



FIRST LOOK:

**Governor's FY2010 Supplemental
Budget Request**

As Submitted, December 15, 2009

**Prepared by the Senate Fiscal Office
December 15, 2009**

First Look - Governor's FY2010 Supplemental Budget Request

The Governor submitted his FY2010 Supplemental Budget Request today (December 15, 2009). The Senate Fiscal Staff is developing a detailed analysis of the Governor's FY2010 Supplemental Budget Request, to be published in the coming weeks as more material becomes available. The analysis will attempt to provide insight into the impact the Governor's Supplemental Budget Request might have on the State's overall financial condition, local communities and out-year operating deficits.

The following represents an overview of the Governor's FY2010 Supplemental Budget Request to identify some of the key issues presented in the Budget. The FY2010 Budget is currently estimated to have a General Revenue operating deficit of approximately \$220.0 million. This is primarily made up of:

- \$61.8 million due to FY2009 shortfall;
- \$130.5 million due to less than anticipated revenue collections in FY2010; and
- \$35.0 million in unachieved savings/over expenditure in FY2010 (1st Quarter Report).

The Governor's FY2010 Supplemental Budget Request totals \$7,836.6 million – a net increase of \$21.9 million. However, the Governor's Supplemental request includes \$2,845.1 million in General Revenues – a \$155.2 million decrease from FY2010 Enacted General Revenues (\$3,000.3 million). The following report outlines selected proposals designed to close the FY2010 General Revenue budget gap:

	FY2010 Enacted	FY2010 (Governor)	Change
Expenditures by Function			
General Government	\$1,876.6	\$1,866.9	(\$9.7)
Human Services	2,843.5	2,926.9	83.4
Education	2,074.4	2,064.1	(10.3)
Public Safety	433.1	458.1	25.0
Natural Resources	98.0	105.9	7.9
Transportation	489.1	414.7	(74.4)
Total	\$7,814.7	\$7,836.6	\$21.9
Expenditures by Fund			
General Revenue	\$3,000.3	\$2,845.1	(\$155.2)
Federal Funds	2,828.2	2,989.0	160.8
Restricted Receipts	162.4	174.8	12.4
Other Funds	1,823.8	1,827.7	3.9
Total	\$7,814.7	\$7,836.6	\$21.9
FTE Authorization	14,863.0	14,904.3	41.3

Expenditures: \$155.2 million net reduction in State General Revenue expenditures:

- \$65.1 million reduction by eliminating the 3rd and 4th quarter payments to cities and towns for the Motor Vehicle Excise Tax Phase-out;
- \$20.6 million reduction in education aid – translates to a 3.0% across the board cut;
- \$20.6 million in net expenditure reductions throughout State agency budgets;
- \$42.9 million in savings by eliminating the Cost Of Living Adjustment (COLA) for State employees, teachers, State Police, and Judges who are not eligible to retire as of September 30, 2009. The Governor's budget reduces State education aid by an amount equivalent to the estimated savings in local contributions due to the COLA proposal.

One-Time Revenues: A total of \$65.1 million in one-time revenue proposals:

- \$21.3 million in land sales (Veterans' Auditorium, Old Training School, Johnston Computer facility, and Metacom Avenue facility);
- \$22.0 million deferral of the repayment of Rainy Day Fund/RI Capital Fund;
- \$6.0 million "donation" from private Developmental Disabilities providers;
- \$3.6 million transfer from the auto replacement revolving fund;
- \$5.0 million in Federal Stimulus Stabilization funds to supplant education aid; and
- \$7.2 million in child support recoveries.

Ongoing Revenues: Net \$8.9 million reduction in revenue:

- \$8.6 million transfer of Statewide Student Transportation from General Revenue to Restricted Receipts [*Analyst Note: There is a corresponding cost shift*];
- \$0.2 million reduction in General Revenue to exempt the Underground Storage Tank Fund from indirect cost recoveries;
- \$0.6 million in additional General Revenue for unclaimed property related to judicial bail accounts and forfeited properties;
- \$0.7 million reduction in contributions to the reserve fund due to lower than anticipated General Revenue collections.

