
Section II

Statewide Overview

Summary

	FY 2016 Enacted	FY 2016 Revised	FY 2017 Request	FY 2017 Recommended
Expenditures by Function*				
General Government	\$ 1,432.5	\$ 1,526.0	\$ 1,545.5	\$ 1,533.9
Human Services	3,721.4	3,853.6	3,911.6	3,763.5
Education	2,408.0	2,449.6	2,535.4	2,520.7
Public Safety	534.7	553.1	572.5	560.0
Natural Resources	105.0	110.0	112.5	107.1
Transportation	463.8	482.9	485.2	479.5
Total	\$ 8,665.4	\$ 8,975.1	\$ 9,162.6	\$ 8,964.8
Expenditures by Category*				
Salaries and Benefits	\$ 1,638.9	\$ 1,646.8	\$ 1,734.6	\$ 1,684.8
Contracted Services	282.1	397.4	302.1	303.0
Subtotal	\$ 1,921.0	\$ 2,044.2	\$ 2,036.6	\$ 1,987.8
Other State Operations	775.9	843.2	883.3	879.8
Aid to Local Units of Government	1,248.4	1,240.5	1,280.5	1,282.1
Assistance, Grants, and Benefits	3,963.7	4,034.0	4,063.9	3,994.5
Capital	335.4	415.1	430.9	415.6
Capital Debt Service	203.5	202.0	255.8	227.5
Operating Transfers	217.5	196.1	211.6	177.4
Total	\$ 8,665.4	\$ 8,975.1	\$ 9,162.6	\$ 8,964.8
Sources of Funds*				
General Revenue	\$ 3,552.0	\$ 3,576.5	\$ 3,783.4	\$ 3,676.8
Federal Aid	2,947.3	3,114.2	3,010.8	2,967.2
Restricted Receipts	245.5	288.8	258.3	261.9
Other	1,920.7	1,995.7	2,110.0	2,058.9
Total	\$ 8,665.4	\$ 8,975.1	\$ 9,162.6	\$ 8,964.8
FTE Authorization	15,118.4	15,139.3	15,308.4	15,227.3

Summary

The Governor's budget recommendations for FY 2017, along with her revisions to the FY 2016 enacted budget, are contained in 2016-H 7454, introduced on February 3, 2016. While most supporting documents were made available with the introduction, the Capital Budget was not provided until two weeks later, on February 17. By law the budget is due by the third Thursday in January, which was January 21, 2016 this year.

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. Governor Raimondo has included a proposal contained in Article 14 to delay the submission three weeks with an extra five weeks for new Governors.

The Governor recommended a total FY 2017 budget of \$8,964.8 million. Total expenditures increase \$299.3 million from the FY 2016 budget enacted by the 2015 Assembly, or 3.5 percent. Her FY 2016 revised budget totals \$8,975.1 million; FY 2015 expenditures were \$8,392.6 million.

The Budget includes \$3,676.8 million of expenditures funded from general revenues, \$124.8 million, or 3.5 percent more than the enacted general revenue funded budget. They are also \$100.3 million more than her revised recommendations.

FY 2017	General				
	Revenue	Federal	Restricted	Other	All Funds
FY 2016 Enacted	\$ 3,552.0	\$ 2,947.3	\$ 245.5	\$ 1,920.7	\$ 8,665.4
Governor	3,676.8	2,967.2	261.9	2,058.9	8,964.8
Change to Enacted	\$ 124.8	\$ 20.0	\$ 16.4	\$ 138.2	\$ 299.3
Percent Change	3.5%	0.7%	6.7%	7.2%	3.5%

FY 2016 Revised	General				
	Revenue	Federal	Restricted	Other	All Funds
FY 2015 Final	\$ 3,476.6	\$ 3,051.2	\$ 283.6	\$ 1,919.7	\$ 8,731.2
FY 2015 Actual	3,453.9	2,895.3	236.0	1,807.4	8,392.6
Difference	\$ (22.7)	\$ (155.9)	\$ (47.7)	\$ (112.4)	\$ (338.6)
FY 2016 Enacted	\$ 3,552.0	\$ 2,947.3	\$ 245.5	\$ 1,920.7	\$ 8,665.4
Governor's FY 2016 Revised	3,576.5	3,114.2	288.8	1,995.7	8,975.1
Governor's Change to Enacted	\$ 24.5	\$ 166.9	\$ 43.3	\$ 75.0	\$ 309.7
Percent Change	0.7%	5.7%	17.6%	3.9%	3.6%

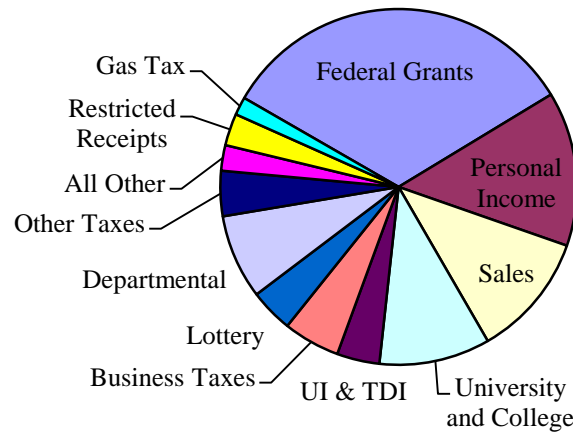
The Budget Office estimates that in preparing the FY 2017 budget, the Governor faced a projected revenue-expenditure gap of about \$190 million. This was higher than the House Fiscal Staff projections based on differing Budget Office assumptions. That gap was significantly reduced by increased resources from the FY 2015 closing and consensus revenue estimates, partially offset by overspending.

The Governor's budget resolves much of the deficit through revenue items, a majority of which are non-recurring. There are numerous spending changes in human service agencies which amount to a reduction that appears to be structural in nature.

Her 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. Notably, there is an assumption for \$8.0 million in undefined caseload savings in the current year, which would likely need immediate statutory authority.

