



State of Rhode Island

FY 2010 Supplemental Budget Briefing

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Projected Deficit- First Quarter Report

- Revenue Estimating Conference estimates \$2.946 billion for FY2010, or \$130.4 million less than the enacted revenues (decrease of \$77 million below 2009 preliminary actual)
- Caseload Estimating Conference estimates \$16.3 million more than the enacted caseload costs in FY2010
- Total spending was projected to be \$34.8 greater than enacted.
- Total projected deficit in November was \$219.8 million.
- Deficit projection modified to \$218.8 million for correction in reappropriation resource



FY2010 Current Budget Picture

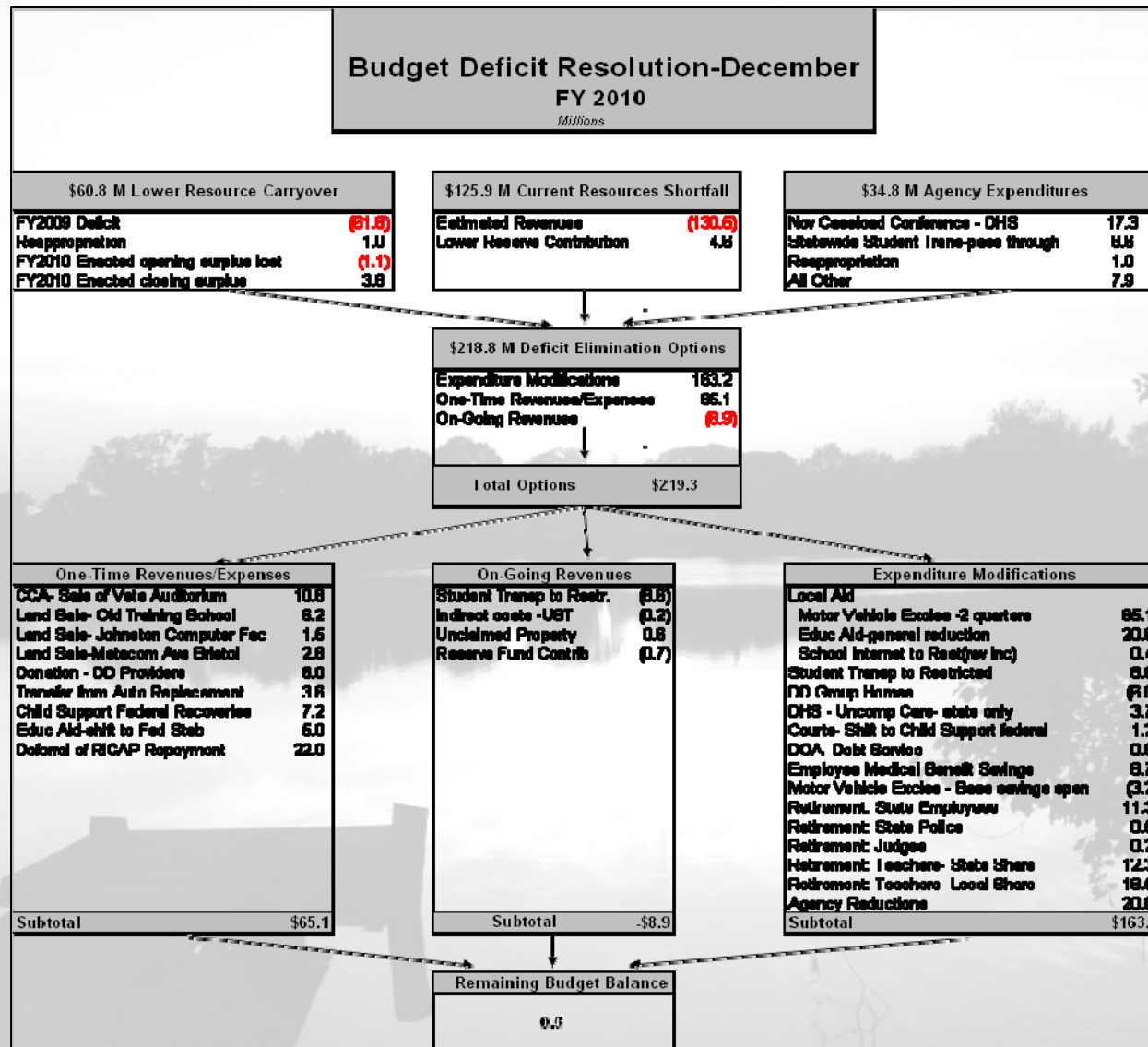
	FY 2010 Enacted	FY 2010 First Quarter Report*	FY 2010 Dec Recommend
Opening Surplus	\$1.1	(\$61.8)	(\$61.8)
Reappropriation	0.0	1.0	1.0
Revenues Adopted	3,076.9	3,076.9	3,076.9
Revenue Enhancements	-	-	29.9
Revenue Revisions	-	(130.4)	(130.4)
Total Revenues	\$3,076.9	\$2,946.4	\$2,976.3
Budget Stabilization	(73.9)	(69.2)	(69.9)
Total Available	\$3,004.1	\$2,816.5	\$2,845.6
	-	-	-
Expenditures Enacted	3,000.3	3,000.3	3,000.3
Expenditure Adjustments	0.0	34.8	(155.2)
Total Expenditures	\$3,000.3	\$3,035.2	\$2,845.1
Total Ending Balance	\$3.8	(\$218.8)	\$0.5

