
Section II

Summary

Summary

	FY 2012 Enacted	FY 2012 Revised	FY 2013 Request	FY 2013 Recommended
Expenditures by Function*				
General Government	\$ 1,417.9	\$ 1,755.5	\$ 1,447.2	\$ 1,404.1
Human Services	3,112.8	3,136.2	3,223.5	3,179.6
Education	2,167.2	2,220.9	2,333.5	2,265.8
Public Safety	474.5	504.0	532.5	496.7
Natural Resources	102.8	112.7	105.6	104.9
Transportation	427.0	440.9	507.3	492.3
Total	\$ 7,702.2	\$ 8,170.1	\$ 8,149.5	\$ 7,943.4
Expenditures by Category*				
Salaries and Benefits	\$ 1,475.9	\$ 1,517.0	\$ 1,634.3	\$ 1,530.8
Contracted Services	235.5	268.0	252.1	254.1
Subtotal	\$ 1,711.4	\$ 1,785.0	\$ 1,886.4	\$ 1,784.9
Other State Operations	669.8	687.9	677.0	716.9
Aid to Local Units of Government	1,076.2	1,084.8	1,209.6	1,125.9
Assistance, Grants, and Benefits	3,605.2	3,871.0	3,543.5	3,540.8
Capital	255.8	321.2	387.6	356.6
Capital Debt Service	242.0	261.7	294.2	275.2
Operating Transfers	141.7	158.6	151.2	143.3
Total	\$ 7,702.2	\$ 8,170.1	\$ 8,149.5	\$ 7,943.4
Sources of Funds*				
General Revenue	\$ 3,142.5	\$ 3,172.8	\$ 3,457.1	\$ 3,269.2
Federal Aid	2,606.5	2,865.9	2,590.7	2,594.2
Restricted Receipts	189.6	227.1	214.6	224.1
Other	1,763.6	1,904.3	1,887.1	1,855.9
Total	\$ 7,702.2	\$ 8,170.1	\$ 8,149.5	\$ 7,943.4
FTE Authorization	14,942.2	14,934.0	14,815.5	14,837.7

**Data in millions*

Summary

The Governor's budget recommendations for FY 2013, along with his revisions to the FY 2012 enacted budget, are contained in 2012-H 7323, introduced on February 1, 2012. The General Assembly extended the deadline for his budget submittal by 12 days from January 19 to January 31.

The 2004 Assembly amended the budget submission dates for the budget to be due on the third Thursday in January, or the first Thursday in February when a new Governor takes office. In prior years, it had been due the third Thursday in February.

The Governor recommends a total FY 2013 budget of \$7,943.4 million. Total expenditures increase \$241.2 million from the FY 2012 budget enacted by the 2011 Assembly, or 3.1 percent. His FY 2012 revised budget totals \$8,170.1 million; FY 2011 expenditures were \$7,718.5 million.

The Budget includes \$3,269.2 million of expenditures funded from general revenues, \$126.7 million, or 4.0 percent more than the enacted general revenue funded budget. They are also \$96.4 million more than his revised recommendations.

FY 2013	General				All Funds
	Revenue	Federal	Restricted	Other	
FY 2012 Enacted	\$ 3,142.5	\$ 2,606.5	\$ 189.6	\$ 1,763.6	\$ 7,702.2
Governor	3,269.2	2,594.2	224.1	1,855.9	7,943.4
Change to Enacted	\$ 126.7	\$ (12.3)	\$ 34.5	\$ 92.4	\$ 241.2
Percent Change	4.0%	-0.5%	18.2%	5.2%	3.1%

FY 2012 Revised	General				All Funds
	Revenue	Federal	Restricted	Other	
FY 2011 Final	\$ 2,974.2	\$ 3,085.0	\$ 181.2	\$ 1,916.8	\$ 8,157.2
FY 2011 Actual	2,956.1	2,748.0	158.9	1,855.6	7,718.5
Difference	\$ (18.1)	\$ (337.0)	\$ (22.4)	\$ (61.2)	\$ (438.7)
FY 2012 Enacted	\$ 3,142.5	\$ 2,606.5	\$ 189.6	\$ 1,763.6	\$ 7,702.2
Governor's FY 2012 Revised	3,172.8	2,865.9	227.1	1,904.3	8,170.1
Governor's Change to Enacted	\$ 30.3	\$ 259.5	\$ 37.4	\$ 140.7	\$ 467.9
Percent Change	1.0%	10.0%	19.7%	8.0%	6.1%

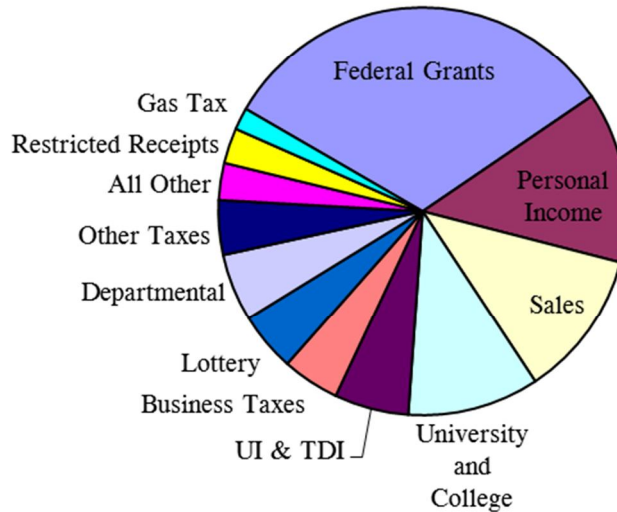
House Fiscal Staff estimates that in preparing the FY 2013 budget, the Governor faced a projected revenue-expenditure gap of \$130 million, which would grow to over \$270 million by FY 2017. This was somewhat lower than Staff's FY 2013 forecast in the FY 2012 enacted budget, mainly because of pension reform adopted in November 2011. However, revisions and corrections to expenditure assumptions and a more pessimistic November 2011 economic forecast offset much of those savings. The Governor's budget appears to have resolved this gap with increased revenues, some of a limited or one-time nature along with expenditure reductions.

His budget follows the traditional Rhode Island budgeting practice of assuming passage of legislation submitted with the budget and approval by requisite federal agencies of changes under their purview. Should any of that legislation not pass, the budget will be significantly unbalanced.

The out-years appear to be significantly unbalanced. The forecast included with the Budget estimates a \$103.6 million gap for FY 2014, 3.1 percent of useable revenues, that grows to \$464.4 million in FY 2017, 12.0 percent of useable revenues. The FY 2014 gap is due to the use of one-time items in the resolution of the current budget gap as well as commitment of future expenses not reflected in FY 2013. Beginning in FY 2014, the estimate reflects the potential impact of casino gaming in Massachusetts. Those losses account for nearly one-third of the FY 2017 gap.

