Budget Briefings, Publications & Hearings

- Dec 12 – Budget Status
- Jan 22 – Budget at First Glance
- Jan 29 – Expanded Budget at a Glance
- Jan 30 – Governor’s Budget Overview
- Feb and March – Article hearings and Agency Budget Hearings
Five Year Forecast

- Background
  - Snapshot of Governor’s budget projections

- Details on Components
  - Economic Forecast
  - Revenues
  - Expenditures
Five-Year Forecast

- **35-3-1 Budget officer - General powers and duties...**
  - (6) Prepare a five (5) 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 § 35-3-7
Five-Year Forecast

- First required in 1984 – as an annual report due in April
- 1996 Assembly amended the law to require its submission with the budget
- Important indicator of structural soundness of the budget presented and the state’s finances in general
Five-Year Forecast

- Governor’s Budget - Executive Summary contains 14 page explanation of the out-year forecast
- Describes purpose, limitations and risks to the forecast presented
- Narrative and tables explaining assumptions
Governor’s Budget Explains:

- Purpose is to provide a baseline fiscal outlook
- Subject to a variety of risks and uncertainties that could alter the results
  - national economic and business conditions,
  - political or legal impediments
Budget and Out Years: Governor FY 2014

Revenues vs. Expenditures

- Current Useable Revenues
- Current Expenditures

[Graph showing the comparison between revenues and expenditures from FY 2011 to FY 2018]
## Out Years Deficits Estimates

<table>
<thead>
<tr>
<th></th>
<th>Estimate (millions)</th>
<th>Share of Useable Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015*</td>
<td>$(147.2)</td>
<td>4.3%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$(254.5)</td>
<td>7.4%</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$(377.8)</td>
<td>10.9%</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$(468.9)</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

*correction inadvertent $22 million error
Revenue growth is based on the November 2012 Consensus Economic Forecast

- Internal models for different tax types
- Often differ from House Fiscal models
- Include Governor’s proposed revenue changes
- Attempts to reflect impact of Massachusetts Casinos
Expenditure growth is based on multiple measures and assumptions

- November 2012 Consensus Economic Forecast for inflation
- Variety of national medical expenditure models
- Adjustment for specific proposals in Governor’s Budget
- Policy Choices
Economic Forecast
Economic Forecast

- Revenue Estimating Conference adopts a consensus economic forecast
  - It takes testimony from Moody’s Economy.com
  - The firm builds U.S. macroeconomic models from which they derive their Rhode Island forecasts
Economic Forecast

November forecast worse than May

- Personal income, jobs, wage & salary growth rates all lower and slower in short term
- RI recovery continues to lag U.S.
- Slower jobs recovery – job losses began in 2007 not regained until 2016 – May forecast was 2015
Consensus Economic Forecast

Forecast Differences - Jobs

Thousands


May-09 Nov-09 May-10 Nov-10
May-11 Nov-11 May-12 Nov-12

17
Consensus Economic Forecast

Wage and Salary Income Growth

-6.0%  -4.0%  -2.0%  0.0%  2.0%  4.0%  6.0%  8.0%


May-09  Nov-09  May-10  Nov-10  May-11  Nov-11  May-12  Nov-12
Employment – Unemployment

- Jobs Growth
- Unemployment Rate
Employment Growth

Jobs Growth - RI Currently Underperforming

-5.00%  -4.00%  -3.00%  -2.00%  -1.00%  0.00%  1.00%  2.00%  3.00%  4.00%


-5.00%  -4.00%  -3.00%  -2.00%  -1.00%  0.00%  1.00%  2.00%  3.00%  4.00%

US  Rhode Island
Unemployment Rates

RI has Consistently Higher Unemployment

[Graph showing unemployment rates from 2001 to 2017 for the US and Rhode Island, with RI consistently higher throughout the period.]
Risks to the Forecast

- Economic Forecast assumed resolution of the "Fiscal Cliff"
  - Half the "sequestration" of federal grants will take place
  - Expiration of Bush Tax Cuts for incomes over $250K
  - Reinstatement of full payroll tax (2%)
Revenues
Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
  - FY 2012 were more than anticipated
  - FY 2013 collections ahead/holding
  - FY 2014 consensus estimates close to staff estimates
  - Economic forecast is for slow recovery
  - Staff out-year projections assume affects of gaming in Mass starting in FY 2015
Revenues