Reorganizations: Preliminary information indicates the following savings associated with reorganization of State services.

- Fugitive Task Force – Proposal to reconfigure the Task Force, under the Department of Public Safety to be an Employment Integrity Unit (EIU) charged with preventing and detecting fraud, waste and abuse of public funds. Costs would shift from General Revenue to Assessed Fringe Benefits funding (Internal Service). The Governor estimates a \$357,094 General Revenue reduction associated with a 6-month shift for the 4.0 remaining FTE positions.
- Commission on Women – Proposal to re-task staffing for the Commission using non-General Revenue sources - \$36,400 savings in FY2010 and approximately \$114,000 in FY2011. Future role of Commission is unclear.

Analyst Note: The FY2010 Budget as Enacted included a range of expenditure reductions that are worth noting:

- \$52.5 million in savings due to various pension reforms affecting State employees and teachers not eligible to retire as of September 30, 2009 as well as judges appointed after July 1, 2009;
- \$62.7 million savings built into the budget for statewide reductions in personnel, operating and consulting costs (approximately \$21.0 million unachieved);
- \$55.1 million reduction in General Revenue Sharing Program.

Revenue Changes:

The Governor proposes \$65.1 million in one-time revenues and \$8.9 million less in ongoing revenues as part of his FY2010 Supplemental Budget Request.

One-Time Revenue Changes:

Land Sales: The Governor proposes \$21.3 million in additional one-time revenue from four proposed land sales. The following proposals are included in the Governor’s FY2010 Supplemental Budget Request:

One Time Revenue Proposals	Amount (Millions)
Land Sales	
- Veterans Auditorium	\$10.8
- Old Training School	6.2
- Johnston Computer Facility	1.5
- Metacom Avenue - Bristol	2.8
DD Provider Donation	6.0
Transfer from Auto Replacement	3.6
Child Support Recoveries	7.2
Shift Education Aid to Federal Funds	5.0
Defer Rainy Day Fund Repayment	22.0
Net FY 2010	\$65.1

- **Veterans’ Memorial Auditorium** – Sell to the RI Convention Center Authority (RICCA) for \$10.8 million. RICCA to issue a \$25.0 million bond for the purchase and renovation costs for the facility. The State will cover the estimated \$2.6 million in debt service costs plus any operating losses on the facility incurred by the RICCA for 20 years.
- **Old Training School (Cranston)** – Sell 13.6 acres of land including 9 buildings for \$6.2 million to Rhode Island Housing. Rhode Island Housing will in turn resell the parcel through an open RFP process. Value is based on current municipal assessment used in calculating PILOT reimbursement. Actual sales price to be negotiated, and this transaction needs to be approved by the State Properties Committee. Carpionato Properties has expressed an interest in this parcel.
- **Johnston Computer Center** – Sell the property for \$1.5 million through an open RFP process. Value is based on municipal assessment, but actual sales price to be determined. The State Properties Committee granted conceptual approval to sell the property on December 8, 2009. *[Analyst Note: As part of the November 2009 Revenue Estimating Conference (REC), \$1.0 million in Other Miscellaneous revenue sources was included to account for land sales - the Johnston Computer Center was a property estimators agreed could be sold in FY2010 and would generate at least \$1.0 million in revenue.]*
- **State Property on Metacom Avenue (Bristol)** – Sell 2.0 acres of land for \$2.8 million through an open RFP process. Value is based on municipal assessment, but actual sales price to be determined. This transaction needs to be approved by the State Properties Committee. Roger Williams University has expressed an interest in this parcel. The sale will require an expanded renovation of another facility in Middletown at a cost of \$0.8 million to accommodate the transfer of clients served at this facility.