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: Revenues Changes*.

Sources of Funds



- *Federal funds* continue to be the single largest source, accounting for approximately 33 percent of all revenues in FY 2017. Recommended expenditures from federal sources of \$2,967.2 million are \$20.0 million more than enacted for FY 2016, a 0.7 percent increase, and are from 297 different federal programs.

Medicaid is the single largest source of federal funds. The Budget includes \$1,623.9 million from Medicaid, 54.7 percent of all federal funds, and 18.0 percent of all revenues. Supplemental Nutrition (Food Stamps) of \$282.0 million is the second largest category, 9.5 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 82.5 percent of all federal funds expenditures, with the remaining 286 programs accounting for the other 17.5 percent.

Top Ten Federal Sources	<i>Total</i>	<i>Percent of Total</i>	<i>Cumulative Percent</i>
Medicaid	\$ 1,623,936,380	54.7%	54.7%
Supplemental Nutrition (Food Stamps)	282,000,000	9.5%	64.2%
Federal Highway Funds	245,368,338	8.3%	72.4%
Temporary Assistance to Needy Families (TANF)	80,431,689	2.7%	75.1%
Title I Grants to Local Education Agencies	54,462,873	1.8%	77.0%
Special Education Grants to States	45,057,032	1.5%	78.5%
CHIP Children's Health Insurance	42,773,883	1.4%	79.9%
National School Lunch Program	30,804,953	1.0%	81.0%
Women, Infants and Children (WIC)	26,070,953	0.9%	81.8%
Unemployment Administration	18,358,732	0.6%	82.5%

The table on the next page shows FY 2017 sources with items contributing to general revenues in bold type. It also 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	\$ 2,967.2	33.0%	\$ -	0.0%
Personal Income	1,263.5	14.0%	1,263.5	34.1%
Sales	1,017.7	11.3%	1,017.7	27.4%
University and College	905.4	10.1%	-	0.0%
UI & TDI	347.6	3.9%	-	0.0%
Business Taxes	462.7	5.1%	462.7	12.5%
Lottery	354.7	3.9%	354.7	9.6%
Departmental	369.5	4.1%	369.5	10.0%
Other Taxes	209.1	2.3%	209.1	5.6%
All Other	690.7	7.7%	32.1	0.9%
Restricted Receipts	261.9	2.9%	-	0.0%
Gas Tax	147.3	1.6%	-	0.0%
Total	\$ 8,997.3	100%	\$ 3,709.3	100%

- *Sales and personal income taxes* combine for 25.4 percent of all revenues in FY 2017 and 61.5 percent of all general revenues. Combined with federal funds, they total over half, 58.3 percent.
- *Personal Income* taxes of \$1,263.5 million are the second largest of all revenue sources and the largest source of general revenues. The FY 2017 estimate is \$47.8 million more than the FY 2016 enacted budget estimates, or 3.9 percent.
- *Sales tax* revenues of \$1,017.7 million are the second largest of general revenue sources. That amount is \$48.2 million more than enacted for FY 2016, or 5.0 percent.
- *University and College Funds* are \$905.4 million and 10.1 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 Pell grants. These increase \$65.1 million or 7.7 percent from the FY 2016 enacted estimates.
- *Employment Security and Temporary Disability Insurance* payments are estimated at \$347.6 million, which are \$26.6 million less than the levels estimated for the FY 2016 enacted budget.
- *Business taxes* of \$462.7 million account for 5.1 percent of total revenues and 12.5 percent of general revenues for FY 2017. They would increase \$33.0 million or 7.7 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 \$354.7 million, which is 3.9 percent of all revenues and 9.6 percent of general revenues.
- *Departmental Revenues* of \$369.5 million include \$169.1 million from extending the hospital licensing fee another year. Departmental revenues would be 4.1 percent of all revenues and 10.0 percent of general revenues.
- *Other taxes* include motor vehicle, cigarettes, alcohol, inheritance, realty transfer, and racing and athletics. These total \$209.1 million in the FY 2017 budget and comprise 2.3 percent of all sources but 5.6 percent of general revenues. Beginning with FY 2015, most of the motor vehicle taxes are being transitioned over a four-year period from general revenue to a restricted use transportation account.

- The *gas tax*, currently 33.5 cents per gallon, not including the one-half cent for the Underground Storage Tank Financial Responsibility Fund, is estimated to produce \$4.3 million from each cent in FY 2017 for a total of \$147.3 million.
- The remaining sources, estimated at \$952.6 million, constitute 10.6 percent of all FY 2017 sources and include sources dedicated to specific purposes such as lottery operations, transportation funds and restricted receipts as well as unclaimed property and miscellaneous other items.

General Revenue Sources

Less than half of the total funds collected or received from all sources are considered as general revenues, \$3,709.3 million, 41.2 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 Governor has proposed changes to this process in Article 22.

Available general revenues also include a balance forward from FY 2016 of \$81.7 million minus transfer of \$113.7 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. Three percent of the opening surplus plus all revenues must be deposited in the account. These amounts had 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 increased 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 Fund 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 2017 Expenditures

Recommended expenditures of \$8,964.8 million are \$299.3 million more than enacted for FY 2016, 3.5 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.