Personal Income Growth - RI Underperforms

-6.0% -4.0% -2.0% 0.0% 2.0% 4.0% 6.0% 8.0% 10.0%

2001 2003 2005 2007 2009 2011 2013 2015 2017

US Rhode Island
Revenue Drivers

2001 2003 2005 2007 2009 2011 2013 2015 2017

Personal Income  Wages and Salaries

-4.0%  -2.0%  0.0%  2.0%  4.0%  6.0%  8.0%
Income and Sales

$600  $700  $800  $900  $1,000  $1,100  $1,200  $1,300  $1,400  $1,500


- PIT
- Sales

Proj.
Sources: FY 2014 Governor

- Federal Grants
- University & College
- All Other
- UI & TDI
- Lottery
- Business Taxes
- Rest. Recpt
- Departments
- Other Taxes
- Gas Tax
- PIT
- Sales
- Rest. Recpt
- Departments
- Business Taxes
- Lottery
- UI & TDI
- All Other
- Univ. & College
- Other Taxes
- Gas Tax
- PIT
- Sales
- Rest. Recpt
- Departments
- Business Taxes
- Lottery
- UI & TDI
- All Other

$0 - $3,000
# Revenue Detail: Gov. 5-Year

<table>
<thead>
<tr>
<th>Tax</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Pers. Income</td>
<td>$1,130.8</td>
<td>$1,190.7</td>
<td>$1,248.7</td>
<td>$1,289.5</td>
<td>$1,319.9</td>
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<tr>
<td>Gen. Business</td>
<td>382.7</td>
<td>391.7</td>
<td>398.3</td>
<td>403.1</td>
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<td>Sales &amp; Use</td>
<td>1,103.6</td>
<td>1,121.3</td>
<td>1,141.5</td>
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<td>1,175.4</td>
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<td>Other Taxes</td>
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<td>44.3</td>
<td>45.5</td>
<td>47.0</td>
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<td>Departments</td>
<td>353.3</td>
<td>349.2</td>
<td>354.6</td>
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<td>359.9</td>
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<td>Other</td>
<td>412.8</td>
<td>420.1</td>
<td>374.4</td>
<td>321.7</td>
<td>302.6</td>
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<td><strong>Total</strong></td>
<td><strong>$3,426.4</strong></td>
<td><strong>$3,517.3</strong></td>
<td><strong>$3,562.8</strong></td>
<td><strong>$3,572.9</strong></td>
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<td><strong>Change</strong></td>
<td><strong>2.9%</strong></td>
<td><strong>2.7%</strong></td>
<td><strong>1.3%</strong></td>
<td><strong>0.3%</strong></td>
<td><strong>1.3%</strong></td>
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</table>
## Revenue Detail: Gov. 5-Year

<table>
<thead>
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<th>Tax</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pers. Income</td>
<td>4.8%</td>
<td>5.3%</td>
<td>4.9%</td>
<td>3.3%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Gen. Business</td>
<td>-0.4%</td>
<td>2.4%</td>
<td>1.7%</td>
<td>1.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Sales &amp; Use</td>
<td>2.3%</td>
<td>1.6%</td>
<td>1.8%</td>
<td>1.4%</td>
<td>1.6%</td>
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<tr>
<td>Other Taxes</td>
<td>4.1%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>3.4%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Departments</td>
<td>0.4%</td>
<td>-1.2%</td>
<td>1.5%</td>
<td>-0.1%</td>
<td>1.6%</td>
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<tr>
<td>Other</td>
<td>4.2%</td>
<td>1.7%</td>
<td>-10.9%</td>
<td>-14.1%</td>
<td>-5.9%</td>
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<tr>
<td>Total</td>
<td>2.9%</td>
<td>2.7%</td>
<td>1.3%</td>
<td>0.3%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
Revenue Detail

- General Business Taxes
  - Business Corporation
  - Public Utilities
  - Financial Institutions
  - Insurance Companies
  - Bank Deposits
  - Health Care Providers
Revenues

- Corp. Income Tax Rate Phased ($8.0M)
- Jobs Dev. Act Phased - $2.4M
- Eliminate Enterprise Zone - $0.3M
- Special Investigation Tax Unit - $1.25M
### Article 9 Fiscal Impact

