

State of Rhode Island and Providence Plantations

Technical Appendix



Fiscal Year 2019

Gina M. Raimondo, Governor

Overview

The FY 2019 Recommended Budget addresses a projected operating deficit of nearly \$204.1 million, while investing in key areas to improve the State’s overall financial outlook. The FY 2019 Budget reflects ongoing improvements in the State’s overall financial condition over the past several years. FY 2017 closed with a surplus of \$61.7 million, representing the eighth year in a row the State has closed with a strong surplus. The following outlines the FY 2018 Revised and the FY 2019 Recommended Budgets as proposed by Governor Raimondo on January 18, 2018.

Investment in Growth

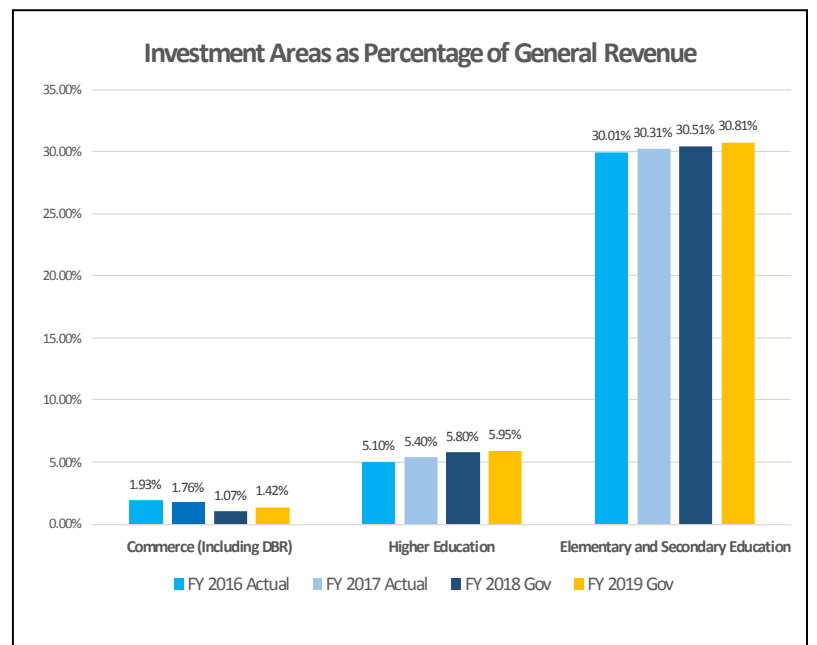
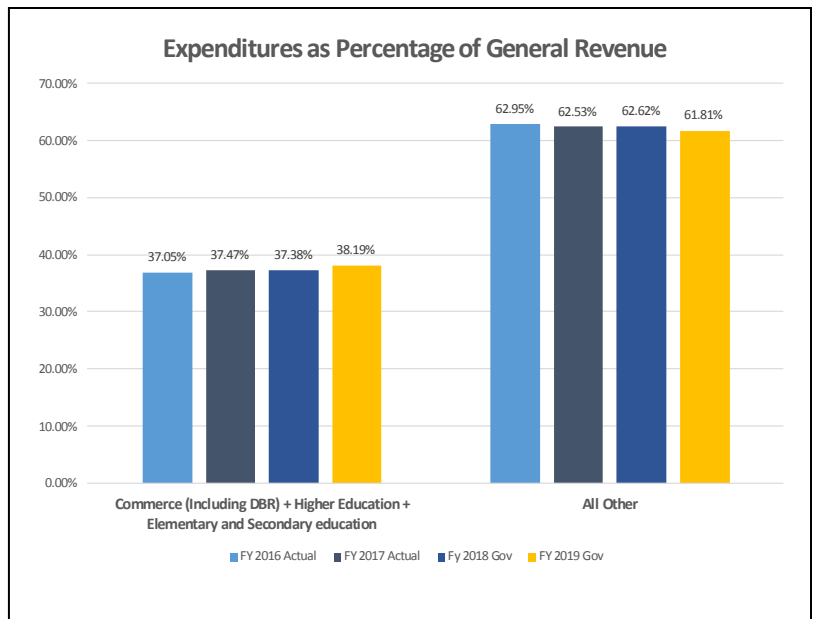
The Raimondo Administration aims to rebalance state expenditures by constraining consumption-oriented spending – for example, health care and benefits programs – and increasing investments such education and workforce training, economic development, and infrastructure. The enacted FY 2018 budget included a Medicaid reform proposal to reduce consumption while increasing funds for economic development and education.

