearing	-	-	-	-	80,000
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$43,224,502	\$48,260,042	\$61,120,066	\$66,692,715	\$63,570,555
Education					
Elementary and Secondary	19,581,873	23,014,366	25,643,868	26,584,021	27,658,516
Higher Education - Board of Governors	660,509	739,741	702,583	702,583	702,583
RI Council on the Arts	-	-	-	-	-
RI Atomic Energy Commission	-	-	-	-	-
Higher Education Assistance Authority	-	-	-	-	-
Historical Preservation and Heritage Comm.	56,998	41,971	456,037	454,191	454,491
Public Telecommunications Authority	-	-	-	-	-
Subtotal - Education	\$20,299,380	\$23,796,078	\$26,802,488	\$27,740,795	\$28,815,590

Expenditures from Restricted Receipts

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
Public Safety					
Attorney General	791,992	837,372	5,162,510	3,239,609	5,073,590
Corrections	12,347	92,770	61,397	73,362	64,890
Judicial	9,480,024	9,731,044	10,641,195	11,240,237	11,790,514
Military Staff	189,042	205,899	481,278	516,890	523,375
Public Safety (4)	209,090	416,630	12,687,548	12,674,856	12,753,188
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$10,682,495	\$11,283,715	\$29,033,928	\$27,744,954	\$30,205,557
Natural Resources					
Environmental Management	10,389,053	11,406,708	14,309,942	15,360,459	15,881,515
Coastal Resources Management Council	160,000	145,000	250,000	250,000	250,000
Water Resources Board (5)	-	-	-	-	-
Subtotal - Natural Resources	\$10,549,053	\$11,551,708	\$14,559,942	\$15,610,459	\$16,131,515
Transportation					
Transportation	187,949	2,518,104	998,758	1,010,255	8,010,496
Subtotal - Transportation	\$187,949	\$2,518,104	\$998,758	\$1,010,255	\$8,010,496
Total	\$158,884,619	\$184,098,087	\$232,511,115	\$270,169,766	\$252,758,622

- (1) In FY 2012 the Sheriffs program was moved to the Department of Public Safety
- (2) In FY 2013, the Medicaid program was moved from the Department of Human Services to the Office of Health and Human Services.
- (3) In FY 2012, the Department of Elderly Affairs was merged into the Department of Human Services as its own program.
- (4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.
- (5) In FY 2012, the Water Resources Board was merged into the Statewide Planning program in the Department of Administration.

Expenditures from Other Funds

	FY 2011	FY 2012	FY 2013	FY 2013	FY 2014
	Actual	Actual	Enacted	Revised	Recommend
General Government					
Administration (1)	\$56,255,037	\$62,402,484	\$75,517,562	\$72,864,559	\$83,453,139
Business Regulation	-	-	-	-	0
Labor and Training	650,688,839	565,509,046	505,708,293	477,198,757	437,851,295
Revenue	227,400,776	245,998,966	233,864,080	239,415,521	246,561,707
Legislature	-	-	-	-	-
Lieutenant Governor	-	-	-	-	-
Secretary of State	-	-	-	-	-
General Treasurer	208,525	208,558	251,512	216,588	228,923
Board of Elections	-	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-	-
Governor's Office	-	-	-	-	-
Commission for Human Rights	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	\$934,553,177	\$874,119,054	\$815,341,447	\$789,695,425	\$768,095,064
Human Services					
Office of Health & Human Services (2)	-	-	-	-	-
Children, Youth, and Families	621,670	278,859	2,771,000	3,461,901	1,590,000
Health	7,737	11,772	172,000	126,311	35,310
Human Services (3)	4,898,587	4,276,880	4,389,184	4,579,025	4,480,364
Mental Health, Retardation, & Hospitals	3,881,619	4,283,638	11,218,351	7,729,099	10,640,431
Governor's Commission on Disabilities	33,000	138,378	250,000	285,465	957,271
Commission On Deaf and Hard of Hearing	-	-	-	-	-
Office of the Child Advocate	-	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-	-
Subtotal - Human Services	\$9,442,613	\$8,989,527	\$18,800,535	\$16,181,801	\$17,703,376
Education					
Elementary and Secondary	3,029,539	4,057,838	6,451,223	13,345,078	7,915,399
Higher Education - Board of Governors	778,283,784	820,326,380	853,664,951	858,350,880	870,449,417
RI Council on the Arts	818,518	279,691	843,500	1,587,492	632,536
RI Atomic Energy Commission	263,617	328,022	333,122	293,642	307,977
Higher Education Assistance Authority	6,608,023	8,558,270	8,758,802	8,535,829	8,457,989
Historical Preservation and Heritage Comm.	-	75,000	75,000	216,606	1,084,999
Public Telecommunications Authority	595,684	629,411	701,895	0	0
Subtotal - Education	\$789,599,165	\$834,254,612	\$870,828,493	\$882,329,527	\$888,848,317

Expenditures from Other Funds

	FY 2011 Actual	FY 2012 Actual	FY 2013 Enacted	FY 2013 Revised	FY 2014 Recommend
Public Safety					
Attorney General	274,655	122,713	287,500	600,000	50,000
Corrections	2,943,618	2,566,331	11,399,600	9,723,190	17,169,751
Judicial	829,704	1,074,878	1,675,000	4,374,557	1,515,000
Military Staff	222,898	998,846	4,578,000	7,419,995	2,018,000
Public Safety (4)	10,247,898	4,198,808	8,082,330	8,626,438	9,307,227
Office Of Public Defender	-	-	-	-	-
Subtotal - Public Safety	\$14,518,773	\$8,961,576	\$26,022,430	\$30,744,180	\$30,059,978
Natural Resources					
Environmental Management	1,997,064	4,724,672	14,983,718	13,231,884	20,670,094
Coastal Resources Management Council	0	666,318	900,000	722,281	0
Water Resources Board (5)	211,943	0	-	-	-
Subtotal - Natural Resources	\$2,209,007	\$5,390,990	\$15,883,718	\$13,954,165	\$20,670,094
Transportation					
Transportation	115,027,739	93,339,390	148,281,757	149,867,417	150,130,911
Subtotal - Transportation	\$115,027,739	\$93,339,390	\$148,281,757	\$149,867,417	\$150,130,911
Total	\$1,865,350,474	\$1,825,055,149	\$1,895,158,380	\$1,882,772,515	\$1,875,507,740

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(4) In FY 2012, the Sheriffs program was moved from the Department of Administration to the Department of Public Safety.

(5) In FY 2012, the Water Resources Board was merged into the Statewide Planning program in the Department of Administration.

Full-Time Equivalent Positions

	FY 2011	FY 2012	FY 2013 Enacted	FY 2013 Revised	FY 2014
General Government					
Administration	871.6	694.2	687.2	723.7	727.7
Business Regulation	93.0	96.0	94.0	95.0	94.0
Labor & Training	512.2	470.1	462.5	423.0	392.0
Revenue	426.5	449.0	458.0	489.0	492.0
Legislature	298.5	298.5	298.5	298.5	298.5
Office of the Lieutenant Governor	8.0	8.0	8.0	8.0	8.0
Secretary of State	57.0	57.0	57.0	57.0	57.0
General Treasurer	82.0	82.0	82.0	82.0	83.0
Board Of Elections	11.0	11.0	11.0	11.0	11.0
Rhode Island Ethics Commission	12.0	12.0	12.0	12.0	12.0
Office of the Governor	45.0	45.0	45.0	45.0	45.0
Commission for Human Rights	14.5	14.5	14.5	14.5	14.5
Public Utilities Commission	46.0	46.0	47.0	48.0	49.0
Subtotal - General Government	2,477.3	2,283.3	2,276.7	2,306.7	2,283.7
Human Services					
Office of Health and Human Services	77.6	158.0	168.0	169.0	194.0
Children, Youth, and Families	691.0	662.5	665.5	671.5	670.5
Elderly Affairs (1)	31.0	-	-	-	-
Health	424.7	422.3	497.3	498.0	494.1
Human Services	1,000.2	949.2	940.7	946.6	974.6
Behavioral Healthcare, Developmental Disabilities, and Hospitals(2)	1,372.2	1,383.2	1,383.2	1,424.4	1,423.4
Office of the Child Advocate	5.8	5.8	5.8	5.8	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0
Governor's Commission on Disabilities	4.0	4.0	4.0	4.0	4.0
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	3.7
Subtotal - Human Services	3,613.2	3,591.7	3,671.2	3,726.0	3,773.1
Education					
Elementary and Secondary Education	156.4	169.4	169.4	171.4	171.4
Davies	132.0	126.0	126.0	126.0	126.0
School for the Deaf	60.0	60.0	60.0	60.0	60.0
Elementary Secondary Education - Total	348.4	355.4	355.4	357.4	357.4
Office of Higher Education Non-Sponsored Research	18.4	13.8	15.8	15.8	16.8
URI Non-Sponsored Research	1,834.5	1,843.3	1,857.3	1,857.3	1,863.3
RIC Non-Sponsored Research	810.1	827.6	837.6	837.6	841.6
CCRI Non-Sponsored Research	754.1	754.1	754.1	754.1	754.1
Higher Education - Total Non-Sponsored	3,417.1	3,438.8	3,464.8	3,464.8	3,475.8
RI Council On The Arts	8.6	8.6	6.0	6.0	6.0
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	41.6	41.6	38.6	36.0	36.0
Historical Preservation and Heritage Commission	16.6	16.6	16.6	16.6	16.6
Public Telecommunications Authority	16.0	15.0	14.0	14.0	-
Subtotal - Education	3,856.9	3,884.6	3,904.0	3,903.4	3,900.4

Full-Time Equivalent Positions

	FY 2011	FY 2012	FY 2013 Enacted	FY 2013 Revised	FY 2014
Public Safety					
Attorney General	231.1	233.1	233.1	233.1	233.1
Corrections	1,419.0	1,419.0	1,419.0	1,419.0	1,419.0
Judicial	723.3	723.3	723.3	723.3	723.3
Military Staff	117.0	113.0	112.0	112.0	117.0
Public Safety	423.2	606.2	609.2	609.2	651.2
Office of the Public Defender	93.0	92.0	93.0	93.0	93.0
Subtotal - Public Safety	3,006.6	3,186.6	3,189.6	3,189.6	3,236.6
Natural Resources					
Environmental Management	410.0	410.0	407.0	399.0	400.0
Coastal Resources Management Council	30.0	30.0	29.0	29.0	29.0
Water Resources Board (3)	6.0	-	-	-	-
Subtotal - Natural Resources	446.0	440.0	436.0	428.0	429.0
Transportation					
Transportation	772.6	772.6	772.6	772.6	772.6
Subtotal - Transportation	772.6	772.6	772.6	772.6	772.6
Total Non Sponsored	14,172.6	14,158.8	14,250.1	14,326.3	14,395.4
Higher Education Sponsored Research *					
Office	1.0	1.0	1.0	1.0	1.0
CCRI	100.0	100.0	100.0	100.0	100.0
RIC	82.0	82.0	82.0	82.0	82.0
URI	602.0	593.2	593.2	593.2	593.2
Subtotal Sponsored Research	785.0	776.2	776.2	776.2	776.2
Total Higher Education	4,202.1	4,215.0	4,241.0	4,241.0	4,252.0
Total Personnel Authorizations	14,957.6	14,935.0	15,026.3	15,102.5	15,171.6

*A total of 776.2 FTE positions in Higher Education in both FY 2012 and FY 2013 represent FTE's supported by sponsored research funds. Commencing in FY 2005, these positions were included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

- (1) The Department of Elderly Affairs was merged with the Department of Human Services in FY 2012.
- (2) Formerly the Department of Mental Health, Retardation and Hospitals.
- (3) The Water Resources Board was merged with the Department of Administration in FY 2012.

General Revenues as Recommended

	FY 2011 Audited	FY 2012 Audited	FY 2013 Revised	FY 2014 Recommended
Personal Income Tax	\$ 1,021,338,869	\$ 1,060,481,684	\$ 1,078,600,000	\$ 1,130,750,000
General Business Taxes				
Business Corporations	84,510,308	123,054,377	135,900,000	135,120,004
Public Utilities Gross Earnings	103,743,912	100,631,477	104,000,000	102,400,000
Financial Institutions	2,459,474	3,557,938	8,200,000	3,100,000
Insurance Companies	60,590,000	89,487,511	91,900,000	96,822,068
Bank Deposits	1,967,288	2,000,645	2,100,000	2,200,000
Health Care Provider Assessment	40,760,872	41,922,464	42,300,000	43,069,721
Sales and Use Taxes				
Sales and Use	813,007,301	851,055,730	879,400,000	904,300,000
Motor Vehicle	47,654,534	48,391,564	48,700,000	48,700,000
Motor Fuel	1,054,939	732,672	1,000,000	1,000,000
Cigarettes	134,060,439	131,085,912	137,700,000	137,400,000
Alcohol	11,683,059	11,873,646	12,000,000	12,200,000
Other Taxes				
Inheritance and Gift	46,855,153	46,411,738	33,800,000	35,400,000
Racing and Athletics	1,325,193	1,327,003	1,200,000	1,100,000
Realty Transfer	6,370,632	6,434,665	6,500,000	6,700,000
Total Taxes	\$ 2,377,381,974	\$ 2,518,449,026	\$ 2,583,300,000	\$ 2,660,261,793
Departmental Receipts	\$ 332,714,668	\$ 339,895,284	\$ 351,935,000	\$ 353,292,687
Taxes and Departmentals	\$ 2,710,096,641	\$ 2,858,344,310	\$ 2,935,235,000	\$ 3,013,554,480
Other Sources				
Gas Tax Transfer	\$ -	\$ -	\$ -	\$ -
Other Miscellaneous	11,116,047	20,110,214	4,615,000	2,430,000
Lottery	354,860,987	377,706,394	385,100,000	400,800,000
Unclaimed Property	7,640,462	14,555,573	6,300,000	9,600,000
Other Sources	\$ 373,617,496	\$ 412,372,181	\$ 396,015,000	\$ 412,830,000
Total General Revenues	\$ 3,083,714,137	\$ 3,270,716,491	\$ 3,331,250,000	\$ 3,426,384,480

The audited revenues displayed above reflect gross receipts, including reimbursement of tax credits issued through the Historical Structures Tax credit program. The state's consolidated financial report reflects the reimbursement as a transfer from other funds, rather than within each tax source.

Changes to FY 2013 Enacted Revenue Estimates

	Enacted	November Consensus Changes	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 1,080,856,603	\$ (2,256,603)	\$ -	\$ 1,078,600,000
General Business Taxes				
Business Corporations	133,251,413	2,648,587	-	135,900,000
Public Utilities Gross	100,100,000	3,900,000	-	104,000,000
Financial Institutions	1,700,000	6,500,000	-	8,200,000
Insurance Companies	89,825,327	2,074,673	-	91,900,000
Bank Deposits	2,100,000	-	-	2,100,000
Health Care Provider	42,206,533	93,467	-	42,300,000
Sales and Use Taxes				
Sales and Use	886,720,059	(7,320,059)	-	879,400,000
Motor Vehicle	47,758,650	941,350	-	48,700,000
Motor Fuel	1,100,000	(100,000)	-	1,000,000
Cigarettes	138,053,896	(353,896)	-	137,700,000
Alcohol	12,200,000	(200,000)	-	12,000,000
Other Taxes				
Inheritance and Gift	35,148,959	(1,348,959)	-	33,800,000
Racing and Athletics	1,200,000	-	-	1,200,000
Realty Transfer	5,900,000	600,000	-	6,500,000
Total Taxes	\$ 2,578,121,440	\$ 5,178,560	\$ -	\$ 2,583,300,000
Departmental Receipts	\$ 342,873,883	\$ 4,626,117	\$ 4,435,000	\$ 351,935,000
Total Taxes and Departmentals	\$ 2,920,995,323	\$ 9,804,677	\$ 4,435,000	\$ 2,935,235,000
Other Sources				
Gas Tax Transfer	\$ -	\$ -	\$ -	-
Other Miscellaneous	4,440,000	175,000	-	4,615,000
Lottery	387,553,420	(853,420)	(1,600,000)	385,100,000
Unclaimed Property	7,900,000	(1,600,000)	-	6,300,000
Other Sources	\$ 399,893,420	\$ (2,278,420)	\$ (1,600,000)	\$ 396,015,000
Total General Revenues	\$ 3,320,888,743	\$ 7,526,257	\$ 2,835,000	\$ 3,331,250,000

Changes to FY 2014 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	\$ 1,129,000,000	\$ 1,750,000	\$ 1,130,750,000
General Business Taxes			
Business Corporations	140,400,000	(5,279,996)	135,120,004
Public Utilities Gross	102,400,000		102,400,000
Financial Institutions	3,100,000		3,100,000
Insurance Companies	97,000,000	(177,932)	96,822,068
Bank Deposits	2,200,000		2,200,000
Health Care Provider	43,500,000	(430,279)	43,069,721
Sales and Use Taxes			
Sales and Use	904,100,000	200,000	904,300,000
Motor Vehicle	48,700,000		48,700,000
Motor Fuel	1,000,000		1,000,000
Cigarettes	137,400,000		137,400,000
Alcohol	12,200,000		12,200,000
Other Taxes			
Inheritance and Gift	35,400,000		35,400,000
Racing and Athletics	1,100,000		1,100,000
Realty Transfer	6,700,000		6,700,000
Total Taxes	\$ 2,664,200,000	\$ (3,938,207)	\$ 2,660,261,793
Departmental Receipts	\$ 206,800,000	\$ 146,492,687	\$ 353,292,687
Total Taxes and Departmentals	\$ 2,871,000,000	\$ 142,554,480	\$ 3,013,554,480
Other Sources			
Gas Tax Transfer	\$ -		\$ -
Other Miscellaneous	2,430,000		2,430,000
Lottery	405,100,000	(4,300,000)	400,800,000
Unclaimed Property	9,600,000		9,600,000
Other Sources	\$ 417,130,000	\$ (4,300,000)	\$ 412,830,000
Total General Revenues	\$ 3,288,130,000	\$ 138,254,480	\$ 3,426,384,480

General Revenue Changes to Adopted Estimates

FY 2014	Governor Recommend
<u>Taxes</u>	
<u>Personal Income Taxes</u>	
Creation of Special Investigation Tax Unit: decreases refunds and adjustments	\$ 1,000,000
Out of State Collection Agencies: increases final payments	750,000
Subtotal: Personal Income Taxes	\$ 1,750,000
<u>General Business Taxes</u>	
<u>Business Corporations Tax</u>	
Reduce Business Corporations Tax Rate to 8.00% effective January 1, 2014	\$ (8,038,007)
Decrease of 25.0% in value of Job Development Act Rate Reduction effective January 1, 2014	\$ 2,448,632
Elimination of Enterprise Zone Wage Credit effective January 1, 2014	\$ 309,380
Subtotal: Business Corporation Tax	\$ (5,279,996)
<u>Insurance Companies Gross Premiums</u>	
Managed Care Rate Reduction	\$ (177,932)
Subtotal: Insurance Companies Gross Premiums Tax	\$ (177,932)
<u>Health Care Provider Tax</u>	
Suspend Nursing Home COLA effective October 1, 2012	\$ (430,279)
Subtotal: Health Care Provider Tax	\$ (430,279)
Subtotal: General Business Taxes	\$ (5,888,207)
<u>Sales and Excise Taxes</u>	
<u>Sales and Use Tax</u>	
Creation of Special Investigation Tax Unit: decreases refunds and adjustments	200,000
Subtotal: Sales and Use Tax	\$ 200,000
Subtotal: Sales and Excise Taxes	\$ 200,000
Subtotal: All Taxes	\$ (3,938,207)
<u>Departmental Revenues</u>	
<u>Licenses and Fees</u>	
DHS: FY 2012 Hospital Licensing Fee Remainder Payment	\$ 5,570,624
DHS: Reinststitute Hospital Licensing Fee at 5.350 Percent on FY 2011 Net Patient Revenues	141,256,638
DLT: Elimination of Hazardous Substances Right to Know Fee	(384,575)
Subtotal: Licenses and Fees	\$ 146,442,687
<u>Fines and Penalties</u>	
DOR: Interest Collections from Special Investigation Tax Unit	\$ 40,000
DOR: Penalty Collections from Special Investigation Tax Unit	\$ 10,000
Subtotal: Fines and Penalties	\$ 50,000
Subtotal: Departmental Revenues	\$ 146,492,687
Subtotal: Taxes and Departmental Revenues	\$ 142,554,480

General Revenue Changes to Adopted Estimates

FY 2014	Governor Recommend
<u>Other Sources</u>	
<i>Lottery Transfer</i>	
Table Game Expenses at Twin River	\$ (4,300,000)
<i>Subtotal: Lottery Transfer</i>	\$ (4,300,000)
Subtotal: Other Sources	\$ (4,300,000)
Total FY 2014 General Revenue Adjustments	\$ 138,254,480

Other Revenue Enhancements

	Governor Recommend
FY 2014	
<u>Restricted Receipts</u>	
CDHH: Emergency and Public Communication Access Program	\$ 80,000
Subtotal: Restricted Receipts	\$ 80,000
<u>Intermodal Surface Transportation Fund</u>	
Restructure \$30.00 Surcharge on Biennial Registration Fees to Reflect Actual Registration Data	\$ (435,856)
Restructure \$15.00 Surcharge on Annual Registration Fees to Reflect Actual Registration Data	(289,771)
Subtotal: Intermodal Surface Transportation Fund	\$ (725,627)
FY 2014 Total Non-General Revenue Changes	\$ (645,627)

Appendix B
Changes to FY 2013

Changes to FY 2013 General Revenue Budget Surplus

	FY 2011 Audited ⁽¹⁾	FY 2012 Audited ⁽²⁾	FY 2013 Enacted ⁽³⁾	FY 2013 Revised ⁽⁴⁾	Change from Enacted
Surplus					
Opening Surplus	\$17,889,522	\$64,229,426	\$93,870,509	\$115,187,511	\$21,317,002
Audit Adjustments	604,058	-	-	-	-
Adjustment to Opening Surplus	-	-	-	12,943,629	12,943,629
Reappropriated Surplus	3,364,847	4,532,242	-	7,726,521	7,726,521
Subtotal	\$21,858,427	\$68,761,668	\$93,870,509	\$135,857,662	\$41,987,153
General Taxes	\$2,377,381,973	\$2,518,449,026	2,578,121,440	2,578,121,440	-
Revenue estimators' revision - Nov	-	-	-	5,178,560	5,178,560
Governor Changes to Adopted	-	-	-	-	-
Subtotal	\$2,377,381,973	\$2,518,449,026	\$2,578,121,440	\$2,583,300,000	\$5,178,560
Departmental Revenues	332,714,668	339,895,284	342,873,883	342,873,883	-
Revenue estimators' revision - Nov	-	-	-	4,626,117	4,626,117
Governor Changes to Adopted	-	-	-	4,435,000	4,435,000
Subtotal	\$332,714,668	\$339,895,284	\$342,873,883	\$351,935,000	\$9,061,117
Other Sources					
Other Miscellaneous	11,116,047	20,110,214	4,440,000	4,440,000	-
Revenue estimators' revision - Nov	-	-	-	175,000	175,000
Lottery	354,860,987	377,706,394	387,553,420	387,553,420	-
Revenue estimators' revision - Nov	-	-	-	(853,420)	(853,420)
Governor Changes to Adopted	-	-	-	(1,600,000)	(1,600,000)
Unclaimed Property	7,640,462	14,555,573	7,900,000	7,900,000	-
Revenue estimators' revision - Nov	-	-	-	(1,600,000)	(1,600,000)
Subtotal	\$373,617,496	\$412,372,181	\$399,893,420	\$396,015,000	(\$3,878,420)
Total Revenues	\$3,083,714,137	\$3,270,716,491	\$3,320,888,743	\$3,331,250,000	\$10,361,257
Transfer to Budget Reserve	(80,657,401)	(93,378,486)	(102,442,778)	(103,781,434)	(1,338,657)
Total Available	\$3,024,915,163	\$3,246,099,674	\$3,312,316,474	\$3,363,326,227	\$51,009,753
Actual/Enacted Expenditures	\$2,956,153,495	\$3,110,242,012	\$3,295,836,490	\$3,295,836,490	\$0
Reappropriations	-	-	-	7,726,521	7,726,521
Caseload Conference Changes - Nov	-	-	-	(24,267,632)	(24,267,632)
FMAP Makeup	-	-	-	0	0
Other Changes in Expenditures	-	-	-	(11,634,708)	(11,634,708)
Total Expenditures	\$2,956,153,495	\$3,110,242,012	\$3,295,836,490	\$3,267,660,671	(\$28,175,819)
Total Ending Balances	\$68,761,668	\$135,857,662	\$16,479,984	\$95,665,556	\$79,185,572
Transfer to Other Funds ⁽⁵⁾	\$0	(\$12,943,629)	(\$16,350,000)	(\$16,350,000)	\$0
Reappropriations	(4,532,242)	(7,726,521)	-	-	-
Free Surplus	\$64,229,426	\$115,187,511	\$129,984	\$79,315,556	\$79,185,572
Budget Reserve and Cash					
Stabilization Account	\$130,258,817	\$153,407,512	\$170,737,963	\$172,969,057	\$2,231,094

⁽¹⁾ Derived from the State Controller's final closing report for FY 2011, dated December 22, 2011.