* Reflects modification to reflect reappropriation resource of \$1.0 million

(in millions)



Budget Deficit Resolution FY 2010





\$20.6 million Other Agency Reductions

Administration		
EDC - Researc Alliance (one of six future competitive grants)	(\$200,000)	
EDC - Pay Reduction Days	(\$82,435)	
Facilities Management - Corrective Action Plan	(\$83,997)	
DoIT - Corrective Action Plan	(\$459,274)	
Sheriffs - Operating Expenditure Reductions	(\$80,946)	
Total DOA		(\$906,652)
Commission on Women- Funding Until February 27, 2010	(\$36,439)	(\$36,439)
Children, Youth and Families		
Reprogramming Block Grants	(\$2,068,000)	
Child Placements- System of Care Transformation	(\$875,000)	
Renegotiation of RITS Counseling Services	(\$39,000)	
RITS Detention Center Education Program	(\$40,800)	(\$3,022,800)



\$20.6 million Other Agency Reductions

Health		
DOH- HIV Social Services to avoid FY2011 deficit	(\$375,000)	
DOH - Managed Turnover Savings	(\$403,702)	
DOH - Cancelled Contracts for Professional Services	(\$217,579)	(\$996,281)
Mental Health, Retardation and Hospitals		
MHRH - Department-wide Operating Reductions	(\$200,000)	
MHRH - Shift RICLAS/Hospital Costs to Federal Funds/Incr Federal Revenue	(\$975,356)	(\$1,175,356)



\$20.6 million Other Agency Reductions

Human Services		
Eliminate Unqualified Uncompensated Care Payment	[-3,650,000]	
Hospice Cost Reduction	(\$71,980)	
Review of Personal Choice Waiver	(\$72,160)	
Cost Reductions in Habilitation Waiver	(\$72,160)	
Optimizing Third Party Liability	(\$522,799)	
Review of hospital coding for Emergency Department visits	(\$183,488)	
High Cost Case Review	(\$1,443,200)	
Selective Contracting: DME	(\$151,628)	
Certification of Assisted Living Care Settings-HCBS	(\$259,776)	
Certification of Assisted Living Care Settings-SSI-D	(\$168,480)	
State Maximum Allowable Cost	(\$90,200)	
Reduce Payment Rates to Tavares Pediatric Center	(\$72,160)	
Reduce Hospital Reimbursement for NICU	(\$270,600)	
Redesign Eligibility System to Enhance Claiming Opportunity	(\$605,925)	
Child Care Provider Rate Reduction	(\$465,473)	
Temporary Reduction in Rate for the DRG Reimbursement and Financing Methodology	(\$959,854)	(\$5,409,883)