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<th>2018</th>
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<tr>
<td>Entp. Zone</td>
<td>$0.3</td>
<td>$0.6</td>
<td>$0.7</td>
<td>$0.7</td>
<td>$0.7</td>
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<tr>
<td>Rate Cut</td>
<td>(8.0)</td>
<td>(21.1)</td>
<td>(31.1)</td>
<td>(36.7)</td>
<td>(37.6)</td>
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<tr>
<td>Jobs Credit</td>
<td>2.4</td>
<td>7.5</td>
<td>10.4</td>
<td>10.8</td>
<td>11.0</td>
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<tr>
<td>Total</td>
<td>($5.3)</td>
<td>($12.9)</td>
<td>($20.1)</td>
<td>($25.2)</td>
<td>($25.9)</td>
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</table>
Revenue Detail

- Sales and Use Taxes
  - Sales and Use
  - Motor Vehicle
  - Motor Fuel
  - Cigarettes
  - Alcohol
  - Controlled Substances
Revenue Detail

- **Other Taxes**
  - Inheritance and Gift
  - Racing and Athletics
  - Realty Transfer Tax
- **Departmental fees, fines, licenses**
- **Other Sources**
  - Lottery Commission Receipts
  - Unclaimed Property
Expenditures
General Revenues by Function: Governor FY 2014

- Gen. Govt., 13.4%
- Human Svcs., 39.3%
- Nat. Res., 1.1%
- Public Safety, 12.2%
- Education, 34.0%
General Revenues by Category: Governor FY 2014

- Local Aid, 29.5%
- Personnel & Operating, 27.9%
- Asst., Grants, Benefits, 36.7%
- Capital, 5.7%
- Operating Xfers, 0.2%
<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015*</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>State Operations</td>
<td>$956.3</td>
<td>$989.7</td>
<td>$1,026.4</td>
<td>$1,045.7</td>
<td>$1,070.1</td>
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<tr>
<td>Grants &amp; Benefits</td>
<td>1,247.9</td>
<td>1,316.3</td>
<td>1,390.5</td>
<td>1,472.6</td>
<td>1,555.2</td>
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<td>Local Aid</td>
<td>1,002.5</td>
<td>1,029.5</td>
<td>1,058.8</td>
<td>1,070.3</td>
<td>1,100.3</td>
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<tr>
<td>Capital</td>
<td>192.6</td>
<td>224.9</td>
<td>234.7</td>
<td>255.0</td>
<td>253.8</td>
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<td>Total</td>
<td>$3,399.0</td>
<td>$3,560.3</td>
<td>$3,710.4</td>
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<td>$3,979.4</td>
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<td>Change</td>
<td>4.0%</td>
<td>4.7%</td>
<td>4.2%</td>
<td>3.6%</td>
<td>3.5%</td>
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<tr>
<td>Revenues</td>
<td>2.9%</td>
<td>2.7%</td>
<td>1.3%</td>
<td>0.3%</td>
<td>1.3%</td>
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</tbody>
</table>

*inadvertently overstated by $22M in totals – Reported as $3,582.3
## State Operations

<table>
<thead>
<tr>
<th>Detail</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>2.5%</td>
<td>2.6%</td>
<td>2.4%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Medical</td>
<td>6.0%</td>
<td>7.0%</td>
<td>6.4%</td>
<td>6.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Retirement</td>
<td>2.5%</td>
<td>3.8%</td>
<td>5.0%</td>
<td>-2.1%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Benefits</td>
<td>2.5%</td>
<td>2.6%</td>
<td>2.4%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Contracted</td>
<td>2.3%</td>
<td>2.6%</td>
<td>2.4%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Operating</td>
<td>-3.0%</td>
<td>0.7%</td>
<td>7.5%</td>
<td>-0.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Total</td>
<td>-3.2%</td>
<td>3.5%</td>
<td>3.7%</td>
<td>1.9%</td>
<td>2.3%</td>
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### State Operations

<table>
<thead>
<tr>
<th>Detail</th>
<th>FY 2014</th>
<th>4 Yr. Avg. Growth</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$499.5</td>
<td>2.3%</td>
<td>No COLA</td>
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<tr>
<td>Medical</td>
<td>119.9</td>
<td>5.3%</td>
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<tr>
<td>Retirement</td>
<td>94.6</td>
<td>1.4%</td>
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<tr>
<td>Benefits</td>
<td>62.4</td>
<td>2.3%</td>
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<td>Contracted</td>
<td>48.8</td>
<td>2.4%</td>
<td>Grows at CPI</td>
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<tr>
<td><strong>SubTotal</strong></td>
<td><strong>$825.2</strong></td>
<td><strong>7.7%</strong></td>
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<tr>
<td>Oper.&amp; xfers</td>
<td>$131.1</td>
<td>2.4%</td>
<td>Grows at CPI</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$956.3</strong></td>
<td><strong>2.9%</strong></td>
<td></td>
</tr>
</tbody>
</table>
Salaries and Benefits