⁽²⁾ Derived from the State Controller's final closing report for FY 2012, dated January 4, 2013.

⁽³⁾ Reflects the FY 2013 budget enacted by the General Assembly and signed into law by the Governor on June 15, 2012.

⁽⁴⁾ Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2012 Revenue and Caseload Estimating Conferences and adjustments to revenues and expenditures recommended by the Governor.

⁽⁵⁾ Reflects restricted General Fund balance regarding transfers to the retirement fund and to the Information Technology Investment Fund and State Fleet Revolving Loan Fund in FY 2013.

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
<u>General Government</u>						
Administration						
Central Management	2,272,523					
Shift ODE Operating from General Program				50,000		
Shift ODE Personnel from General Program				250,000		
Personnel-Salary & Benefits (Turnover)			(6,984)	(54,113)		
Add 5.0 FTE to Staff Office of Digital Excellence				171,738		
Operating (Out-of-state travel, Telecomm O/H)				0		
Other Contracted Services				7,225		
Capital Purchases & Equipment (Shift lease costs to operating)				(3,300)		
Subtotal	2,272,523	-	(6,984)	421,550	2,687,089	(414,566)
Accounts & Control	3,815,349					
Personnel-Salary & Benefits (Covert vacant FTE)			(18,768)	58,158		
Capital Purchases & Equipment (Computers)				4,000		
Personnel-Salary & Benefits	3,815,349	-	(18,768)	62,158	3,858,739	(43,390)
Office of Management and Budget	3,004,055					
Office of Regulatory Reform (transfer staff from RIEDC)				37,743		
OERR Management Consultant Services				75,000		
Shift Electronic Local Permitting System from CPAL				300,000		
All Other Capital				9,200		
Employee Classification Study				500,000		
Personnel-Salary & Benefits			(8,715)	-		
Operating (Printing and Publications)				20,109		
Subtotal	3,004,055	-	(8,715)	942,052	3,937,392	(933,337)
Purchasing	2,741,468					
Personnel-Salary & Benefits (Turnover)			(11,056)	(192,166)		
Capital Purchases & Equipment (Computers)				12,000		
Subtotal	2,741,468	-	(11,056)	(180,166)	2,550,246	191,222
Auditing	1,200,000					
Personnel-Salary & Benefits (Turnover)			(3,376)	(46,031)		
Capital Purchases & Equipment (Computers Replacement)				10,000		
Operating				6,135		
Subtotal	1,200,000	-	(3,376)	(29,896)	1,166,728	33,272
Human Resources	8,839,720					
Personnel-Salary & Benefits (Turnover)			(30,312)	(317,229)		
Add 1.0 FTE-Executive Director Human Resources				47,576		
Contract Services (Legal - Class Action Lawsuit Defense)				2,800		
Diversity Training				10,000		
Operating (Printing, Advertisements, etc)				24,202		
Capital				(3,932)		
Subtotal	8,839,720	-	(30,312)	(236,583)	8,572,825	266,895
Personnel Appeal Board	75,036					
Subtotal	75,036	-	-	0	75,036	0
Legal Services	2,006,995					
Personnel-Salary & Benefits (Turnover)			(\$5,741)	(100,520)		
Contract Services (Legal - Labor/Union Arbitration)				198,000		
DCYF Lawsuit Legal Fee Contingency				500,000		
Operating (Online Legal Research Subscription, etc)				2,000		
Capital Purchases & Equipment (Computers Replacement)				7,500		
Subtotal	2,006,995	-	(5,741)	606,980	2,608,234	(601,239)
Facilities Management	32,593,888					
Personnel-Salary & Benefits (Turnover)			(51,327)	(98,104)		
Contract Services				25,860		
Operating - Utilities (Natural Gas and Electric)				(827,488)		
Capital Purchase (MV Purchase Debt Service to ARLF)				9,988		
Subtotal	32,593,888	-	(51,327)	(889,744)	31,652,817	941,071
Capital Projects and Property Management	3,040,310					
Transfer CPAL Personnel from Capital Projects				(1,396,573)		

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Transfer CPAL Operating from Capital Projects				(69,864)		
Personnel - Unachieved Turnover for 5.6 FTE/Hire 3.0 FTE			(4,010)	(97,974)		
Contract Services (Systems Maintenance)				900		
Capital Purchases & Equip (Shift to newly created CPAL Program)				(280,500)		
Capital Purchases and Equipment				0		
Subtotal	3,040,310	-	(4,010)	(1,844,011)	1,192,289	1,848,021
Information Technology	20,215,153					
Contract Services (Software and Business Development)		67,013		-		
Capital Purchases & Equipment (Mail Agent Storage Server)		44,564				
Contract Services (Education Network)		19,855				
Personnel - Unachieved Turnover for 5.6 FTE/Hire 3.0 FTE			(52,984)	400,487		
Contract Services (Systems Maintenance)				(48,372)		
Operating (Hardware Maintenance, Professional Dues, etc)				277,732		
Capital Purchases and Equipment				225,000		
Subtotal	20,215,153	131,432	(52,984)	854,847	21,148,448	(933,295)
Library and Information Services	933,989					
Personal Services (Unachieved Turnover Cost Savings)			(1,938)	10,629		
Operating				13,619		
Subtotal	933,989	-	(1,938)	24,248	956,299	(22,310)
Planning	3,960,126					
Contract Services (Water Availability Estimating)		15,000				
Personnel-Salary & Benefits (Turnover)			(5,218)	(17,809)		
Operating				(64,554)		
Subtotal	3,960,126	15,000	(5,218)	(82,363)	3,887,545	72,581
General						
Economic Development Corp.	4,684,403			(78,350)		
EDC-RI Airport Corp. Impact Act	1,025,000			-		
EDC EPScore (Research Alliance)	1,150,000			-		
Miscellaneous Grants	146,049			-		
Slater Centers for Excellence	1,500,000			-		
Torts	400,000			-		
Current Care - Health Information Exchange	450,000			-		
I-195 Commission	3,900,000			-		
RI Film and Television Office	305,409		-	(928)		
Office of Digital Excellence	300,000			(300,000)		
State/Teachers' Retiree Health Subsidy	2,321,057			-		
Resource Sharing and State Library Aid	8,773,398			-		
Personnel			(638)	638		
Library Construction Aid	2,471,714			-		
Subtotal	27,427,030	-	(638)	(378,640)	27,047,752	379,278
Personnel Reform/Supplemental Retirement Savings	629,747			-		
Subtotal	629,747	0	0	0	629,747	0
Salary/Benefits Adjustments	0	146,432				
Unachieved Program Reduction Cost Savings				(146,432)		
Subtotal	0	146,432	0	(146,432)	0	0
Construction, Permitting, Appeals & Licensure	0					
Transfer CPAL Personnel from Capital Projects				1,396,573		
Transfer CPAL Contract Services from Capital Projects				600		
Transfer CPAL Operating from Capital Projects				70,382		
Transfer CPAL Capital Purchases from Capital Projects				305,500		
Personnel-Salary & Benefits (Turnover)			(4,534)	(92,083)		
Contract Services -Transfers Electronic Local Permitting to OMB				(300,000)		
Operating				7,134		
Cap Purchases & Equip				2,500		
Subtotal	0	0	(4,534)	1,390,606	1,386,072	(1,386,072)
Debt Service	159,759,567			(3,885,802)		
Subtotal	159,759,567	0	0	(3,885,802)	155,873,765	3,885,802
Total	272,514,956	292,864	(205,601)	(3,371,196)	269,231,023	3,576,797
Business Regulation						
Central Management	1,145,060					

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Personnel			(3,950)	(34,909)		
Operating				(1,400)		
	1,145,060	-	(3,950)	(36,309)	1,104,801	40,259
Insurance Regulation	3,916,525					
Personnel			(13,307)	(45,478)		
Operating				(4,500)		
	3,916,525	-	(13,307)	(49,978)	3,853,240	63,285
Office of the Health Commissioner	542,929					
Personnel			(1,218)	(14,129)		
	542,929	-	(1,218)	(14,129)	527,582	15,347
Board of Accountancy	82,483					
Personnel			(231)	(2,788)		
	82,483	-	(231)	(2,788)	79,464	3,019
Banking	1,637,766					
Personnel			(6,902)	142,865		
Operating				(1,200)		
	1,637,766	-	(6,902)	141,665	1,772,529	(134,763)
Securities	1,068,375					
Personnel			(4,520)	(136,431)		
Operating				(2,200)		
	1,068,375	-	(4,520)	(138,631)	925,224	143,151
Commercial Licensing, Racing & Athletics	719,111					
Personnel			(2,041)	(25,355)		
Operating				(2,300)		
	719,111	-	(2,041)	(27,655)	689,415	29,696
Board of Design Professionals	249,799					
Personnel-Salary & Benefits			(1,218)	(324)		
	249,799	-	(1,218)	(324)	248,257	1,542
Total	9,362,048	-	(33,387)	(128,149)	9,200,512	161,536
Labor and Training						
Central Management	107,310					
Personnel-Salary & Benefits			(465)	(3,355)		
Contracted Professional Services				12,657		
Operating Supplies and Expenses/Capital				(793)		
Grants and Benefits				(4)		
	107,310	-	(465)	8,505	115,350	(8,040)
Workforce Development Services	0					
Grants and Benefits				1,000,000		
	0	-	-	1,000,000	1,000,000	(1,000,000)
Workforce Regulation and Safety	2,994,552					
Personnel-Salary & Benefits			(13,857)	34,680		
Contracted Professional Services				(19,984)		
Operating Supplies and Expenses/Capital				(32,032)		
Grants and Benefits				(767)		
Tardy and Interest Transfer				-		
	2,994,552	-	(13,857)	(18,103)	2,962,592	31,960
Income Support	4,370,518					
Personnel-Salary & Benefits			(324)	596		
Contracted Professional Services				(80)		
Operating Supplies and Expenses/Capital				(164)		
Police Relief Fund				107,140		
Firefighter Relief Fund				(109,561)		
	4,370,518	-	(324)	(2,069)	4,368,125	2,393
Labor Relations Board	386,790					
Personnel-Salary & Benefits			(808)	(283)		
Contracted Professional Services				172		

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Operating Supplies and Expenses/Capital Grants and Assistance				(3,035)		
	386,790	-	(808)	(2) (3,148)	382,834	3,956
Total	7,859,170	-	(15,454)	985,185	8,828,901	(969,731)
Legislature						
Legislature	37,217,044	6,337,390	(161,240)	(3,004,961)		
Personnel-Salary & Benefits				-		
Operating Supplies and Expenses				-		
Total	37,217,044	6,337,390	(161,240)	(3,004,961)	40,388,233	3,166,201
Office of the Lieutenant Governor						
Personnel-Salary & Benefits	962,955		(3,194)	(1,062)		
Operating Supplies and Expenses/Capital				(388)		
Total	962,955	-	(3,194)	(1,450)	958,311	4,644
Secretary of State						
Administration	1,907,105					
Personnel-Salary & Benefits			(4,747)	68,784		
Contracted Professional Services				(700)		
Operating Supplies and Expenses				21,200		
Capital Purchases and Equipment				4,735		
	1,907,105	-	(4,747)	94,019	1,996,377	(89,272)
Corporations	2,068,731					
Personnel-Salary & Benefits			(9,493)	(22,539)		
Contracted Professional Services				(1,225)		
Quick Start Master Application				30,000		
Operating Supplies and Expenses				10,347		
Capital Purchases and Equipment				11,500		
	2,068,731	-	(9,493)	28,083	2,087,321	(18,590)
State Archives	79,385					
Operating Supplies and Expenses		-		11,451		
	79,385	-		11,451	90,836	(11,451)
Elections	1,900,552					
Personnel-Salary & Benefits			(2,005)	(70,468)		
Contracted Professional Services				(85,000)		
Operating Supplies and Expenses				2,426		
Capital Purchases and Equipment				3,600		
	1,900,552		(2,005)	(149,442)	1,749,105	151,447
State Library	598,381					
Personnel-Salary & Benefits			(2,014)	(866)		
Operating Supplies and Expenses				2,400		
Capital Purchases and Equipment				3,300		
	598,381		(2,014)	4,834	601,201	(2,820)
Office of Public Information	358,884					
Personnel-Salary & Benefits			(1,454)	(484)		
Contracted Professional Services				12,750		
Operating Supplies and Expenses				(1,764)		
Capital Purchases and Equipment				553		
	358,884		(1,454)	11,055	368,485	(9,601)
Total	6,913,038	-	(19,713)	-	6,893,325	19,713
Office of the General Treasurer						
Treasury	2,096,374	58,300				
Personnel-Salary & Benefits			(5,302)	(17,340)		
Operating				32,481		
Contracted Professional Services				6,251		
Capital				(27,976)		
	2,096,374	58,300	(5,302)	(6,584)	2,142,788	11,886
State Retirement System - Def. Comp Admn	311,760					

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Personnel-Salary & Benefits			(706)	(21,597)		
Contracted Professional Services				(20,000)		
	311,760	0	(706)	(41,597)	269,457	42,303
 Crime Victim Compensation Program	 133,981					
Personnel-Salary & Benefits			(606)	39,055		
Operating Supplies and Expenses				(1,874)		
	133,981	0	(606)	37,181	170,556	(36,575)
Total	2,542,115	58,300	(6,614)	(11,000)	2,582,801	17,614
 Board of Elections						
Board Of Elections	1,952,116					
Personnel-Salary & Benefits			(4,901)	(12,227)		
Contracted Professional Services				(271,969)		
Operating Supplies and Expenses				258,804		
Total	1,952,116	-	(4,901)	(25,392)	1,921,823	30,293
 RI Ethics Commissions						
RI Ethics Commission	1,557,881	4,234				
Personnel-Salary & Benefits			(3,037)	3,775		
Contracted Professional Services				(10,000)		
Operating Supplies and Expenses				(2,000)		
Total	1,557,881	4,234	(3,037)	(8,225)	1,550,853	11,262
 Office of the Governor						
Personnel-Salary & Benefits	4,168,290		-	1,272		
Operating /Contracted Services			(14,136)	1,549		
Capital				(6,068)		
Contingency Fund	250,000					
Total	4,418,290	0	(14,136)	(3,247)	4,400,907	17,383
 Commission for Human Rights						
Personal Salary and Benefits	1,137,768		(4,639)	(30,650)		
Contract Services (Stenography)				3,000		
Operating (DoIT Charges, Repairs and Maintenance, Etc)				27,650		
Total	1,137,768	0	(4,639)	0	1,133,129	4,639
 Department of Revenue						
Director of Revenue	783,388					
Personnel-Salary & Benefits			(2,925)	166,450		
Contracted Professional Services				3,650		
Operating Supplies and Expenses				2,554		
	783,388	0	(2,925)	172,654	953,117	(169,729)
 Office of Revenue Analysis	 538,285					
Turnover Savings			(1,544)	(52,876)		
	538,285	0	(1,544)	(52,876)	483,865	54,420
 Office of Municipal Finance	 2,564,780					
Personnel-Salary & Benefits			(6,963)	10,893		
Contract Services				(160,000)		
Operating				(28,576)		
Grants				(5,000)		
	2,564,780	0	(6,963)	(182,683)	2,375,134	189,646
 Taxation	 17,904,225					
Turnover Savings			(66,768)	(62,338)		
Contracted Professional Services				30,479		
Operating Supplies and Expenses				34,727		
Assistance and Grants				1,273		
Capital Purchases and Equipment				(32,200)		
	17,904,225	0	(66,768)	(28,059)	17,809,398	94,827
 Registry	 18,475,667	35,000				

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Personnel-Salary & Benefits			(68,675)	(380,161)		
Overtime				167,580		
Contracted Professional Services				(74,974)		
Operating Supplies and Expenses				114,569		
Capital Purchases and Equipment				(86,840)		
Other Operating Supplies and Expenses						
	18,475,667	35,000	(68,675)	(259,826)	18,182,166	293,501
State Aid						
Municipal Reimb-50% Actuarial Pension Studies		60,424		993		
Distressed Communities Relief Fund	10,384,458			5,000,000		
Payment in Lieu of Tax Exempt Properties	33,080,409					
Motor Vehicle Excise Tax Payments	10,000,000					
Property Revaluation Program	1,611,032					
	55,075,899	60,424		5,000,993	60,137,316	(5,061,417)
Total	95,342,244	95,424	(146,875)	4,650,203	99,940,996	(4,503,328)
Sub-Total General Government	441,779,625	6,788,212	(618,791)	(918,232)	447,030,814	1,537,023
<u>Human Services</u>						
Office of Health and Human Services						
Central Management	25,434,668	379,593	(40,185)			
Personnel- Other Salary & Benefits				439,731		
Unified Health Infrastructure Project				1,356,747		
Legal Services				14,508		
Other Contracted Professional Services				(1,000,974)		
Operating Supplies/Equipment				125,266		
Nurses Aide Training Program				(150,000)		
Other Grants and Benefits				(230,892)		
	25,434,668	379,593	(40,185)	554,386	26,328,462	(514,201)
Medical Assistance						
Managed Care- November CEC	283,387,147			(14,367,820)		
Hospitals- November CEC	107,337,545			(1,244,416)		
Nursing Facilities- November CEC	173,959,640			2,653,160		
Home & Community Based Services- November CEC	35,953,320			970,400		
Other Services- November CEC	43,765,745			(2,409,048)		
Pharmacy - November CEC	52,354,074			(198,417)		
Rhody Health- November CEC	102,873,564			(9,731,252)		
Early Intervention- IDEA C Adjustment				(251,334)		
	799,631,035	-	-	(24,578,727)	775,052,308	24,578,727
	825,065,703	379,593	(40,185)	(24,024,341)	801,380,770	24,064,526
Children, Youth, and Families						
Central Management	4,674,549		(11,208)			
Personnel-Salary & Benefits				400,100		
Contracted Professional Services				102,489		
National Accreditation				(450,000)		
Operating/Capital Purchases				202,652		
Litigation Costs				102,812		
	4,674,549	-	(11,208)	358,053	5,021,394	(346,845)
Children's Behavioral Health	10,077,912		(5,242)			
Personnel-Salary & Benefits				(270,894)		
Contracted Professional Services				51,282		
Operating Supplies and Expenses				1,225		
Grants and Benefits				(4,956,966)		
	10,077,912	-	(5,242)	(5,175,353)	4,897,317	5,180,595
Juvenile Corrections	30,203,577					
Personnel-Salary & Benefits			(89,292)	(1,212,513)		
Overtime				479,019		
Contracted Professional Services				61,008		

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Operating Supplies and Expenses/Capital Purchases				72,798		
Grants and Benefits				(2,632,744)		
Corrections Reentry Grant				24,300		
	30,203,577	0	(89,292)	(3,208,132)	26,906,153	3,297,424
Child Welfare	96,800,187					
18 to 21 Year Olds	10630227					
Personnel-Salary & Benefits			(85,566)	(1,412,144)		
Overtime				668,533		
Contracted Professional Services				75,285		
Operating Supplies and Expenses				(236,396)		
Grants and Benefits				8,532,096		
Time Study/Base Structure						
Capital Purchases and Equipment						
	107,430,414	0	(85,566)	7,627,374	114,972,222	(7,541,808)
Higher Education Incentive Grants	200,000					
Higher Education Incentive Grants	200,000	0	0	0	200,000	
Total	152,586,452	0	(191,308)	(398,058)	151,997,086	589,366
Health						
Central Management	1,173,946		(882)			
Personnel-Salary & Benefits				(263,303)		
Capital Purchases and Equipment				-		
Operating Supplies and Expense				(5,900)		
	1,173,946	-	(882)	(269,203)	903,861	270,085
State Medical Examiner	2,259,943		(5,213)			
Personnel-Salary & Benefits				78,493		
Contract Medical Services				(37,750)		
Medical & Other Supplies				64,257		
	2,259,943	-	(5,213)	105,000	2,359,730	(99,787)
Environmental & Health Services Regulations	9,145,421		(39,188)			
Personnel-Salary & Benefits				97,484		
Contract Professional Services				(46,684)		
Operating Supplies and Expense				12,740		
Capital Purchases and Equipment				(43,300)		
Assistance and Grants				-		
	9,145,421	-	(39,188)	20,240	9,126,473	18,948
Health Laboratories	6,300,363		(20,105)			
Personnel-Salary & Benefits				69,745		
Contracted Professional Services				(61,200)		
Operating Expenditures				(7,392)		
Capital Purchases and Equipment				(1,150)		
	6,300,363	-	(20,105)	3	6,280,261	20,102
Public Health Information	1,741,431		(7,924)			
Personnel-Salary & Benefits				170,790		
Contracted Professional Services				(8,000)		
Operating Supplies and Expenses				(5,000)		
	1,741,431		(7,924)	157,790	1,891,297	(149,866)
Community & Family Health and Equity	2,418,974		(5,558)			
Personnel-Salary & Benefits				7,230		
Contracted Professional Services				4,373		
Operating Expenditures				(11,602)		
	2,418,974	-	(5,558)	1	2,413,417	5,557
Infectious Disease and Epidemiology	1,781,758		(4,224)			
Personnel-Salary & Benefits				32,837		
Operating Expenditures				(13,688)		
Assistance and Grants				(50,000)		
	1,781,758	-	(4,224)	(30,851)	1,746,683	35,075