\$20.6 million Other Agency Reductions

Education		
Teacher Retirement base adjustment	(\$1,457,022)	
Vision Services (1 less student at Perkins, 10% cut to Sherlock Center)	(\$103,000)	(\$1,560,022)
Revenue		
Taxation Additional Turnover	(\$343,537)	(\$343,537)
Public Safety		
Turnover from retirements	(\$196,387)	
Violent Fugitive Task Force	(\$357,094)	
Forfeited Property Utilization	(\$200,000)	
Reduction of COPS payments/State Fleet Revolving Fund	(\$280,377)	
Additional turnover savings	(\$474,236)	
Reduction of overtime expenditures	(\$91,010)	
An additional reduction in pay reduction savings	(\$183,077)	(\$1,782,181)
Corrections		
CO Training Class	(\$715,891)	
Inmate Population reduction (operating)	(\$482,373)	
Inmate Population reduction (contract services)	(\$603,983)	
Inmate Population reduction (supervisory costs correctiver action plan)	(\$186,410)	
Computer Equipment	(\$108,824)	(\$2,097,481)



\$20.6 million Other Agency Reductions

Environmental Management		
Corrective Action Plan: reduction of Operating/Contract service/Capital	(\$278,000)	
Corrective action plan: turnover from not filling 6.0 vacant FTES	(\$403,566)	
Corrective action plan: increasing indirect and offset of Water and Air Program	(\$242,000)	(\$923,566)
All Other		
All other changes	(\$2,345,802)	(\$2,345,802)
Grand Total		(\$20,600,000)



FY 2010 Supplemental

The FY 2010 Revised Budget provides for:

- A \$155.2 million decrease in general revenue spending (5.2 percent decline from enacted levels)
- This budget reflects general revenue spending which is \$11.7 million less than the enacted personnel budget. The enacted budget included \$53.8 million in across the board personnel reductions
- This budget reflects general revenue spending which is level with the enacted operating budget. The enacted budget included \$8.9 million in across the board operating reductions
- Aid to local governments is reduced by \$125 million, reflecting elimination of the third and fourth quarter motor vehicle excise tax payments, a 3% reduction in education aid, and reductions in education aid attributable to pension reform and shifts to federal stabilization funds.



FY 2010 Recommended Budget

General Revenue
 Enacted Expenditures
 vs.
 FY 2010 Recommended

	FY 2010 Enc.	FY 2010 Working	FY 2010 Gov Rec.	Change from FY 2010 Working
Personnel	\$762.6	\$762.9	\$751.2	(\$11.7)
Operating Supplies and Expenses	131.3	130.8	130.9	0.0
Aid To Local Units Of Government	1,003.1	1,003.1	878.0	(125.0)
Assistance, Grants and Benefits	894.5	894.5	904.9	10.3
Capital Purchases and Equipment	5.5	5.5	5.9	0.4
Debt Service	174.7	174.7	165.0	(9.6)
Operating Transfers	28.7	28.8	9.2	(19.7)
Total	\$3,000.3	\$3,000.3	\$2,845.1	(\$155.2)

(in millions)



FY 2010 Recommended Budget

All Funds Enacted
Expenditures
vs.
FY 2010 Recommended

	FY 2010 Enc.	FY 2010 Working	FY 2010 Gov Rec.	Change from FY 2010 Working
Personnel	\$1,622.8	\$1,623.1	\$1,598.8	(\$24.3)
Operating Supplies and Expenses	632.7	632.2	639.9	7.7
Aid To Local Units Of Government	1,201.5	1,201.5	1,085.7	(115.8)
Assistance, Grants and Benefits	3,620.7	3,620.7	3,847.5	226.8
Capital Purchases and Equipment	334.6	334.6	295.0	(39.6)
Debt Service	249.7	249.7	238.7	(11.0)
Operating Transfers	152.7	152.9	130.9	(21.9)
Total	\$7,814.7	\$7,814.7	\$7,836.6	\$21.9

(in millions)



Expenditures – All Funds

By Fund	FY 2010 Enacted	FY 2010 Revised	Change
General Revenue	\$3,000.4	\$2,845.1	(\$155.2)
Federal Funds	\$2,828.2	\$2,989.1	\$160.8
Restricted Receipts	\$162.4	\$174.8	12.3
Other Funds	\$1,823.8	\$1,827.7	\$3.9
Total	\$7,814.7	\$7,836.6	\$21.9