The revenue sources for the enacted budget are shown in the following graph. They include a number of changes to current law, all of which are described in *Section VI, Special Reports: Revenue Changes*.

Sources of Funds



- *Federal funds* continue to be the single largest source, accounting for approximately 32.0 percent of all revenues in FY 2013. Recommended expenditures from federal sources of \$2,594.2 million are \$12.3 million less than enacted for FY 2011, a 0.5 percent decrease, and are from 306 different federal programs.

Medicaid is the single largest source of federal funds. The Budget includes \$1,117.6 million from Medicaid, 50.3 percent of all federal funds, and 13.9 percent of all revenues. Supplemental Nutrition funding of \$298.3 million is the second largest category, 13.4 percent of federal funds. The following table shows the ten largest sources, along with the percent of total federal expenditures attributable to each. They account for 75.4 percent of all federal funds expenditures, with the remaining 296 programs accounting for the other 24.6 percent.

Top Ten Federal Sources	<i>Amount</i>	<i>Percent of Total</i>	<i>Cumulative Percent</i>
Medicaid	\$ 1,117,617,746	50.3%	50.3%
Supplemental Nutrition (Food Stamps)	298,251,738	13.4%	63.7%
Temporary Assistance to Needy Families (TANF)	78,350,866	3.5%	67.2%
Title I Grants to Local Education Agencies	50,050,689	2.3%	69.4%
Special Education Grants to States	45,380,118	2.0%	74.1%
CHIP Children's Health Insurance	29,732,314	1.3%	70.8%
National School Lunch Program	27,346,584	1.2%	72.0%
Race to the Top Education Funds	26,566,472	1.2%	73.2%
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	26,101,435	1.2%	74.4%
Social Services Block Grant	23,361,942	1.1%	75.4%

- *Sales and personal income taxes* combine for 25.2 percent of all revenues in FY 2013 and 60.3 percent of all general revenues. Combined with federal funds, they total over half, 57.4 percent.

- *Personal Income* taxes at \$1,086.1 million are the second largest of all revenue sources and the largest source of general revenues. The FY 2013 estimate is \$76.0 million more than the FY 2012 enacted budget estimates, or 7.5 percent.
- *Sales tax* revenues of \$940.9 million are the second largest of general revenue sources. That amount is \$94.4 million more than enacted for FY 2012, or 11.7 percent.
- *University and College Funds* are \$837.3 million and 10.4 percent of all sources, including tuition, revenues from the operation of enterprise type activities such as residence and dining halls, sponsored research, the direct student loan program, and federal scholarship and grant funds like the Pell grants. These would increase \$34.3 million or 4.3 percent over FY 2012 enacted estimates.
- *Employment Security and Temporary Disability Insurance* payments are estimated at \$472.4 million, which are \$24.4 million less than the levels estimated for the FY 2012 enacted budget.
- *Business taxes* of \$365.2 million account for 4.5 percent of total revenues and 10.9 percent of general revenues for FY 2013. They would decrease \$1.9 million or 0.5 percent from the enacted estimate. These include corporate income tax, public utilities gross earnings, the tax on banks, financial institutions, insurance companies and health care institutions.
- The *Lottery* is expected to contribute \$376.8 million, which is 4.7 percent of all revenues and 11.2 percent of general revenues, the third largest source.
- *Departmental Revenues* of \$345.6 million include \$143.8 million from extending the hospital licensing fee another year. Departmental revenues would be 4.3 percent of all revenues and 10.3 percent of general revenues.
- *Other taxes* include motor vehicle, cigarettes, alcohol, inheritance, realty transfer, and racing and athletics. These total \$235.5 million in the FY 2013 budget and comprise 2.9 percent of all sources but 7.0 percent of general revenues.
- The *gas tax*, currently 32.5 cents per gallon, not including the one-half cent for the Underground Storage Tank Financial Responsibility Fund, is estimated to produce \$4.22 million from each cent in FY 2013 for a total of \$139.4 million.
- The remaining sources, estimated at \$654.6 million, constitute 8.2 percent of all FY 2013 sources and include sources dedicated to specific purposes (restricted receipts), unclaimed property and miscellaneous other items.

The following table below shows FY 2013 sources with items contributing to general revenues in bold type. It shows the total percent it contributes to all funds and general revenues for each source.

All Sources	All Funds	Contribution	General Revenue	Contribution
Federal Grants	\$ 2,586.3	32.2%	\$ -	0.0%
Personal Income	1,086.1	13.5%	1,086.1	32.3%
Sales	940.9	11.7%	940.9	28.0%
University and College	837.3	10.4%	-	0.0%
UI & TDI	472.4	5.9%	-	0.0%
Business Taxes	365.2	4.5%	365.2	10.9%
Lottery	376.8	4.7%	376.8	11.2%
Departmental	345.6	4.3%	345.6	10.3%
Other Taxes	235.5	2.9%	235.5	7.0%
All Other	430.5	5.4%	15.7	0.5%
Restricted Receipts	224.1	2.8%	-	0.0%
Gas Tax	139.4	1.7%	-	0.0%
Total	\$ 8,040.0	100.0%	\$ 3,365.7	100.0%

General Revenue Sources

Less than half of the total funds collected or received from all sources are considered as general revenues; \$3,365.7 million, 41.9 percent of all sources. They can be used for any legitimate purpose in contrast to federal funds, restricted receipts, and certain other sources that may only be used for specific purposes.

The Consensus Revenue Estimating Conference estimates the amount of general revenues annually in November and May. It is composed of the Budget Officer, the Senate Fiscal Advisor, and the House Fiscal Advisor who must achieve consensus on their forecast; votes are not taken. The estimates are to be based upon current law at the times of the conferences. The Conference estimated general revenue receipts of \$3,129.0 million in November 2011. The Governor's Budget includes \$236.7 million of additional revenues that are described in *Revenue Changes in Section VI: Special Reports*.

Available general revenues also include a recommended balance forward from FY 2012 of \$68.8 million under the Governor's presentation minus transfer of \$91.4 million to the Budget Stabilization and Cash Reserve Account, or "rainy day fund" to be used in case of emergency, and then only by legislative action. Two and eight tenths percent of the opening surplus plus all revenues must be deposited in the account in FY 2012. These amounts have been increasing by 0.2 percent per year until reaching 3.0 percent in FY 2013. Any amounts used must be replaced in the following year.

The account is limited; once the limit is reached, the excess revenues are transferred to the Rhode Island Capital Plan account, where they may be used to fund capital projects. Maximum amounts in the budget reserve are also defined by statute and increase to a maximum of 5.0 percent in 0.4 percent increments in FY 2013. Amounts above the maximum amount transfer to the Rhode Island Capital Plan funds for use for capital projects. The table below shows the percents.