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Total	24,821,836	-	(83,094)	(17,020)	24,721,722	100,114
Human Services						
Central Management	5,052,482		(4,697)			
Personnel- Salary & Benefits				102,824		
Operating Supplies and Expenses				36,732		
	5,052,482	-	(4,697)	139,556	5,187,341	(134,859)
Child Support Enforcement	2,305,759		(7,608)			
Personnel- Salary & Benefits				13,161		
Constable Services				29,240		
Other Contracted Professional Services				888		
Operating Supplies and Expenses				12,671		
	2,305,759	-	(7,608)	55,960	2,354,111	(48,352)
Individual and Family Support	20,616,357		(60,801)			
Personnel- Salary & Benefits				124,230		
Contracted Professional Services				5,131		
Operating Supplies and Expenses				(85,628)		
Assistance and Grants				38,041		
Urban Institute- Work Support Strategies Grant (Phase II)				420,000		
	20,616,357	-	(60,801)	501,774	21,057,330	(440,973)
Veterans' Affairs	19,568,977		(74,457)			
Personnel- Salary & Benefits				240,311		
Contracted Professional Services				(18,677)		
Operating Supplies and Expenses				(70,236)		
	19,568,977	-	(74,457)	151,398	19,645,918	(76,941)
Health Care Eligibility	8,314,370		(27,570)			
Personnel- Salary & Benefits				(698,577)		
Contracted Professional Services				(25,178)		
Operating Supplies and Expense				6,340		
	8,314,370	-	(27,570)	(717,415)	7,569,385	744,985
S.S.I. Program	18,240,600					
S.S.I. Program- November CEC				320,612		
	18,240,600	-	-	320,612	18,561,212	(320,612)
Rhode Island Works						
Child Care	9,668,635					
	9,668,635	-	-	-	9,668,635	-
State Funded Programs	2,572,658					
General Public Assistance- November CEC				(260,851)		
	2,572,658			(260,851)	2,311,807	260,851
Elderly Affairs	10,682,842		(3,568)			
General Revenues						
Personnel-Salary & Benefits				(9,006)		
Contracted Professional Services				2,800		
Operating Supplies and Expenses				(70,817)		
Assistance and Grants				(114,011)		
RIPAE	-					
Care and Safety of the Elderly	1,287					
	10,684,129	-	(3,568)	(191,034)	10,489,527	194,602
Total	97,023,967	-	(178,701)	-	96,845,266	178,701
Behavioral Health, Developmental Disabilities & Hospitals						
Central Management	797,214					
Personnel-Salary & Benefits			(2,284)	(1,982)		
Contracted Professional Services				447		
Operating Supplies and Expenses				(20,669)		
Grants and Benefits				(550)		
Capital Purchases and Equipment				16,266		

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
	797,214	-	(2,284)	(6,488)	788,442	8,772
Hosp. & Community System Support	2,527,114					
Personnel-Salary & Benefits			(7,856)	(146,148)		
Contracted Professional Services				(24,380)		
Operating Supplies and Expenses				(56,776)		
Grants and Benefits				(147)		
Total	2,527,114	-	(7,856)	(227,451)	2,291,807	235,307
Services. for the Developmentally Disabled	105,259,461					
Personnel-Salary & Benefits			(82,067)	(941,710)		
Overtime				1,491,600		
Contracted Professional Services				232,689		
Operating Supplies and Expenses				(6,807)		
Grants - Provider Payments				(95,209)		
Capital Purchases and Equipment				628		
Total	105,259,461		(82,067)	681,191	105,858,585	(599,124)
Behavioral Healthcare Services	34,859,214					
Personnel-Salary & Benefits			(7,449)	(430,227)		
Operating Supplies and Expenses				19,924		
Assistance and Grant				(1,886,465)		
Total	34,859,214	0	(7,449)	(2,296,768)	32,554,997	2,304,217
Hosp. & Community Rehab. Services	49,694,992					
Personnel-Salary & Benefits			(187,359)	(1,713,889)		
Overtime				3,506,924		
Contracted Professional Services				6,421		
Operating Supplies and Expenses				885,569		
Grants and Assistance - Medical Services				(113,668)		
Capital Purchases and Equipment				(338,121)		
Total	49,694,992	-	(187,359)	2,233,236	51,740,869	(2,045,877)
Total	193,137,995	-	(287,015)	383,720	193,234,700	(96,705)
Office of the Child Advocate	611,469					
Personnel-Salary & Benefits			(2,315)	(20,640)		
Contracted Professional Services				500		
Operating Supplies and Expenses				650		
Capital Purchases and Equipment				1,000		
Total	611,469	-	(2,315)	(18,490)	590,664	20,805
Commission on Deaf and Hard of Hearing	390,251					
Personnel- Salary & Benefits			(1,866)	(7,574)		
Other Operating Supplies and Expenses				890		
Total	390,251	-	(1,866)	(6,684)	381,701	8,550
Governor's Commission on Disabilities	371,096					
Personnel-Salary & Benefits			(404)	(22,962)		
Contracted Professional Services				4,318		
Grants				3,450		
Capital Purchases and Equipment				2,000		
Total	371,096	0	(404)	(13,194)	357,498	13,598
Office of the Mental Health Advocate	447,119					
Personnel-Salary & Benefits			(1,672)	(96,656)		
Contracted Professional Services				12,000		
Operating Supplies and Expenses				(584)		
Total	447,119	-	(1,672)	(85,240)	360,207	86,912
Sub-Total Human Services	1,294,455,888	379,593	(786,560)	(24,179,307)	1,269,869,614	24,586,274

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
<u>Education</u>						
Elementary and Secondary Education						
State Education Aid	691,078,185		-			
Funding Formula Year 3				6,367		
Group Home Aid				60,000		
E-Rate Program				400,000		
	691,078,185	-	-	466,367	691,544,552	(466,367)
School Housing Aid	74,568,906			(2,510,282)		
	74,568,906			(2,510,282)	72,058,624	2,510,282
Teachers' Retirement	79,768,447			(2,856,448)		
	79,768,447	-		(2,856,448)	76,911,999	2,856,448
RI School for the Deaf	6,244,881		(22,187)			
Personnel				293,907		
Contracted Professional Services				(394,320)		
Operating Supplies and Expenses				62,543		
Capital Purchases and Equipment				2,000		
	6,244,881	-	(22,187)	(35,870)	6,186,824	58,057
Central Falls School District	39,705,879			-		
	39,705,879	-		-	39,705,879	0
Davies Career & Technical School	13,381,539		(53,246)			
Funding Formula				-		
	13,381,539	-	(53,246)	-	13,328,293	53,246
Met. Career & Tech. School	11,648,256			-		
	11,648,256	-		-	11,648,256	0
Administration of the Comp. Education Strategy	18,967,968		(36,826)			
Personnel-Salary & Benefits				33,976		
Contracted Professional Services				(102,131)		
Operating Supplies and Expenses				(81,367)		
Grants				181,984		
Capital				-		
Aid to Locals				(134,630)		
	18,967,968		(36,826)	(102,168)	18,828,974	138,994
Total	935,364,061	-	(112,259)	(5,038,401)	930,213,401	5,150,660
Higher Education						
Board of Governors/Office of Higher Education	5,860,952					
Personnel-Salary & Benefits			(9,043)			
	5,860,952	-	(9,043)	-	5,851,909	9,043
University of Rhode Island						
General Revenues	58,133,747					
Personnel-Salary & Benefits			(130,030)			
State Crime Lab	858,820					
Personnel-Salary & Benefits-State Crime Lab			(3,161)			
Debt Service	19,160,529			560,474		
	78,153,096	0	(133,191)	560,474	78,580,379	(427,283)
Rhode Island College						
General Revenues	38,609,975					
Personnel-Salary & Benefits			(127,549)			
Debt Service	3,049,029			122,237		
	41,659,004	0	(127,549)	122,237	41,653,692	5,312
Community College of Rhode Island						
General Revenues	44,318,962					
Personnel-Salary & Benefits			(148,982)			
Debt Service	2,464,156			(23,886)		
	46,783,118	0	(148,982)	(23,886)	46,610,250	172,868

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Total	172,456,170	0	(418,765)	658,825	172,696,230	(240,060)
RI Council On The Arts	1,565,813					
Personnel-Salary & Benefits			(1,800)	(5,454)		
Operating Supplies and Expenses				7,254		
Total	1,565,813	0	(1,800)	1,800	1,565,813	0
RI Atomic Energy Commission	876,213					
Personnel-Salary & Benefits			(2,097)	(7,784)		
Contracted Professional Services				(2,873)		
Operating Supplies and Expenses				3,291		
Total	876,213	-	(2,097)	(7,366)	866,750	9,463
RI Higher Education Assistance Authority						
Authority Operations and other Grants	456,061			(15,500)		
Personnel-Salary & Benefits			(993)	(48,904)		
Needs Based Grants and Work Opport.	5,161,003			142,000		
Total	5,617,064	0	(993)	77,596	5,693,667	(76,603)
RI Historical Preservation & Heritage Commission	1,361,801					
Personnel-Salary & Benefits			(5,735)	(102,259)		
Contracted Professional Services				375		
Operating Supplies and Expenses				10,735		
Capital				500.00		
Total	1,361,801	-	(5,735)	(90,649)	1,265,417	96,384
RI Public Telecommunications Authority	799,077					
Personnel-Salary & Benefits			(3,591)	-		
Contracted Professional Services				-		
Operating Supplies and Expenses				-		
Total	799,077	-	(3,591)	-	795,486	3,591
Sub-Total Education	1,118,040,199	-	(545,240)	(4,398,195)	1,113,096,764	4,943,435
<u>Public Safety</u>						
Attorney General						
Criminal	14,269,909					
Personnel-Salary & Benefits			(56,022)	(281,891)		
Contracted Professional Services				167,862		
Operating Supplies and Expenses				64,645		
Capital Purchases and Equipment				3,956		
	14,269,909	-	(56,022)	(45,428)	14,168,459	101,450
Civil	4,888,477	40,401				
Personnel-Salary & Benefits			(17,162)	(13,550)		
Contracted Professional Services				(160)		
Operating Supplies and Expenses				(28,895)		
Capital Purchases and Equipment				14,946		
	4,888,477	40,401	(17,162)	(27,659)	4,884,057	44,821
Bureau of Criminal Identification	1,209,375					
Personnel-Salary & Benefits			(4,465)	97,378		
Contracted Professional Services				2,205		
Operating Supplies and Expenses				2,208		
Capital Purchases and Equipment				3,440		
	1,209,375	-	(4,465)	105,231	1,310,141	(100,766)
General	2,708,563					
Personnel-Salary & Benefits			(6,845)	(46,755)		
Contracted Professional Services				3,018		
Operating Supplies and Expenses				(40,437)		
Capital Purchases and Equipment				7,170		
	2,708,563	-	(6,845)	(77,004)	2,624,714	83,849

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Total	23,076,324	40,401	(84,494)	(44,860)	22,987,371	129,354
Corrections						
Central Management	9,261,703	448,475				
Personnel-Salary & Benefits Other			(24,987)	(681,169)		
Stipend Payment Revisions				(6,500)		
Contracted Professional Services Other				100,700		
Time Tracker Delay Implementation				(350,000)		
CO Training Class				(55,940)		
Operating Supplies and Expenses Other				(29,473)		
Weapons Requalification Ammunition Reduction				(90,000)		
Transfer to Information Technology Fund (PC Upgrades/Licensing Fees)				(200,000)		
CO Training Class				1,747		
Grants				(10,000)		
	9,261,703	448,475	(24,987)	(1,320,635)	8,364,556	897,147
Parole Board	1,331,469					
Personnel-Salary & Benefits			(4,574)	17,508		
Contract Services Reduction				(50,000)		
	1,331,469	-	(4,574)	(32,492)	1,294,403	37,066
Custody and Security	115,077,455					
Personnel-Salary & Benefits			(485,261)	(600,872)		
Hurricane Sandy Overtime				730,000		
Reopened Modules				4,033,401		
Stipend Payment Revisions				(568,638)		
Contracted Professional Services other				50		
Contract-Clerical Services				(22,860)		
Delay Puncture Proof Vest Purchases				(50,000)		
Other Operating/Grants/Capital				13,439		
per capita inmate expenditures				21,898		
Grants-Inmate Payroll				(71,493)		
	115,077,455	-	(485,261)	3,484,925	118,077,119	(2,999,664)
Institutional Support	15,735,909	75,005				
Personnel-Salary & Benefits			(27,710)	(412,244)		
per capita inmate expenditures				86,252		
Transfer Maintenance Operating tp RICAP/DOA				(164,000)		
Other Operating/Grants/Capital				42,190		
	15,735,909	75,005	(27,710)	(447,802)	15,335,402	400,507
Institutional Based Rehab/Pop Management	8,878,408					
Personnel-Salary & Benefits Other			(18,917)	21,825		
Contracted Professional Services Other				111,701		
Transfer Waterplace Park/State House Grounds to DEM/DOA				(231,386)		
per capita inmate expenditures				(13,511)		
Operating Supplies and Expenses Other				(15,520)		
	8,878,408	-	(18,917)	(126,891)	8,732,600	145,808
Healthcare Services	18,476,246					
Personnel-Salary & Benefits			(33,839)	451,936		
Stipend Payment Revisions				(30,658)		
In-Patient Hospitalization Contract Savings				(550,000)		
Nursing Pool Savings				(100,000)		
Contracted Professional Services Other				(214,993)		
per capita inmate expenditures				371,427		
Other Operating/Grants/Capital				16,342		
per capita inmate expenditures				(196,134)		
	18,476,246	0	(33,839)	(252,080)	18,190,327	285,919
Community Corrections	14,532,087					
Personnel-Salary & Benefits Other			(53,023)	49,842		
Stipend Payment Revisions				(4,982)		
Operating Supplies and Expenses Other				28,426		
	14,532,087	-	(53,023)	73,286	14,552,350	(20,263)
Total	183,293,277	523,480	(648,311)	1,378,311	184,546,757	(730,000)

Judiciary

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Supreme Court	25,969,098	135,941	-			
General Revenues			(62,467)	(135,941)		
Personnel-Salary & Benefits				(6,301)		
Contract Services				(290,863)		
Operating/Capital				(133,008)		
Judges Pensions				(29,547)		
Defense of Indigents	3,562,240			-		
	29,531,338	135,941	(62,467)	(595,660)	29,009,152	658,127
Superior Court	21,932,328		-			
Personnel-Salary & Benefits			(58,413)	(740,409)		
Contract Services				7,821		
Operating				97,293		
Judges Pensions				248,700		
	21,932,328	-	(58,413)	(386,595)	21,487,320	445,008
Family Court	18,044,955		-			
Personnel-Salary & Benefits			(64,350)	(28,278)		
Contract Services				95,560		
Operating				68,955		
Judges Pensions				(86,138)		
	18,044,955	-	(64,350)	50,099	18,030,704	14,251
District Court	11,435,878		-			
Personnel-Salary & Benefits			(39,398)	(82,508)		
Contract Services				9,199		
Operating				75		
Judges Pensions				(25,961)		
	11,435,878	-	(39,398)	(99,195)	11,297,285	138,593
Traffic Tribunal	8,191,888		-			
Personnel-Salary & Benefits			(30,271)	(135,778)		
Contract Services				807		
Operating				9,740		
Judges Pensions				(102,803)		
	8,191,888	-	(30,271)	(228,034)	7,933,583	258,305
Judicial Tenure and Discipline	113,609		(\$217)			
	113,609		(217)	-	113,392	217
Total	89,249,996	135,941	(255,116)	(1,259,385)	87,871,436	1,514,501
Military Staff						
National Guard	1,516,835					
Personnel-Salary & Benefits			(3,625)	(41,196)		
Contract-Buildings & Grounds Maintenance				26,835		
Insurance				(18,853)		
Electricity-Quonset Point Tower				10,500		
Fuel Oil				7,783		
Sewer/Water/Electricity				7,460		
Other Operating				6,026		
Armory Maintenance				175		
Funeral Honors				18,400		
	1,516,835	-	(3,625)	17,130	1,530,340	(13,505)
Emergency Management	2,031,940					
Personnel-Salary & Benefits			(4,075)	(34,430)		
Travel				8,400		
Telecommunications				6,524		
Other Operating				2,376		
	2,031,940	-	(4,075)	(17,130)	2,010,735	21,205
Total	3,548,775	-	(7,700)	-	3,541,075	7,700
Public Safety						
Central Management	1,172,630					
Personnel-Salary & Benefits			(4,691)	5,045		
Operating Supplies and Expenses				1,000		

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
	1,172,630	-	(4,691)	6,045	1,173,984	(1,354)
E-911 Emergency Telephone System	5,262,243					
Personnel-Salary & Benefits			(21,313)	(201,591)		
Contracted Professional Services				1,650		
Operating Supplies and Expenses				165,869		
Capital Purchases and Equipment				5,500		
	5,262,243	-	(21,313)	(28,572)	5,212,358	49,885
State Fire Marshal	2,684,019					
Personnel-Salary & Benefits			(8,405)	(17,978)		
Contracted Professional Services				(800)		
Operating Supplies and Expenses				52,420		
Capital Purchases and Equipment				(10,000)		
	2,684,019	-	(8,405)	23,642	2,699,256	(15,237)
Security Services	21,485,773					
Personnel-Salary & Benefits			(81,493)	(327,601)		
Contracted Professional Services				(25,300)		
Operating Supplies and Expenses				166,538		
	21,485,773	-	(81,493)	(186,363)	21,217,917	267,856
Municipal Police Training Academy	356,811					
Personnel-Salary & Benefits			(1,358)	(93,129)		
Contracted Professional Services				-		
Operating Supplies and Expenses				1,112		
	356,811	-	(1,358)	(92,017)	263,436	93,375
State Police	63,828,563					
Personnel-Salary & Benefits			(126,299)	(3,245,136)		
Contracted Professional Services				-		
Operating Supplies and Expenses				526,156		
State Trooper Pensions				(148,557)		
Capital Purchases and Equipment				53,863		
	63,828,563	-	(126,299)	(2,813,674)	60,888,590	2,939,973
Total	94,790,039	-	(243,559)	(3,090,939)	91,455,541	3,334,498
Office Of Public Defender	10,791,226	5,326				
Personnel-Salary & Benefits			(33,812)	(28,690)		
Contract Services-Eligibility Techs				20,412		
Operating Supplies and Expenses				5,852		
Insurance				(2,900)		
Total	10,791,226	5,326	(33,812)	(5,326)	10,757,414	33,812
Sub-Total Public Safety	404,749,637	705,148	(1,272,992)	(3,022,199)	401,159,594	4,295,191
<u>Natural Resources</u>						
Environmental Management						
Office of the Director	4,767,266					
Personnel-Salary & Benefits			(9,370)	(135,059)		
Contracted Professional Services				(55,000)		
Operating Supplies & Expenses: Headquarters				125,235		
Assistance & Grants				12,024		
	4,767,266	-	(9,370)	(52,800)	4,705,096	62,170
Natural Resources	18,222,547					
Personnel-Salary & Benefits			(53,784)	62,228		
Contracted Professional Services				(253,900)		
Operating Supplies and Expenses				160,663		
Other Assistance & Grants				(5,326)		
Assistance & Grants: Payments to Host Communities				37,365		
Capital Purchases and Equipment				-		
	18,222,547	-	(53,784)	1,030	18,169,793	52,754
Environmental Protection	11,556,487					
Personnel-Salary & Benefits			(43,625)	(76,090)		
Operating Supplies and Expenses				(3,037)		

Changes to FY 2013 Enacted Agency General Revenue Expenditures

	FY2013 Enacted Appropriation	Reappropriation/ Appropriation/ Transfer	Distribution of Medical Holiday Savings	Projected Changes	FY 2013 Projected Expenditures	Projected Surplus/ (Deficit)
Assistance & Grants				(60,000)		
Capital Purchases and Equipment				15,000		
	11,556,487	-	(43,625)	(124,127)	11,388,735	167,752
Total	34,546,300	-	(106,779)	(175,897)	34,263,624	282,676
Coastal Resources Management Council	2,264,841					
Personnel-Salary & Benefits			(9,000)	(25,580)		
ATV Purchase-Hurricane Sandy				10,000		
Total	2,264,841	-	(9,000)	(15,580)	2,240,261	24,580
Sub-Total Environment	36,811,141	-	(115,779)	(191,477)	36,503,885	307,256
Statewide General Revenue Total	3,295,836,490	7,872,953	(3,339,362)	(32,709,410)	3,267,660,671	35,669,179

Table 2 - Summary of Changes to FY 2013 Enacted General Revenue Expenditures

	FY 2013 Enacted	Reappropriation	Total Projected Changes	Projected Expenditures	Change From Enacted (Surplus)/Deficit
General Government					
Administration	272,514,956	292,864	(3,283,933)	269,231,023	(\$3,283,933)
Business Regulation	9,362,048	-	(161,536)	9,200,512	(161,536)
Labor and Training	7,859,170	-	969,731	8,828,901	969,731
Department of Revenue	95,342,244	95,424	4,598,752	99,940,996	4,598,752
Legislature	37,217,044	6,337,390	3,171,189	40,388,233	3,171,189
Lieutenant Governor	962,955	-	(4,644)	958,311	(4,644)
Secretary of State	6,913,038	-	(19,713)	6,893,325	(19,713)
General Treasurer	2,542,115	58,300	40,686	2,582,801	40,686
Board of Elections	1,952,116	-	(30,293)	1,921,823	(30,293)
Rhode Island Ethics Commission	1,557,881	4,234	(7,028)	1,550,853	(7,028)
Governor's Office	4,418,290	-	(17,383)	4,400,907	(17,383)
Commission for Human Rights	1,137,768	-	(4,639)	1,133,129	(4,639)
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	441,779,625	6,788,212	5,251,189	447,030,814	5,251,189
Human Services					
Office of Health & Human Services	825,065,703	379,593	(23,684,933)	801,380,770	(23,684,933)
Children, Youth, and Families	152,586,452	-	(589,366)	151,997,086	(589,366)
Health	24,821,836	-	(100,114)	24,721,722	(100,114)
Human Services	97,023,967	-	(178,701)	96,845,266	(178,701)
Behavioral Health, Developmental Disabilities & Hospitals	193,137,995	-	96,705	193,234,700	96,705
Office of the Child Advocate	611,469	-	(20,805)	590,664	(20,805)
Comm. on Deaf & Hard of Hearing	390,251	-	(8,550)	381,701	(8,550)
RI Developmental Disabilities Council	-	-	-	-	-
Governor's Commission on Disabilities	371,096	-	(13,598)	357,498	(13,598)
Office of the Mental Health Advocate	447,119	-	(86,912)	360,207	(86,912)
Subtotal - Human Services	1,294,455,888	379,593	(24,586,274)	1,269,869,614	(24,586,274)
Education					
Elementary and Secondary	935,364,061	-	(5,150,660)	930,213,401	(5,150,660)
Higher Education - Board of Governors	172,456,170	-	240,060	172,696,230	240,060
RI Council on the Arts	1,565,813	-	-	1,565,813	-
RI Atomic Energy Commission	876,213	-	(9,463)	866,750	(9,463)
Higher Education Assistance Authority	5,617,064	-	76,603	5,693,667	76,603
Historical Preservation & Heritage Comm	1,361,801	-	(96,384)	1,265,417	(96,384)
Public Telecommunications Authority	799,077	-	(3,591)	795,486	(3,591)
Subtotal - Education	1,118,040,199	-	(4,943,435)	1,113,096,764	(4,943,435)
Public Safety					
Attorney General	\$23,076,324	40,401	(88,953)	22,987,371	(88,953)
Corrections	183,293,277	523,480	1,253,480	184,546,757	1,253,480
Judicial	89,249,996	135,941	(1,378,560)	87,871,436	(1,378,560)
Military Staff	3,548,775	-	(7,700)	3,541,075	(7,700)
Public Safety	94,790,039	-	(3,334,498)	91,455,541	(3,334,498)
Office Of Public Defender	10,791,226	5,326	(33,812)	10,757,414	(33,812)
Subtotal - Public Safety	404,749,637	705,148	(3,590,043)	401,159,594	(3,590,043)
Environmental Management	34,546,300	-	(282,676)	34,263,624	(282,676)
Coastal Resources Management Council	2,264,841	-	(24,580)	2,240,261	(24,580)
Subtotal - Natural Resources	36,811,141	-	(307,256)	36,503,885	(307,256)
Total	3,295,836,490	7,872,953	(28,175,819)	3,267,660,671	(28,175,819)

Appendix C
Aid to Cities and
Towns

Formula Aid to Cities and Towns

The Governor's FY 2014 budget recommends formula aid to cities and towns totaling \$121.9 million. This represents a 15.4 percent, or \$16.4 million, increase from the FY 2013 enacted level of funding. The tables on the following pages display the FY 2011 and FY 2012 actuals, the FY 2013 enacted, the FY 2013 revised, and the FY 2014 recommended levels of funding for formula aid to cities and towns by community. In the Governor's FY 2013 revised budget and FY 2014 budget, distressed community aid is increased by \$5.0 million from \$10.4 million to \$15.4 million per year. Also, beginning in FY 2014 and continuing through FY 2016, the Governor recommends a new municipal incentive aid program to encourage municipalities to improve the sustainability of their retirement plans and to reduce the unfunded liabilities.