- General revenues increase 3.9% in FY 2014 - No COLA
- Most contracts expire at the end of current fiscal year
- Many new positions
Personnel Studies

- FY 2013 revised and FY 2014 budgets include $1.25 million
- $250K for merit system
- $1.0 million to review state’s classification system and to make recommendations to streamline
Contracted Services

- FY 2014 includes $48.8 million
  - 2.3% more than FY 2013
- Average annual growth is 2.4% in the out-years
  - Assumes it grows at CPI
Personnel and Operating

- **Medical**
  - Assumes 20% average employee co-share
- **Retirement**
  - Rates increase slightly through FY 2016 and then begin decreasing, consistent with actuarial projections
- **Other Benefits**
  - Includes retiree health – no growth assumed
Personnel

Salaries 66%

Benefits

Retiree Health 4%

Health Benefits 11%

Retirement 12%

FICA 4%

Assessed Fringe 2%

All Other 1%
<table>
<thead>
<tr>
<th></th>
<th>Regular</th>
<th>3rd Party</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012 Avg.</td>
<td>13,091.4</td>
<td>607.6</td>
<td>13,699.0</td>
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<tr>
<td>FY 2013 Enacted</td>
<td>14,250.1</td>
<td>776.2</td>
<td>15,026.3</td>
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<tr>
<td>FY 2013 Rev.</td>
<td>14,326.3</td>
<td>776.2</td>
<td>15,102.5</td>
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<tr>
<td>Governor FY 14</td>
<td>14,395.4</td>
<td>776.2</td>
<td>15,171.6</td>
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<td>Jan Filled</td>
<td>13,072.0</td>
<td>599.9</td>
<td>13,671.9</td>
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<tr>
<td>Diff from Enacted</td>
<td>(1,178.1)</td>
<td>(176.3)</td>
<td>(1,354.4)</td>
</tr>
<tr>
<td>Diff from Gov.</td>
<td>(1,323.4)</td>
<td>(176.3)</td>
<td>(1,499.7)</td>
</tr>
</tbody>
</table>
Personnel and Operating

- Assembly has made efforts to control escalating costs
  - Ending longevity in 2011
  - Pension changes in 2005, 2009, 2010 and 2011
  - Retiree Health reductions in 2008

- Personnel report in Budget Analysis FY 2014 on Assembly website - [http://www.rilin.state.ri.us](http://www.rilin.state.ri.us) under House Fiscal Reports
Personnel and Operating

- Operating Costs
  - 1.9% decrease from general revenues
  - Major change in budget presentation for Eleanor Slater Hospital skews comparison
# Grants and Benefits

<table>
<thead>
<tr>
<th>Program</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Facilities</td>
<td>5.4%</td>
<td>4.3%</td>
<td>4.6%</td>
<td>5.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Home &amp; Comm. Care</td>
<td>4.3%</td>
<td>8.8%</td>
<td>8.1%</td>
<td>9.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>1.3%</td>
<td>5.3%</td>
<td>5.9%</td>
<td>6.6%</td>
<td>5.5%</td>
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<tr>
<td>DSH</td>
<td>3.5%</td>
<td>4.0%</td>
<td>4.9%</td>
<td>4.8%</td>
<td>4.7%</td>
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<tr>
<td>Managed Care</td>
<td>5.7%</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Other Medical</td>
<td>7.8%</td>
<td>7.8%</td>
<td>8.2%</td>
<td>10.4%</td>
<td>8.9%</td>
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<tr>
<td>DD Services</td>
<td>2.5%</td>
<td>3.4%</td>
<td>4.1%</td>
<td>5.2%</td>
<td>4.5%</td>
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<tr>
<td>DCYF</td>
<td>0.7%</td>
<td>4.7%</td>
<td>4.6%</td>
<td>5.7%</td>
<td>4.5%</td>
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</tbody>
</table>

additional program information in House Fiscal Staff Budget Analysis Medicaid Special report – p 707
# Grants and Benefits