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 \$ \$3,763.5 million are 42.0 percent of all expenditures and 37.2 percent of those funded from general revenues. These expenditures are \$42.2 million more than enacted for FY 2016 by the 2015 Assembly. Those funded from general revenues are \$5.6 million more.
- *Education* includes programs of elementary and secondary education, public higher education, scholarships and grants for all higher education, arts, and historical preservation and heritage. Education aid to local units of government represents 47.9 percent of total expenses or, \$1,207.4 million of the \$2,520.7 million. Education aid is discussed in detail in *Section VI* of this volume, *Special Reports: Education Aid*. Education expenditures comprise 28.1 percent of total expenditures, but 35.7 percent of general revenue funded ones. They increase by \$112.8 million over the enacted FY 2016 budget, and those funded from general revenues increase by \$44.4 million.
- The Budget includes \$560.0 million for *Public Safety* expenditures, \$25.3 million more than the enacted budget. They comprise 6.2 percent of all expenditures and 12.3 percent of those funded from general revenues.
- *Natural Resources* programs would spend \$107.1 million, which is \$2.1 million more than enacted for FY 2016. They are 1.2 percent of total expenditures and 1.1 percent of those from general revenues.
- *Transportation* programs account for 5.3 percent of expenditures and include the state's highway and transit programs. Funding of \$479.5 million, none from general revenues, is \$15.6 million more than enacted for FY 2016.
- The remaining 17.1 percent of expenditures, \$1,533.9 million, are for the *General Government* programs. These include 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.

Expenditures also include all the state's debt service except that for higher education and the transportation Grant Anticipation Revenue Vehicle bonds. General Government expenditures are \$101.4 million or 7.1 percent more than the enacted budget.

Expenditures by Category

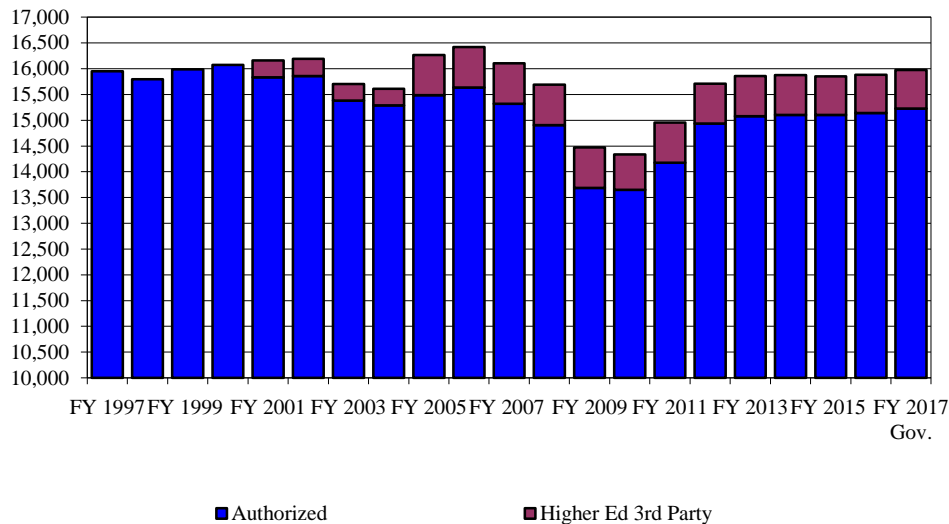
Expenditures are also aggregated and presented by accounting categories that designate what is purchased as opposed to the purpose of expenditures. The categories include: state operations; local aid; assistance, grants and benefits; capital; and operating transfers.

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 Budget includes \$1,684.8 million for total *salaries and benefits* for 15,227.3 full-time equivalent positions and *contracted services* expenditures of \$303.0 million. Salary and benefit expenditures are \$46.0

million more than the enacted budget; contracted services expenditures would increase \$20.9 million. Salaries and benefits account for 18.8 percent of total expenditures and 24.3 percent of those funded from general revenues. Expenditures for contracted services account for 3.4 percent of the total budget and 1.7 percent of those funded from general revenues.

Full-Time Equivalent Positions



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.

The Budget includes \$879.8 million for *other state operations*, which constitutes 9.8 percent of FY 2017 expenditures from all sources and 4.0 percent of those funded with general revenues. This is \$103.9 million more than enacted, \$10.0 million more from general revenues.

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 below shows the major grants in human services.