The narrative below describes each of the programs included on the tables. It should also be noted that updated formula drivers for PILOT and Distressed Community Relief Fund (including the most recently available census data) were incorporated for FY 2014, resulting in increases or decreases by community.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempt from local taxation, but is subject to taxation by the state at the average property tax statewide. For FY 2013 and FY 2014, the Governor recommends level funding the program as no growth is forecasted. Funds collected from this tax are distributed to cities and towns within the state on the basis of the ratio of the city or town population relative to the population of the state as a whole.

Meals and Beverage Local Sales and Use Tax - During the January 2003 session, the General Assembly enacted a one percent gross receipts tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The General Assembly also provided for a 25% local share of the state 5% meals and beverage tax which, when combine, provide municipalities a 2.25% gross receipts tax on retail sales of meals and beverages. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered. For FY 2013, the Governor recommends \$21.5 million in the program, and for FY 2014 the Governor recommends \$22.2 million.

Hotel Local Tax - During the 1986 session, the General Assembly enacted a five percent hotel tax upon the total consideration charged for occupancy of any space furnished by any hotel of the state. Twenty-five percent of the revenues generated from the 5.0 percent state hotel tax are distributed to the municipalities where the individual hotels are located. The taxes are collected by the Division of Taxation and distributed at least quarterly. For FY 2013, the Governor recommends \$3.7 million for the 25.0 percent share of the 5.0 percent state hotel tax and for FY 2014 the Governor recommends \$3.8 million.

During the January 2004 session, the General Assembly enacted a one percent gross receipts tax on the total consideration charged for occupancy of any space furnished by a hotel of the state. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the hotel was located. For FY 2013, the Governor recommends \$2.9 million for the local one percent hotel estimate and for FY 2014 the Governor recommends \$3.0 million.

Payment in Lieu of Taxes - Legislation creating this program requires the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property that are exempted from taxation by state law. This includes property owned by nonprofit institutions of higher education, nonprofit hospitals, or any state owned hospital, veteran's facility, or correctional facility. The program was fully funded in FY 2007. Since FY 2008, state appropriations for the PILOT program have equaled less than 27 percent of all tax that would have been collected had the property been

Formula Aid to Cities and Towns

taxable. The Governor's recommendation is to level fund the program at the FY 2013 enacted level of \$33.1 million for the FY 2013 revised and FY 2014 budgets. Funding by community has been adjusted to reflect changes in tax rates and values, as well as any changes to the exempted tax rolls.

Distressed Communities Relief Fund – This program provides state assistance to those Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers. The amount of total funding distributed under this program is based on the amount enacted in the annual appropriations act. Entitlements for FY 2013 and FY 2014 by community reflect computations based upon the latest available qualifying data. For the FY 2013 revised budget and the FY 2014 budget, the Governor recommends increasing funding for the program by \$5.0 million compared to the FY 2013 enacted budget, which provides distressed communities a total of \$15.4 million each year.

Municipal Incentive Aid – Beginning in FY 2014 and continuing through FY 2016, the Governor recommends establishing a new category of state assistance entitled “Municipal Incentive Aid” to be funded annually from a \$10.0 million state appropriation. The purpose of the Municipal Incentive Aid is to encourage municipalities to improve the sustainability of their retirement plans and to reduce the unfunded liabilities. Commencing in FY 2014, municipalities would be eligible to receive Municipal Incentive Aid based on each municipality's population according to the most recent census data available. Municipalities would be eligible to receive aid in FY 2014 if (i) no locally-administered pension plan exists within the municipality; or (ii) if the municipality submitted a Funding Improvement Plan (FIP) for every locally-administered pension plan in that municipality to the Department of Revenue pursuant to RIGL 45-65, which were approved by the plan sponsor and the local governing body, no later than May 1, 2013. To be eligible for Municipal Incentive Aid in FY 2015 and FY 2016, other provisions would apply.

Motor Vehicle Excise Tax - Legislation enacted during the 1999 General Assembly provides for a phase-out of the local excise tax on motor vehicles and trailers. This legislation was amended in 2002 to make the full phase out of the tax subject to the annual review and appropriation of the General Assembly. For fiscal year 2007, the value of the exemption from local taxes was increased to \$6,000 per vehicle. For FY 2009, the legislation was amended to reimburse only 98 percent of the exemption value, reflecting comparability with municipal motor vehicle tax collection rates. For FY 2011 and thereafter, the General Assembly enacted legislation that mandates a \$500 exemption for which the state will reimburse municipalities with an amount subject to appropriation. The legislation further allows municipalities to provide an additional exemption, however, that additional exemption will not be subject to reimbursement. The legislation also removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates to be lowered from the current frozen levels. The Governor's recommendation is to level fund the program at the FY 2013 enacted level of \$10.0 million for the FY 2013 revised and the FY 2014 budget.

State Library Aid - This program provides financial support for local public library services and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, while other aid is disbursed to the individual cities and towns. The Governor's recommendation is to level fund the program at the FY 2013 enacted level of \$8.7 million for the FY 2013 revised and FY 2014 budgets. Although total funding is level funded at the FY 2013 enacted level, distributions by community/library have been calculated based upon the latest available qualifying data from the statutory reference year. Library construction aid is fully funded in both years based on outstanding commitments.

Summary of Formula Aid to Cities and Towns

	FY 2011 Actual	FY 2012 Actual	FY 2013 Enacted	FY 2013 Revised	FY 2014 Recommend
Public Service Corporation Tax	11,350,386	11,846,984	12,667,660	12,667,660	12,667,660
Meals and Beverage Tax	18,983,046	20,995,381	19,959,866	21,496,815	22,214,329
Hotel Tax (2.25%)	5,855,510	6,325,859	6,624,648	6,624,648	6,787,830
Payment In Lieu of Taxes (PILOT)	27,580,409	33,080,409	33,080,409	33,080,409	33,080,409
Total Miscellaneous Aid	\$63,769,351	\$72,248,633	\$72,332,583	\$73,869,532	\$74,750,228
Incentive Aid	-	-	-	-	10,000,000
Total Incentive State Aid to Cities and Towns	-	-	-	-	10,000,000
Central Falls Stabilization Payment	-	2,636,932	-	-	-
Dist. Comm. - General Appropriation	10,384,458	10,384,458	10,384,458	15,384,458	15,384,458
Total Distressed Communities Aid	\$10,384,458	\$13,021,390	\$10,384,458	\$15,384,458	\$15,384,458
Motor Vehicle Tax Phase-out Program ¹	117,179,992	10,000,000	10,000,000	10,000,000	10,000,000
Total Motor Vehicle Tax Phase-out Prog.	\$117,179,992	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Subtotal Formula Aid - All Sources	\$191,333,801	\$95,270,023	\$92,717,041	\$99,253,990	\$110,134,686
Percent Change from prior year	-25.60%	-50.21%	-51.54%	4.18%	10.96%
Resource Sharing & Library Aid ²	8,773,398	8,773,398	8,773,398	8,773,398	8,773,398
Library Construction Aid	2,492,974	2,821,772	2,471,714	2,471,714	2,500,667
Total Library Aid	11,266,372	11,595,170	11,245,112	11,245,112	11,274,065
Property Revaluation Program	718,306	905,250	1,611,032	1,611,032	516,615
Total Other Aid	\$718,306	\$905,250	\$1,611,032	\$1,611,032	\$516,615
Total Aid	\$203,318,479	\$107,770,443	\$105,573,185	\$112,110,134	\$121,925,366
Percent Change from prior year	-24.60%	-46.99%	-48.07%	4.03%	8.75%

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

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

Fiscal Year 2013 Enacted State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2013 Total Appropriated State Aid
Barrington	38,827		334,107	237,138	610,072
Bristol	672,847		118,895	115,531	907,273
Burrillville	108,949		125,987	210,552	445,488
Central Falls	22,986	289,708	47,079	92,588	452,361
Charlestown	-		47,128	40,195	87,323
Coventry	-		207,369	212,432	419,801
Cranston	4,554,377	1,201,480	524,404	962,964	7,243,225
Cumberland	96		264,240	210,819	475,155
East Greenwich	164,567		114,121	120,869	399,557
East Providence	163,162		416,425	448,434	1,028,021
Exeter	-		40,082	83,465	123,547
Foster	435		29,625	68,286	98,346
Glocester	-		69,879	93,156	163,035
Hopkinton	-		29,999	62,734	92,733
Jamestown	-		79,139	35,751	114,890
Johnston	-		111,963	373,565	485,528
Lincoln	-		189,340	232,641	421,981
Little Compton	-		28,078	23,665	51,743
Middletown	-		128,935	83,649	212,584
Narragansett	-		121,555	95,050	216,605
Newport	905,365		374,002	133,343	1,412,710
New Shoreham	-		73,011	7,945	80,956
North Kingstown	1,859		257,842	222,551	482,252
North Providence	528,650	1,025,738	164,384	347,631	2,066,403
North Smithfield	-		62,569	168,480	231,049
Pawtucket	398,662	1,416,751	369,002	679,794	2,864,209
Portsmouth	-		102,367	105,623	207,990
Providence	23,455,411	4,804,334	1,217,603	1,715,886	31,193,234
Richmond	-		24,829	57,421	82,250
Scituate	-		94,008	124,283	218,291
Smithfield	497,049		265,315	274,622	1,036,986
South Kingstown	151,238		196,594	167,774	515,606
Tiverton	-		91,928	107,432	199,360
Warren	-		51,832	80,778	132,610
Warwick	1,150,335		662,952	1,147,235	2,960,522
Westerly	118,381		270,491	224,286	613,158
West Greenwich	-		26,290	50,367	76,657
West Warwick	-	817,916	171,858	213,269	1,203,043
Woonsocket	147,213	828,531	193,184	367,796	1,536,724
Subtotal	\$33,080,409	\$10,384,458	\$7,698,411	\$10,000,000	\$61,163,278
Statewide Reference Library Resource Grant			1,012,378		1,012,378
Grant-In-Aid to Institutional Libraries			62,609		62,609
Library Construction Reimbursement			2,471,714		2,471,714
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$33,080,409	\$10,384,458	\$11,245,112	\$10,000,000	\$64,709,979

Fiscal Year 2013 Enacted Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	FY 2013 Total Shared Taxes State Aid	FY 2013 Total Shared & Appropriated Aid
Barrington	196,291	-	132,340	328,631	938,703
Bristol	276,252	30,804	334,154	641,210	1,548,483
Burrillville	192,019	-	174,975	366,994	812,482
Central Falls	233,190	-	92,486	325,676	778,037
Charlestown	94,198	20,655	104,274	219,127	306,450
Coventry	421,394	71,846	345,351	838,591	1,258,392
Cranston	967,459	9,348	1,396,234	2,373,041	9,616,266
Cumberland	403,245	-	364,639	767,884	1,243,039
East Greenwich	158,212	373	441,032	599,617	999,174
East Providence	566,091	36,236	754,468	1,356,795	2,384,816
Exeter	77,325	-	72,271	149,596	273,143
Foster	55,433	134	16,770	72,337	170,683
Glocester	117,293	1,841	61,203	180,337	343,372
Hopkinton	98,543	-	44,517	143,060	235,793
Jamestown	65,049	10,389	70,296	145,734	260,624
Johnston	346,235	6,655	449,135	802,025	1,287,553
Lincoln	253,999	91,381	652,096	997,476	1,419,457
Little Compton	42,026	8,899	33,306	84,231	135,974
Middletown	194,366	622,030	582,569	1,398,965	1,611,549
Narragansett	190,972	81,414	480,692	753,078	969,683
Newport	296,928	1,754,901	1,687,082	3,738,911	5,151,621
New Shoreham	12,649	235,263	238,962	486,874	567,830
North Kingstown	318,759	66,144	443,978	828,881	1,311,133
North Providence	386,059	-	360,711	746,770	2,813,173
North Smithfield	144,023	2,611	162,848	309,482	540,531
Pawtucket	856,267	43,933	660,975	1,561,175	4,425,384
Portsmouth	209,277	8,545	169,031	386,853	594,843
Providence	2,142,738	1,774,648	4,192,252	8,109,638	39,302,872
Richmond	92,766	3,533	110,127	206,426	288,676
Scituate	124,310	4,047	56,995	185,352	403,643
Smithfield	257,910	132,576	526,729	917,215	1,954,201
South Kingstown	368,741	127,098	567,994	1,063,833	1,579,439
Tiverton	189,913	-	165,217	355,130	554,490
Warren	127,704	-	223,278	350,982	483,592
Warwick	994,959	910,484	2,258,750	4,164,193	7,124,715
Westerly	274,242	337,420	596,331	1,207,993	1,821,151
West Greenwich	73,835	85,958	91,589	251,382	328,039
West Warwick	351,314	90,601	336,271	778,186	1,981,229
Woonsocket	495,674	54,881	507,938	1,058,493	2,595,217
Subtotal	\$12,667,660	\$6,624,648	\$19,959,866	\$39,252,174	\$100,415,452

Statewide Reference Library Resource Grant (Providence)	1,012,378
Grant-In-Aid to Institutional Libraries	62,609
Library Construction Reimbursement	2,471,714
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-

Total	\$12,667,660	\$6,624,648	\$19,959,866	\$39,252,174	\$103,962,153
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*The Hotel Tax was not reflected in prior year budgets; therefore the enacted amount reflects the same amount as the current revised FY2013 estimate. Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Fiscal Year 2013 Revised State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2013 Total Appropriated State Aid
Barrington	38,827		334,107	237,138	610,072
Bristol	672,847		118,895	115,531	907,273
Burrillville	108,949		125,987	210,552	445,488
Central Falls	22,986	382,230	47,079	92,588	544,883
Charlestown	-		47,128	40,195	87,323
Coventry	-		207,369	212,432	419,801
Cranston	4,554,377	1,768,883	524,404	962,964	7,810,628
Cumberland	96		264,240	210,819	475,155
East Greenwich	164,567		114,121	120,869	399,557
East Providence	163,162		416,425	448,434	1,028,021
Exeter	-		40,082	83,465	123,547
Foster	435		29,625	68,286	98,346
Glocester	-		69,879	93,156	163,035
Hopkinton	-		29,999	62,734	92,733
Jamestown	-		79,139	35,751	114,890
Johnston	-		111,963	373,565	485,528
Lincoln	-		189,340	232,641	421,981
Little Compton	-		28,078	23,665	51,743
Middletown	-		128,935	83,649	212,584
Narragansett	-		121,555	95,050	216,605
Newport	905,365		374,002	133,343	1,412,710
New Shoreham	-		73,011	7,945	80,956
North Kingstown	1,859		257,842	222,551	482,252
North Providence	528,650	1,501,610	164,384	347,631	2,542,275
North Smithfield	-		62,569	168,480	231,049
Pawtucket	398,662	2,096,275	369,002	679,794	3,543,733
Portsmouth	-		102,367	105,623	207,990
Providence	23,455,411	7,248,224	1,217,603	1,715,886	33,637,124
Richmond	-		24,829	57,421	82,250
Scituate	-		94,008	124,283	218,291
Smithfield	497,049		265,315	274,622	1,036,986
South Kingstown	151,238		196,594	167,774	515,606
Tiverton	-		91,928	107,432	199,360
Warren	-		51,832	80,778	132,610
Warwick	1,150,335		662,952	1,147,235	2,960,522
Westerly	118,381		270,491	224,286	613,158
West Greenwich	-		26,290	50,367	76,657
West Warwick	-	1,185,547	171,858	213,269	1,570,674
Woonsocket	147,213	1,201,690	193,184	367,796	1,909,883
Subtotal	\$33,080,409	\$15,384,458	\$7,698,411	\$10,000,000	\$66,163,278
Statewide Reference Library Resource Grant			1,012,378		1,012,378
Grant-In-Aid to Institutional Libraries			62,609		62,609
Library Construction Reimbursement			2,471,714		2,471,714
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$33,080,409	\$15,384,458	\$11,245,112	\$10,000,000	\$69,709,979

Fiscal Year 2013 Revised Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	FY 2013 Total Shared Taxes State Aid	FY 2013 Total Shared & Appropriated Aid
Barrington	196,291	-	138,927	335,218	945,290
Bristol	276,252	30,804	348,570	655,626	1,562,899
Burrillville	192,019	-	174,172	366,191	811,679
Central Falls	233,190	-	102,793	335,983	880,866
Charlestown	94,198	20,655	109,009	223,862	311,185
Coventry	421,394	71,846	367,752	860,992	1,280,793
Cranston	967,459	9,348	1,499,070	2,475,877	10,286,505
Cumberland	403,245	-	386,301	789,546	1,264,701
East Greenwich	158,212	373	478,564	637,149	1,036,706
East Providence	566,091	36,236	807,884	1,410,211	2,438,232
Exeter	77,325	-	75,307	152,632	276,179
Foster	55,433	134	14,417	69,984	168,330
Glocester	117,293	1,841	71,810	190,944	353,979
Hopkinton	98,543	-	48,608	147,151	239,884
Jamestown	65,049	10,389	82,974	158,412	273,302
Johnston	346,235	6,655	475,210	828,100	1,313,628
Lincoln	253,999	91,381	696,822	1,042,202	1,464,183
Little Compton	42,026	8,899	33,238	84,163	135,906
Middletown	194,366	622,030	623,664	1,440,060	1,652,644
Narragansett	190,972	81,414	546,972	819,358	1,035,963
Newport	296,928	1,754,901	1,877,639	3,929,468	5,342,178
New Shoreham	12,649	235,263	262,291	510,203	591,159
North Kingstown	318,759	66,144	474,154	859,057	1,341,309
North Providence	386,059	-	341,738	727,797	3,270,072
North Smithfield	144,023	2,611	186,023	332,657	563,706
Pawtucket	856,267	43,933	686,854	1,587,054	5,130,787
Portsmouth	209,277	8,545	176,842	394,664	602,654
Providence	2,142,738	1,774,648	4,549,881	8,467,267	42,104,391
Richmond	92,766	3,533	119,364	215,663	297,913
Scituate	124,310	4,047	61,703	190,060	408,351
Smithfield	257,910	132,576	571,451	961,937	1,998,923
South Kingstown	368,741	127,098	638,088	1,133,927	1,649,533
Tiverton	189,913	-	193,675	383,588	582,948
Warren	127,704	-	247,737	375,441	508,051
Warwick	994,959	910,484	2,375,061	4,280,504	7,241,026
Westerly	274,242	337,420	720,826	1,332,488	1,945,646
West Greenwich	73,835	85,958	100,190	259,983	336,640
West Warwick	351,314	90,601	319,276	761,191	2,331,865
Woonsocket	495,674	54,881	511,958	1,062,513	2,972,396
Subtotal	\$12,667,660	\$6,624,648	\$21,496,815	\$40,789,123	\$106,952,401
Statewide Reference Library Resource Grant (Providence)					1,012,378
Grant-In-Aid to Institutional Libraries					62,609
Library Construction Reimbursement					2,471,714
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$12,667,660	\$6,624,648	\$21,496,815	\$40,789,123	\$110,499,102

*Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Changes in Formula Aid - FY 2013 Revised vs. FY 2013 Enacted

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Total Appropriated Difference
Barrington	-	-	-	-	-
Bristol	-	-	-	-	-
Burrillville	-	-	-	-	-
Central Falls	-	92,522	-	-	92,522
Charlestown	-	-	-	-	-
Coventry	-	-	-	-	-
Cranston	-	567,403	-	-	567,403
Cumberland	-	-	-	-	-
East Greenwich	-	-	-	-	-
East Providence	-	-	-	-	-
Exeter	-	-	-	-	-
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	-	-	-	-	-
Lincoln	-	-	-	-	-
Little Compton	-	-	-	-	-
Middletown	-	-	-	-	-
Narragansett	-	-	-	-	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	-	-	-	-	-
North Providence	-	475,871	-	-	475,871
North Smithfield	-	-	-	-	-
Pawtucket	-	679,524	-	-	679,524
Portsmouth	-	-	-	-	-
Providence	-	2,443,890	-	-	2,443,890
Richmond	-	-	-	-	-
Scituate	-	-	-	-	-
Smithfield	-	-	-	-	-
South Kingstown	-	-	-	-	-
Tiverton	-	-	-	-	-
Warren	-	-	-	-	-
Warwick	-	-	-	-	-
Westerly	-	-	-	-	-
West Greenwich	-	-	-	-	-
West Warwick	-	367,631	-	-	367,631
Woonsocket	-	373,159	-	-	373,159
Subtotal	\$ -	\$5,000,000	\$ -	\$ -	\$5,000,000
Statewide Reference Library Resource Grant (Providence)			-		-
Grant-In-Aid to Institutional Libraries			-		-
Library Construction Reimbursement			-		-
Motor Vehicle Excise Tax Reimbursement - Fire Districts			-		-
Total	\$ -	\$5,000,000	\$ -	\$ -	\$5,000,000