(in millions)



FY 2010 General Revenue Changes to Adopted Estimates

<u>Departmental Revenues</u>	FY 2010	FY 2011
<i>Miscellaneous</i>		
Statewide Student Transportation	(\$8,600,000)	(\$15,640,000)
Indirect Cost Recovery exemption- Underground Storage Tank Replacement Fund	(\$202,852)	(\$202,852)
<i>Subtotal: Miscellaneous</i>	(\$8,802,852)	(\$15,842,852)
Subtotal: All Departmental Revenues	(\$8,802,852)	(\$15,842,852)
<u>Other Sources</u>		
<i>Other Miscellaneous</i>		
CCA- Sale of Veterans Memorial Auditorium	\$10,750,000	\$0
Land Sale- Old Training School	\$6,200,000	\$0
Land Sale- Johnston Computer Facility	\$1,500,000	\$0
Land Sale- 2 Metacom Ave, Bristol	\$2,800,000	\$0
Group Home Donations	\$6,000,000	\$0
Transfer from Auto Replacement Fund	\$3,638,000	\$0
Child Support Collections- Prior years	\$7,214,906	\$0
<i>Subtotal: Other Miscellaneous</i>	\$38,102,906	\$0
Unclaimed Property		
Judiciary Bail Accounts and State Police Forfeited Property	\$641,250	\$0
<i>Subtotal: Other Miscellaneous</i>	\$641,250	\$0
Subtotal: Other Sources	\$38,744,156	\$0
Total FY 2010 General Revenue Adjustments	\$29,941,304	(\$15,842,852)



Budget Reserve Fund

- For FY 2010, the Governor recommends amending the law which requires repayment in FY2010 to the RICAP fund of the \$22.0 million.
- The budget plan assumes that it will be repaid in FY 2011 and capital projects are phased to meet the resources.