OHHS-Human Services Grants	All Funds				General Revenues			
	FY 2015 Reported	FY 2016 Enacted	FY 2017 Governor	Change	FY 2015 Reported	FY 2016 Enacted	FY 2017 Governor	Change
<i>OHHS/Human Services</i>								
Managed Care	\$ 636.1	\$ 612.4	\$ 622.1	\$ 9.7	\$ 308.3	\$ 289.1	\$ 288.7	\$ (0.4)
Long Term Care	250.2	253.9	276.7	22.8	125.1	126.1	135.9	9.8
Hospitals	205.2	219.8	194.8	(25.0)	102.6	109.7	95.3	(14.3)
Rhody Health Partners	256.9	320.7	260.0	(60.7)	125.6	137.4	116.7	(20.7)
Rhody Health Options Expansion	269.2	253.8	298.6	44.8	134.0	126.2	146.8	20.6
Other	412.0	468.9	454.7	(14.2)	-	-	-	-
Pharmacy	109.8	60.4	78.8	18.4	42.4	40.7	41.4	0.8
Subtotal: Medical Assistance	\$ 2,188.0	\$ 2,244.7	\$ 2,241.0	\$ (3.6)	\$ 887.6	\$ 884.1	\$ 881.4	\$ (2.7)
Child Care	\$ 54.3	\$ 61.3	\$ 74.0	\$ 12.8	\$ 9.7	\$ 11.4	\$ 18.2	\$ 6.9
Rhode Island Works Program	30.5	29.2	25.5	(3.7)	-	-	-	-
SSI State Program	18.2	18.7	18.5	(0.2)	18.2	18.7	18.5	(0.2)
SSI/Bridge Program	1.5	1.7	1.6	(0.1)	1.5	1.7	1.6	(0.1)
Subtotal: Cash Assistance	\$ 104.5	\$ 110.8	\$ 119.6	\$ 8.8	\$ 29.4	\$ 31.7	\$ 38.3	\$ 6.6
<i>Supplemental Nutrition</i>								
Assistance	\$ 281.2	\$ 268.0	\$ 282.0	\$ 14.0	\$ -	\$ -	\$ -	\$ -
Women, Infants and Children*	20.5	23.0	-	(23.0)	-	-	-	-
<i>Low Income Heating and Energy</i>								
Assistance Program (LIHEAP)	27.1	23.8	10.6	(13.3)	-	-	-	-
Weatherization	0.9	1.0	0.9	(0.1)	-	-	-	-
Race to the Top	10.3	5.8	1.7	(4.2)	-	-	-	-
HIV/AIDS Treatment	2.4	2.5	2.0	(0.5)	-	-	-	-
Subtotal: Other Assistance	\$ 342.4	\$ 324.2	\$ 297.1	\$ (27.1)	\$ -	\$ -	\$ -	\$ -
<i>DHS/Division of Elderly Affairs</i>								
RIPAE/Supplemental Pharm.	\$ 0.1	\$ 0.05	\$ -	\$ (0.05)	\$ -	\$ -	\$ -	\$ -
Medical Assistance	6.6	8.0	7.3	(0.6)	3.3	4.0	3.7	(0.3)
Other Grants	6.6	7.3	8.1	0.8	0.9	1.1	1.8	0.7
<i>Behavioral Healthcare, Developmental Disabilities and Hospitals</i>								
Developmental Disabilities	\$ 196.1	\$ 188.4	\$ 209.1	\$ 20.7	\$ 97.9	\$ 94.2	\$ 102.6	\$ 8.5
Behavioral Healthcare Services	\$ 12.8	\$ 14.4	\$ 15.7	1.3	\$ 0.5	\$ 0.4	\$ 0.4	\$ -
<i>Children, Youth and Families</i>								
Child Welfare	\$ 129.9	\$ 119.8	\$ 121.4	\$ 1.6	\$ 95.4	\$ 85.3	\$ 85.5	\$ 0.2
Children's Behavioral Health	6.9	6.8	7.1	0.3	3.3	2.7	3.1	0.4
Juvenile Corrections	2.6	2.7	2.2	(0.5)	2.6	2.7	2.2	(0.5)
Higher Ed. Incentive Grants	0.2	0.2	0.2	-	0.2	0.2	0.2	-
<i>Health</i>								
Women, Infants and Children*	\$ -	\$ -	\$ 22.7	22.7	\$ -	\$ -	\$ -	\$ -
HIV Surveillance	0.5	0.7	0.1	(0.6)	-	-	-	-
Tobacco and Smoking Cessation	0.1	0.1	0.1	-	0.1	0.1	0.1	-
Other Grants	14.6	14.5	23.1	8.6	1.1	1.2	1.4	0.1

*Governor's recommended budget transfers program to Department of Health

Assistance, grants, and benefits are \$3,994.5 million and constitute the largest category, 44.6 percent of all expenditures and 33.1 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 \$30.8 million more than the enacted budget considering all sources, and \$16.6 million more from 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 budget includes \$1,282.1 million for *aid to local units of government* that includes

\$1,207.4 million in education aid and \$74.7 million in general state aid. Education aid increases \$38.8 million while general aid decreases by \$5.1 million. These expenditures comprise 14.3 percent of all expenditures. However, they comprise 30.3 percent of general revenue funded ones.

Local aid expenditures from general revenues of \$1,112.5 million consist of \$1,038.8 million in education aid and \$73.7 million in general state aid. General revenue funded education aid increases \$35.4 million; general aid is \$5.1 million less. Local aid is discussed in detail in *Section VI* of this volume, *Special Reports: State Aid to Local Governments* and *Special Reports: Education Aid*.

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 \$415.6 million, or 4.6 percent of all expenditures; debt service of \$227.5 million is 2.5 percent. Capital expenditures would be \$80.3 million more than enacted for FY 2016 and debt service \$23.9 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. 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 Commerce Corporation. The FY 2016 budget contains a significant increase in these related to one-time investments via the Commerce Corporation. That is continued to a lesser degree for FY 2017.

They also represent transfers within state agencies from funds distinct from the General Fund. An example is transfers from the Department of Labor and Training to the three Rhode Island institutions of higher education. These transfers double count expenditures that appear elsewhere in this budget or in other state agencies. They total \$177.4 million and constitute 2.0 percent of the total budget. The general revenues portion is \$79.7 million, 2.2 percent of general revenue funded expenditures.

General Revenue Surplus Statement

The Governor recommends an ending FY 2017 surplus of \$0.5 million, and an operating deficit of \$81.2 million reflecting use of the FY 2016 surplus.

	FY 2015	FY 2016	FY 2017
Opening Surplus			
Free Surplus	\$ 67,806,737	\$ 168,038,072	\$ 81,679,082
Reappropriated Surplus	7,378,665	6,890,273	-
Subtotal	\$ 75,185,402	\$ 174,928,345	\$ 81,679,082
Revenues			
Cash Stabilization Fund	(111,267,461)	(112,926,782)	(113,730,327)
From Cash Stabilization Fund	-	-	-
Total Available Resources	\$ 3,605,026,584	\$ 3,658,189,563	\$ 3,677,280,565
Total Expenditures			
Total Surplus	\$ 151,133,843	\$ 81,679,082	\$ 519,565
Transfers: Depreciation, Retirement	23,794,502	-	-
Reappropriations	(6,890,273)	-	-
Free Surplus	\$ 168,038,072	\$ 81,679,082	\$ 519,565
<i>Operating Surplus/(Deficit)</i>	<i>83,327,106</i>	<i>(86,358,990)</i>	<i>(81,159,517)</i>
Budget Stabilization and Cash Reserve	\$ 185,445,769	\$ 188,211,304	\$ 189,550,545
Percent of Revenues	5.1%	5.2%	5.1%

The budget reserve and cash stabilization account, the “rainy day fund” would have ending balances of \$185.4 million in FY 2015, \$188.2 million in FY 2016, and \$189.6 million in FY 2017. The account receives 3.0 percent of general revenues plus free surplus annually.