Changes in Pass Through Aid - FY 2013 Rev vs. FY 2013 Enacted

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference	
Barrington	-	-	6,587	6,587	6,587	
Bristol	-	-	14,416	14,416	14,416	
Burrillville	-	-	(803)	(803)	(803)	
Central Falls	-	-	10,307	10,307	102,829	
Charlestown	-	-	4,735	4,735	4,735	
Coventry	-	-	22,401	22,401	22,401	
Cranston	-	-	102,836	102,836	670,239	
Cumberland	-	-	21,662	21,662	21,662	
East Greenwich	-	-	37,532	37,532	37,532	
East Providence	-	-	53,416	53,416	53,416	
Exeter	-	-	3,036	3,036	3,036	
Foster	-	-	(2,353)	(2,353)	(2,353)	
Glocester	-	-	10,607	10,607	10,607	
Hopkinton	-	-	4,091	4,091	4,091	
Jamestown	-	-	12,678	12,678	12,678	
Johnston	-	-	26,075	26,075	26,075	
Lincoln	-	-	44,726	44,726	44,726	
Little Compton	-	-	(68)	(68)	(68)	
Middletown	-	-	41,095	41,095	41,095	
Narragansett	-	-	66,280	66,280	66,280	
Newport	-	-	190,557	190,557	190,557	
New Shoreham	-	-	23,329	23,329	23,329	
North Kingstown	-	-	30,176	30,176	30,176	
North Providence	-	-	(18,973)	(18,973)	456,898	
North Smithfield	-	-	23,175	23,175	23,175	
Pawtucket	-	-	25,879	25,879	705,403	
Portsmouth	-	-	7,811	7,811	7,811	
Providence	-	-	357,629	357,629	2,801,519	
Richmond	-	-	9,237	9,237	9,237	
Scituate	-	-	4,708	4,708	4,708	
Smithfield	-	-	44,722	44,722	44,722	
South Kingstown	-	-	70,094	70,094	70,094	
Tiverton	-	-	28,458	28,458	28,458	
Warren	-	-	24,459	24,459	24,459	
Warwick	-	-	116,311	116,311	116,311	
Westerly	-	-	124,495	124,495	124,495	
West Greenwich	-	-	8,601	8,601	8,601	
West Warwick	-	-	(16,995)	(16,995)	350,636	
Woonsocket	-	-	4,020	4,020	377,179	
Subtotal	\$	- \$	-	\$1,536,949	\$1,536,949	\$6,536,949

Statewide Reference Library Resource Grant (Providence)	-
Grant-In-Aid to Institutional Libraries	-
Library Construction Reimbursement	-
Motor Vehicle Excise Tax Reimbursement - Fire Districts	-
Total	\$ - \$ - \$1,536,949 \$1,536,949 \$6,536,949

*The Hotel Tax was not reflected in prior year budgets; therefore the enacted amount reflects the same amount as the current revised FY2013 estimate. Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Fiscal Year 2014 State Aid to Cities and Towns

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Incentive Aid*	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2014 Total Appropriated State Aid
Barrington	12,624		341,149	155,746	237,138	746,657
Bristol	653,349		129,784	219,325	115,531	1,117,989
Burrillville	105,864		129,564	151,287	210,552	597,267
Central Falls	23,234	252,774	14,022	183,688	92,588	566,306
Charlestown	-		47,837	74,519	40,195	162,551
Coventry	-		215,315	332,252	212,432	759,999
Cranston	4,937,927	3,438,005	541,181	763,531	962,964	10,643,608
Cumberland	95		268,332	316,445	210,819	795,691
East Greenwich	193,262		121,963	124,806	120,869	560,900
East Providence	166,334		403,334	448,452	448,434	1,466,554
Exeter	-		41,703	61,748	83,465	186,916
Foster	351		31,569	43,398	68,286	143,604
Glocester	-		71,674	92,755	93,156	257,585
Hopkinton	-		34,084	77,441	62,734	174,259
Jamestown	-		80,467	51,406	35,751	167,624
Johnston	-		120,380	272,876	373,565	766,821
Lincoln	-		191,841	200,292	232,641	624,774
Little Compton	-		29,670	33,227	23,665	86,562
Middletown	-		135,566	153,934	83,649	373,149
Narragansett	-		123,055	151,353	95,050	369,458
Newport	1,038,696		378,526	233,377	133,343	1,783,942
New Shoreham	-		78,316	9,042	7,945	95,303
North Kingstown	1,830		263,710	251,661	222,551	739,752
North Providence	513,047	1,254,507	171,750	304,926	347,631	2,591,861
North Smithfield	-		63,341	112,452	168,480	344,273
Pawtucket	445,657	1,854,837	315,245	677,275	679,794	3,972,808
Portsmouth	-		103,446	164,314	105,623	373,383
Providence	22,845,902	6,562,344	1,182,774	1,690,104	1,715,886	33,997,010
Richmond	-		26,139	72,963	57,421	156,523
Scituate	-		95,169	97,879	124,283	317,331
Smithfield	507,089		269,659	203,547	274,622	1,254,917
South Kingstown	145,900		203,946	288,778	167,774	806,398
Tiverton	-		94,109	149,019	107,432	350,560
Warren	-		53,561	101,835	80,778	236,174
Warwick	1,156,162		688,368	789,139	1,147,235	3,780,904
Westerly	114,887		265,543	216,878	224,286	821,594
West Greenwich	-		27,126	57,194	50,367	134,687
West Warwick	-	1,001,154	147,770	277,610	213,269	1,639,803
Woonsocket	218,199	1,020,838	197,423	393,526	367,796	2,197,782
Subtotal	\$33,080,409	\$15,384,458	\$7,698,411	\$10,000,000	\$10,000,000	\$76,163,278
Statewide Reference Library Resource Grant			1,012,378			1,012,378
Grant-In-Aid to Institutional Libraries			62,609			62,609
Library Construction Reimbursement			2,500,667			2,500,667
Motor Vehicle Excise Tax Reimbursement - Fire Districts						-
Total	\$33,080,409	\$15,384,458	\$11,274,065	\$10,000,000	\$10,000,000	\$79,738,932

* To be eligible to receive incentive aid, municipalities must meet eligibility criteria.

Fiscal Year 2014 Pass Through Aid to Cities & Towns

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	FY 2014 Total Shared Taxes State Aid	FY 2014 Total Shared & Appropriated Aid
Barrington	196,291	-	143,564	339,855	1,086,512
Bristol	276,252	31,562	360,205	668,019	1,786,008
Burrillville	192,019	-	179,986	372,005	969,272
Central Falls	233,190	-	106,224	339,414	905,720
Charlestown	94,198	21,163	112,647	228,008	390,559
Coventry	421,394	73,616	380,026	875,036	1,635,035
Cranston	967,459	9,579	1,549,105	2,526,143	13,169,751
Cumberland	403,245	-	399,195	802,440	1,598,131
East Greenwich	158,212	382	494,537	653,131	1,214,031
East Providence	566,091	37,128	834,849	1,438,068	2,904,622
Exeter	77,325	-	77,820	155,145	342,061
Foster	55,433	137	14,898	70,468	214,072
Glocester	117,293	1,886	74,207	193,386	450,971
Hopkinton	98,543	-	50,231	148,774	323,033
Jamestown	65,049	10,645	85,744	161,438	329,062
Johnston	346,235	6,819	491,071	844,125	1,610,946
Lincoln	253,999	93,632	720,081	1,067,712	1,692,486
Little Compton	42,026	9,118	34,347	85,491	172,053
Middletown	194,366	637,352	644,480	1,476,198	1,849,347
Narragansett	190,972	83,420	565,229	839,621	1,209,079
Newport	296,928	1,798,129	1,940,310	4,035,367	5,819,309
New Shoreham	12,649	241,058	271,046	524,753	620,056
North Kingstown	318,759	67,773	489,980	876,512	1,616,264
North Providence	386,059	-	353,145	739,204	3,331,065
North Smithfield	144,023	2,675	192,232	338,930	683,203
Pawtucket	856,267	45,016	709,780	1,611,063	5,583,871
Portsmouth	209,277	8,756	182,745	400,778	774,161
Providence	2,142,738	1,818,362	4,701,747	8,662,847	42,659,857
Richmond	92,766	3,620	123,348	219,734	376,257
Scituate	124,310	4,146	63,761	192,217	509,548
Smithfield	257,910	135,842	590,524	984,276	2,239,193
South Kingstown	368,741	130,229	659,386	1,158,356	1,964,754
Tiverton	189,913	-	200,139	390,052	740,612
Warren	127,704	-	256,006	383,710	619,884
Warwick	994,959	932,912	2,454,336	4,382,207	8,163,111
Westerly	274,242	345,732	744,885	1,364,859	2,186,453
West Greenwich	73,835	88,075	103,534	265,444	400,131
West Warwick	351,314	92,833	329,933	774,080	2,413,883
Woonsocket	495,674	56,233	529,046	1,080,953	3,278,735
Subtotal	\$12,667,660	\$6,787,830	\$22,214,329	\$41,669,819	\$117,833,097
Statewide Reference Library Resource Grant (Providence)					1,012,378
Grant-In-Aid to Institutional Libraries					62,609
Library Construction Reimbursement					2,500,667
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-
Total	\$12,667,660	\$6,787,830	\$22,214,329	\$41,669,819	\$121,408,751

*Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Changes in State Aid - FY 2014 vs. FY 2013 Revised

City or Town	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	State Library Aid	Incentive Aid*	Motor Vehicle Excise Tax Reimbursement Value of Exemption	Total Appropriated Difference
Barrington	(26,203)	-	7,042	155,746	-	136,585
Bristol	(19,498)	-	10,889	219,325	-	210,716
Burrillville	(3,085)	-	3,577	151,287	-	151,779
Central Falls	248	(129,455)	(33,057)	183,688	-	21,424
Charlestown	-	-	709	74,519	-	75,228
Coventry	-	-	7,946	332,252	-	340,198
Cranston	383,550	1,669,122	16,777	763,531	-	2,832,980
Cumberland	(1)	-	4,092	316,445	-	320,536
East Greenwich	28,695	-	7,842	124,806	-	161,343
East Providence	3,172	-	(13,091)	448,452	-	438,533
Exeter	-	-	1,621	61,748	-	63,369
Foster	(84)	-	1,944	43,398	-	45,258
Glocester	-	-	1,795	92,755	-	94,550
Hopkinton	-	-	4,085	77,441	-	81,526
Jamestown	-	-	1,328	51,406	-	52,734
Johnston	-	-	8,417	272,876	-	281,293
Lincoln	-	-	2,501	200,292	-	202,793
Little Compton	-	-	1,592	33,227	-	34,819
Middletown	-	-	6,631	153,934	-	160,565
Narragansett	-	-	1,500	151,353	-	152,853
Newport	133,331	-	4,524	233,377	-	371,232
New Shoreham	-	-	5,305	9,042	-	14,347
North Kingstown	(29)	-	5,868	251,661	-	257,500
North Providence	(15,603)	(247,103)	7,366	304,926	-	49,586
North Smithfield	-	-	772	112,452	-	113,224
Pawtucket	46,995	(241,438)	(53,757)	677,275	-	429,075
Portsmouth	-	-	1,079	164,314	-	165,393
Providence	(609,509)	(685,880)	(34,829)	1,690,104	-	359,886
Richmond	-	-	1,310	72,963	-	74,273
Scituate	-	-	1,161	97,879	-	99,040
Smithfield	10,040	-	4,344	203,547	-	217,931
South Kingstown	(5,338)	-	7,352	288,778	-	290,792
Tiverton	-	-	2,181	149,019	-	151,200
Warren	-	-	1,729	101,835	-	103,564
Warwick	5,827	-	25,416	789,139	-	820,382
Westerly	(3,494)	-	(4,948)	216,878	-	208,436
West Greenwich	-	-	836	57,194	-	58,030
West Warwick	-	(184,394)	(24,088)	277,610	-	69,129
Woonsocket	70,986	(180,852)	4,239	393,526	-	287,899
Subtotal	\$	- \$	- \$	- \$	\$ 10,000,000	\$ 10,000,000
Statewide Reference Library Resource Grant			-			-
Grant-In-Aid to Institutional Libraries						-
Library Construction Reimbursement			28,953			28,953
Motor Vehicle Excise Tax Reimbursement - Fire Districts						-
Total	\$	- \$	- \$	\$28,953	\$ 10,000,000	\$ 10,028,953

* To be eligible to receive incentive aid, municipalities must meet eligibility criteria.

Changes in Pass Through and All Aid - FY 2014 vs. FY 2013 Revised

City or Town	Public Service Corporation Tax	Hotel Tax*	Meals and Beverage Tax	Total Pass Through State Aid Difference	Total All State Aid Difference
Barrington	-	-	4,637	4,637	141,222
Bristol	-	758	11,635	12,393	223,109
Burrillville	-	-	5,814	5,814	157,593
Central Falls	-	-	3,431	3,431	24,855
Charlestown	-	508	3,638	4,146	79,374
Coventry	-	1,770	12,274	14,044	354,242
Cranston	-	231	50,035	50,266	2,883,246
Cumberland	-	-	12,894	12,894	333,430
East Greenwich	-	9	15,973	15,982	177,325
East Providence	-	892	26,965	27,857	466,390
Exeter	-	-	2,513	2,513	65,882
Foster	-	3	481	484	45,742
Glocester	-	45	2,397	2,442	96,992
Hopkinton	-	-	1,623	1,623	83,149
Jamestown	-	256	2,770	3,026	55,760
Johnston	-	164	15,861	16,025	297,318
Lincoln	-	2,251	23,259	25,510	228,303
Little Compton	-	219	1,109	1,328	36,147
Middletown	-	15,322	20,816	36,138	196,703
Narragansett	-	2,006	18,257	20,263	173,116
Newport	-	43,228	62,671	105,899	477,131
New Shoreham	-	5,795	8,755	14,550	28,897
North Kingstown	-	1,629	15,826	17,455	274,955
North Providence	-	-	11,407	11,407	60,993
North Smithfield	-	64	6,209	6,273	119,497
Pawtucket	-	1,083	22,926	24,009	453,084
Portsmouth	-	211	5,903	6,114	171,507
Providence	-	43,714	151,866	195,580	555,466
Richmond	-	87	3,984	4,071	78,344
Scituate	-	99	2,058	2,157	101,197
Smithfield	-	3,266	19,073	22,339	240,270
South Kingstown	-	3,131	21,298	24,429	315,221
Tiverton	-	-	6,464	6,464	157,664
Warren	-	-	8,269	8,269	111,833
Warwick	-	22,428	79,275	101,703	922,085
Westerly	-	8,312	24,059	32,371	240,807
West Greenwich	-	2,117	3,344	5,461	63,491
West Warwick	-	2,232	10,657	12,889	82,018
Woonsocket	-	1,352	17,088	18,440	306,339
Subtotal	\$	-	\$163,182	\$717,514	\$880,696
Statewide Reference Library Resource Grant					
Grant-In-Aid to Institutional Libraries					
Library Construction Reimbursement					
Motor Vehicle Excise Tax Reimbursement - Fire Districts					
Total	\$	-	\$163,182	\$717,514	\$880,696

*Amount includes 1.0% local tax and 25.0% local share of state 5.0% tax.

Appendix D

Aid to Schools

Education Aid to Local Governments

Education Aid to Local Governments totals \$974.1 million in all funds in FY 2014, a \$26.8 million increase in total state funding relative to the FY 2013 revised budget, a 2.8 percent increase. The general revenue total for FY 2014 is \$945.2 million. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, the Central Falls School District and the Metropolitan Career and Technical School, as well as support for the State's share of Teacher Retirement and School Housing Aid.

Fiscal year 2014 represents year three of the education aid funding formula. As of July 1, 2011, education aid to all districts, charter schools and state schools (Davies and the Met) will be formula based. The School for the Deaf is a special education program and the funding method will not change since it already has a state, federal, and local share. Based on the principle that the money follows the student, the formula was developed with the following guiding principles: (1) Build a strong foundation for all children; (2) improve equity among districts and schools; (3) be transparent; and (4) be financially responsible.

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

- **Core Instructional Amount** – (\$8,897 per student in FY 2014) Derived from a regional average of the National Center for Education Statistics (NCES) expenditure data, the core instructional amount is based on cost studies from states that have been deemed by education researchers to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what Rhode Island should be spending to provide a high quality of education. The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instructional support, and leadership costs.
- **Student Success Factor** – (\$3,559 per student in FY 2014) Provides additional funding to support student needs beyond the core services listed above with the ultimate goal of closing student achievement gaps. Within the formula, each student is entitled to a 40% student success factor which is applied to the core instructional amount. This factor is also applied to PK-12 students who are eligible for free and reduced price lunch.
- **State Share Ratio** – After the core components have been determined, a state share ratio formula is applied to address two key questions: How to account for differences in the revenue-generation capacity of communities and how to allocate funding to communities based on the supports that students need. The state share ratio is dependent on district property values weighted for median family income and students eligible for free and reduced price lunch.

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

In addition, specific categorical funds for certain high-cost items were established outside the formula distribution: High cost special education, career and technical education, early childhood education, transportation for non-public and regional districts, as well as regional district bonuses. A Central Falls Stabilization Fund has also been created to assure that appropriate funding is available to support the district, due to concerns regarding local capacity. According to law, state stabilization funds are only paid upon transfer of a matching amount to the school district by the city. If Central Falls is unable to pay its share, the State will not provide funding under the stabilization fund.

Education Aid to Local Governments

Lastly, funding allocations will be phased in over ten years based on a transition model where overfunded districts shall have a level decrease period, while underfunded districts will have a quicker transition of seven years. In FY 2014, the third year of the formula implementation, the transition periods will be eight years for overfunded districts and five years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2013 Education Aid.

Distributed Aid

Beginning in FY 2012, distributed aid will now reflect aid to both districts and charter schools as a result of the education aid funding formula. In prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2014, total distributed education aid increases \$27.7 million from the revised FY 2013 budget. The Governor's budget fully funds year three of the education aid funding formula in FY 2014, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$26.5 million from the revised FY 2013 budget. A reduction of \$1.1 million in Group Home Aid is made to reflect updated group home bed census figures.

One of the primary drivers for the \$27.7 million growth is attributed to the expansion of charter schools. Charter school growth is funded in full in the year of growth, while reductions in the sending communities are spread over the remaining years of transition. Upon full transition, money will follow the student and charter or state school growth will be offset by dollar-for-dollar reductions in the sending communities. In FY 2014, five existing charter schools experiencing growth will be fully funded, while three charter schools, Achievement First, Nowell Academy, and Village Green are projected to open.

Moreover, the FY 2014 request begins funding the Urban Collaborative through the funding formula, in accordance with the change the 2012 General Assembly made to RIGL §16-3.1-11. Although this change is revenue neutral to the state, the three current sending communities, Central Falls, Cranston, and Providence, will see a reduction in state education aid for these 139 students.

State Schools

The State Schools- Davies Career and Technical School, Metropolitan Career and Technical School, and the Rhode Island School for the Deaf are collectively financed at \$29.9 million in general revenue for FY 2014, which constitutes a \$1.2 million decrease from the revised FY 2013 budget. Only Davies and the Met fall under the funding formula.

Non-Distributed Aid

Non-distributed aid in FY 2014 increases \$2.7 million from the revised FY 2013 budget. The FY 2014 budget includes \$10.2 million to finance four of the five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010. The regional district bonus decreases from 1.0 percent in FY 2013 to 0.0 percent in FY 2014 of the State's share of the foundation aid for regional districts established prior to July 1, 2010. For regional districts established after this date, the regional district bonus begins in the fiscal year following the establishment. Since no regional districts were established in FY 2013, the regional district bonus is excluded from the Governor's budget. The remaining categorical funds will not be distributed according to the formula, but instead according to their own individual set of rules. The Governor recommends \$3.5 million to be used for the career and technical education fund which will support the initial investment requirements to transform existing or create new career and technical programs and offset the higher than average costs of maintaining the highly specialized programs. An increase of \$1.1 million from the FY 2013 revised budget for a total of \$3.3 million is recommended for year three of the transportation fund, designed to reimburse districts for the excess costs associated with

Education Aid to Local Governments

transporting non-public, non-special education students to out-of-district non-public schools and public school students within regional districts. Only those districts participating in the statewide system are eligible for non-public transportation funding. The Governor recommends \$2.5 million for early childhood programs to increase access to voluntary, free, high-quality pre-kindergarten programs. The Pre-K expansion in Rhode Island will start with seventeen communities with selected concentrations of children from low-income families. This began as a pilot program in FY 2010 and continued in FY 2011; however, funding was eliminated in the FY 2012 enacted budget. The FY 2013 revised budget restored funding totaling \$1.5 million for these early childhood programs and an additional \$1.0 million to total \$2.5 million is recommended for FY 2014. A \$500,000 increase is recommended for a high cost special education fund, which will reimburse districts for special education costs exceeding five times the total foundation per pupil (\$62,280 in FY 2014), including but not limited to instructional and related services provided to a child as defined in his/her Individual Education Plan (IEP), transportation costs, tuition costs, assistive technology costs, and other associated costs.

Offsetting some of these increases in education aid includes eliminating a substantial investment of \$745,000 to the Rhode Island Vision Education and Services Program (RIVESP) over a three-year period beginning in FY 2014. RIVESP, housed at the Sherlock Center at Rhode Island College, is a program that provides children with low vision, blindness, and print disabilities full access to services and adaptive instructional materials, while also providing teaching and consultation services to the children, their families, and educational staff within the school environment. This reduction in state aid would have no impact on students who utilize these services, for the original intent of the Program is to ultimately have the full cost of such services shift to LEAs.

General revenue funding for the Rhode Island Telecommunications Access fund, Textbook Expansion, and School Breakfast programs remain constant in FY 2014 as compared to the FY 2013 revised level.

Other Aid

The FY 2014 Budget also includes an increase in other aid of \$4.7 million; a \$5.6 million increase for teachers' retirement is offset by a decrease of \$923,945 in housing aid reimbursement.

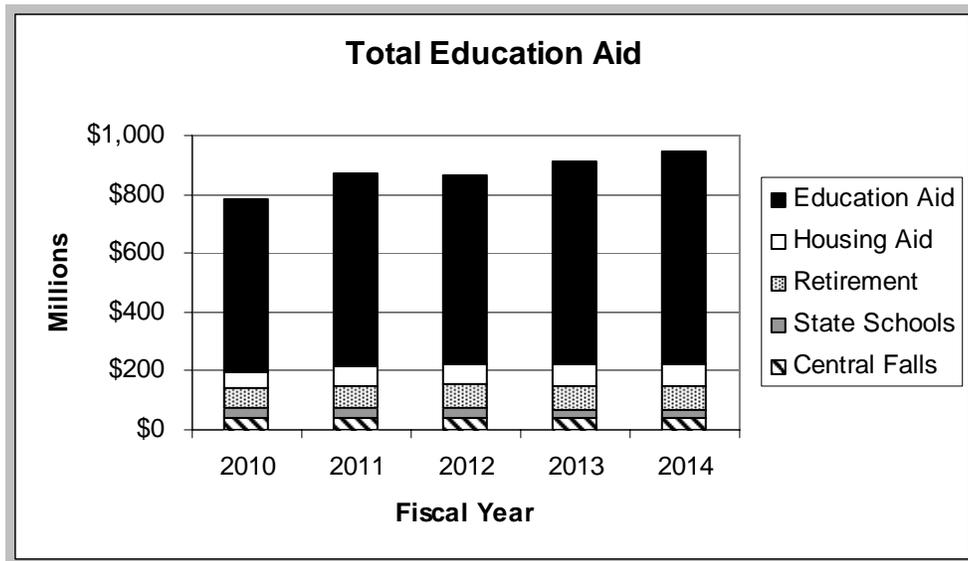
FY 2014 Education Aid Increases (Decreases) From the Revised FY 2013 Budget

- Formula Aid: \$30,318,355
- Group Home Funding: (\$1,050,000)
- Central Falls School District: (\$1,517,569)
- Early Childhood Demonstration: \$1,000,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$500,000
- Regionalization Bonus: (\$412,951)
- Metropolitan Career and Technical School: (\$560,012)
- School for the Deaf: (\$107,187)
- Davies Career and Technical School: (\$664,631)
- Teachers' Retirement: \$2,745,556
- School Housing Aid: (\$923,945)

The following graph displays total school aid from FY 2010 to FY 2014. The "Education Aid" component is comprised of all aid categories under the standard Education Aid program. For FY 2012 and on, this includes such items as the Funding Formula Distribution and Group Home Aid. FY 2011 and prior include, but are not limited to, General Aid, Targeted Aid, Charter School Aid, and the Student Investment Initiatives. Other

Education Aid to Local Governments

components of total aid include: State Contributions for Teachers' Retirement; School Housing Aid; Central Falls School District; and State Schools (Davies, Deaf, and the Metropolitan School).