Percents of Revenues	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Transfer to Budget Reserve	2.0%	2.2%	2.4%	2.6%	2.8%	3.0%
Budget Reserve Maximum	3.0%	3.4%	3.8%	4.2%	4.6%	5.0%

The voters approved a constitutional amendment in 2006 to allow the capital account to be used solely for capital projects beginning in FY 2008 and to increase the Budget Stabilization and Cash Reserve

Account to five percent and mandating that three percent of the opening surplus and all revenues must be deposited in the account by FY 2013.

FY 2013 Expenditures

Recommended expenditures of \$7,943.4 million are \$241.2 million more than enacted for FY 2012, 3.1 percent. They can be divided into a functional classification of expenditures that aggregates agencies with like programs and purposes into the six functions used: general government, human services, education, public safety, natural resources, and transportation. Viewing expenditures functionally offers a look at what they do or provide for.

The presentation of expenditure by function and category discussed below reflects the data in the Governor's budget. These are distorted by the transfer of certain energy programs from Administration to the Department of Human Services.

Expenditures by Function

- The *Human Services* function includes all programs for medical assistance, supplemental security income, cash assistance, day care, elderly services, adjudicated youth, mental health, general health, developmental disabilities, children under the care and jurisdiction of the state, and the state's general hospitals. Expenditures of \$3,179.6 million are 40.0 percent of all expenditures and 39.3 percent of those funded from general revenues. These expenditures are \$66.7 million more than enacted for FY 2012 by the 2011 Assembly. Those funded from general revenues are \$27.6 million more.
- *Education* includes programs of elementary and secondary education, public higher education, scholarships and grants for all higher education, arts, historical preservation and heritage, and public television. Aid to local units of government represents 13.3 percent, \$1,058.6 million of the \$2,265.8 million. Education aid is discussed in detail in *Section VI* of this volume, *Special Reports: Education Aid*. Education expenditures comprise 28.5 percent of total expenditures, but 34.1 percent of general revenue funded ones. They increase by \$98.6 million over the enacted FY 2012 budget, and those funded from general revenues increase by \$73.4 million.
- The Budget includes \$496.7 million for *Public Safety* expenditures, \$22.3 million more than the enacted budget. They comprise 6.3 percent of all expenditures and 12.4 percent of those funded from general revenues.
- *Natural Resources* programs would spend \$104.9 million, which is \$2.1 million more than enacted for FY 2012. They are 1.3 percent of total expenditures and 1.1 percent of those from general revenues.
- *Transportation* programs account for 6.2 percent of expenditures and include the state's highway and transit programs. Funding of \$492.3 million, none from general revenues, is \$65.3 million more than enacted for FY 2012.
- The remaining 17.7 percent of expenditures, \$1,404.1 million, are for the *General Government* programs. These include those programs that support all other functions as well as general type activities. Examples of the former include the Ethics Commission and the Department of Administration. Examples of the latter include the general officers except the Attorney General, the Board of Elections, and the Department of Labor and Training. The expenditures also include all the state's debt service except that for higher education and the transportation Grant Anticipation Revenue

Vehicle bonds. Expenditures for General Government are \$13.8 million or 5.7 percent less than the enacted budget.

Expenditures by Category

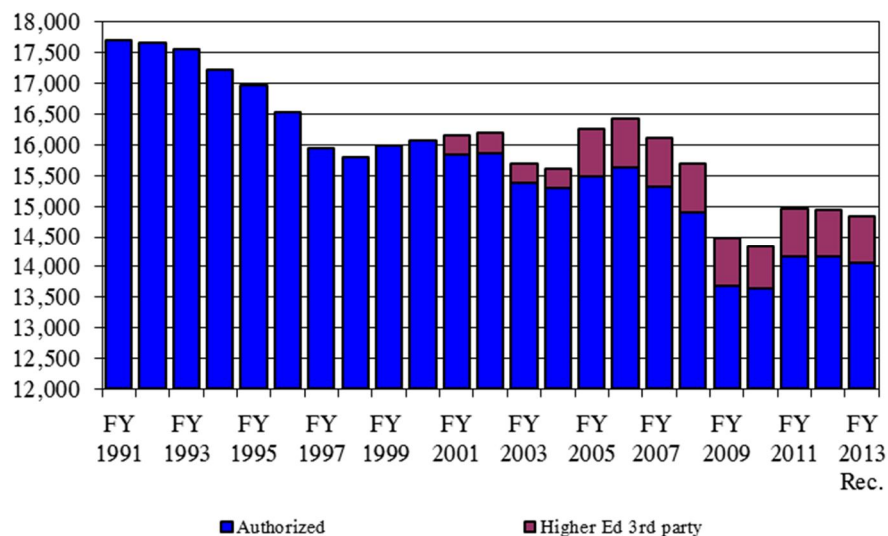
Expenditures are also aggregated and presented by accounting categories that designate what is purchased as opposed to the purpose of expenditures. The categories include: state operations; local aid; assistance, grants and benefits; capital, and operating transfers.

State Operations are the day-to-day expenses of state government. These expenditures include *personnel* and *other operating* expenditures. Personnel expenditures include *salaries and benefits* including fringe benefits, workers' compensation and unemployment compensation, and *contracted professional services*. *Other operating* expenditures are the non-personnel day-to-day expenses of state government, including maintenance and non-fixed capital assets.

The Governor recommends \$1,530.8 million for total *salaries and benefits* for 14,837.7 full-time equivalent positions and *contracted services* expenditures of \$254.1 million. Salary and benefit expenditures would be \$54.9 million more than the enacted budget; contracted services expenditures would increase \$18.6 million, primarily from new education initiatives. Salaries and benefits account for 19.3 percent of total expenditures and 24.8 percent of those funded from general revenues. Expenditures for contracted services account for 3.2 percent of the total recommended budget and 1.4 percent of those funded from general revenues.

The total personnel expenditures are the costs associated with all positions in state service, excluding those funded through internal service accounts. These accounts are funded from operating charges to state agencies for overhead type services provided by the individuals funded from the accounts. These costs are treated in the budget as operating expenses; the personnel and operating costs in the internal service accounts are essentially off line to avoid double counting. The largest ones were converted to direct appropriations by the 2006 Assembly in the FY 2008 enacted budget.

Full-Time Equivalent Positions



The Budget includes \$716.9 million for *other state operations*, which constitute 9.0 percent of FY 2013 expenditures from all sources and 3.9 percent of those funded with general revenues.

Local Aid, or Aid to Local Units of Government, is payments made to governmental units with taxing authority. It includes both aid to local governments designed to decrease property tax reliance and education aid. The Governor recommends \$1,125.9 million for *aid to local units of government* that includes \$1,058.6 million in education aid and \$67.3 million in general state aid. Education aid increases \$49.5 million while general aid is \$0.1 million more than enacted for FY 2012 by the 2011 Assembly. These expenditures comprise 14.2 percent of all expenditures. However, they comprise 29.3 percent of general revenue funded ones.