Donation – Developmental Disability Providers: Includes a \$6.0 million donation to offset the anticipated General Revenue deficit in the Developmental Disability (DD) private provider system. There are specific Federal regulations that require the payment to be accepted as a donation: a) there must be no relationship to the Medicaid payment and b) the donations must not be paid back to the providers. If these criteria are met, the donation may be paid without a reduction in the FFP (Federal Financial Participation) rate. The alternative reduction offered in the Corrective Action Plan (CAP) was \$17.0 million in all funds (\$6.0 million General Revenue), or a 20.0% rate cut. This alternative would result in elimination of services to DD clients.

Transfer from Auto Replacement Loan Fund: Proposal to transfer \$3.6 million from the State Fleet Revolving Loan Fund. This equates to the projected balance as of June 30, 2010. Fund was originally established with \$6.4 million in tobacco securitization funds to finance the purchase of vehicles without issuing debt. The Fund would be partially replenished with agency lease payments for the vehicles.

Child Support Federal Recoveries – (Child Support Enforcement (CSE) Federal Recoveries): The FY2010 Budget as Enacted included revenues of \$152,117 for Federal CSE recoveries. The Judiciary reports an estimate of \$7.2 million (inclusive of the \$152,117) for CSE cost shares between FY2006 and FY2009. The Judiciary recently received approval from DHS to submit estimated cost share allocations for reimbursement, and these will later be reconciled with actual spending. DHS expressed confidence that the Federal government will accept the methodology, effectively allowing the reimbursement earlier than would be achieved if actual costs were used. *[Analyst Note: The Administration’s estimate appears to double-count the \$152,117 that was already included in the FY2010 revenue estimate as agreed upon in the November 2009 Revenue Estimating Conference.]*

Federal Stabilization Funds to Supplant State Education Aid: The American Recovery and Reinvestment Act of 2009 (ARRA) allocated \$106.4 million in Federal Stabilization Funds to Rhode Island to be distributed in FY2009 through FY2011, as follows: FY2009, \$38.3 million; FY2010, \$37.2 million; and FY2011 \$30.9 million. The Governor proposes to shift \$5.0 million in Federal Stabilization Funds from FY2011 to FY2010, with an equivalent reduction in State Education Aid of \$5.0 million.

Deferral of Repayment to Rainy Day Fund: The Governor proposes to defer the \$22.0 million repayment to the Rhode Island Capital Fund (RICAP) from FY2010 to FY2011. Current law requires the \$22.0 million appropriated from the Budget Reserve Fund (Rainy Day Fund) in FY2009 be repaid in FY2010. This proposal would shift the burden of this repayment to FY2011.

Ongoing Revenue Changes:

Statewide School Transportation: Proposal to establish a restricted receipt account to record the transactions related to the Statewide Student Transportation initiative. The program provides coordinated transportation services throughout the State, and receives funding from school districts to support the administration and costs of the program. Shifts the funds and related expenditures from General Revenue to restricted receipt account – no programmatic impact.

Underground Storage Tank Replacement Fund – Exemption from Indirect Cost Recoveries: Proposal is to exempt the UST Fund from the 10.0% indirect cost recovery charge to provide relief to the fund which is experiencing insufficient resources to pay claims. The UST fund was previously funded with one cent of the gas tax, half of which is now allocated to RIPTA. This exemption would result in a \$0.2 million reduction in General Revenue.

Transfer of Unclaimed Property: Proposal to increase amount of funding in unclaimed property to increase funds transferred to the General Fund. Governor is expecting a net increase of \$0.6 million from seized funds pending forfeiture from the State Police, netting \$101,250; and funds from the Court’s bail account, netting \$540,000.