The FY 2019 budget continues the Governor’s goal toward investment, specifically in elementary and secondary education, higher education, and economic development.

As seen in the charts on this page, the FY 2019 budget continues the shift toward investment, specifically elementary and secondary education, higher education, and economic development. Total investment in these three areas climbed from 37.0 percent of general revenue expenditures in FY 2016 to 38.2 percent in FY 2019.

FY 2019 Recommended Budget: Governor Raimondo recommends an all funds budget totaling \$9,377.6 million for FY 2019, a decrease of \$84.6 million, or 0.9 percent, from the FY 2018 Revised Budget of \$9,462.2 million. The \$84.6 million decrease includes reductions of \$130.0 million in federal funds and \$44.0 million from the Rhode Island Capital Plan Fund. Offsetting these reductions are increases of \$22.6

million in general revenue, \$9.6 million from restricted receipts, and \$57.2 million from other funds. Of the \$9,377.6 million budget, \$3,829.3 million, or 40.8 percent, is from general revenue; \$3,092.1 million, or 33.3 percent, is from federal funds; \$2,170.8 million, or 23.1 percent is from other sources; and \$285.4 million, or 3.0



Overview

percent, is from restricted or dedicated fee funds. The Governor's FY 2019 Recommended Budget includes 15,426.3 authorized full-time equivalent (FTE) positions, which is 240.1 FTE positions greater than what is included in the Governor's FY 2018 Revised Budget Plan and 266.1 FTE positions more than what was included in the FY 2018 Enacted Budget.

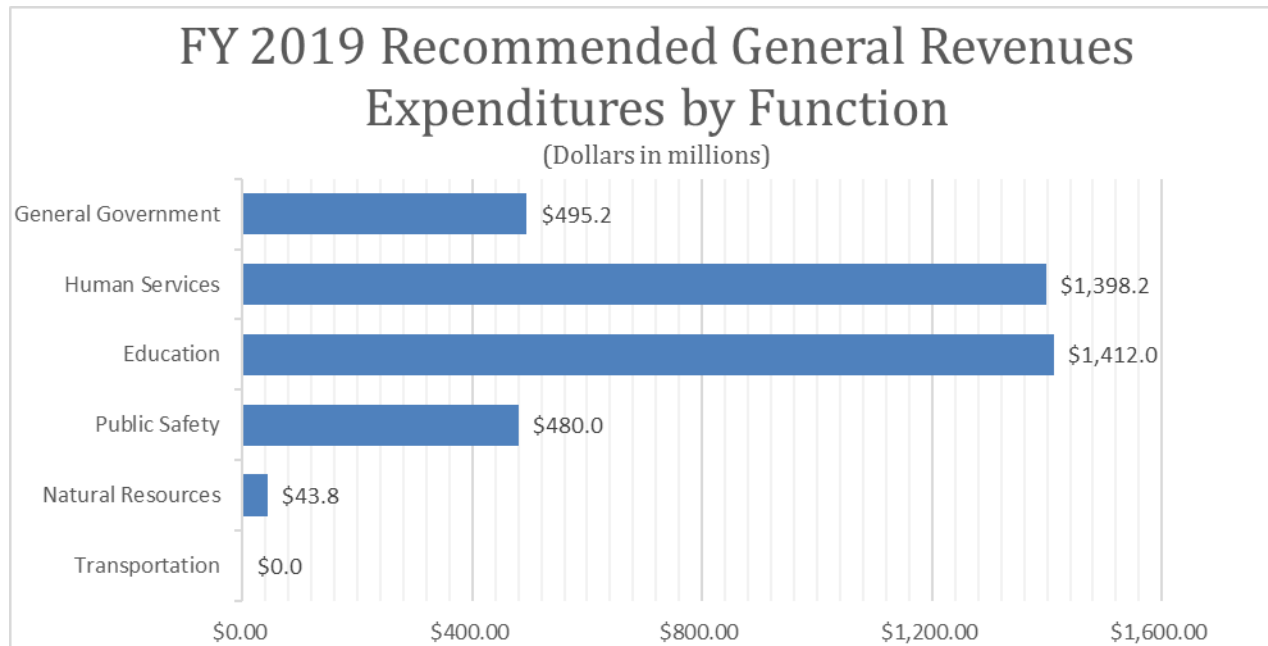
Recommended FY 2019 general revenue funding of \$3,829.3 million represents an increase of \$61.9 million, or 1.6 percent, over the FY 2018 enacted budget of \$3,767.4 million, and is 0.6 percent higher than the FY 2018 revised budget proposed by the Governor (\$3,806.7 million). Revised recommended FY 2018 federal funding of \$3,092.1 million is a decrease of \$42.1 million, or 1.3 percent, below the FY 2018 enacted budget, and is \$130.0 million below the FY 2018 revised budget (\$3,222.0 million). Other funds and operating transfers increase from \$2,079.2 million in the FY 2018 enacted budget to \$2,170.8 million in the FY 2019 Budget. Financing from restricted receipts increases from the FY 2018 enacted budget by \$23.4 million to \$285.4 million.