Local aid expenditures from general revenues of \$959.3 million consist of \$893.0 million in education aid and \$66.3 million in general state aid. General revenue funded education aid increases \$65.5 million; general aid is \$0.1 million more. Local aid is discussed in detail in *Section VI* of this volume, *Special Reports: State Aid to Local Governments* and *Special Reports: Education Aid*.

Assistance, Grants, and Benefits constitutes payments to individuals and nongovernmental agencies. These payments include Medicaid and other medical assistance programs including RIte Share and RIte Care, pharmaceutical assistance programs, cash assistance, and tuition assistance programs. They also include grants to environmental agencies, local law enforcement agencies, unemployment compensation, temporary disability and workers' compensation. This is the largest category of expenditure. The table shows the major grants in human services.

Assistance, grants, and benefits would be \$3,540.8 million and constitute the largest category, 44.6 percent of all expenditures and 34.8 percent of general revenue funded expenditures. While these include employment security and temporary disability fund expenditures, human services medical assistance, food stamps, and cash assistance make up most of these expenditures. These expenditures are \$64.5 million less than the enacted budget considering all sources, and \$18.1 million more from general revenues.

OHHS-Human Services Grants	All Funds				General Revenues			
	FY 2011 Reported	FY 2012 Enacted	FY 2013 Governor	Change	FY 2011 Reported	FY 2012 Enacted	FY 2013 Governor	Change
<i>OHHS/Human Services</i>								
Managed Care	\$ 574.2	\$ 620.3	\$ 612.1	\$ (8.3)	\$ 215.0	\$ 290.0	\$ 290.8	\$ 0.8
Long Term Care	403.4	415.3	423.2	7.9	156.2	195.5	204.4	8.9
Hospitals	247.4	240.4	228.7	(11.7)	113.2	114.3	110.2	(4.1)
Rhody Health	176.9	191.2	204.8	13.6	65.9	91.1	99.4	8.2
Other	123.5	118.0	114.0	(4.0)	38.0	44.0	42.7	(1.2)
Pharmacy	37.7	56.1	56.8	0.7	37.1	51.0	53.8	2.8
Subtotal: Medical Assistance	\$ 1,563.2	\$ 1,641.4	\$ 1,639.6	\$ (1.8)	\$ 625.4	\$ 786.0	\$ 801.3	\$ 15.3
Child Care	48.8	48.9	47.7	(1.2)	9.3	9.7	9.4	(0.3)
Rhode Island Works Program	39.0	37.2	42.5	5.3	-	-	-	-
SSI State Program	20.9	18.0	16.6	0.6	20.9	18.0	16.6	0.6
Subtotal: Cash Assistance	\$ 108.7	\$ 104.1	\$ 106.8	\$ 2.7	\$ 30.2	\$ 27.7	\$ 26.0	\$ 0.3
Supplemental Nutrition Assistance	\$ 225.1	\$ 276.5	\$ 298.2	\$ 21.8	\$ -	\$ -	\$ -	\$ -
Women, Infants and Children	13.1	19.5	19.5	-	-	-	-	-
Low Income Heating and Energy Assistance Program (LIHEAP)*	-	-	17.5	17.5	-	-	-	-
HIV/AIDS	-	8.6	7.2	(1.5)	-	2.6	2.6	-
Weatherization*	-	-	0.7	0.7	-	-	-	-
Subtotal: Other Assistance	\$ 238.2	\$ 304.6	\$ 343.1	\$ 38.5	\$ -	\$ 2.6	\$ 2.6	\$ -
<i>DHS/Division of Elderly Affairs</i>								
RIPAE/Supplemental Pharm.	\$ 1.0	\$ 0.5	\$ 0.3	\$ (0.2)	\$ 0.9	\$ 0.4	\$ 0.2	\$ (0.2)
Medical Assistance	8.4	8.2	8.8	0.6	3.0	3.2	4.2	1.0
Grants to Providers	13.1	13.5	14.8	1.3	3.5	4.3	4.3	0.0
<i>Behavioral Healthcare, Developmental Disabilities and Hospitals</i>								
Developmental Disabilities	\$ 201.9	\$ 172.3	\$ 172.9	\$ 0.7	\$ 77.0	\$ 81.8	\$ 83.4	\$ 1.6
Behavioral Health	98.3	103.9	105.3	1.5	37.4	33.5	33.6	0.02
<i>Children, Youth and Families</i>								
Child Welfare	\$ 127.0	\$ 103.0	\$ 104.0	\$ 1.0	\$ 80.9	\$ 68.8	\$ 74.1	\$ 5.3
Children's Behavioral Health	21.5	18.4	14.6	(3.8)	10.1	9.2	8.1	(1.2)
Juvenile Corrections	8.9	8.5	6.5	(2.0)	6.8	6.6	5.6	(1.0)
Higher Ed. Incentive Grants	0.2	0.2	0.2	-	0.2	0.2	0.2	-
<i>Health</i>								
Women, Infants and Children**	\$ 6.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HIV Surveillance**	7.9	0.5	0.8	0.4	2.2	0.4	0.2	(0.2)
Tobacco and Smoking Cessation	0.3	0.2	0.0	(0.1)	0.3	0.1	0.0	(0.1)
Grants to Providers	13.1	15.0	14.4	(0.6)	1.5	1.5	1.1	(0.4)

*transferred from the Department of Administration

** Treatment services transferred to the Department of Human Services

Capital expenditures have in the past included only direct pay capital improvements and debt service on financed capital improvements. Expenditures for direct pay are reflected in the years that the payments are made. Financed capital improvements are reflected as the annual debt service payments. Therefore, total capital expenditures for any year are not reflected in the budget. They are, however, presented annually in the capital budget presented as part of the Governor's budget.

Capital expenses total \$356.6 million, or 4.5 percent of all expenditures; debt service of \$275.2 million is 3.5 percent. Capital expenditures would be \$100.7 million more than enacted for FY 2012 and debt service \$33.1 million more. A comprehensive review of the capital budget is contained in *Section IV: Capital Budget*. However, they now include capital purchases that had formerly been included as capital outlays within state operations as part of capital. The purpose may be to include all fixed assets

above certain threshold values of cost and time. The Budget does not present sufficient information to break the new items out from the old.

Operating Transfers are transfers between different funds and to component units of state government. They had been part of other categories in past budgets. Transfers to component units include transfers from general revenues to quasi-public agencies, such as the transfer to the Economic Development Corporation. They total \$143.3 million and constitute 1.8 percent of the total budget. The general revenues portion is \$6.3 million, 0.2 percent of general revenue funded expenditures.