Out-Year Forecasts

The Governor’s budget projects the out-years again to be significantly unbalanced though to a somewhat smaller degree than prior years. The forecast included with the Budget estimates a \$192.1 million gap for FY 2018, equating to 5.3 percent of useable revenues, that grows to \$332.6 million in FY 2021, 8.6 percent of useable revenues. The FY 2018 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 and revenue losses not reflected in FY 2017. The estimate also reflects casino gaming expansion in Massachusetts. The effects of the Plainridge “racino” are already shown in current revenues, and the additional revenue reduction is expected to appear in FY 2019 at over \$50 million.

	FY 2018	FY 2019	FY 2020	FY 2021
Opening Surplus	\$ 0.5	\$ -	\$ -	\$ -
Revenues	3,769.2	3,826.8	3,908.8	3,975.0
Cash Stabilization Fund	(113.1)	(114.8)	(117.3)	(119.3)
Useable Revenues	\$ 3,656.6	\$ 3,712.0	\$ 3,791.5	\$ 3,855.8
Expenditures	3,848.8	3,945.6	4,063.3	4,188.3
Total Surplus	\$ (192.1)	\$ (233.6)	\$ (271.7)	\$ (332.6)
Revenue Growth	4.8%	1.5%	2.1%	1.7%
Useable Revenue Growth	5.0%	1.5%	2.1%	1.7%
Expenditure Growth	7.6%	2.5%	3.0%	3.1%
Surplus Percent of Useable Revenues	-5.3%	-6.3%	-7.2%	-8.6%

The following table shows the out-year forecast surpluses and deficits, as well as the four-year average for the past eight Governor’s budgets, including the current one.

<i>(in millions)</i>	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Average
<i>Gov Budget</i>	Out-Year Forecasts											
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)
FY 2014					(169.2)	(254.5)	(377.8)	(468.9)				(317.6)
FY 2015						(151.1)	(256.7)	(330.5)	(419.30)			(289.4)
FY 2016							(74.6)	(211.8)	(285.90)	(376.70)		(237.3)
FY 2017								(192.6)	(233.6)	(271.7)	(332.6)	(257.6)

**Corrected for miscalculation of stated personnel growth rate assumptions*

The largest single contributor to the FY 2017 deficit that required solving was the use of one-time solutions for the FY 2016 budget, including the expected \$118.5 million FY 2015 surplus. Also contributing was the revenue losses estimated from the start of casino gaming in nearby Massachusetts and the continued implementation of the shift of motor vehicle related fees from general revenue to the transportation fund. One-time revenues are also featured in the resolution of the current budget gap, notably revised surplus projections primarily related to FY 2015 underspending and excess revenues compared to that final budget. There are also proposals that generate one-time revenues only as well as longer term expenses being supported by one-time debt restructuring funds.

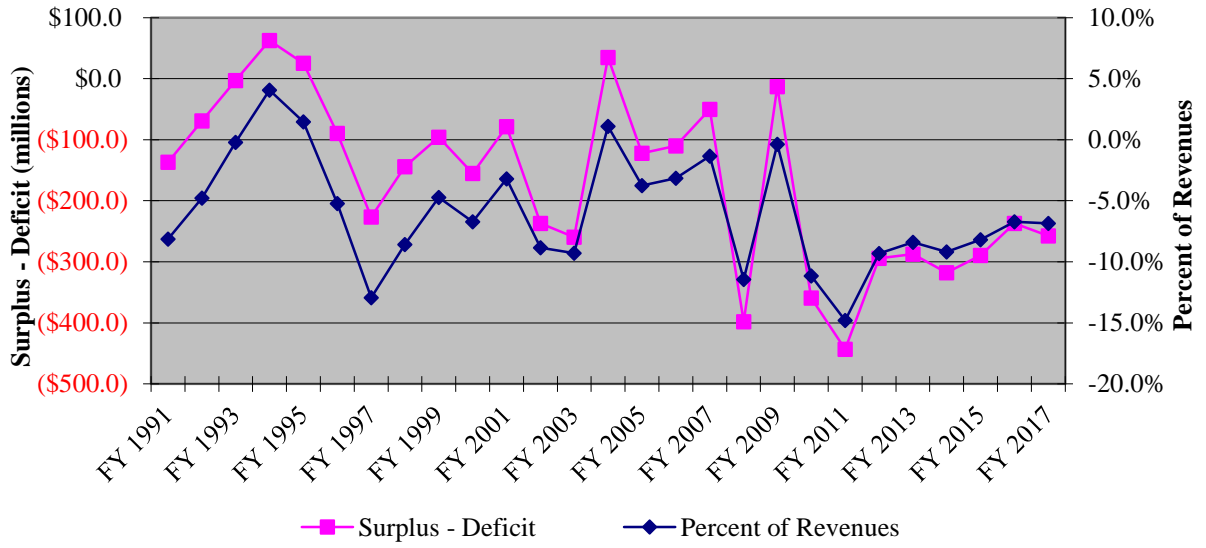
However, out-year projections are a function of both the assumptions made concerning revenues and expenditures and the structure of the budget. That is, the out-year projections are a function of assumed revenue and expenditure growth patterns for FY 2018 through FY 2021 and the FY 2017 budget itself. The growing out-year gaps illustrate the fact that projected expenditures continue to grow at faster rates than revenues are expected to grow. Indeed, the out year forecast for this budget shows average expenditure growth at nearly twice average revenue growth.

The economic data used for the Governor’s budget is from the November consensus economic forecast. This had been revised from earlier projections and will be revised again in May.

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 a high of over \$535 million in Governor Carcieri’s final budget.