FY 2018 Revised Budget: Governor Raimondo recommends a revised all funds budget totaling \$9,462.2 million for FY 2018, an increase of \$219.4 million, or 2.4 percent, from the FY 2018 Enacted Budget of \$9,242.8 million. Of this total, \$3,806.7 million, or 40.2 percent, is from general revenue, \$3,222.0 million, or 34.1 percent, is from federal funds, \$2,157.7 million, or 22.8 percent, is from other sources, and \$275.8 million, or 2.9 percent, is from restricted or dedicated fee funds. The Governor's FY 2018 Revised Budget includes 15,186.2 authorized FTE positions, which is 26.0 FTE positions higher than included in the FY 2018 Enacted Budget.

Recommended FY 2018 general revenue funding of \$3,806.7 million represents a net increase of \$39.4 million, or 1.0 percent, from the FY 2018 enacted budget of \$3,767.4 million, and is 3.7 percent higher than the FY 2017 actual expenditure (\$3,672.5 million). Federal funds increase from \$3,134.1 million in the FY 2018 enacted budget to \$3,222.0 million in the revised FY 2018 budget. Other funds and operating transfers increase from \$2,079.2 million in the FY 2018 Enacted Budget to \$2,157.7 million in the revised FY 2018 budget.

Expenditure Plan by Function: Expenditures from general revenue are projected to total \$3,829.3 million for FY 2019, increasing by \$22.6 million over FY 2018 revised spending levels. Expenditures are divided into five functional areas aligned with state departments and agencies: General Government, Health and Human Services, Education, Public Safety, and Natural Resources.

Overview



Education is the largest component of State spending, totaling \$1,412.0 million, or 36.9 percent of general revenue spending. This includes state support for local education aid, support for the state university and colleges, and scholarships. The Governor's budget implements the eighth year of the education funding formula and increases support for early childhood programs. The FY 2019 budget also increases funding to higher education by \$3.0 million for performance-based incentive funding and by \$3.6 million for the Governor's Rhode Island Promise Scholarship program, which provides free tuition to the Community College of Rhode Island for students that meet eligibility requirements.

Health and Human Services agencies are the second largest component of the budget. General revenue expenditures total \$1,398.2 million, representing 36.5 percent of the total general revenue budget. The agencies 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. The Governor's budget continues to constrain cost growth in these areas while focusing on improving outcomes. The budget implements Medicaid reform efforts begun in FY 2016 and continues initiatives to improve the child welfare system, state hospitals, and services provided to people with developmental disabilities.