General Revenue Surplus Statement

The general revenue summary table below shows the status of general revenue balances as presented by the Governor, an ending FY 2013 surplus of \$1.4 million, and an operating deficit of \$4.6 million.

	FY 2011	FY 2012	FY 2013
Opening Surplus			
Free Surplus	\$ 17,889,522	\$ 64,229,426	\$ 5,977,407
Reappropriated Surplus	3,364,847	4,532,242	-
Subtotal	\$ 21,254,369	\$ 68,761,668	\$ 5,977,407
Revenues	3,084,318,195	3,201,415,000	3,365,683,071
Cash Stabilization Fund	(80,657,401)	(91,438,044)	(101,149,814)
Total Available Resources	\$ 3,024,915,163	\$ 3,178,738,624	\$ 3,270,510,665
Total Expenditures	\$ 2,956,153,495	\$ 3,172,761,217	\$ 3,269,153,035
Total Surplus	\$ 68,761,668	\$ 5,977,407	\$ 1,357,630
Reappropriations	(4,532,242)	-	-
Free Surplus	\$ 64,229,426	\$ 5,977,407	\$ 1,357,630
<i>Operating Surplus/(Deficit)</i>	<i>50,872,146</i>	<i>(58,252,019)</i>	<i>(4,619,778)</i>

The budget reserve and cash stabilization account, the “rainy day fund” would have ending balances of \$130.3 million in FY 2011, \$150.2 million in FY 2012, and \$168.6 million in FY 2013. The account received 2.6 percent of general revenues plus free surplus in FY 2011, 2.8 percent in FY 2012, and will receive 3.0 percent in FY 2013.

Out-Year Forecasts

Budgets in the early part of this decade through FY 1993 had out-year deficits projected for the subsequent budget cycle. By the FY 1994 budget, however, the upcoming years were balanced. Beginning with the FY 1996 budget, budgets were recommended with increasingly larger structural deficits. While deficits cannot constitutionally occur, they indicate the extent to which unresolved structural issues will carry through budgets, and to the extent that the problem in any given year is solved without addressing the underlying structural problem, the deficits amplify each year. Out-year deficits began increasing and reached an all-time high of over \$535 million in Governor Carciere’s final budget last year. This year’s projected out-year deficits are somewhat lower, but significant.

The following table shows the out-year forecast surpluses and deficits, as well as the four-year average for the past seven Governor’s budgets, including the current one. Governor Chafee’s outlook for FY 2014 assumes a \$103.6 million deficit, which represents 3.0 percent of usable revenues. That grows to

\$464.0 million and 13.3 percent of revenues by FY 2017; deficits during the four-year period average \$287.2 million and 8.3 percent of revenues.

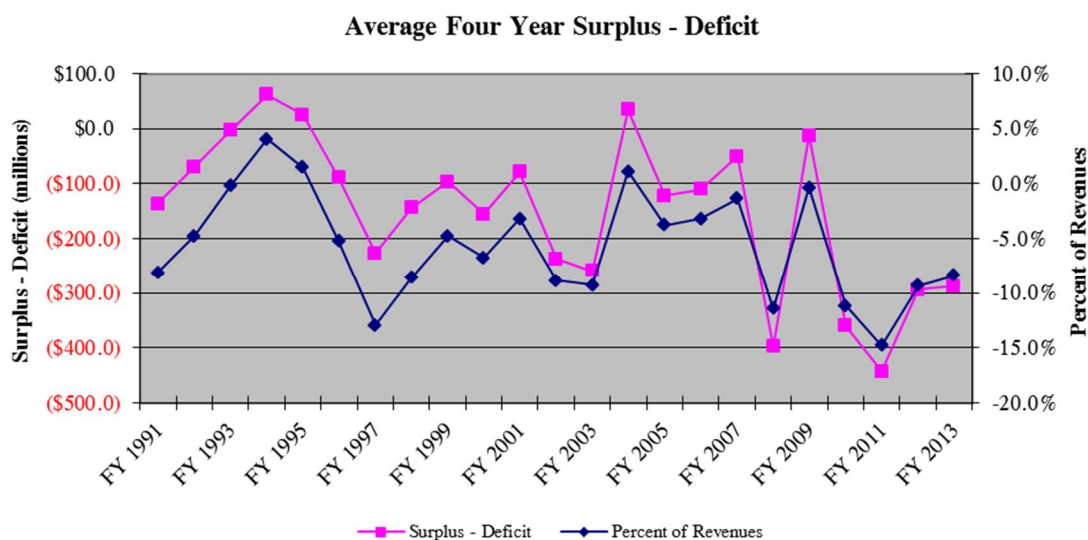
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Average
Governor's Budget											
	Out-Year Forecasts										
FY 2006	(143.8)	(100.6)	(96.6)								(109.9)
FY 2007	(134.6)	(107.0)	(18.5)	59.4							(50.2)
FY 2008		(379.2)	(369.1)	(394.5)	(449.2)						(398.0)
FY 2009			(17.0)	(1.6)	(20.8)	(12.3)					(12.9)
FY 2010				(155.6)	(370.0)	(429.9)	(482.4)				(359.5)
FY 2011					(362.2)	(416.2)	(457.8)	(535.7)			(443.0)
FY 2012*						(128.8)	(224.7)	(342.5)	(480.0)		(294.0)
FY 2013							(103.6)	(232.2)	(348.7)	(464.4)	(287.2)

*Corrected for miscalculation of stated personnel growth rate assumptions

While the largest single contributor to the FY 2013 deficit the Governor was faced with solving was the use of one time solutions to the FY 2012 budget including the FY 2011 surplus and federal funds for educations aid used in lieu of general revenues. The newly forecasted deficit for FY 2013 is also largely due to the use of one-time items in the resolution of the current budget gap. There are also commitments to future general revenue expenses not in the FY 2013 budget. Beginning in FY 2014 the estimate reflects the potential impact of casino gaming in Massachusetts. Those losses account for nearly one-third of the FY 2017 gap.

However, out-year projections are a function of both the assumptions made concerning revenues and expenditures and the structure of the budget. That is, the out-year projections are a function of assumed revenue and expenditure growth patterns for FY 2014 through FY 2017 and the FY 2013 budget itself. The growing out-year gaps illustrate the fact that expenditures are projected to grow at faster rates than revenues grow. The economic data used is from the November consensus economic forecast. This had been revised from earlier projections and will be revised again in May.