Expenditure Highlights:

The Governor has submitted his FY2010 Supplemental Budget Request totaling \$7,836.6 million, which is a net \$21.9 million increase over FY2010 Enacted. This includes an additional \$160.8 million in Federal funds, \$12.3 million in Restricted Receipts, and \$3.9 million in Other funds. However, General Revenue funding is \$2,845.1 million, \$155.2 million less than the FY2010 Budget as Enacted (\$3,000.3 million). Some initial observations include:

- Proposed General Revenue expenditures of \$2,845.1 million represent a net decrease of \$155.2 million (5.2%) from FY2010 Enacted General Revenues (\$3,000.3 million).
- The Governor has proposed \$20.6 million in additional expenditure reductions throughout State departments and agencies as part of his Supplemental Budget.
- The Governor accounts for an additional \$160.8 million in Federal funding, which includes an additional \$76.4 million in DHS (\$60.4 million for the Supplemental Nutrition Assistance Program (SNAP, food stamps); and \$17.3 million for the Federal match for increased medical costs (fee for service, pharmacy, and managed care)).
- Restricted Receipts are proposed to increase by \$12.3 million to \$174.8 million, which is primarily due to shifting the revenues from the statewide student transportation initiative to Restricted Receipts.
- The Governor has proposed to increase authorized FTE positions by 41.3 FTE positions, primarily due to Federal Stimulus implementation.
- The Governor has budgeted \$8.7 million in General Revenue savings for Employee Medical Benefits based on a projected balance in the State health insurance fund and on State employee medical claim trends. The Governor recommends suspending the medical insurance charges to State agencies for three pay periods in FY2010.

Pension Changes:

- Eliminates the Cost-Of-Living Adjustment (COLA) to State employees, teachers, judges and State Police who retire after September 30, 2009. State employees, teachers, judges and State Police who are eligible to retire prior to September 30, 2009 will not be impacted and may continue to work without forfeiture of their current COLA provisions.
- \$42.9 million in total General Revenue savings for the State, of which \$24.3 million would be direct to the State, and \$18.5 million would be due to reducing education aid payments by an amount equal to local pension contribution savings anticipated at the local level.

Proposed Retirement Savings	
State Employees	\$11.3
State Police	0.5
Judges	0.2
Teachers - State Share	12.3
Total - State	\$24.3
Teachers - Local	18.5
Total - State & Local	\$42.8

- Proposal includes language that would have the General Assembly provide an annual ad hoc adjustment (equal to the CPI, but not to exceed a maximum of 3.0%) to retirees not eligible to receive COLA adjustments.
- Eliminates supplemental contributions to the retirement system in FY2009, FY2010, and FY2011 resulting from achieved retirement cost savings. *[Analyst Note: When the actuarial rate decreases year over year, 20% of the savings is required to be included by the Governor in the Budget as an additional contribution (RIGL 36-10-2(e)).]*

Changes in Aid to Local Government:

The Governor has proposed a number of reductions in aid to local government, including \$65.1 million less in State reimbursements to cities and towns for the Motor Vehicle Excise Tax Phase Out, \$20.3 million less in Education Aid, supplanting \$5.0 million in Education Aid by advancing FY2011 Federal Stimulus funds, and further adjustments of \$18.5 million associated with the Governor's proposal to eliminate the COLA provision for teachers not eligible to retire as of September 30, 2009.

Motor Vehicle Excise Tax - The Governor has proposed eliminating the 3rd and 4th quarter payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program, anticipating a savings to the State of \$65.1 million. The Governor proposes to permit local supplemental tax increases to recover lost revenues within the confines of existing property tax cap provisions in law. *[Analyst Note: It appears that the calculation for two communities was incorrect (Narragansett and West Warwick). The amount being withdrawn as proposed by the Governor should be 50.0% of the annual program. The table on the following page has been corrected.]*

Advance Federal Stabilization Funds to Supplant State Education Aid - The American Recovery and Reinvestment Act of 2009 allocated \$106.4 million in Federal Stabilization Funds to Rhode Island to be distributed in FY2009 through FY2011 as follows: FY2009, \$38.3 million; FY2010, \$37.2 million; and FY2011 \$30.9 million. The Governor proposes to advance \$5.0 million in Federal Stabilization Funds from FY2011 to FY2010, with an equivalent reduction in State Education Aid of \$5.0 million.