Housing Aid

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

Although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, FY 2010 allocations were based on 2008 wealth and enrollment levels. The housing aid share ratio calculation is based on a district's income adjusted per-pupil property wealth compared to aggregate state per-pupil property wealth. The average state housing aid share ratio is thirty-eight percent, adjusted to ensure a minimum of thirty percent in each community. Under current law, beginning FY 2013, the minimum reimbursement to each community is frozen to a maximum of thirty-five percent. A four percent bonus is awarded when a minimum of seventy-five percent of a project's cost is for energy conservation, asbestos removal, or handicapped access. Regional districts receive a two percent bonus for each regionalized grade for new construction projects, and an additional four percent bonus for renovation projects.

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

Education Aid to Local Governments

In June 2011, the General Assembly enacted a moratorium on new school construction project approvals (except for health and safety projects) and a sunset provision for projects approved before the current school construction regulations went into effect.

The revised FY 2013 and FY 2014 budgets propose general revenue expenditures of \$72.1 million and \$71.1 million, respectively, for the School Housing Aid program.

Teachers' Retirement

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

The State deferred the State's contributions to Teachers' Retirement in both FY 1991 and FY 1992. Most municipalities also deferred the local portion of teacher retirement contributions for this period. The state deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be financed over twenty years, as will the local deferral. The annual calculation applied to the state contribution to Teachers' Retirement includes an adjustment to accommodate the deferral liability.

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

Contribution Rates for Teachers' Retirement Fund

- Defined Benefit Retirement Plan

	Actuarial Contribution Rate of Payroll(60%)*	Employer Share			Teacher
		Local (40%)*	State Total	Sub Share	
1999	21.02%	6.62%	4.90%	11.52%	9.5%
2000	24.14%	8.43%	6.21%	14.64%	9.5%
2001	21.51%	6.86%	5.15%	12.01%	9.5%
2002	19.45%	5.73%	4.22%	9.95%	9.5%
2003	21.47%	6.93%	5.04%	11.97%	9.5%
2004	23.22%	7.99%	5.73%	13.72%	9.5%
2005	24.34%	8.72%	6.12%	14.84%	9.5%
2006	25.97%	9.72%	6.75%	16.47%	9.5%
2007	29.14%	11.62%	8.02%	19.64%	9.5%
2008	31.51%	13.04%	8.97%	22.01%	9.5%
2009	29.57%	11.89%	8.18%	20.07%	9.5%
2010	29.57%	11.89%	8.18%	20.07%	9.5%
2011	28.51%	11.25%	7.76%	19.01%	9.5%
2012	31.82%	13.23%	9.09%	22.32%	9.5%
2013	23.04%	11.41%	7.88%	19.29%	3.75%
2014	24.43%	12.26%	8.42%	20.68%	3.75%

* Adjusted for deferral liability

- Defined Contribution Retirement Plan

Education Aid to Local Governments

	<u>Required Contribution Rate of Payroll</u>	<u>Employer Share</u>			
		<u>Local (60%)</u>	<u>State (40%)</u>	<u>Sub total</u>	<u>Teacher Share</u>
2013	6.0%	0.6%	0.4%	1.0%	5.0%
2013 (non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%
2014	6.0%	0.6%	0.4%	1.0%	5.0%
2014 (non-Social Security-eligible position)	10.0%	2.6%	0.4%	3.0%	7.0%

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

State Contributions for Teacher Retirement

<u>Fiscal Year</u>	<u>State Share</u>
1999 Actual	\$30,202,943
2000 Actual	\$40,719,407
2001 Actual	\$35,365,234
2002 Actual	\$30,652,207
2003 Actual	\$38,242,690
2004 Actual	\$45,039,269
2005 Actual	\$48,503,125
2006 Actual	\$54,537,733
2007 Actual	\$70,286,753
2008 Actual	\$83,028,510
2009 Actual	\$73,592,722
2010 Actual	\$68,550,306
2011 Actual	\$70,286,261
2012 Actual	\$80,385,930
2013 Revised	\$76,911,999
2014 Recommended	\$82,514,003

Explanation of Tables- by Category and LEA

The following two tables display education aid first by category, and then by apportionment among the state's local and regional education agencies (LEAs). "Distributed LEA Aid" consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, such as General Aid in FY 2011 and Formula Aid in FY 2012 and FY 2013, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for indirect Charter School Aid on the LEA table only up until FY 2011) is also displayed in this section. "State Schools" include the Metropolitan School, Davies, and School for the Deaf. "Non-Distributed Aid" includes several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. "Other Aid" consists of allocations for School Housing Aid and state contributions to the Teachers' Retirement Fund. For the purposes of these tables, direct aid to charter schools is categorized as non-distributed, up until FY 2011. Starting FY 2012 and beyond, direct aid to charter schools is categorized as distributed aid as a result of the funding formula.

Education Aid to Local Units of Government

	FY 2013 Revised	FY 2014 Recommend	Difference
Distributed LEA Aid			
Barrington	\$3,321,232	\$3,939,930	\$618,698
Burrillville	12,957,679	13,045,403	87,724
Charlestown	1,677,912	1,716,895	38,983
Coventry	19,681,513	20,431,208	749,695
Cranston	39,357,220	42,881,891	3,524,671
Cumberland	13,786,524	14,485,574	699,050
East Greenwich	1,933,139	2,267,908	334,769
East Providence	26,920,637	28,199,021	1,278,384
Foster	1,209,152	1,184,530	(24,622)
Glocester	2,785,722	2,691,073	(94,649)
Hopkinton	5,560,369	5,521,254	(39,115)
Jamestown	358,137	360,839	2,702
Johnston	10,916,882	11,738,574	821,692
Lincoln	8,138,012	8,946,871	808,859
Little Compton	338,666	367,484	28,818
Middletown	9,282,092	9,086,708	(195,384)
Narragansett	1,661,461	1,795,760	134,299
Newport	10,657,837	10,632,341	(25,496)
New Shoreham	69,634	75,467	5,833
North Kingstown	10,755,311	10,864,143	108,832
North Providence	14,025,693	14,753,034	727,341
North Smithfield	5,116,230	5,366,654	250,424
Pawtucket	68,241,462	70,659,568	2,418,106
Portsmouth	5,379,137	5,134,130	(245,007)
Providence	197,728,205	204,818,875	7,090,670
Richmond	5,420,353	5,338,583	(81,770)
Scituate	3,500,030	3,710,794	210,764
Smithfield	4,953,864	4,927,615	(26,249)
South Kingstown	8,474,120	8,113,149	(360,971)
Tiverton	5,671,905	5,748,989	77,084
Warwick	34,407,725	35,206,987	799,262
Westerly	6,560,341	7,127,358	567,017
West Warwick	19,739,060	20,312,214	573,154
Woonsocket	46,715,235	48,133,625	1,418,390
Bristol/Warren	17,331,724	16,578,504	(753,220)
Exeter/W Greenwich	6,328,850	6,072,724	(256,126)
Chariho District	306,562	268,242	(38,320)
Foster/Glocester	5,091,550	5,015,324	(76,226)
Central Falls	39,705,880	38,188,311	(1,517,569)
Subtotal	\$676,067,057	\$695,707,554	\$19,640,497

Education Aid to Local Units of Government

	FY 2013 Revised	FY 2014 Recommend	Difference
Distributed LEA Aid			
Achievement First	-	1,386,792	1,386,792
Beacon Charter School	1,694,107	1,671,727	(22,380)
Blackstone Academy	1,588,944	1,623,719	34,775
Compass School	579,647	564,618	(15,029)
Greene School	898,333	917,566	19,233
Highlander	2,733,717	2,769,093	35,376
International Charter School	2,876,846	2,869,033	(7,813)
Kingston Hill Academy	689,636	654,274	(35,362)
Learning Community	6,095,627	6,120,939	25,312
New England Laborers	1,255,888	1,233,644	(22,244)
Nowell Academy	-	1,690,687	1,690,687
Nurses Institute	1,633,673	2,544,265	910,592
Paul Cuffee Charter School	7,588,913	7,846,958	258,045
RIMA Blackstone Valley	6,076,368	7,992,467	1,916,099
Segue Institute for Learning	2,572,083	2,605,273	33,190
Textron	2,323,013	2,335,358	12,345
Times 2 Academy	7,054,405	7,021,532	(32,873)
Trinity Academy	1,073,542	1,463,681	390,139
Village Green	-	1,191,062	1,191,062
Subtotal	\$46,734,743	\$54,502,688	\$7,767,946
Urban Collaborative	-	275,977	275,977
Distributed LEA Subtotal	\$722,801,800	\$750,486,219	\$27,684,420
	FY 2013 Revised	FY 2014 Recommend	Difference
Non-Distributed Aid			
Textbook Expansion	240,000	240,000	-
School Breakfast	270,000	270,000	-
Telecommunications Access	400,000	400,000	-
Early Childhood Demonstration	1,450,000	2,450,000	1,000,000
Transportation Categorical	2,175,680	3,263,520	1,087,840
High Cost Special Ed Categorical	500,000	1,000,000	500,000
Career and Tech Categorical	3,000,000	3,500,000	500,000
Regionalization Bonus	412,951	-	(412,951)
Subtotal	\$8,448,631	\$11,123,520	\$2,674,889
State Schools			
Metropolitan School	\$11,648,256	\$11,088,244	(\$560,012)
School for the Deaf	6,186,824	6,137,694	(49,130)
Davies School	13,328,293	12,716,908	(611,385)
Subtotal	\$31,163,373	\$29,942,846	(\$1,220,527)

Education Aid to Local Units of Government

Other Aid

Teachers' Retirement	\$76,911,999	\$82,514,003	\$5,602,004
School Housing Aid	72,058,624	71,134,679	(923,945)
Subtotal	\$148,970,623	\$153,648,682	\$4,678,059
Total	\$911,384,427	\$945,201,267	\$33,816,840

Appendix E
Personnel
Statewide Summary

Personnel - Statewide Summary

<u>Distribution by Category</u>	<u>FY 2013</u>		<u>FY 2014</u>	
	FTE Positions	Cost	FTE Positions	Cost
Classified	9,420.4	537,758,860	9,496.9	545,421,560
Unclassified	2,617.0	182,154,076	2,639.6	184,334,913
Nonclassified	3,058.3	224,664,150	3,075.4	226,715,144
Program Reductions	-	(158,130)	(32.0)	(2,120,103)
Overtime	-	59,610,427	-	50,259,426
Turnover	-	(62,153,169)	-	(61,116,228)
Cost Allocation from program Y	194.9	16,575,946	195.2	16,734,557
Cost Allocation to program X ⁽¹⁾	(194.9)	(24,950,412)	(195.2)	(25,109,023)
Road Construction ⁽²⁾	-	2,360,337	-	2,358,000
Net FTE Reconciliation ⁽³⁾	6.8		(8.3)	
Salaries	15,102.5	\$935,862,085	15,171.6	\$937,478,246
Benefits				
Retirement		166,511,709		181,226,297
Medical		174,348,081		187,545,226
FICA		70,172,876		70,370,899
Retiree Health		53,545,366		59,881,186
Other		7,095,442		7,381,332
Holiday Pay		8,107,719		7,754,543
Payroll Accrual		4,944,383		5,113,196
Salaries and Benefits	15,102.5	\$1,420,587,661	15,171.6	\$1,456,750,925
Cost per FTE Position		94,063		96,018
Temporary and Seasonal		79,480,385		79,544,234
Statewide Benefit Assessment		31,709,193		31,975,381
Worker's Compensation		9,028		0
Payroll Costs	15,102.5	\$1,531,786,267	15,171.6	\$1,568,270,540

Personnel - Statewide Summary

	<u>FY 2013</u>		<u>FY 2014</u>	
Purchased Services		Cost		Cost
Medical Services		12,392,566		12,921,482
Design & Engineering Services		48,724,624		47,753,711
Training & Educational Services		67,334,530		53,643,112
Buildings and Grounds Maintenance		5,456,752		6,004,362
Information Technology		33,993,387		33,724,361
Legal Services		7,980,184		6,965,891
Management & Consultant Services		76,115,159		78,427,391
Clerical & Temporary Services		8,966,670		7,852,382
Other Contract Services		12,263,589		12,365,692
University/Colleges Services		18,737,599		18,030,583
Total		\$291,965,060		\$277,688,967
Total Personnel	15,102.5	\$1,823,751,327	15,171.6	\$1,845,959,507

	<u>FY 2013</u>		<u>FY 2014</u>	
<u>Distribution by Source of Funds</u>	FTE	Cost	FTE	Cost
General Revenue	7,623.0	852,784,106	7,066.2	825,162,800
Federal Funds	2,943.6	455,791,030	2,246.9	385,552,020
Restricted Receipts	466.6	89,782,878	1,784.9	204,766,143
Internal Service Funds	29.0	3,971,564	29.0	3,709,755
Other Special Funds	4,040.3	421,421,749	4,044.3	426,768,789
Subtotal	15,102.5		15,171.6	
Total: All Funds	15,102.5	\$1,823,751,327	15,171.6	\$1,845,959,507

1 Includes cost allocation of \$8,374,466 from personnel to operating expenditure in Public Higher Education.

2 In Public Safety overtime

3 Net of unlisted third party financed FTE positions and undesignated FTE reductions in Public Higher Education

Appendix F
Five-Year Financial
Projection

FY 2014 – FY 2018 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 2017. 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 interpretation 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 2014 budget base, expenditures will exceed revenues in each of the out-years projected through FY 2018. The operating deficits by fiscal year are as follows: \$170.5 million in FY 2015, \$254.5 million in FY 2016, \$377.8 million in FY 2017, and \$468.9 million in FY 2018. In percentage terms, the deficits are projected to range from 4.8 percent of spending in FY 2015 to 11.8 percent of spending in FY 2018. The expenditure-side of the budget is estimated to increase at an average annual rate 4.0 percent from the FY 2014 base to FY 2018. 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 2.43 percent over this same period. A number of factors are responsible for the rate of growth above inflation, as discussed in detail below.

As described further below, projected out year revenues are significantly impacted by the expected opening of gaming facilities in Massachusetts in the coming years. Lottery transfers to the State general fund are projected to diminish by a total of \$307.6 million over the five year forecast period, due to the increased competition to Rhode Island's gaming facilities in Lincoln and Newport. Without this impact on Rhode Island's revenues, the five year forecast would show deficits of \$170.5 million in FY 2015, \$200.8 million in FY 2016, \$264.4 million in FY 2017 and \$328.4 million in FY 2018. In FY 2018, the deficit would be 8.3 percent of expenditures, as opposed to the 11.8 percent under the current forecast, or a total of \$140.6 million less.

The five year projection anticipates average annual general revenue growth of approximately 1.4 percent beyond the budget year, based upon the adopted November 2012 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 the recovery in the Rhode Island economy which started in FY 2011 will regain momentum in FY 2014 and FY 2015. The underlying forecasts in FY 2014 anticipate significant growth for wage and salaries and personal income, while the FY 2015 forecasts

FY 2014 – FY 2018 Overview

assumes acceleration in non-farm employment growth and a decrease in the unemployment rate.

While FY 2015 shows a slight decline in general revenue growth when compared to FY 2014 from 2.9 percent to 2.7 percent, the primarily factor is the Governor's recommendation to reduce the corporate tax rate, not the underlining trend in the economy. Any gains associated with a more competitive corporate tax have not been incorporated into the forecast. General revenue growth remains positive for the FY 2016 to FY 2018 period but at rates below 1.5 percent annually, as increased gaming competition in Massachusetts takes hold. The impact of Massachusetts-based gaming facilities is significant as, absent their establishment, average general revenue growth in the FY 2016 through FY 2018 period would be 3.9 percent versus the 1.0 percent average annual growth rate currently projected.

Personal income is forecasted to grow at an average annual rate of 5.7 percent over the FY 2014 – FY 2018 period. Nonfarm employment is anticipated to grow at an average annual rate of 2.0 percent and wage and salary disbursements at an average annual rate of 6.2 percent over the same period. Dividends, interest and rent payments are forecasted to grow at an average annual rate of 8.0 percent over the FY 2014 – FY 2018 period, the strongest growth of any personal income component.

There are several risks to the revenue forecast. First, the timing of the national and regional economic recovery will impact the growth in general revenues. If the recovery takes hold sooner than forecast, then the out-year growth rates, particularly in employment, could be lower. The tradeoff, of course, is that near-term revenue estimates would likely be better than currently estimated. Conversely, if the economic recovery takes hold later than forecast, then the out-year growth rates could be too optimistic and both the near-term and the out-year revenue forecasts may be overstated.

Second, the behavior of consumers as the economy recovers will also impact general revenue growth. Consumer spending has historically comprised two-thirds of total spending. If consumer spending after the Great Recession does not rebound to pre-Great Recession levels, then the out-year revenue forecasts are likely to be overstated. Furthermore, European financial instability and unrest in the Middle East could negatively impact U.S. consumer spending. The United States has recently seen an increase in exports, which may be short-lived if the European financial crisis deepens. Recent turmoil in the Middle East has put significant upward pressure on energy prices, particularly oil, and a sustained increase in the price of oil could dampen consumer spending as income is diverted from discretionary purchases to gasoline and heating fuel.

Finally, the expansion of gaming in Massachusetts will impact the state's general revenues via the lottery transfer. Two items are important in this regard. One is the timing of the opening of gaming facilities in Massachusetts. If Massachusetts' gaming facilities become operational earlier than is estimated in the forecast, then general revenue growth will weaken sooner than is currently forecast. If Massachusetts' gaming facilities become operational later than is estimated in the forecast, then general revenue growth will be stronger than is currently forecast. Second is the location of the gaming facilities in Massachusetts. The five year revenue projection assumes the Likely Case for the location of the racino and the three resort casinos in Massachusetts.¹ If the locations of the Massachusetts gaming facilities are closer to the state's two gaming facilities, then a larger negative impact on general revenue growth will likely occur. If the locations of the Massachusetts gaming facilities are farther from the state's two gaming facilities, then a smaller negative impact on general revenue growth would be expected.

¹ See *Gaming Study and Economic Impact Analysis*, pg 25 for a description of the Likely Case and for the location of gaming facilities in Massachusetts.

FY 2014 – FY 2018 Overview

Highlights

The Governor recommends no major revenue enhancement initiatives and recommends phase-down of the business corporation tax from 9.0 percent to 7.0 percent over the next three calendar years. This will result in a reduction in revenues from this tax of \$8.0 million in FY 2014. This revenue loss is offset in part by the Governor's proposal to reduce the exemption provided under the Job Development Act and to sunset the Distressed Areas Economic Revitalization act credit. Combined, these will offset the loss from the business corporation tax reduction by approximately \$2.7 million.

Economic Forecast and Revenues

The economic forecast was developed by the principals of the November 2012 Revenue Estimating Conference with input from the consulting economist at Moody's Economy and respective staff. This forecast is derived from the U.S. macroeconomic model and the State of Rhode Island economic model that Moody's Economy.com has developed. A detailed analysis of the conferees near-term economic forecast for the State is contained in The Economy section of the Executive Summary. In that section, particular attention is paid to how the state fared relative to the past year with respect to non-farm employment and personal income growth. In addition, a brief explanation of the actual economic performance of the State against the economic forecast contained in the FY 2013 budget is undertaken. Finally, the economic forecast is presented for the out-years through FY 2018.

The biggest risk to the economic forecast is the sustainability of the current economic recovery underway in the United States and Rhode Island. Rhode Island's economic momentum has slowed in recent months along with the national economy and weak business and consumer confidence could cause national and state economic growth to stall in the near-term. If Rhode Island's economic recovery slows significantly relative to that of the U.S., then personal income, employment, and wage and salary growth will be reduced in the near-term and likely be pushed out toward the end of the forecast horizon contained in this document.

In particular, employment growth rates are expected to be positive in FY 2014 after a slight contraction in FY 2012 and FY 2013. Rhode Island employment growth is expected to be tepid in FY 2014 before achieving its peak in FY 2016 at 3.2 percent for the forecasted period. In FY 2017, Rhode Island employment growth declines to 1.9 percent, a rate nearly four times FY 2011's growth rate. FY 2018 total non-farm employment is expected to eclipse 504,000 jobs which would be the highest level of employment in the last 20 years. In FY 2018, employment growth, however, slows to a rate of 0.6 percent, a rate slightly higher than the growth rate in FY 2011. Rhode Island personal income growth is expected to slow in FY 2013 and then return to a more normal growth rate in FY 2014. Personal income growth is projected to reach its peak in FY 2015 at a growth rate of 7.0 percent and then tick downward to an average annual growth rate of 5.5 percent for the FY 2016 – FY 2018 period.

The revenue projections contained in the five year forecast incorporate the Governor's proposed FY 2014 general revenue changes to estimates adopted at the November 2012 Revenue Estimating Conference. Overall revenues are expected to grow from \$3.426 billion in FY 2014 to \$3.619 billion in FY 2018. This is growth of \$192.7 million, reflecting average annual growth of 1.7 percent. This revenue forecast includes the expected impact that the opening of gaming facilities in Massachusetts will have on the state's general revenues. Absent the opening of these facilities, the projected growth in general revenues would be \$337.6 million yielding an average annual growth rate of 3.5 percent.

FY 2014 – FY 2018 Overview

The Governor's recommended FY 2014 Budget business corporation tax rate reduction impact on general revenues is included in the five year estimate. The Governor has proposed to reduce the business corporation tax rate from 9.0 percent to 7.0 percent over a three year period, reduce the value of the Jobs Development Act, and the sunset of the "Distressed Areas Economic Revitalization Act", as described in "General Revenues" section of the Executive Summary. The FY 2014 general revenue impact for all three reductions is an estimated decrease in revenues of \$5.3 million. For FY 2015 through FY 2018 the average annual impact from this proposal is a decrease in general revenue of \$21.1 million. It should be noted that no offset for increase business activity is included in the out year forecast as a result of a lower business corporation tax rate.

The FY 2014 five year revenue projection without the onset of gaming competition in Massachusetts but with tables games in operation at Twin River forecasts total general revenues of \$3.764 billion in FY 2018. For the FY 2014 through FY 2018 period, the average annual rate of growth is 3.5 percent excluding the impact of Massachusetts gaming competition on Rhode Island. The current five year forecast, which incorporates the establishment of gaming competition in Massachusetts and the implementation of table games at Twin River, projects \$3.619 billion of general revenue by FY 2018, resulting in \$144.9 million less in resources than was projected without gaming competition in Massachusetts. The resulting average annual growth rate for the FY 2014 through FY 2018 period is 1.7 percent or slightly less than half the FY 2014 through FY 2018 average annual growth rate without gaming competition in Massachusetts.

Expenditures

Expenditure side risks must also be noted within the five-year projection. There are initiatives contained in the Governor's FY 2014 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 6.1 percent annually through FY 2018. 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.