Personnel and FTE's

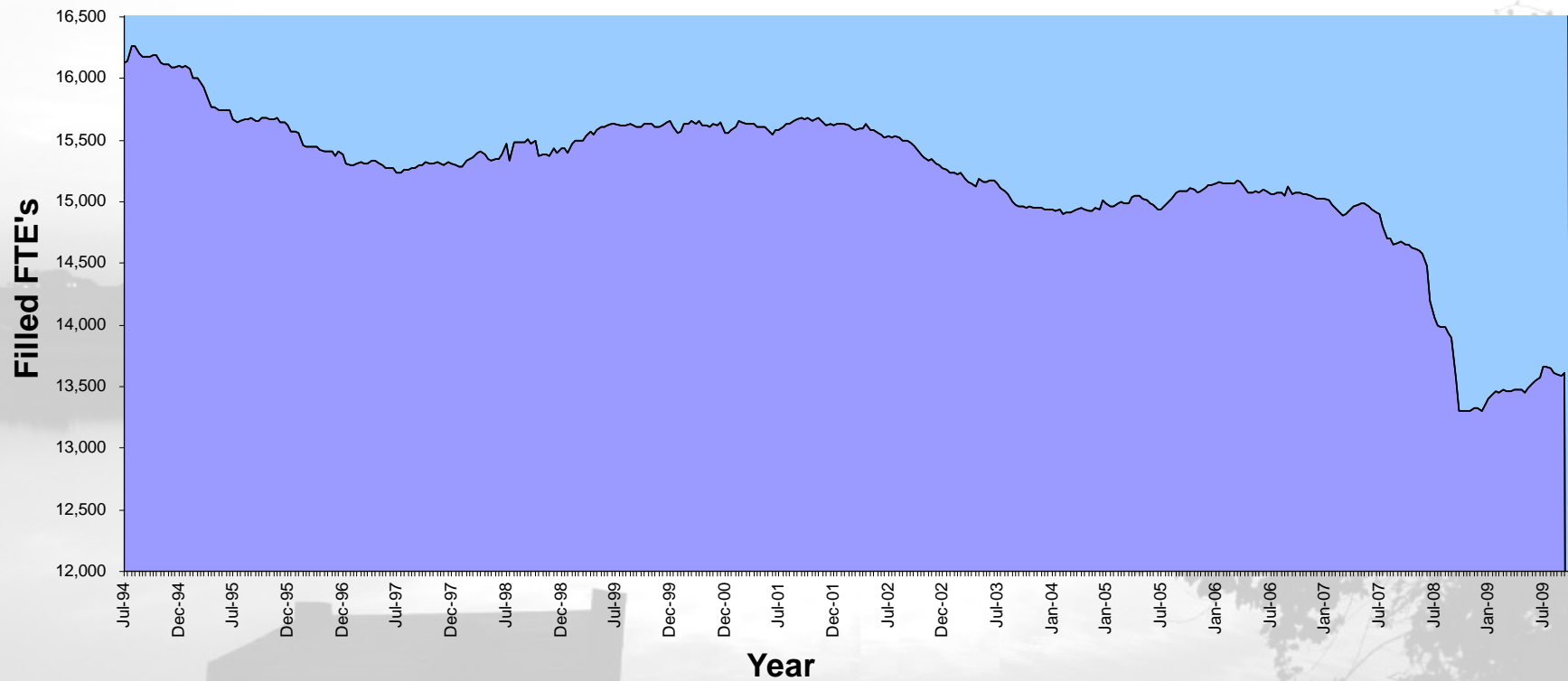


Personnel (FTE) Summary

- Personnel costs comprise 26% of state spending
- Appropriations Act includes an authorized full time equivalent (FTE) cap for each agency
- FY 2010 Revised Budget includes a net increase of 41 FTE compared to FY 2010 Enacted, primarily reflecting increased federal stimulus positions
- FY 2010 supplemental budget provides for 14,904 FTE
- Consistent with the Memorandum of Understanding entered into by the State and most unions, there are no state employee layoffs proposed in the budget
- Budget reflects 8 pay reduction days
- Budget reflects 3 employee medical holidays due to lower than budgeted claims trend



Personnel (FTE) Chart





Personnel (FTE) Summary

- Filled FTE positions total 13,580.7 (as of PP 12)
- 1,253.8 under enacted cap including 1,042.8 state positions and 211.0 Higher Education sponsored research funded positions
- Since records have been kept on FTE counts, this is an all time low for filled full-time equivalent positions. Filled positions as of pay period 12 reflected a reduction of 1,339 filled state positions compared to July 2007
- Due to the financial constraints, there are FTE in the roster that will not be filled in FY 2010



Article 16- Pension Reform

- The Governor proposed pension reform which was contained in Article 32 of the FY2009 Supplemental Budget submitted in January 2009. The proposal set forth in that budget article included a provision to eliminate the cost of living adjustments for state employees, teachers, judges and state police who retired after April 1, 2009. The Governor submitted an amendment which changed the proposal such that those eligible to retire as of July 1, 2009 would not be impacted. The pension reform enacted by the General Assembly did not eliminate the cost of living adjustment as proposed by the Governor.



Article 16- Pension Reform

- The Governor requests that, given the continued decline in the State's financial resources, the General Assembly reconsider the pension COLA. The revised FY2010 budget reflects a resubmission of the COLA elimination proposal.
- Article 16 eliminates the automatic cost of living adjustments for state employees, teachers, judges and state police for employees who were not eligible to retire on September 30, 2009. Employees who are part of the state retirement system (state employees, teachers, judges and members of the state police) and who are eligible to retire on or before September 30, 2009, and those who become eligible and retire through the date of passage of this legislation shall continue to receive a cost of living adjustment as previously provided.



Article 16- Pension Reform

- This Budget Article provides the General Assembly with the ability to review annually and give an ad hoc cost of living adjustment to retirees who would not otherwise be eligible for a cost of living adjustment up to a maximum amount of three percent (3%) or the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less.
- Also, this budget article provides that no supplemental contributions be made to the Employees Retirement System for Fiscal Years 2009, 2010, and 2011.