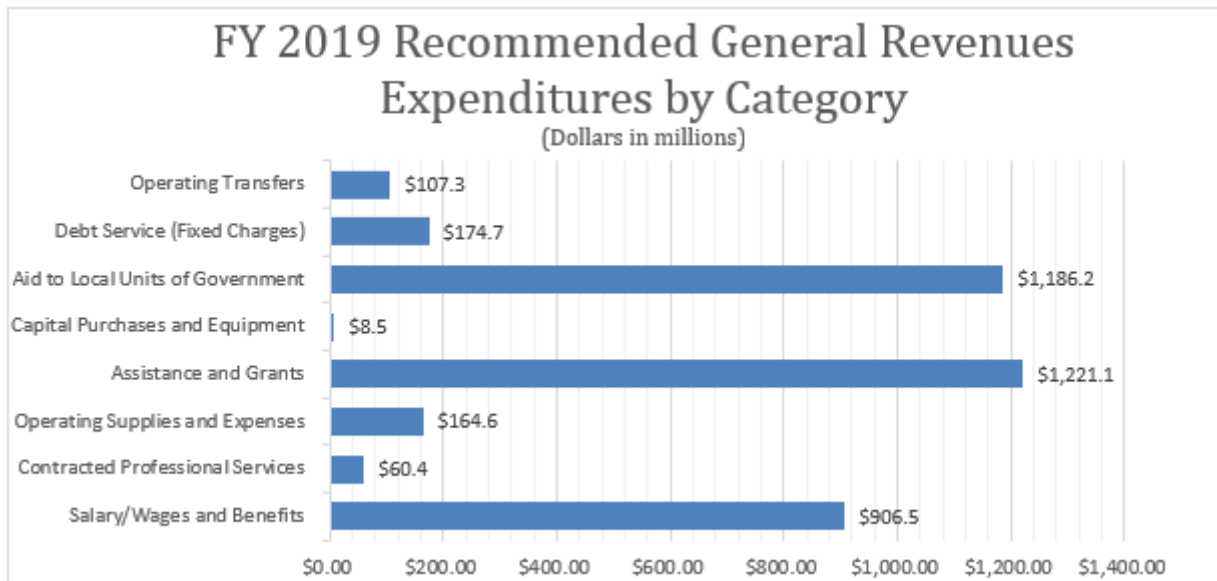
General revenue expenditures for General Government and Public Safety comprise \$495.2 million (12.9 percent) and \$480.0 million (12.5 percent), respectively. General Government include state operations, state aid to municipalities, and direct property tax relief. Public Safety includes the state prisons, Military Staff, RI Emergency Management Agency, State Police, Attorney General, and Judicial departments.

Finally, general revenue expenditures for Natural Resources comprise \$43.8 million, or 1.1 percent of total general revenue funding. The Natural Resources function includes the Department of Environmental Management and the Coastal Resources Management Council.

Overview

Transportation expenditures are financed by dedicated gasoline taxes and are not a component of general revenue spending.

Expenditures by Category: General revenue expenditures are also sorted into eight categories to group similar types of expenditures across departments. The largest general revenue categories are grants, local aid and personnel. Grants and assistance expenditures total \$1,221.1 million, comprising 31.9 percent of total general revenue spending in FY 2019. Local aid expenditures of \$1,186.2 million represent 31.0 percent of total spending, which includes fully funding the eighth year of the school aid formula. Personnel expenditures and contracted services of \$967.0 million represent 25.3 percent of the budget. Operating expenditures total \$164.6 million, or 4.3 percent of the budget; and capital expenditures, including debt service, and operating transfers total \$290.5 million, or 7.6 percent of the total general revenue budget.



Expenditures on grants and benefits represent \$1,221.1 million, or 31.9 percent of general revenue spending in FY 2019. More than 90.0 percent of these expenditures occur in the Health and Human Services function. Governor Raimondo's budget continues initiatives to control costs and deliver better health outcomes to Rhode Islanders.

Local aid represents \$1,186.2 million of general revenue spending in FY 2019, or 31.0 percent. The largest component of local aid is education aid, totaling \$1,153.1 million. General revenue funding for local education aid increases by \$18.4 million in FY 2019 over the FY 2018 revised funding level. The Governor's budget provides \$13.5 million for year eight of the K-12 education funding formula, as well as \$1.1 million more in categorical funding for early childhood programs.

The Governor recommends changes to local K-12 education aid in FY 2018 arising from proposals of the Fair Funding Formula Working Group established in late 2016 to review the existing formula. It continues to fund an

Overview

English Language Learners weighting component to the formula and adjusts the allocation of funds to school districts and charter schools to reflect local costs and conditions.

The third-largest category, personnel and contracted services, includes \$967.0 million in FY 2019, or 25.3 percent of general revenue expenditures.