FY 2014 – FY 2018 Overview

Personnel and Other Operations

The wage projections contained in the personnel estimates assume no cost of living adjustment (COLA) in FY 2014, as none has been negotiated with the state employee unions. As a proxy for any negotiated COLAs and step and educational incentive increases, increases using CPI have been included for FY 2014 and thereafter. In FY 2014, salary costs are projected to grow 2.65, followed by increases of 2.39 percent, 2.29 percent, and 2.29 percent in each fiscal year through FY2018.

The forecast reflects employee cost sharing that is expected to offset health insurance costs in FY 2014 and throughout the forecast period. Average employee cost sharing of 20.0 percent of medical premium cost in FY 2014 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 6.1 percent annually on average in the forecast.

Pension reform legislation enacted in the fall of 2011 will have a major impact on the growth in benefits costs. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required contribution rate for state employees is expected to increase from 24.05 percent in FY 2014 to a high of 24.94 percent in FY 2016 and then begin decreasing to 23.11 percent in FY 2018. These rates are substantially lower than those projected at the time of enactment of the FY 2012 budget. At that time, the annual required contribution rate was projected to increase from 22.98 percent in FY 2012 to 36.34 percent in FY 2013 and 44.62 percent by FY 2017. Based upon projected payroll growth and the forecasted retirement contribution rates, the general revenue funded contribution for state employee members would grow from a projected \$88.8 million in FY 2014 to \$94.0 million in FY 2018, reflecting growth of \$5.2 million in retirement costs, an average increase of under 1.0 percent a year.

Personnel and operating costs continue to be constrained during FY 2014. The current five year forecast assumes \$956.3 million of personnel and operating costs in FY 2014 and an average growth of 2.9 percent over the five year interval, resulting in an estimated cost of \$1.070 billion in FY 2017, an increase of \$113.8 million. This estimate incorporates the impact of a number of initiatives or other changes that will impact out year expenses. These include annualized savings from several initiatives included in the Governor's FY 2014 recommended Budget.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 5.7 percent annually from FY 2014 to FY 2018. This growth rate results in an increase of \$310.0 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 June 2012. 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 2014.

FY 2014 – FY 2018 Overview

The forecast assumes that eligibility and economic influences on RI Works/Child Care caseloads will result in increases in costs of approximately 4.6 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) and non-medical General Public Assistance (GPA) payments are likewise forecasted to grow at an average rate of 4.6 percent throughout the five-year period. Given recently observed general revenue growth patterns within these categories of public assistance, which are somewhat suppressed due to the availability of residual TANF funding, these represent fairly conservative estimates.

The managed care forecast assumes that base costs will inflate at 6.2 percent on average per year until FY 2018. Incorporated into the FY 2014 expenditure base for managed care is a set of proposals in the Governor's Budget to reduce all Medicaid managed care capitation (i.e. monthly cost per member) rates, effective July 1, 2013, for savings totaling \$4.4 million in general revenue. Rates will be negotiated so as to limit average annual growth in these rates to 1.6 percent, as opposed to the 3.0 percent increase assumed at the November 2012 CEC. The Governor further recommends freezing (for one year) FY 2013 payment rates for inpatient and outpatient hospital services, yielding \$4.0 million in general revenue savings within the managed care segment of the Medical Assistance program.

Projections of fee-for-service hospital expenditures, which are projected to grow at an average annual rate of 5.8 percent, also reflect FY 2014 savings of \$1.2 million in general revenue for the FY 2014 hospital payment rate freeze.

Similarly, cost trends in institutional long term care include an average annual growth rate of 5.0 percent from FY 2014 through FY 2018. For home and community based long-term care, the growth rate over the forecast horizon is estimated at 8.5 percent. The FY 2014 expenditure base includes savings of \$3.9 million for the suspension of the rate increase to nursing care and hospice facilities scheduled for October 1, 2013.

Pharmacy inflation is assumed at 7.9 percent annually on average. Five-year estimates also reflect a schedule increasing federal "clawback" assessment charges for Part D Medicare benefits to dually eligible Medicaid clients.

The five year financial projection for Medical Assistance expenditures now incorporates the out-year implications of two key provisions of the Patient Protection and Affordable Care Act (PPACA): (1) The expansion of Medicaid coverage to non-disabled, childless adults up to 138 percent of Federal Poverty Level, commencing January 2014 and (2) The increase of both fee-for-service and managed care Medicaid payment rates for primary care physicians (offering certain specified services) to align with those of the federal Medicare program. Under PPACA, full federal financing of Medicaid services for the expanded eligibility population elapses in January 2017, after which the federal matching rate declines incrementally until reaching 90 percent for 2020 and thereafter. Furthermore, full federal funding for the enhancement of primary care payment rates is only available for calendar years 2013 and 2014. Commencing in FY 2015, then, the forecast includes general revenue totaling \$50.6 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 \$89.1 million in FY 2014 to \$105.3 million in FY 2018, which equates to an

FY 2014 – FY 2018 Overview

average annual growth rate of 4.3 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 2014 Budget should serve to constrain growth below those contained in the projection. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in the Executive Office of Health and Human Services' grant costs.

Behavioral Healthcare Services also increases from FY 2014 through FY 2018. This five-year projection includes a general revenue increase of \$5.1 million from the FY 2014 recommended level of \$32.9 million in Mental Health Services and a general revenue increase of \$1.0 million from the FY 2014 recommended level of \$8.4 million in Substance Abuse Services. This equates to an average annual growth rate of 3.5 percent and 2.7 percent, respectively over the five-year period.

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 \$93.5 million to \$113.1 million between FY 2014 and FY 2018. This increase of \$19.6 million over the five year period is based on the projected growth rate for Medicaid Services, which equates to a growth rate of 4.5 percent over the five-year period. This increase also includes an additional \$500,000 from FY 2015 through FY 2017 to phase in the new funding methodology for educational costs related to youth who are in the custody of the Department and placed in an educational setting outside of the home school district, as determined by the Rhode Island Department of Elementary and Secondary Education.

Local Aid

Local aid expenditures include education aid, the Motor Vehicle Excise Tax Reimbursement, aid to local libraries comprised of Library Resource Sharing and Library Construction Aid, the Payment in Lieu of Taxes (PILOT) program, the Property Revaluation program, the Distressed Communities Relief program and the Governor's new Municipal Incentive Aid program. The Motor Vehicle Excise Tax Reimbursement, Distressed Communities, and PILOT are level funded over the period; Motor Vehicle Excise Tax at \$10.0 million, Distressed Communities at \$15.4 million, and PILOT at \$33.1 million. Growth in Library Resource Sharing, Library Construction Aid and the Property Revaluation program are forecasted based on proposed schedules from the responsible programs. The Municipal Incentive Aid program is budgeted at \$10.0 million in FY 2014, FY 2015 and FY 2016.

In dollar terms, the largest driving force behind local aid expenditure growth from FY 2014 to FY 2018 is Education Aid programs, which are expected to increase by a total of \$107.0 million from the FY 2014 base level of \$922.2 million. This drastic rise 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. Formula aid for the purposes of the five year forecast includes aid to districts, charter schools, Central Falls and the Met School.

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

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reduced lunch students. To anticipate for these changes, a three percent annual growth rate has been included within the five year forecast. The five year estimate also includes financing for five education aid categorical funds. These categorical funds are projected to increase by \$17.4 million, from \$10.2 million to \$27.6 million over the five years.

State contributions for teachers' retirement increase by \$7.4 million, from \$82.5 million in FY 2014 to \$89.9 million in FY 2018. Projections for future required employer contributions to the teachers' retirement fund reflect a two percent teacher payroll growth and increased state contribution rates from 8.42 percent in FY 2014 to 9.17 percent in FY 2016 before declining to 8.45 percent in FY 2018. Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to decrease by \$11.3 million, from \$71.1 million to \$59.8 million, assuming the minimum state share ratio remains at 35.0 percent over the next five years.

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2014 – FY 2018 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from \$192.6 million in FY 2014 to \$253.8 million in FY 2018, an increase of \$61.2 million. The increase is attributable to the issuance of debt for the Historic Tax Credit stabilization program, which increases by \$18.9 million, and the inclusion of funding for debt service on the \$75.0 million issuance under the EDC Job Creation Guaranty program, which adds approximately \$12.5 million annually beginning in FY 2015. Also included in the five year projections is continuation of the Governor's proposal to shift financing of transportation debt service from the Intermodal Surface Transportation Fund to general revenue over a five year period which began with the General Assembly shifting \$8.0 million to general revenue funding in the FY 2013 enacted budget. The Governor's FY 2014 budget increases this shift to \$10 million and the five year projections assume this increases by \$10 million annually until all such debt service is moved. This adds over \$40.0 million in general revenue expenditures by FY 2018.

The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2014 - 2018 Capital Budget. Interest rates for fixed rate general obligation bonds to be issued to fund projects are projected at between 3.5 percent and 5.0 percent. Interest rates for issuance of twenty-year fixed rate certificates of participation are estimated at 5.0 percent. Historic Tax Credit debt is projected to be issued at 4.5 percent over nine years in 2014 and 2016. The lower general obligation bond issuance in the out years reflects the enactment by the General Assembly of a plan to reduce the reliance on debt issues for the Department of Transportation to provide state match for federal funds. Projected amortization schedules are found in the exhibits contained in Appendix C of the Capital Budget document.

Amortization of existing debt combined with new debt issuance, results in increased general revenue appropriations for debt service of \$61.2 million from FY 2014 to FY 2018. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five-year report as operating costs. Between FY 2014 and FY 2018, there is an increase of \$18.9 million for debt for the Historic Tax Credit stabilization program, and a \$32.7 million increase for general obligation debt, which includes the assumption of debt service from DOT over this period. Performance based obligations increase remains at \$7.0 million. Debt service on certificates of participation decreases by \$155,000 from \$32.5 million in FY 2014 to \$32.4 million in FY 2018. This includes issuance for new COPS authorization for an integrated tax system and an LEA Technology program. Convention Center debt service remains at \$23.1 million.

FY 2014 – FY 2018 Overview

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. As stated above, however, the Governor recommends that debt service on transportation debt, which is currently funded with gas tax proceeds, be shifted to general revenue financing over a five year period, which began with a shift of \$8.0 million in FY 2013. As a result of the financing plan enacted by the General Assembly in the 2011 session, the use of debt to provide matching funds for federal highway funding will be discontinued by FY 2016 and thus no new debt will be issued for this purpose after that time. The five year forecast reflects the transition of debt service from gas tax financing to general revenue financing beginning in FY 2013 at a cost of \$8.0 million and increasing to \$10.0 million each year until all transportation debt service is financed from general revenues by FY 2018. As part of the FY 2013 revised and FY 2014 budgets, the Governor recommends that debt service on general obligation bonds issues on behalf of the Rhode Island Public Transit Authority be moved to general revenue funding to assist the Authority in addressing an operating deficit. This transfer to general revenue, however, is not recommended to continue past FY 2014 and thus is not incorporated into the five year projections.

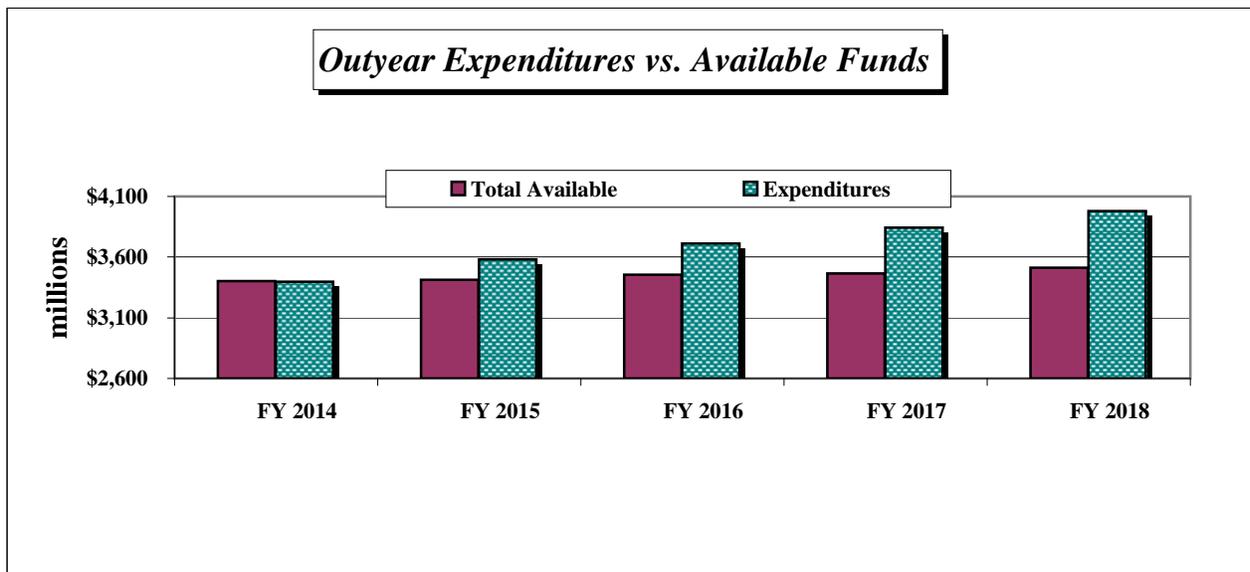
The obligations arising from performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to require the same amount of state appropriations due to the projected achievement of performance targets. Fidelity job rent credits are expected to result in a state obligation of \$3.5 million through the forecast period. The FY 2014 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.

Other

The projection also assumes that capital disbursements from general revenues would be \$6.8 million in FY 2014 and thereafter. This includes all expenditures that would be subject to fixed assets recording.

General Revenue Outyear Estimates FY 2014 - FY 2018

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Opening Surplus ⁽¹⁾	\$79.3	\$0.0	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	3,013.6	3,097.3	3,188.4	3,251.2	3,316.4
Other Sources	412.8	420.1	374.4	321.7	302.6
Budget Stabilization Fund	(105.2)	(105.5)	(106.9)	(107.2)	(108.6)
Total Available	3,400.5	3,411.8	3,455.9	3,465.7	3,510.5
Minus Expenditures	3,399.0	3,582.3	3,710.4	3,843.6	3,979.4
Equals Ending Balance	\$1.5	(\$170.5)	(\$254.5)	(\$377.8)	(\$468.9)
<i>Operating Surplus or Deficit</i>	<i>(\$77.8)</i>	<i>(\$170.5)</i>	<i>(\$254.5)</i>	<i>(\$377.8)</i>	<i>(\$468.9)</i>
Budget & Cash Stabilization Balance	\$175.3	\$175.8	\$177.9	\$178.6	\$180.8
RI Capital Fund Balance	\$17.0	(\$0.1)	\$0.2	\$25.2	\$52.2
Rhode Island Capital Fund					
<i>Capital Projects Disbursements</i>	<i>\$169.8</i>	<i>\$122.1</i>	<i>\$104.3</i>	<i>\$81.5</i>	<i>\$79.3</i>



⁽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 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income Tax	1,130,750,000	1,190,710,000	1,248,690,000	1,289,510,000	1,319,880,000
General Business Taxes:					
Business Corporations	135,120,000	134,370,000	132,990,000	132,440,000	136,280,000
Public Utilities	102,400,000	103,760,000	105,270,000	106,780,000	108,280,000
Financial Institutions	3,100,000	3,770,000	3,960,000	3,600,000	3,170,000
Insurance Companies	96,820,000	103,490,000	108,080,000	110,650,000	113,840,000
Bank Deposits	2,200,000	2,270,000	2,340,000	2,420,000	2,490,000
Health Care Provider	43,070,000	44,070,000	45,620,000	47,160,000	48,700,000
General Business Taxes	\$ 382,710,000	\$ 391,730,000	\$ 398,260,000	\$ 403,050,000	\$ 412,760,000
Sales and Use Taxes:					
Sales and Use	904,300,000	925,960,000	948,330,000	969,760,000	991,680,000
Motor Vehicle	48,700,000	48,880,000	50,600,000	49,060,000	49,050,000
Motor Fuel	1,000,000	960,000	980,000	980,000	1,040,000
Cigarettes	137,400,000	133,060,000	128,900,000	124,700,000	120,580,000
Alcohol	12,200,000	12,450,000	12,640,000	12,840,000	13,060,000
Controlled Substances	0	0	0	0	0
Sales and Use Taxes	\$ 1,103,600,000	\$ 1,121,310,000	\$ 1,141,450,000	\$ 1,157,340,000	\$ 1,175,410,000
Other Taxes:					
Inheritance and Gift	35,400,000	36,360,000	37,400,000	38,450,000	39,490,000
Racing and Athletics	1,100,000	1,130,000	1,170,000	1,220,000	1,280,000
Realty Transfer Tax	6,700,000	6,830,000	6,900,000	7,330,000	7,750,000
Other Taxes	\$ 43,200,000	\$ 44,320,000	\$ 45,470,000	\$ 47,000,000	\$ 48,520,000
Total Taxes	\$ 2,660,260,000	\$ 2,748,070,000	\$ 2,833,870,000	\$ 2,896,900,000	\$ 2,956,570,000
Total Departmental Receipts	353,290,000	349,200,000	354,570,000	354,300,000	359,850,000
Taxes and Departmentals	\$ 3,013,550,000	\$ 3,097,270,000	\$ 3,188,440,000	\$ 3,251,200,000	\$ 3,316,420,000
Other Sources					
Other Miscellaneous	2,430,000	2,430,000	2,430,000	2,430,000	2,430,000
Lottery Commission Receipts*	400,800,000	407,780,000	361,900,000	308,990,000	289,700,000
Unclaimed Property	9,600,000	9,840,000	10,060,000	10,270,000	10,500,000
Other Sources	\$ 412,830,000	\$ 420,050,000	\$ 374,390,000	\$ 321,690,000	\$ 302,630,000
Total General Revenues	\$ 3,426,380,000	\$ 3,517,320,000	\$ 3,562,830,000	\$ 3,572,890,000	\$ 3,619,050,000

* The five-year general revenue projection assumes the opening of a racino in Massachusetts in FY 2016 and three casinos with hotels in FY 2017. The location of these gaming facilities are assumed to be as indicated in the Likely Case scenario contained in the report titled *Gaming Study and Economic Impact Analysis* prepared by Christensen Capital Advisors, LLC for the Rhode Island Department of Revenue.

General Revenue Outyear Estimates - Percentage Changes

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income Tax	4.8%	5.3%	4.9%	3.3%	2.4%
General Business Taxes:					
Business Corporations	-0.6%	-0.6%	-1.0%	-0.4%	2.9%
Public Utilities	-1.5%	1.3%	1.5%	1.4%	1.4%
Financial Institutions	-62.2%	21.7%	4.9%	-9.0%	-12.2%
Insurance Companies	5.4%	6.9%	4.4%	2.4%	2.9%
Bank Deposits	4.8%	3.3%	3.2%	3.1%	3.0%
Health Care Provider	1.8%	2.3%	3.5%	3.4%	3.3%
General Business Taxes	-0.4%	2.4%	1.7%	1.2%	2.4%
Sales and Use Taxes:					
Sales and Use	2.8%	2.4%	2.4%	2.3%	2.3%
Motor Vehicle	0.0%	0.4%	3.5%	-3.0%	0.0%
Motor Fuel	0.0%	-3.7%	1.9%	-0.2%	5.8%
Cigarettes	-0.2%	-3.2%	-3.1%	-3.3%	-3.3%
Alcohol	1.7%	2.1%	1.5%	1.7%	1.7%
Controlled Substances					
Sales and Use Taxes	2.3%	1.6%	1.8%	1.4%	1.6%
Other Taxes:					
Inheritance and Gift	4.7%	2.7%	2.9%	2.8%	2.7%
Racing and Athletics	-8.3%	2.5%	3.5%	4.4%	5.0%
Realty Transfer Tax	3.1%	1.9%	1.0%	6.2%	5.8%
Other Taxes	4.1%	2.6%	2.6%	3.4%	3.2%
Total Taxes	3.0%	3.3%	3.1%	2.2%	2.1%
Total Departmental Receipts	0.4%	-1.2%	1.5%	-0.1%	1.6%
Taxes and Departmentals	2.7%	2.8%	2.9%	2.0%	2.0%
Other Sources					
Other Miscellaneous	-47.3%	-0.2%	0.0%	0.0%	0.0%
Lottery Commission Receipts	4.1%	1.7%	-11.2%	-14.6%	-6.2%
Unclaimed Property	52.4%	2.5%	2.2%	2.2%	2.2%
Other Sources	4.2%	1.7%	-10.9%	-14.1%	-5.9%
Total General Revenues	2.9%	2.7%	1.3%	0.3%	1.3%

General Revenue Outyear Expenditure Estimates

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
State Operations					
Personnel	\$825,200,000	\$857,600,000	\$884,500,000	\$904,700,000	\$925,900,000
Other State Operations	131,100,000	134,600,000	137,800,000	141,000,000	144,200,000
Impact of Initiatives/Other Changes	-	(2,522,325)	4,125,734	-	-
Subtotal	\$956,300,000	\$989,677,675	\$1,026,425,734	\$1,045,700,000	\$1,070,100,000
		3.5%	3.7%	1.9%	2.3%
Grants and Benefits					
Executive Office of Health and Human Services & Department of Human Services					
Hospitals	45,520,000	47,950,000	50,760,000	54,100,000	57,090,000
Managed Care	382,610,000	409,520,000	435,920,000	461,900,000	486,190,000
Nursing Care	186,090,000	194,030,000	202,940,000	213,380,000	225,840,000
Home Care (HCBS)	39,380,000	42,830,000	46,310,000	50,480,000	55,100,000
Other Medicaid	49,040,000	52,880,000	57,190,000	63,110,000	68,750,000
Pharmacy	2,150,000	2,310,000	2,450,000	2,680,000	2,910,000
DEA Medicaid	7,830,000	7,430,000	8,040,000	8,760,000	9,560,000
Cash Assistance- RIW/CCAP/GPA	11,400,000	11,860,000	12,440,000	13,040,000	13,650,000
Cash Assistance - SSI	18,790,000	19,550,000	20,500,000	21,490,000	22,500,000
Clawback	53,220,000	55,370,000	58,060,000	60,860,000	63,710,000
DSH	63,310,000	65,860,000	65,860,000	65,860,000	65,860,000
HIV Care Program/ADAP	1,930,000	1,570,000	1,690,000	1,870,000	2,040,000
ACA- MA Population Expansion	-	-	-	4,510,000	10,820,000
ACA- Primary Care Rate Increase	-	4,540,000	9,660,000	10,240,000	10,780,000
Department of Children Youth & Families					
Children & Family Services	93,500,000	97,940,000	102,440,000	108,270,000	113,110,000
Department of Behavioral Healthcare, Developmental Disabilities & Hospitals					
Developmental Disabilities-Private	89,070,000	92,130,000	95,880,000	100,840,000	105,350,000
Integrated Mental Health	32,870,000	33,170,000	34,520,000	36,310,000	37,930,000
Substance Abuse	8,370,000	8,140,000	8,470,000	8,910,000	9,310,000
Other Grants and Benefits	162,610,000	169,180,000	177,400,000	185,960,000	194,670,000
Subtotal	\$1,247,690,000	\$1,316,260,000	\$1,390,530,000	\$1,472,570,000	\$1,555,170,000
		5.5%	5.6%	5.9%	5.6%
Local Aid					
Education Aid	922,220,000	948,350,000	976,700,000	999,390,000	1,029,180,000
Municipal Incentive Aid	10,000,000	10,000,000	10,000,000	-	-
Motor Vehicle Tax Reimbursements	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
PILOT	33,080,000	33,080,000	33,080,000	33,080,000	33,080,000
Distressed Communities	15,380,000	15,380,000	15,380,000	15,380,000	15,380,000
Library Aid	11,270,000	11,720,000	11,630,000	11,520,000	10,880,000
Property Revaluation Prgm	520,000	980,000	1,960,000	960,000	1,800,000
Subtotal	\$1,002,470,000	\$1,029,510,000	\$1,058,750,000	\$1,070,330,000	\$1,100,320,000
		2.7%	2.8%	1.1%	2.8%
Capital					
<i>Debt Service</i>					
General Obligation	89,330,000	98,270,000	95,170,000	99,420,000	90,000,000
Transportation Debt to General Revenue	8,000,000	10,000,000	20,000,000	30,000,000	40,000,000
Historic Tax Credit Program	23,330,000	31,670,000	33,640,000	42,130,000	42,250,000
EDC Job Creation Guaranty	2,500,000	12,510,000	12,500,000	12,450,000	12,380,000
COPS/Other Leases	32,525,000	35,580,000	36,590,000	34,130,000	32,370,000
Convention Center	23,140,000	23,080,000	23,080,000	23,070,000	23,070,000
Performance Based	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
TANS	-	-	-	-	-
<i>Capital Improvements</i>					
Other Projects	6,730,000	6,750,000	6,750,000	6,750,000	6,750,000
Subtotal	\$192,555,000	\$224,860,000	\$234,730,000	\$254,950,000	\$253,820,000
		16.8%	4.4%	8.6%	-0.4%
Total	\$3,399,015,000	\$3,582,307,675	\$3,710,435,734	\$3,843,550,000	\$3,979,410,000
Difference		\$183,292,675	\$128,128,059	\$133,114,266	\$135,860,000
		5.39%	3.58%	3.59%	3.53%