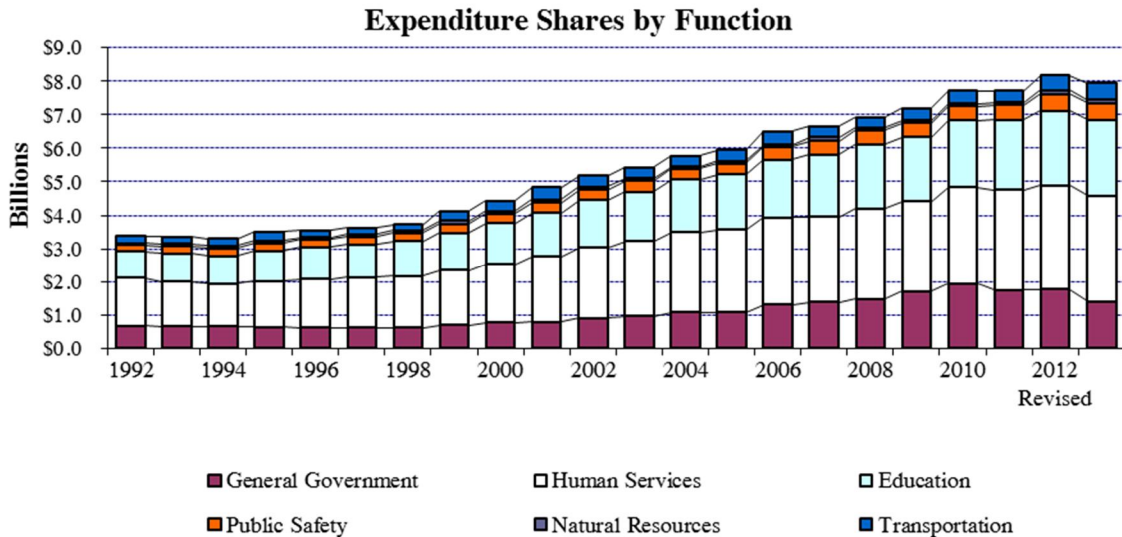
The following chart shows the average surpluses and deficits for the four out-years for each of the budgets since FY 1991.



This page was intentionally left blank.

Distribution of Total Expenditures

Expenditures can be aggregated a number of ways. In Rhode Island, we have tended to aggregate by *function* and by *category of expenditure*. The functional classification aggregates agencies with like programs and purposes into the six functions used: general government, human services, education, public safety, natural resources, and transportation. Viewing expenditures functionally offers a look at what they do or provide for.



General Government programs include the regulatory and administrative functions that support all other functions and all the general officers except the Attorney General, whose expenditures are classified under Public Safety.

Human Services includes all programs for medical assistance, supplemental security income, cash assistance, day care, elderly services, adjudicated youth, mental health, general health, developmental disabilities, children under the care and jurisdiction of the state, and the state's general hospitals.

Education includes programs of elementary and secondary education, public higher education, scholarships and grants for all higher education, arts, historical preservation and heritage, and public television.

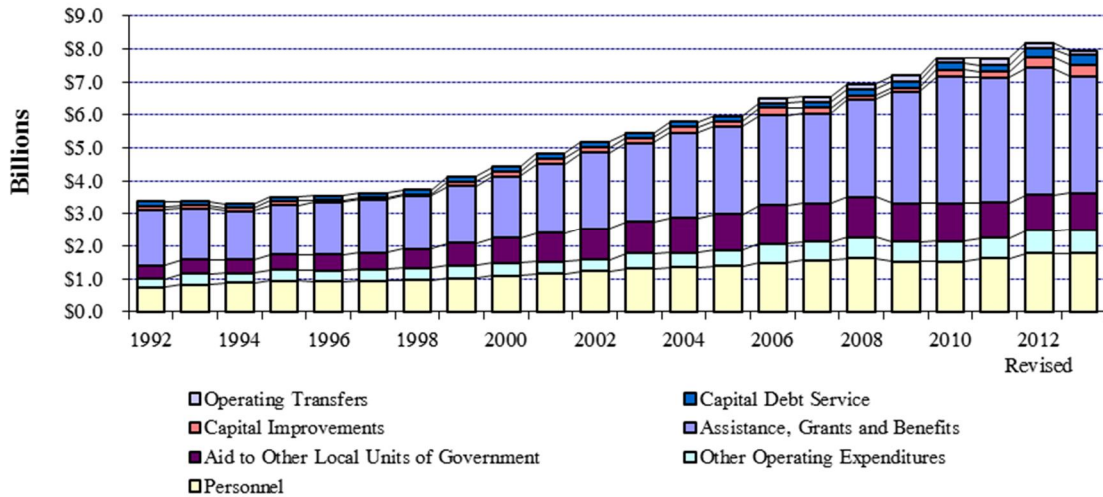
Public Safety includes the state's law enforcement, adjudication, and penal programs.

The *Natural Resources* function includes the programs that protect the natural and physical resources of the state through regulation and planning and that provide safe recreational resources.

Transportation programs include all highway and transit programs, except airports, which are under the quasi-public Rhode Island Airport Corporation.

Expenditures are also aggregated and presented by accounting categories that designate what is purchased as opposed to the purpose of expenditures. The categories include: state operations; local aid; assistance, grants, and benefits; and capital.

Expenditure Shares by Category



State Operations are the day-to-day expenses of state government. These expenditures include *personnel* and *other operating* expenditures. *Personnel* expenditures include salaries and wages, fringe benefits, workers' compensation and unemployment compensation, and consultant services. *Other operating* expenditures are the non-personnel day-to-day expenses of state government, including maintenance and non-fixed capital assets.

Local Aid, or *Aid to Local Units of Government*, is payments made to governmental units with taxing authority. It includes both aid to local governments designed to decrease property tax reliance and education aid.

Assistance, Grants, and Benefits constitutes payments to individuals and nongovernmental agencies. These payments include Medicaid and other medical assistance programs including RIte Share and RIte Care, pharmaceutical assistance programs, property tax circuit breaker expenditures, cash assistance, and tuition assistance programs. They also include grants to environmental agencies, local law enforcement agencies, and unemployment compensation, temporary disability and workers' compensation. This is the largest category of expenditure.

Capital expenditures include both direct pay *capital improvements* and *debt service* on financed capital improvements. Expenditures for direct pay are reflected in the years that the payments are made. Financed capital improvements are reflected as the annual debt service payments. Therefore, total capital expenditures for any year are not reflected in the budget.

However, the Budget now includes capital purchases that had formerly been included as capital outlay within state operations as part of capital. The purpose may be to include all fixed assets above certain threshold values of cost and time. The Budget does not present sufficient information to break the new items out from the old.

Operating Transfers are transfers between different funds and to component units of state government. They had been part of other categories in past budgets. Transfers to component units include transfers to quasi-public agencies, such as the transfer to the Economic Development Corporation. There are also instances where these expenses are already represented elsewhere in the budget thus double-counting the expenditure.

Staff has reviewed the Governor's recommended changes to the enacted budget for each agency and department, and compared them to the changes requested by those agencies and departments. These analyses are presented in the next section. The agencies and departments are arranged by function.