<table>
<thead>
<tr>
<th>Program</th>
<th>2014</th>
<th>4Yr Avg Growth</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care</td>
<td>$382.6</td>
<td>6.2%</td>
<td>Rate reduction</td>
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<tr>
<td>Nursing Facilities</td>
<td>$186.1</td>
<td>5.0%</td>
<td>Rate Freeze</td>
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<td>Home &amp; Comm. Care</td>
<td>$39.4</td>
<td>8.8%</td>
<td>Rate?/use</td>
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<tr>
<td>Hospitals</td>
<td>$45.5</td>
<td>5.8%</td>
<td>1-y rate freeze</td>
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<tr>
<td>DSH</td>
<td>$63.3</td>
<td>4.6%</td>
<td>ACA issue</td>
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<tr>
<td>Other Medical</td>
<td>$49.0</td>
<td>8.8%</td>
<td></td>
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<tr>
<td>OHHS – Other Medicaid</td>
<td>$57.3</td>
<td>14.4%</td>
<td>ACA match</td>
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## Grants and Benefits

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<th>4-Yr Avg. Growth</th>
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<tbody>
<tr>
<td>DCYF</td>
<td>$93.5</td>
<td>4.9%</td>
<td></td>
</tr>
<tr>
<td>DD Services</td>
<td>$89.1</td>
<td>4.3%</td>
<td></td>
</tr>
<tr>
<td>Behavioral Health</td>
<td>$41.2</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>DHS - Cash &amp; Medicaid</td>
<td>$38.0</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>All Other Grants</td>
<td>$162.6</td>
<td>4.5%</td>
<td>Growth?</td>
</tr>
<tr>
<td>Total</td>
<td>$1,247.7</td>
<td>5.7%</td>
<td></td>
</tr>
</tbody>
</table>

additional program information in House Fiscal Staff Budget Analysis Medicaid Special report – p 707
### Grants and Benefits

- **Nursing Facilities:**
  - National nursing home index - below 4% and caseload change
  - FY 2018 - rate may be too high
  - Shift to community-based services

- **Home and Community Care**
  - State experiencing lower growth five-year average rate of 8.1%
  - 5.6% increase used at Nov CEC for FY 2014 compared to FY 2013
Grants and Benefits

- Hospitals:
  - State experiencing lower growth rate than projected
  - 3.8% increase used at Nov CEC for FY 2014 compared to FY 2013

- DSH
  - Expected reduction in uncompensated care at the hospitals from patients being insured as of 1/1/2014
  - State savings from matching a lower cap
  - No corresponding Hospital Tax decrease
Managed Care:
- State experiencing lower growth rate than projected 7% trend
- 5.8% increase used at Nov CEC for FY 2014 compared to FY 2013

Other Medical:
- State experiencing lower growth rate than projected trend – includes 10.4% in FY 2017
- 3.8% increase used at Nov CEC for FY 2014 compared to FY 2013
Grants and Benefits

- Services for Developmentally Disabled:
  - May have lower growth rate than forecast - between 3% to 4%
  - Caseload increases about 1% and rates are not tied to a Medicaid inflator

- DCYF Services:
  - May have lower growth rate than forecast - below 3%
  - Rates are set - not tied to a Medicaid inflator
Out year forecast includes growth rates applied to all other grants:

- 3.5% in FY 2015 & 4.9% in FY 2016
- 4.8% in FY 2017 & 4.7% in FY 2018
- Applied to community service grants, pay go pensions & some 1-time appropriations
  - Expenses that either should not increase or in some cases decrease
# Local Aid

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>4-Yr Avg Growth</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$922.2</td>
<td>2.8%</td>
<td>Continued phase in</td>
</tr>
<tr>
<td>Incentive</td>
<td>10.0</td>
<td>-25.0%</td>
<td>2 years of funding</td>
</tr>
<tr>
<td>MV</td>
<td>10.0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>PILOT</td>
<td>33.1</td>
<td>0%</td>
<td>Ratable reduction</td>
</tr>
<tr>
<td>Distressed</td>
<td>15.4</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>11.3</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>Property Val</td>
<td>0.5</td>
<td>34.4%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,002.5</td>
<td>2.4%</td>
<td></td>
</tr>
</tbody>
</table>
Local Aid

- Education Aid
  - Categorical funding fully transitioned
  - Shifts all educational costs for visually impaired students to districts over a 3-year period
  - Group home aid consistent with FY 2014 level
  - Teacher retirement assumes annual payroll growth of 2.0% and contribution rates increasing through FY 2016
  - School construction aid includes projects projected to be completed as of June 30, 2013 with no new projects
Population/K-12 Enrollment

K-12 Students

Population (In millions)
Local Aid

- Municipal Incentive Aid
  - 3 year proposal through FY 2016
- Motor Vehicle Tax Reimbursements
  - Level funded
- PILOT
  - level funded
  - Full funding at the current law allowance would require an additional $10.0 million annually
Local Aid