General Revenue Outyear Planning Values

Estimates and Growth	FY2014	FY2015	FY2016	FY2017	FY2018
Personal Income (billions) [1]	\$50.4	\$53.9	\$57.5	\$60.7	\$63.4
<i>Change</i>	5.1%	7.0%	6.5%	5.7%	4.4%
Nonfarm Employment (thousands) [1]	462.8	476.7	491.8	501.1	504.0
<i>Change</i>	1.2%	3.0%	3.2%	1.9%	0.6%
Personal Income Tax					
Wages and Salaries [1]	5.7%	7.0%	7.0%	6.4%	4.8%
Business Corporation Tax [2]	4.8%	9.5%	6.4%	2.8%	3.4%
Provider Tax [3]	1.8%	2.3%	3.5%	3.4%	3.3%
Sales Tax					
Wages and Salaries [1]	5.7%	7.0%	7.0%	6.4%	4.8%
Gasoline Tax					
Real Consumption [4]	3.8%	2.8%	2.0%	2.1%	1.6%
Other Taxes and Departmentals [16]	0.2%	0.2%	1.3%	-0.1%	0.9%
CPI-U (U.S.) [1]	2.5%	2.6%	2.4%	2.3%	2.3%
Salaries and Fringe Benefits					
Salary COLA - [11], CPI-U [1]	2.5%	2.6%	2.4%	2.3%	2.3%
Steps and Longevity Increases [3]	0.0%	0.0%	0.0%	0.0%	0.0%
Medical Benefits Costs [8]	6.0%	7.0%	6.4%	6.0%	5.3%
Retiree Health Costs [13]	7.80%	7.80%	7.80%	7.80%	7.80%
State Employees Retirement Costs [14]	24.05%	24.33%	24.94%	23.88%	23.11%
Home Health Care					
Expenditure Growth [5]	7.4%	7.6%	8.1%	9.0%	9.2%
Nursing Home Care					
Expenditure Growth [6]	4.0%	4.3%	4.6%	5.1%	5.8%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
Managed Care/State Employee Plan					
Expenditure Growth [8]	6.0%	7.0%	6.4%	6.0%	5.3%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
Other DHS Medicaid					
Expenditure Growth [7]	7.8%	8.4%	8.1%	10.4%	8.9%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
BHDDH- Mental Health					
Expenditure Growth [8]	3.9%	4.2%	4.1%	5.2%	4.5%
DCYF Services					
Expenditure Growth [7]	7.0%	7.0%	7.0%	7.8%	7.2%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
BHDDH- MR/DD					
Expenditure Growth [7]	7.0%	7.0%	7.0%	7.8%	7.2%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%
Pharmacy					
Expenditure Growth [9]	10.6%	7.4%	6.1%	9.6%	8.3%
Hospital Care					
Expenditure Growth [15]	5.3%	5.3%	5.8%	6.6%	5.5%

[1] November 2012 Revenue Estimating Conference Consensus Economic Forecast, FY 2013 - FY 2018.

[2] Moody's Economy.com Quarterly U.S. Economic Forecast November 2012, Nominal Corporate Profits Before Tax.

[3] State of Rhode Island Budget Office Estimate; assumed to be covered under salary and wage growth.

[4] Moody's Economy.com Quarterly U.S. Economic Forecast November 2012, Real Gasoline and Oil Consumption.

[5] CMS National Health Expenditures Historical and Projections June 2012, Home Health Care: State and Local Government

[6] CMS National Health Expenditures Historical and Projections June 2012, Nursing Home Care: State and Local Government

[7] CMS National Health Expenditures Historical and Projections June 2012, Total Health Expenditures: State and Local Government

[8] CMS National Health Expenditures Historical and Projections January 2012, 1970-2021, Total Health Expenditures: One half of Private Insurance as proxy

[9] CMS National Health Expenditures Historical and Projections June 2012, Prescription Drugs: State and Local Government

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

[11] Based on CPI.

[13] Reflects funding on an actuarial basis beginning with Fiscal 2011. Pending actuarial analysis as of June 30, 2011 could impact these rates.

[14] Estimate of actuarially required contribution based upon a % of payroll (GRS analysis of RI Retirement Security Act, Nov. 2011)

[15] CMS National Health Expenditures Historical and Projections June 2012, Hospital Care: State and Local Government

State of Rhode Island Budget Office Estimate, Consisting of all Other Taxes plus Departmentals minus Personal Income, Business Corporation,

[16] Health Care Provider Assessment, Sales and Use Taxes and Other Sources

Appendix G

The Budget Process

The Budget Process: A Primer

The purpose of this primer is to clarify the annual budget and appropriations processes.

Appropriation Process. According to Article IX Section 16 of the Rhode Island Constitution, and the Rhode Island General Laws Section 35-3-7, the Governor must present spending recommendations to the Legislature. *The Budget* reflects expenditures for both the current and upcoming fiscal year and identifies the sources of financing for those expenditures.

On or before the third Thursday in January, unless delayed by act of the Legislature, the Governor must submit to the General Assembly a budget containing a complete plan of estimated revenues and proposed expenditures, with a personnel supplement detailing the number and titles of positions of each agency, and estimates of personnel costs for the next fiscal year. Commencing with the Governor's FY 2013 budget, this supplementary personnel information has been merged into the multivolume document entitled *Budget*.

The budget is proposed by the Governor and considered by the General Assembly, which may increase, decrease, alter, or strike out any item in the budget, provided that the action would not cause an excess of appropriations over anticipated revenue receipts. No appropriation in excess of budget recommendations may be made by the General Assembly unless it provides the necessary additional revenue to cover such appropriation. The Governor may veto legislative appropriations, although not on an individual "line item" basis. The Legislature may override any veto by a three-fifths majority vote. Supplemental appropriations measures must be submitted by the Governor to the General Assembly on or before the third Thursday in January. Supplemental appropriations by the General Assembly must also be supported by additional revenues.

The general laws of the state provide that if the General Assembly fails to pass the annual appropriation bill, amounts equal to those appropriated in the prior fiscal year shall be automatically available for expenditure, subject to monthly or quarterly allotments as determined by the Budget Officer. Expenditures for general obligation bond indebtedness of the state shall be made as required regardless of the passage of the annual budget or the amount provided for in the prior fiscal year.

Fiscal Years. It is important when reading the budget to consider which fiscal year is being discussed. The state *fiscal year* runs from July 1 to the following June 30 and is numbered for the calendar year in which it ends (e.g. FY 2012). The *current fiscal year* is the one which ends the coming June. The *actual fiscal years* are the years which concluded in June of the two previous years. The *budget year* refers to the next fiscal year, which begins the July following the Legislature's adjournment. Finally, *out-years* refer to any years beyond the budget year.

By law, *The Budget* must record two actual fiscal years of spending, as well as the Governor's revised spending recommendations for the current fiscal year, and the Governor's full recommendations for the budget year.

Revenue Estimates and Caseload Estimates. Receipt estimates for the current year and budget year are those adopted by the State Revenue Estimating Conference, as adjusted by any changes recommended by the Governor.

The State Revenue Estimating Conference was created by the 1990 General Assembly to provide the Governor and the Assembly with estimates of general revenues. It is composed of the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, with the chair rotating among the three. It must meet no less than twice per year, in November and May, and can be convened at any other time by call of

The Budget Process: A Primer

any member, and must reach consensus on revenues. The 1991 Assembly created a Medical Assistance and Public Assistance Caseload Estimating Conference similar to the Revenue Estimating Conference to adopt cash assistance entitlement caseload estimates. The 1998 Assembly amended the Medical Assistance and Public Assistance Caseload Estimating Conference to estimate medical assistance expenditures, upon which the Governor's expenditures budget shall be based, and the appropriations by the assembly shall be made.

The consensus revenue estimate is the official revenue projection for general revenue. Estimates of revenues for federal funds, restricted receipts, and other funds are prepared by individual state agencies, reviewed by the Budget Office, and included in *The Budget*.

Classification of State Spending. The State of Rhode Island classifies state spending by function of government and by category of expenditure.

Function of government classifies expenditures by grouping agencies that make expenditures for similar programs and purposes. There are six functions of government defined in *The Budget*: General Government, Human Services, Education, Public Safety, Natural Resources, and Transportation.

The following explains the six functions of government included in *The Budget*.

General Government includes the administrative and regulatory functions of state government. Certain elected officials (Governor, Lieutenant Governor, General Treasurer, Secretary of State), the Legislature, and the Department of Administration are agencies that perform an administrative function. The Department of Business Regulation, the Department of Labor and Training, and the Public Utilities Commission are examples of agencies that perform a regulatory function. The Department of Revenue coordinates revenue collection activities of several state divisions.

Human Services includes agencies that provide services to individuals. These services provided include: the care of the disabled by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; child protective and social services provided by the Department of Children, Youth and Families; health programs at the Department of Health and the Executive Office of Health and Human Services; financial assistance and social services provided by the Department of Human Services; and pharmaceutical assistance and home health care at the Division of Elderly Affairs. The Executive Office of Health and Human Services centrally coordinates the legal, budgetary, and policymaking activities of the Human Services agencies.

The *Education* function provides educational services to Rhode Islanders. The State Board of Regents for Elementary and Secondary Education and the Board of Governors for Higher Education provide direct education services, while services provided by the Rhode Island Telecommunications Authority are indirect in nature.

Public Safety is the function that provides safety and security services to Rhode Island citizens. Agencies in this function include the Department of Corrections, the Judiciary, the Attorney General and the Department of Public Safety.

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The *Natural Resources* function protects the natural and physical resources of the state and regulates the use of those resources. Agencies included in this function are the Department of Environmental Management and the Coastal Resources Management Council.

Transportation includes the Department of Transportation, which is the only agency in this function. It is responsible for maintaining and constructing highways in Rhode Island, and for planning and financing all surface transportation modes.

Categories of expenditure classify expenditures by budgeting and accounting objects of expenditure: personnel; state operations; aid to local units of government; assistance, grants, and benefits; and capital. Objects of expenditures define how funds are encumbered and expended.

Personnel includes the salaries, wages, and benefits of state employees, as well as personnel services purchased from outside contractors and vendors.

Operating Supplies and Expenses include expenses incurred while conducting the day-to-day business of state government. This category is often referred to simply as "operating". Operating expenses comprise non-personnel expenditures for operations of state government, including facilities maintenance, program and office supplies, rental of outside property, telecommunications, and insurance.

Aid to Local Units of Government is payments made to governmental units that provide services at the local level. Education Aid to local school districts is an example.

Assistance, Grants and Benefits constitutes payments to individuals and agencies which are not governmental units. Drugs, medicine and nursing facilities for the Medicaid programs, the pharmaceutical assistance program for the elderly, and cash assistance payments for the Rhode Island Works, Supplemental Security Income, and Child Care Assistance entitlements are a few examples.

Capital Purchases and Equipment include capital improvements and new capital construction financed via the Rhode Island Capital Plan Fund (RICAP), general revenues, or federal funds. Please note that the majority of capital improvements, supported by other forms of financing (i.e. state debt instruments), are generally found in the *Capital Budget*.

Debt Service includes payments on short term tax anticipation notes, long term general obligation bonds, Rhode Island Refunding Bond Authority lease payments, certificates of participation payments for the Intake Service Center, Attorney General's administrative office, Information Technology, and the Rhode Island School for the Deaf; and lease payments to the Convention Center Authority.

Operating Transfers include inter-fund and inter-agency transfers of financial resources.

State Employees. A major part of the state operations category of expenditures is salary and wage payments to employees. Public service in state government is divided into the classified service, unclassified service, and non-classified service. The classified service comprises all positions in state service, now existing or to be created, except as specifically provided under R.I.G.L. 36-4-2 for unclassified employees and R.I.G.L. 16-59-7 for Higher Education non-classified employees. The classified service is divided into a competitive branch and a non-competitive branch. Employees hired to fill positions in the classified service must be hired on the basis of merit and fitness. The non-competitive branch includes positions that require the performance of routine tasks, or those that require licenses, certificates, or registrations. These employees

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are also promoted and discharged on the basis of rules and regulations established and administered by the Rhode Island State Employees Merit System.

Certain positions are specifically designated for inclusion in the unclassified service. These positions are defined to include those in specific agencies, or types of agencies for specific purposes. Examples are employees of the Legislature, elected officials, and employees of the courts. Compensation for unclassified positions is governed by the Unclassified Pay Board and other matters are governed by rules and regulations of the unclassified system.

State service also includes special types of positions. In addition to regular full-time positions, there are *seasonal* positions in the classified service. Such positions may require the employee to work an irregular schedule such that the employee is on call when needed, or for only a portion of the year, and only for a maximum of 925 hours in a 12-month period. Employees of the Department of Environment Management who staff the state's parks, beaches, and wildlands in the summer are an example of seasonal employees.

Financing of State Spending. Frequent reference is made in *The Budget* to "general revenue" expenditures and expenditures from "all funds". Expenditures from all funds include both general revenue expenditures and expenditures from federal funds, restricted receipts, and other or special revenue funds.

General revenue receives the most attention in the budget because it is the largest of the "uncommitted" revenue sources available to the state. It is also the fund to which most general tax receipts are credited. The Legislature may appropriate general revenue dollars for any purpose.

Federal funds, restricted receipts, and other funds, by contrast, are dedicated to specific purposes. For example, the Legislature may not appropriate monies from the Unemployment Insurance Fund to build new prisons. Other funds include the University and College Funds, the Transportation Fund, the Unemployment Insurance Fund, the Temporary Disability Insurance Fund, and the Rhode Island Capital Plan Fund.

Within the budget documents, schedules contain expenditure data for two actual fiscal years, the current fiscal year and the budget year. The schedules display agency data by fund source for All Funds, General Revenue, Federal Funds, Restricted Receipts, and Other Funds.

Rhode Island Capital Plan Funds. On November 7, 2006, Rhode Island voters approved a constitutional amendment limiting state expenditures commencing in FY 2008 such that appropriations do not result in general fund expenditures exceeding 98.0 percent of general fund revenues in FY 2008, and 97.0 percent in FY 2012 and thereafter. This amendment to the Rhode Island Constitution has also restricted, as of July 1, 2007, the use of excess funds in the Rhode Island Capital Fund solely for capital projects. Previously, the fund could be used for debt reduction, payment of debt service, and capital projects. Also, the constitutional amendment increased the budget reserve account by limiting annual appropriations to ninety-seven (97%) percent of estimated revenues and increasing the cap on the budget reserve account to five (5%) percent of estimated revenues. During the 2007 Session of the General Assembly, a statutory schedule was enacted to provide for incremental decreases of 0.2 percent to gradually move spending from 98 percent of revenues to 97 percent of revenues. Additionally, the budget reserve account maximum balance would be gradually increased by increments of 0.4 percent to gradually move from 3.0 percent to 5.0 percent of resources. In FY 2013, the spending is limited to 97.0 percent of revenues and the budget reserve fund is capped at 5.0 percent of resources.

Additionally, during the 2007 Session of the General Assembly, a law was enacted which requires that

The Budget Process: A Primer

revenues received in excess of the amount estimated in the enacted budget, net of reserve fund contributions, would be transferred to the State Retirement Fund upon completion of the post audit.

Budget Basis. *The Budget* is prepared on the same basis that the state's year end financial statements, which is a modified accrual basis. Briefly, this means that obligations of the state are budgeted as expenditures if the goods or services are expected to be received during the fiscal year, regardless of whether a cash payment is expected to be made by the state by June 30th of that year. Revenues are estimated on the basis of when they are "earned" by the state. For example, the estimate of gas tax revenues reflects twelve months of revenues. However, due to a one month difference in the time the liability is incurred and the actual cash payment is made by the taxpayer, the revenue estimate reflects cash received from August through July.

The Comprehensive Annual Financial Report (CAFR) shows the status of the state's finances on the basis of "generally accepted accounting principles" (GAAP). Every attempt is made in preparing the budget to ensure that it is consistent with the auditing standards upon which the state's financial position will be determined.

Program Performance Measures. The current administration continues in its effort to develop and track measures of the performance of state agencies and departments. The performance measures included in the FY 2013 budget are derived from the on-going process to identify and refine measures for state decision-makers to evaluate on an annual basis. With few exceptions, all executive branch agencies, and most other government offices, have developed a mature set of program performance measures. These measures are included on the agency and program financing pages in *The Budget*. In some cases where no measures are identified, the process of developing measures continues. Performance measures for general officers and agency central management units are not required, indicated by NA (not applicable).

The Budget Process. Production of a budget is a continuous process. It does, however, have certain discrete phases. In the Executive Branch, the budget process begins as soon as the legislative session ends. At that time the budget staff prepares the *Budget as Enacted* which reflects the budget enacted by the Legislature.

In the spring and early summer, budget instructions and allocations are distributed by the Budget Office to state agencies. At those times, agencies are instructed by the Budget Office to prepare a capital and operating budget. The capital budget contains a five-year capital improvement plan.

Agencies are requested to prepare operating budgets at specified target levels for submission on or before September 15 or as specified by the Budget Officer. Agencies may also be allowed the opportunity to request additional funding through special white papers, separate from the agency's budget request.

The individual budgets submitted by the state agencies show program expenditures, with appropriate funding sources for each program within the agency. These data are shown for the actual year, the current year, and the target for the budget year.

In the fall and early winter, analysts in the Budget Office review agency budget requests. The Budget Office staff prepares recommendations for the Governor. An analysis of items added or reduced from the target request is presented to the Governor. The analysis includes the basis for the agency's request and the Budget Office recommendation and the basis for it. The Governor then makes a budget determination. This process is repeated for all issues in all agencies. These decisions form the Governor's recommendations. The Budget Office compiles the individual recommendations, aggregates them, and prepares *The Budget*. *The Budget*

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reflects the revised current year funding plan submitted to the Legislature on the third Thursday in January, as well as the budget year funding plan.

During this same period between September and the start of the legislative session, House and Senate fiscal staffs also have the agency budget requests for analysis. Following receipt of the Governor's recommendations, the legislative fiscal analysts begin their analysis of the recommendations of the Governor.

The Governor's budget recommendations traditionally are incorporated in one omnibus appropriations bill, which normally includes articles containing any statutory changes which would be required to implement the Governor's budget.

The following table summarizes the **budget calendar** during the budget cycle:

Mid-July	Capital Budget Requests due to Budget Office.
Late July	Budget Instructions and Funding Targets distributed to Agencies.
Mid September	Budget requests of Agencies with enacted budget of \$7.0 million or less due to Budget Office.
Late Sept./ Early Oct.	Budget requests of Agencies with enacted budget of over \$7.0 million due to Budget Office.
Oct./Nov.	Agency Meetings to review Budget Recommendations.
Late Dec./ Early Jan.	Gubernatorial Decisions on current year supplement and budget year recommendations.
3 rd Thursday in January	Statutory date for current-year Governor's Supplemental Appropriation bill submitted to Legislature.
3 rd Thursday in January	Statutory date for budget-year Governor's Budget Recommendation bill submitted to Legislature.

Consideration by House of Representatives and Senate. Appropriation bills are introduced into the House and are first considered by the House Finance Committee. The Senate Finance Committee also begins hearings on the budget bill, as introduced by the Governor. The chairpersons of the committees appoint subcommittees to consider appropriations for various agencies. Subcommittees vary in size, usually between two and five persons. After reviewing the budget requests and the Governor's budget, the subcommittees recommend adjustments to the full committee for consideration. A committee may adjust the recommendations of its subcommittee. Appropriation bills are reprinted to reflect the recommendations of the full committee. The bill is then presented to the full House, and upon passage is transmitted to the Senate. The process for review of an appropriation bill in the Senate mirrors the steps followed in the House of Representatives. Usually, however, consideration by the Senate occurs in a much shorter span of time. Once the bill is presented and approved by the full Senate, the Governor has three options: 1) sign the bill into law, 2) veto the bill, or 3) allow the bill to become law without signature (after six days, Sundays excepted, the bill automatically becomes law without the Governor's signature). The General Assembly may overturn the Governor's veto with a three-fifths vote in each house.

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Suzanne Amerault**Programming Services Officer**

Personnel Actions
Employee Contract Tracking
Office Management
Information Statement

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Department of Labor and Training
Lieutenant Governor
Secretary of State
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Capital Budget Database

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Department of Health
Governor's Commission on Disabilities
Commission on the Deaf and Hard of Hearing
Child Advocate
Mental Health Advocate

Steve Collum**Budget Analyst I/Economist**

Monthly Revenue Report
Revenue Estimating
Five Year Forecast
Economic Impact Studies

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Department of Transportation
Rhode Island Airport Corporation
Rhode Island Public Transit Authority
Rhode Island Turnpike and Bridge Authority
Public Telecommunication Authority
Quonset Development Corporation

Bill Golas**Senior Budget Analyst**

Public Higher Education
Department of Business Regulation
Higher Education Assistance Authority
Atomic Energy Commission
College Crusade of Rhode Island
Health and Educational Building Corporation
Student Loan Authority

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Treasury Department
Judicial
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Department of Public Safety
Office of the Attorney General
Resource Recovery Corporation

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Department of Corrections
Military Staff
Coastal Resources Management Council
Office of the Public Defender
Clean Water Finance Agency
Narragansett Bay Commission

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OPEB Board (Chair)
Commission on Human Rights
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Department of Administration
Department of Revenue
R.I. Ethics Commission
Convention Center Authority
Appropriations Act
NASBO Surveys
Capital Development, Planning and
Oversight Commission
Housing Resources Commission
Capital Center Commission
Economic Development Corporation
Rhode Island Housing and Mortgage Finance
Corporation
Rhode Island Industrial Facilities Corporation
Rhode Island Industrial Recreational Building
Authority
Water Resources Board Corporate

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Elementary & Secondary Education
Historical Preservation & Heritage Commission
R.I. Council on the Arts

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