State Employees Pension Reform

- The Governor recommends savings in the FY2010 Supplemental Budget based upon a preliminary actuarial report which identifies the reduction in contribution rates for state employees and teachers. The savings estimated for FY2010 is budgeted as a negative in the Department of Administration. The General Revenue savings are \$12,060,735, Federal Funds savings are \$4,866,763, Restricted Receipt savings are \$915,191 and Other Funds savings are \$2,282,099.



Article 16- Pension Reform

Teachers Pension Reform

- The savings for FY2010 Supplemental Budget are based upon a preliminary actuarial report which identifies the reduction in contribution rates for state employees and teachers. The savings estimated for FY2010 is budgeted as savings to the State and a corresponding reduction is taken in state education aid for the savings that local school districts will have as a result of the lower contributions.
- The contribution rate of 20.07% is shared by the state and local government with the local share at 60 percent and the State's share at 40 percent. The rate is adjusted for Burrillville, East Greenwich, Little Compton, New Shoreham, and North Smithfield, which did not take part in a previous pension system action which increased contributions.
- The state share of the teacher retirement contribution is not reflected as a state personnel cost, but rather is reflected in local aid. The general revenue savings are estimated to be \$12,343,022. Local governments would have corresponding savings, and the Governor's budget recommended reducing state education aid expenditures by a corresponding amount. The local savings are estimated to be \$18,464,312.



Article 16- Pension Reform

Difference between Board Certified and Governor's Recommended Rates									
nature	description	Current Rate	Proposed Rate	Change	General Revenue Savings	Federal Savings	Restricted Savings	Other Savings	Total Savings
820100	Retirement: State Employees	21.84%	18.40%	3.24%	\$11,312,696	\$4,844,780	\$854,808	\$2,277,888	\$19,289,830
820200	Retirement: State Police	28.03%	22.13%	3.90%	\$607,960	\$22,003	\$0	\$4,430	\$634,394
820300	Retirement: Judges	24.08%	20.48%	3.60%	\$240,190	\$0	\$80,686	\$0	\$300,776
871300	Retirement: Teachers	8.16%	8.66%	1.32%	\$12,343,022	\$0	\$0	\$0	\$12,343,022
	Total				\$24,403,767	\$4,866,783	\$915,191	\$2,282,098	\$32,467,811
	Teachers local	11.89%	9.90%	1.99%	\$18,614,633	\$0	\$0	\$0	\$18,614,633
	Total State and Local				\$42,918,290	\$4,866,783	\$915,191	\$2,282,098	\$50,982,344



Local Government



Local Government Aid

- The recommended FY2010 Supplemental Budget reduces local aid and education aid. The Governor recommends a legislative package to provide local governments the tools to build budgets that are affordable for their taxpayers.
- The budget act contains articles to address local education issues and other municipal government issues which present challenges to local government managers.



FY 2010 Major Changes to Local Aid

	FY 10 Enacted	Base Change/Shift/Cost Reduction *	Reductions *	FY 10 Governor
General Aid				
Motor Vehicle Excise Tax	\$135.3	\$0	(\$65.1)	\$70.2
Other General Aid	51.4	0	0	51.4
Sub-total General Aid	186.7	0	(65.1)	121.6
State Support for Schools:				
1) General Education Aid from Reduced Contributions	489.7	(18.3)	0	447.7
2) Across-the-Board Cut			(19.1)	
3) Shift to Stabilization Funds		(4.6)		
School Construction	61.5	(3.1)		58.4
Teacher Retirement - from Reduced Contributions	77.8	(1.5)	(12.3)	64.0
Charter Schools	33.3	(0.5)	(1.0)	31.8
Other Education Aid	154.3	0.5	0	154.5
Sub-total Education Aid	816.3	(27.5)	(32.4)	756.4
Total All Local Aid	\$1,003.0	(\$27.5)	(\$97.5)	\$878.0

*Of the \$125.0 million in Local Aid reductions, \$27.5 million is the result of base changes, shifts to federal funds, or reduced pension contributions causing no deterioration in financial resources in FY2010

(in millions)



Local Government Legislation

ARTICLE 2

Article 2 amends 44-34.1-2 to provide for a procedure for a city or town to adopt a supplemental motor vehicle excise tax in FY 2010 to recover the lost state reimbursement revenue.