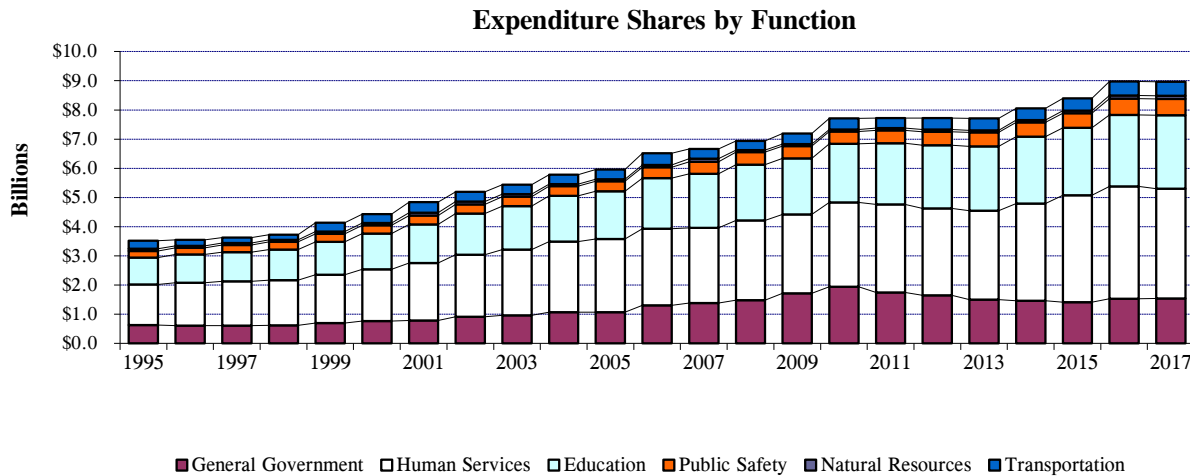
The following chart shows the average surpluses and deficits for the four out-years for each of the proposed budgets since FY 1991.

Average Four Year Surplus - Deficit



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, arts, and historical preservation and heritage.

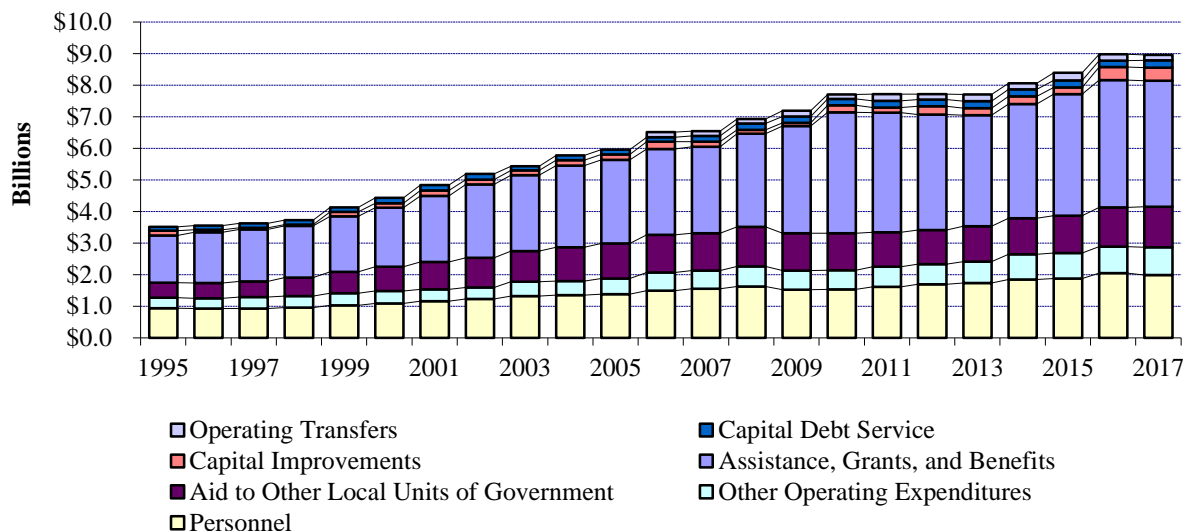
Public Safety includes the state’s law enforcement, adjudication, and penal programs.

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, capital, and operating transfers.

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, 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 Commerce 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. 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 2015 Reported	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 220.8 2.6%	\$ 361.7 4.3%	\$ 491.0 5.9%	\$ 375.4 4.5%	\$ 50.6 0.6%	\$ 65.0 0.8%	\$ 1,564.6 18.6%
Contracted Services	74.5 0.9%	109.8 1.3%	64.6 0.8%	15.6 0.2%	5.9 0.1%	40.2 0.5%	310.5 3.7%
Other State Operations	406.7 4.8%	88.5 1.1%	208.9 2.5%	50.7 0.6%	11.9 0.1%	39.3 0.5%	805.9 9.6%
Aid to Local Units of Government	76.8 0.9%	0.0 0.0%	1,111.9 13.2%	- 0.0%	- 0.0%	- 0.0%	1,188.7 14.2%
Assistance, Grants, & Benefits	392.3 4.7%	3,092.5 36.8%	305.0 3.6%	36.8 0.4%	7.5 0.1%	9.4 0.1%	3,843.6 45.8%
Capital	17.9 0.2%	5.0 0.1%	37.5 0.4%	19.4 0.2%	17.7 0.2%	122.6 1.5%	220.2 2.6%
Debt Service	168.0 2.0%	- 0.0%	50.5 0.6%	- 0.0%	- 0.0%	- 0.0%	218.4 2.6%
Operating Transfers	54.9 0.7%	9.7 0.1%	34.4 0.4%	2.4 0.0%	0.0 0.0%	139.2 1.7%	240.6 2.9%
Total	\$ 1,411.9 16.8%	\$ 3,667.3 43.7%	\$ 2,303.8 27.5%	\$ 500.3 6.0%	\$ 93.6 1.1%	\$ 415.6 5.0%	\$ 8,392.6 100.0%