- Distressed Communities
  - Reflects an additional $5.0 million from the FY 2013 enacted budget in each year
- Library Aid
  - Level funded
- Property Revaluation Program
  - Assumes $1.0 million in FY 2015, $2.0 million in FY 2016, $1.0 million in FY 2017, and $1.8 million in FY 2018
- Local and Education Aid reports on line on the Assembly website - http://www.rilin.state.ri.us under House Fiscal Reports
## Capital

<table>
<thead>
<tr>
<th>Detail</th>
<th>FY 2014</th>
<th>4 Yr Avg Growth</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>GO-Debt</td>
<td>$97.3</td>
<td>7.6%</td>
<td>New bonds, DOT</td>
</tr>
<tr>
<td>Historic Tax</td>
<td>23.3</td>
<td>16.9%</td>
<td>Remaining debt</td>
</tr>
<tr>
<td>EDC Guaranty</td>
<td>2.5</td>
<td>99.8%</td>
<td>$12.5M annual</td>
</tr>
<tr>
<td>COPS/Leases</td>
<td>32.5</td>
<td>0.1%</td>
<td>Existing only</td>
</tr>
<tr>
<td>Conven. Ctr.</td>
<td>23.1</td>
<td>-0.1%</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>7.0</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Pay-go</td>
<td>6.7</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$192.6</strong></td>
<td><strong>7.3%</strong></td>
<td></td>
</tr>
</tbody>
</table>
Capital

- **GO Debt**
  - Based on existing and proposed projects
  - Assumes a rate between 3% and 5%

- **Historic Tax Credit Program**
  - Assumes proposal to reinstate the program on a limited basis - use all debt

- **EDC Job Creation Guaranty**
  - Assumes payment of 38 Studios loan $12.5 million annually
Capital

- COPS/Other Leases
  - Assumes issuance of new certificates for integrated tax system and technology improvements for LEAs
  - Assumes 5% and a 20-year term
  - No new debt proposed
- Convention Center
  - Terms of agreement, minimum rentals payable by state are equal to gross debt service cost
Capital

- Performance Based
  - Assumes agreements between EDC and private entities will require level funding
- TANS
  - Assumes that the state does not issue TANS in any of the out-years
## Debt Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Tax Supported Debt Service*</th>
<th>Pct. of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$233.8</td>
<td>7.2%</td>
</tr>
<tr>
<td>2014</td>
<td>$233.2</td>
<td>7.0%</td>
</tr>
<tr>
<td>2015</td>
<td>$264.1</td>
<td>7.7%</td>
</tr>
<tr>
<td>2016</td>
<td>$266.7</td>
<td>7.7%</td>
</tr>
<tr>
<td>2017</td>
<td>$276.5</td>
<td>8.0%</td>
</tr>
<tr>
<td>2018</td>
<td>$258.6</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

*Millions
Debt Service as Percent of Useable Revenues

- FY 2011: 6.0% (Current Debt Service), 3.0% (New Debt Service)
- FY 2012: 5.5% (Current Debt Service), 3.5% (New Debt Service)
- FY 2013: 6.5% (Current Debt Service), 3.5% (New Debt Service)
- FY 2014: 6.0% (Current Debt Service), 3.0% (New Debt Service)
- FY 2015: 7.0% (Current Debt Service), 2.0% (New Debt Service)
- FY 2016: 7.5% (Current Debt Service), 1.5% (New Debt Service)
- FY 2017: 8.0% (Current Debt Service), 1.0% (New Debt Service)
- FY 2018: 8.5% (Current Debt Service), 0.5% (New Debt Service)
These gaps continue to be a function of both cyclical economic and continued structural issues.

Projected gaming revenue losses grow in later years of forecast.
Budget Year and Out-years

- Continued issue of problematic expenditure structure
  - Many enacted structural changes implemented... still others not achieved
  - Growth rates exceeding revenue growth rates
- Major changes already implemented, limiting choices
Budget Year and Out Years Obstacles

- High tax – low revenue yield structure
  - Example - Sales tax
- Major portions of expenditure base grow at significantly more rapid rate than economy supports
Materials are on line on the Assembly website - http://www.rilin.state.ri.us under House Fiscal Reports
Includes items prepared by House Fiscal Staff that may be helpful
Governor's FY 2014 Budget Five-Year Forecast

Staff Presentation to the House Finance Committee
April 24, 2013