The authority to levy a supplemental tax would require approval of the Department of Revenue and the majority vote of the city council, town council, or financial town meeting, or 4/5 vote if above the 4.5% cap.

This article also provides for a procedure for municipalities to secure an exemption from the tax cap associated with the loss in motor vehicle excise tax reimbursements. The authority to receive the exemption would require approval of the Department of Revenue and the majority vote of the city council, town council, or financial town meeting.



Local Government Legislation

ARTICLE 9

RELATING TO CARUOLO ACT

This article suspends Caruolo actions in any year where there is a reduction in state aid. Instead, school committees may petition a 3-member panel set up by the Governor. The panel will act as binding arbitrators and shall develop a corrective action plan for the district. The Department of Education shall monitor and enforce the plan. Section 2 amends §16-7-15 to reduce FY 2010 education aid for school districts and charter public schools and distributes federal stabilization funds per the American Recovery and Reinvestment Act (ARRA) to the districts and charter schools proportionately based on their share of total FY 2010 originally enacted education aid. It also adds two subsections that allow for a reduction in the final education aid payment to districts; one, for delinquent/nonpayment of services for the student transportation program and two, for delinquent/nonpayment of additional non-core services at the RI School for the Deaf.

RELATING TO COLLECTIVE BARGAINING CONTRACTS

This article amends sections 16-2-21.6 and 45-5-22 and requires city and town councils to approve teacher contracts entered into by school committees prior to contract ratification.



Local Government Legislation

ARTICLE 12

RELATING TO POLICE OFFICERS AND FIREIGHTERS – INJURED ON DUTY

This article limits injured on duty compensation for municipal police officers and firefighters as well as state quasi-public agency fire fighting and law enforcement officers.

ARTICLE 18

RELATING TO STATEWIDE PURCHASING SYSTEM AND PROGRAMS FOR PUBLIC SCHOOLS

This article repeals R.I.G.L. 16-5-34 entitled “Statewide purchasing system” in its entirety so that the provisions of this section can be removed from chapter 5 (which relates to “State Aid”) and placed in a more appropriate chapter of Title 16. The new Section, 16-60-7.3 “Statewide purchasing system and programs” is placed in chapter 60 (“Board of Regents for Elementary and Secondary Education”) and is amended to add language to clarify the authority of the Department of Elementary and Secondary Education, acting with the Department of Administration.



Local Government Legislation

ARTICLE 18 (continued)

This article also is amended to provide that when purchases are made for public schools by the Department of Elementary and Secondary Education under the statewide purchasing system established in R.I.G.L. 16-60-7.3, the Department of Education may be exempted from the provisions of this chapter, but only with the specific approval of the chief purchasing officer. This provision will enable the Department and LEAs to participate in purchasing consortia in order to lower the costs of materials, supplies, equipment and services purchased for the public schools. Participation by LEAs is optional.



Local Government Legislation

ARTICLE 13

RELATING TO MUNICIPAL RETIREMENT

This article makes a variety of changes to municipal pension plans both for plans administered by the state and plans administered by municipalities. Changes include a reduction in disability pensions for those not totally disabled, years of service and age limitation eligibility for both regular and public safety employees, increased employee contributions, and mandatory cost sharing for retiree health insurance. The article also eliminates the cost of living adjustment for employees not eligible to retire as of the date of passage, which will increase the previous actuarial savings estimate,

ARTICLE 21

RELATING TO FIREFIGHTERS' AND MUNICIPAL POLICE MANNING

This article amends 28-9.1-4 and 28-9.2-4 by removing any negotiated or arbitrated under the policemen's and firefighter's arbitration laws.



ARTICLE 22

RELATING TO MUNICIPAL HEALTH INSURANCE COST SHARING

As the cost of health insurance has escalated, municipalities have been unable to pass part of these cost increases along to employees. This has been the case especially with public safety employees where binding arbitration has limited the capacity to negotiate changes in cost sharing. The 25% cost sharing requirement included in this Article is the standard cost sharing applicable to all Federal employees