FY 2016 Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 236.5 2.7%	\$ 376.1 4.3%	\$ 514.6 5.9%	\$ 383.9 4.4%	\$ 52.9 0.6%	\$ 74.9 0.9%	\$ 1,638.9 18.9%
Contracted Services	55.5 0.6%	107.9 1.2%	64.5 0.7%	16.0 0.2%	7.4 0.1%	30.9 0.4%	282.1 3.3%
Other State Operations	368.7 4.3%	89.7 1.0%	209.6 2.4%	52.4 0.6%	12.5 0.1%	42.9 0.5%	775.9 9.0%
Aid to Local Units of Government	79.8 0.9%	- 0.0%	1,168.7 13.5%	- 0.0%	- 0.0%	- 0.0%	1,248.4 14.4%
Assistance, Grants, & Benefits	421.3 4.9%	3,131.6 36.1%	326.8 3.8%	42.8 0.5%	7.2 0.1%	33.9 0.4%	3,963.7 45.7%
Capital	55.1 0.6%	10.2 0.1%	49.5 0.6%	39.6 0.5%	25.0 0.3%	156.0 1.8%	335.4 3.9%
Debt Service	150.2 1.7%	- 0.0%	53.4 0.6%	- 0.0%	- 0.0%	- 0.0%	203.5 2.3%
Operating Transfers	65.4 0.8%	5.9 0.1%	20.9 0.2%	- 0.0%	0.1 0.0%	125.2 1.4%	217.5 2.5%
Total	\$ 1,432.5 16.5%	\$ 3,721.4 42.9%	\$ 2,408.0 27.8%	\$ 534.7 6.2%	\$ 105.0 1.2%	\$ 463.8 5.4%	\$ 8,665.4 100.0%

Expenditures from All Funds

FY 2017 Recommended	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 256.5 2.9%	\$ 356.7 4.0%	\$ 539.2 6.0%	\$ 398.0 4.4%	\$ 53.7 0.6%	\$ 80.7 0.9%	\$ 1,684.8 18.8%
Contracted Services	35.6 0.4%	125.7 1.4%	73.7 0.8%	19.4 0.2%	10.0 0.1%	38.7 0.4%	303.0 3.4%
Other State Operations	452.9 5.1%	94.4 1.1%	232.0 2.6%	51.9 0.6%	14.3 0.2%	34.4 0.4%	879.8 9.8%
Aid to Local Units of Government	74.7 0.8%	- 0.0%	1,207.4 13.5%	- 0.0%	- 0.0%	- 0.0%	1,282.1 14.3%
Assistance, Grants, & Benefits	405.2 4.5%	3,168.2 35.3%	339.6 3.8%	50.3 0.6%	6.8 0.1%	24.4 0.3%	3,994.5 44.6%
Capital	61.4 0.7%	12.7 0.1%	63.5 0.7%	40.5 0.5%	22.2 0.2%	215.4 2.4%	415.6 4.6%
Debt Service	181.7 2.0%	- 0.0%	45.7 0.5%	- 0.0%	- 0.0%	- 0.0%	227.5 2.5%
Operating Transfers	65.9 0.7%	5.9 0.1%	19.6 0.2%	- 0.0%	0.1 0.0%	85.9 1.0%	177.4 2.0%
Total	\$ 1,533.9 17.1%	\$ 3,763.5 42.0%	\$ 2,520.7 28.1%	\$ 560.0 6.2%	\$ 107.1 1.2%	\$ 479.5 5.3%	\$ 8,964.8 100.0%

FY 2017 Recommended Change to Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 20.0 6.7%	\$ (19.5) -6.5%	\$ 24.7 8.2%	\$ 14.1 4.7%	\$ 0.8 0.3%	\$ 5.8 1.9%	\$ 46.0 15.4%
Contracted Services	(19.9) -6.6%	17.8 5.9%	9.1 3.1%	3.4 1.2%	2.6 0.9%	7.8 2.6%	20.9 7.0%
Other State Operations	84.2 28.1%	4.7 1.6%	22.3 7.5%	(0.5) -0.2%	1.8 0.6%	(8.5) -2.9%	103.9 34.7%
Aid to Local Units of Government	(5.1) -1.7%	- 0.0%	38.8 13.0%	- 0.0%	- 0.0%	- 0.0%	33.7 11.2%
Assistance, Grants, & Benefits	(16.1) -5.4%	36.6 12.2%	12.7 4.3%	7.4 2.5%	(0.4) -0.1%	(9.6) -3.2%	30.8 10.3%
Capital	6.3 2.1%	2.5 0.8%	14.0 4.7%	0.8 0.3%	(2.8) -0.9%	59.4 19.9%	80.3 26.8%
Debt Service	31.5 10.5%	- 0.0%	(7.6) -2.6%	- 0.0%	- 0.0%	- 0.0%	23.9 8.0%
Operating Transfers	0.4 0.1%	- 0.0%	(1.3) -0.4%	- 0.0%	- 0.0%	(39.3) -13.1%	(40.1) -13.4%
Total	\$ 101.4 33.9%	\$ 42.2 14.1%	\$ 112.8 37.7%	\$ 25.3 8.5%	\$ 2.1 0.7%	\$ 15.6 5.2%	\$ 299.3 100.0%

Expenditures from General Revenues

FY 2015 Reported	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 139.3 4.0%	\$ 183.1 5.3%	\$ 135.9 3.9%	\$ 349.6 10.1%	\$ 30.1 0.9%	\$ - 0.0%	\$ 838.1 24.3%
Contracted Services	5.9 0.2%	25.2 0.7%	8.6 0.2%	10.6 0.3%	0.4 0.0%	- 0.0%	50.7 1.5%
Other State Operations	40.6 1.2%	19.9 0.6%	26.6 0.8%	38.0 1.1%	6.8 0.2%	- 0.0%	131.9 3.8%
Aid to Local Units of Government	76.8 2.2%	- 0.0%	950.6 27.5%	- 0.0%	- 0.0%	- 0.0%	1,027.4 29.7%
Assistance, Grants, & Benefits	14.3 0.4%	1,132.9 32.8%	35.5 1.0%	28.8 0.8%	1.1 0.0%	- 0.0%	1,212.6 35.1%
Capital	0.8 0.0%	0.3 0.0%	2.4 0.1%	1.5 0.0%	0.0 0.0%	- 0.0%	5.0 0.1%
Debt Service	118.3 3.4%	- 0.0%	24.6 0.7%	- 0.0%	- 0.0%	- 0.0%	142.9 4.1%
Operating Transfers	30.3 0.9%	5.0 0.1%	10.0 0.3%	- 0.0%	- 0.0%	- 0.0%	45.3 1.3%
Total	\$ 426.3 12.3%	\$ 1,366.4 39.6%	\$ 1,194.3 34.6%	\$ 428.4 12.4%	\$ 38.4 1.1%	\$ - 0.0%	\$ 3,453.9 100.0%