Distribution Tables

The distribution tables on the following pages array expenditures by function and category. Expenditures by function are read down the table while expenditures by category are read across. The percentages shown in the table represent the percent of the total shown in each cell.

Expenditures from All Funds

FY 2011 Reported	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	214.3 2.8%	319.7 4.1%	464.4 6.0%	316.9 4.1%	47.0 0.6%	55.8 0.7%	\$ 1,418.2 18.4%
Contracted Services	16.6 0.2%	65.6 0.9%	54.5 0.7%	15.8 0.2%	6.1 0.1%	35.4 0.5%	193.9 2.5%
Other State Operations	285.4 3.7%	75.8 1.0%	194.0 2.5%	39.5 0.5%	8.8 0.1%	31.2 0.4%	634.7 8.2%
Aid to Local Units of Government	60.6 0.8%	- 0.0%	1,033.2 13.4%	- 0.0%	- 0.0%	- 0.0%	1,093.8 14.2%
Assistance, Grants & Benefits	902.5 11.7%	2,536.8 32.9%	274.7 3.6%	51.3 0.7%	6.3 0.1%	17.5 0.2%	3,789.0 49.1%
Capital	12.7 0.2%	4.6 0.1%	25.9 0.3%	16.0 0.2%	5.2 0.1%	100.8 1.3%	165.1 2.1%
Debt Service	166.4 2.2%	- 0.0%	40.2 0.5%	- 0.0%	- 0.0%	- 0.0%	206.6 2.7%
Operating Transfers	86.2 1.1%	9.9 0.1%	16.6 0.2%	- 0.0%	0.0 0.0%	104.5 1.4%	217.3 2.8%
Total	\$ 1,744.7 22.6%	\$ 3,012.4 39.0%	\$ 2,103.3 27.3%	\$ 439.5 5.7%	\$ 73.4 1.0%	\$ 345.2 4.5%	\$ 7,718.5 100.0%

FY 2012 Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	214.5 2.8%	325.5 4.2%	475.5 6.2%	344.2 4.5%	49.6 0.6%	66.5 0.9%	\$ 1,475.9 19.2%
Contracted Services	23.2 0.3%	71.5 0.9%	71.5 0.9%	16.6 0.2%	15.7 0.2%	37.1 0.5%	235.5 3.1%
Other State Operations	279.4 3.6%	80.6 1.0%	216.9 2.8%	41.9 0.5%	10.8 0.1%	40.4 0.5%	669.8 8.7%
Aid to Local Units of Government	67.1 0.9%	- 0.0%	1,009.0 13.1%	- 0.0%	- 0.0%	- 0.0%	1,076.2 14.0%
Assistance, Grants & Benefits	570.7 7.4%	2,596.9 33.7%	309.8 4.0%	51.6 0.7%	7.7 0.1%	68.6 0.9%	3,605.2 46.8%
Capital	28.9 0.4%	32.6 0.4%	40.6 0.5%	20.1 0.3%	19.0 0.2%	114.6 1.5%	255.8 3.3%
Debt Service	200.7 2.6%	- 0.0%	41.3 0.5%	- 0.0%	- 0.0%	- 0.0%	242.0 3.1%
Operating Transfers	33.4 0.4%	5.8 0.1%	2.5 0.0%	- 0.0%	0.1 0.0%	99.9 1.3%	141.7 1.8%
Total	\$ 1,417.9 18.4%	\$ 3,112.8 40.4%	\$ 2,167.2 28.1%	\$ 474.5 6.2%	\$ 102.8 1.3%	\$ 427.0 5.5%	\$ 7,702.2 100.0%

Expenditures from All Funds

FY 2013 Recommended	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	212.7 2.7%	343.1 4.3%	498.1 6.3%	354.2 4.5%	48.3 0.6%	74.5 0.9%	\$ 1,530.8 19.3%
Contracted Services	19.5 0.2%	80.4 1.0%	86.5 1.1%	17.1 0.2%	13.5 0.2%	37.2 0.5%	254.1 3.2%
Other State Operations	303.5 3.8%	97.4 1.2%	217.6 2.7%	43.7 0.6%	12.8 0.2%	41.8 0.5%	716.9 9.0%
Aid to Local Units of Government	67.3 0.8%	- 0.0%	1,058.6 13.3%	- 0.0%	- 0.0%	- 0.0%	1,125.9 14.2%
Assistance, Grants & Benefits	498.8 6.3%	2,629.8 33.1%	318.5 4.0%	54.0 0.7%	7.3 0.1%	32.3 0.4%	3,540.8 44.6%
Capital	44.7 0.6%	22.7 0.3%	33.8 0.4%	27.7 0.3%	23.0 0.3%	204.7 2.6%	356.6 4.5%
Debt Service	222.5 2.8%	- 0.0%	52.6 0.7%	- 0.0%	- 0.0%	- 0.0%	275.2 3.5%
Operating Transfers	35.1 0.4%	6.2 0.1%	0.1 0.0%	- 0.0%	0.1 0.0%	101.8 1.3%	143.3 1.8%
Total	\$ 1,404.1 17.7%	\$ 3,179.6 40.0%	\$ 2,265.8 28.5%	\$ 496.7 6.3%	\$ 104.9 1.3%	\$ 492.3 6.2%	\$ 7,943.4 100.0%

FY 2013 Recommended Change to Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	(1.8) -0.7%	17.5 7.3%	22.6 9.4%	9.9 4.1%	(1.3) -0.6%	8.0 3.3%	\$ 54.9 22.8%
Contracted Services	(3.7) -1.5%	8.9 3.7%	15.0 6.2%	0.5 0.2%	(2.1) -0.9%	0.1 0.0%	18.6 7.7%
Other State Operations	24.1 10.0%	16.8 7.0%	0.7 0.3%	1.9 0.8%	2.0 0.8%	1.5 0.6%	47.0 19.5%
Aid to Local Units of Government	0.1 0.1%	- 0.0%	49.6 20.5%	- 0.0%	- 0.0%	- 0.0%	49.7 20.6%
Assistance, Grants & Benefits	(71.9) -29.8%	32.9 13.6%	8.8 3.6%	2.4 1.0%	(0.4) -0.2%	(36.3) -15.0%	(64.5) -26.7%
Capital	15.8 6.5%	(9.9) -4.1%	(6.9) -2.8%	7.6 3.2%	4.0 1.6%	90.1 37.4%	100.7 41.8%
Debt Service	21.8 9.0%	- 0.0%	11.3 4.7%	- 0.0%	- 0.0%	- 0.0%	33.1 13.7%
Operating Transfers	1.7 0.7%	0.4 0.2%	(2.5) -1.0%	- 0.0%	- 0.0%	1.9 0.8%	1.6 0.7%
Total	\$ (13.8) -5.7%	\$ 66.7 27.7%	\$ 98.6 40.9%	\$ 22.3 9.2%	\$ 2.1 0.9%	\$ 65.3 27.1%	\$ 241.2 100.0%

Expenditures from General Revenues

FY 2011 Reported	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	141.4 4.8%	161.9 5.5%	125.4 4.2%	292.8 9.9%	29.5 1.0%	- 0.0%	\$ 751.0 25.4%
Contracted Services	6.9 0.2%	17.8 0.6%	8.5 0.3%	11.0 0.4%	0.6 0.0%	- 0.0%	44.8 1.5%
Other State Operations	37.6 1.3%	16.8 0.6%	25.9 0.9%	32.2 1.1%	6.5 0.2%	- 0.0%	119.0 4.0%
Aid to Local Units of Government	60.0 2.0%	- 0.0%	806.8 27.3%	- 0.0%	- 0.0%	- 0.0%	866.8 29.3%
Assistance, Grants & Benefits	13.2 0.4%	894.4 30.3%	32.4 1.1%	27.3 0.9%	0.8 0.0%	- 0.0%	968.2 32.8%
Capital	1.0 0.0%	0.5 0.0%	2.5 0.1%	1.8 0.1%	(0.1) 0.0%	- 0.0%	5.7 0.2%
Debt Service	117.7 4.0%	- 0.0%	20.1 0.7%	- 0.0%	- 0.0%	- 0.0%	137.9 4.7%
Operating Transfers	56.7 1.9%	5.6 0.2%	0.4 0.0%	- 0.0%	- 0.0%	- 0.0%	62.7 2.1%
Total	\$ 434.6 14.7%	\$ 1,096.9 37.1%	\$ 1,022.2 34.6%	\$ 365.1 12.4%	\$ 37.3 1.3%	\$ - 0.0%	\$ 2,956.1 100.0%

FY 2012 Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	132.9 4.2%	173.9 5.5%	121.6 3.9%	317.5 10.1%	30.5 1.0%	- 0.0%	\$ 776.3 24.7%
Contracted Services	8.0 0.3%	18.4 0.6%	7.0 0.2%	11.5 0.4%	0.7 0.0%	- 0.0%	45.6 1.5%
Other State Operations	38.1 1.2%	20.6 0.7%	31.3 1.0%	35.0 1.1%	5.8 0.2%	- 0.0%	130.8 4.2%
Aid to Local Units of Government	66.2 0.0	- -	827.5 0.3	- -	- -	- -	893.7 0.3
Assistance, Grants & Benefits	13.9 0.4%	1,043.3 33.2%	32.4 1.0%	29.9 1.0%	0.7 0.0%	- 0.0%	1,120.2 35.6%
Capital	2.1 0.1%	0.9 0.0%	1.7 0.1%	1.0 0.0%	0.0 0.0%	- 0.0%	5.8 0.2%
Debt Service	144.7 4.6%	- 0.0%	18.8 0.6%	- 0.0%	- 0.0%	- 0.0%	163.6 5.2%
Operating Transfers	5.1 0.2%	1.3 0.0%	0.1 0.0%	- 0.0%	- 0.0%	- 0.0%	6.6 0.2%
Total	\$ 411.1 13.1%	\$ 1,258.5 40.0%	\$ 1,040.5 33.1%	\$ 394.8 12.6%	\$ 37.6 1.2%	\$ - 0.0%	\$ 3,142.5 100.0%

Expenditures from General Revenues

FY 2013 Recommended	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	141.2 4.3%	182.9 5.6%	129.9 4.0%	326.7 10.0%	29.3 0.9%	- 0.0%	\$ 810.1 24.8%
Contracted Services	6.5 0.2%	19.3 0.6%	6.8 0.2%	12.2 0.4%	0.7 0.0%	- 0.0%	45.5 1.4%
Other State Operations	40.2 1.2%	19.9 0.6%	24.9 0.8%	35.9 1.1%	6.3 0.2%	- 0.0%	127.2 3.9%
Aid to Local Units of Government	66.3 2.0%	- 0.0%	893.0 27.3%	- 0.0%	- 0.0%	- 0.0%	959.3 29.3%
Assistance, Grants & Benefits	13.7 0.4%	1,061.3 32.5%	33.5 1.0%	29.1 0.9%	0.6 0.0%	- 0.0%	1,138.3 34.8%
Capital	2.4 0.1%	0.8 0.0%	1.1 0.0%	1.0 0.0%	0.0 0.0%	- 0.0%	5.3 0.2%
Debt Service	152.6 4.7%	- 0.0%	24.7 0.8%	- 0.0%	- 0.0%	- 0.0%	177.2 5.4%
Operating Transfers	4.5 0.1%	1.8 0.1%	- 0.0%	- 0.0%	- 0.0%	- 0.0%	6.3 0.2%
Total	\$ 427.4 13.1%	\$ 1,286.0 39.3%	\$ 1,113.9 34.1%	\$ 404.9 12.4%	\$ 36.9 1.1%	\$ - 0.0%	\$ 3,269.2 100.0%

FY 2013 Recommended Change to Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	8.3 6.6%	9.1 7.2%	8.3 6.6%	9.2 7.3%	(1.2) -0.9%	- 0.0%	\$ 33.7 26.6%
Contracted Services	(1.6) -1.2%	0.9 0.7%	(0.2) -0.2%	0.7 0.6%	0.0 0.0%	- 0.0%	(0.2) -0.1%
Other State Operations	2.1 1.6%	(0.8) -0.6%	(6.3) -5.0%	0.9 0.7%	0.5 0.4%	- 0.0%	(3.6) -2.8%
Aid to Local Units of Government	0.1 0.1%	- 0.0%	65.5 51.7%	- 0.0%	- 0.0%	- 0.0%	65.7 51.8%
Assistance, Grants & Benefits	(0.2) -0.2%	18.1 14.3%	1.1 0.9%	(0.8) -0.6%	(0.1) -0.1%	- 0.0%	18.1 14.3%
Capital	0.3 0.2%	(0.1) -0.1%	(0.7) -0.5%	0.0 0.0%	(0.0) 0.0%	- 0.0%	(0.5) -0.4%
Debt Service	7.8 6.2%	- 0.0%	5.9 4.6%	- 0.0%	- 0.0%	- 0.0%	13.7 10.8%
Operating Transfers	(0.6) -0.5%	0.5 0.4%	(0.1) -0.1%	- 0.0%	- 0.0%	- 0.0%	(0.3) -0.2%
Total	\$ 16.3 12.8%	\$ 27.6 21.8%	\$ 73.4 58.0%	\$ 10.1 7.9%	\$ (0.7) -0.6%	\$ - 0.0%	\$ 126.7 100.0%