FY 2016 Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 149.8 4.2%	\$ 193.4 5.4%	\$ 143.5 4.0%	\$ 354.3 10.0%	\$ 31.8 0.9%	\$ - 0.0%	\$ 872.7 24.6%
Contracted Services	8.6 0.2%	23.6 0.7%	8.1 0.2%	11.9 0.3%	0.4 0.0%	- 0.0%	52.5 1.5%
Other State Operations	41.0 1.2%	21.2 0.6%	30.0 0.8%	39.5 1.1%	6.5 0.2%	- 0.0%	138.2 3.9%
Aid to Local Units of Government	78.8 2.2%	- 0.0%	1,003.4 28.3%	- 0.0%	- 0.0%	- 0.0%	1,082.3 30.5%
Assistance, Grants, & Benefits	13.1 0.4%	1,121.3 31.6%	36.7 1.0%	27.3 0.8%	1.3 0.0%	- 0.0%	1,199.8 33.8%
Capital	1.0 0.0%	0.3 0.0%	1.5 0.0%	1.0 0.0%	0.0 0.0%	- 0.0%	3.8 0.1%
Debt Service	99.1 2.8%	- 0.0%	25.1 0.7%	- 0.0%	- 0.0%	- 0.0%	124.2 3.5%
Operating Transfers	57.2 1.6%	1.2 0.0%	20.0 0.6%	- 0.0%	- 0.0%	- 0.0%	78.4 2.2%
Total	\$ 448.7 12.6%	\$ 1,361.1 38.3%	\$ 1,268.2 35.7%	\$ 434.0 12.2%	\$ 40.0 1.1%	\$ - 0.0%	\$ 3,552.0 100.0%

Expenditures from General Revenues

FY 2017 Recommended	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 164.4 4.5%	\$ 180.4 4.9%	\$ 151.2 4.1%	\$ 366.0 10.0%	\$ 32.6 0.9%	\$ - 0.0%	\$ 894.6 24.3%
Contracted Services	9.9 0.3%	28.8 0.8%	9.7 0.3%	15.0 0.4%	0.4 0.0%	- 0.0%	63.8 1.7%
Other State Operations	48.4 1.3%	20.3 0.6%	31.8 0.9%	40.9 1.1%	6.9 0.2%	- 0.0%	148.2 4.0%
Aid to Local Units of Government	73.7 2.0%	- 0.0%	1,038.8 28.3%	- 0.0%	- 0.0%	- 0.0%	1,112.5 30.3%
Assistance, Grants, & Benefits	12.4 0.3%	1,135.6 30.9%	40.2 1.1%	27.4 0.7%	0.8 0.0%	- 0.0%	1,216.4 33.1%
Capital	4.2 0.1%	0.3 0.0%	4.9 0.1%	1.4 0.0%	0.0 0.0%	- 0.0%	10.8 0.3%
Debt Service	133.3 3.6%	- 0.0%	17.4 0.5%	- 0.0%	- 0.0%	- 0.0%	150.7 4.1%
Operating Transfers	59.8 1.6%	1.2 0.0%	18.6 0.5%	- 0.0%	- 0.0%	- 0.0%	79.7 2.2%
Total	\$ 506.0 13.8%	\$ 1,366.7 37.2%	\$ 1,312.7 35.7%	\$ 450.7 12.3%	\$ 40.7 1.1%	\$ - 0.0%	\$ 3,676.8 100.0%

FY 2017 Recommended Change to Enacted	General Government	Human Services	Education	Public Safety	Natural Resources	Trans- portation	Total
Salaries & Benefits	\$ 14.6 11.7%	\$ (13.0) -10.4%	\$ 7.7 6.2%	\$ 11.7 9.4%	\$ 0.8 0.6%	\$ - 0.0%	\$ 21.9 17.5%
Contracted Services	1.2 1.0%	5.2 4.2%	1.7 1.3%	3.2 2.5%	0.0 0.0%	- 0.0%	11.3 9.0%
Other State Operations	7.4 5.9%	(1.0) -0.8%	1.8 1.5%	1.4 1.1%	0.4 0.3%	- 0.0%	10.0 8.1%
Aid to Local Units of Government	(5.1) -4.1%	- 0.0%	35.4 28.3%	- 0.0%	- 0.0%	- 0.0%	30.3 24.3%
Assistance, Grants, & Benefits	(0.7) -0.6%	14.3 11.4%	3.4 2.8%	0.1 0.1%	(0.5) -0.4%	- 0.0%	16.6 13.3%
Capital	3.2 2.5%	0.1 0.1%	3.4 2.7%	0.3 0.3%	- 0.0%	- 0.0%	7.0 5.6%
Debt Service	34.2 27.4%	- 0.0%	(7.6) -6.1%	- 0.0%	- 0.0%	- 0.0%	26.5 21.3%
Operating Transfers	2.6 2.1%	- 0.0%	(1.4) -1.1%	- 0.0%	- 0.0%	- 0.0%	1.2 1.0%
Total	\$ 57.3 45.9%	\$ 5.6 4.5%	\$ 44.4 35.6%	\$ 16.8 13.4%	\$ 0.7 0.5%	\$ - 0.0%	\$ 124.8 100.0%