3.0% Reduction in Education Aid - The Governor proposes a 3.0% across the board cut in State Education Aid, resulting in a reduction of \$20.5 million in General Revenue. The Governor maintains that this cut mirrors the personnel reductions the State workers accepted this past year.

Pension Savings Reducing Education Aid - For FY2010, the Governor recommends a decrease of \$18.5 in Education Aid to municipalities and regional school districts. This decrease is anticipated to be equivalent to the decrease in required local contributions to teacher retirement by school districts, given the Governor's proposal to eliminate the COLA provision for future retirees.

FY2010 Revised Motor Vehicle Excise Tax				
Municipality	FY2010 Enacted Motor Vehicle Excise Tax	Governor's Proposed Decrease	February Payment	Final FY2010 Motor Vehicle Aid
Barrington	\$2,983,208	\$1,491,604		\$1,491,604
Bristol	1,533,679	766,840		766,840
Burrillville	2,806,626	1,403,313		1,403,313
Central Falls	1,478,058	739,029		739,029
Charlestown	522,331	261,166		261,166
Coventry	2,954,920	1,477,460		1,477,460
Cranston	12,229,010	6,114,505		6,114,505
Cumberland	2,787,441	1,393,721		1,393,721
East Greenwich	1,365,583	682,792		682,792
East Providence	6,195,221	3,097,611	1,548,805	1,548,805
Exeter	1,020,562	510,281		510,281
Foster	857,971	428,986		428,986
Glocester	1,218,863	609,432		609,432
Hopkinton	850,943	425,472		425,472
Jamestown	432,967	216,484		216,484
Johnston	5,064,868	2,532,434		2,532,434
Lincoln	2,922,165	1,461,083		1,461,083
Little Compton	292,210	146,105		146,105
Middletown	1,097,078	548,539		548,539
Narragansett	1,224,495	612,248		612,247
Newport	1,811,310	905,655		905,655
New Shoreham	93,112	46,556		46,556
North Kingstown	2,824,194	1,412,097		1,412,097
North Providence	4,901,389	2,450,695		2,450,695
North Smithfield	2,121,675	1,060,838		1,060,838
Pawtucket	10,090,288	5,045,144		5,045,144
Portsmouth	1,559,418	779,709		779,709
Providence	23,572,708	11,786,354		11,786,354
Richmond	834,514	417,257		417,257
Scituate	1,579,960	789,980		789,980
Smithfield	3,542,318	1,771,159		1,771,159
South Kingstown	2,178,075	1,089,038		1,089,038
Tiverton	1,413,809	706,905		706,905
Warren	1,125,745	562,873		562,873
Warwick	13,715,293	6,857,647		6,857,647
Westerly	2,999,237	1,499,619		1,499,619
West Greenwich	594,921	297,461		297,461
West Warwick	3,183,440	1,591,720		1,591,720
Woonsocket	5,451,446	2,725,723		2,725,723
<i>Total</i>	\$133,431,051	\$66,715,527	\$1,548,805	\$65,166,720

Analyst Note: East Providence's fiscal year begins November 1; therefore, their second quarter payment is not due until February 2010.

Governor's FY2010 Revised Education Aid Program											
FY 2010 Enacted Education Aid						3% Across the Board					
City/Town	General Aid	Stabilization Funds	Total Education Aid	Proposed Pension Change *	Stabilization Funds Shift	Reductions	Revised General Aid	Revised Stabilization *	FY2010 Revised Education Aid	Total Change	
Barrington	\$1,863,088	\$128,427	\$1,991,515	(\$425,811)	(\$17,264)	(\$55,893)	\$1,364,120	\$145,691	\$1,509,811	(\$481,704)	
Burrillville	1,425,168	684,478	2,109,646	(268,686)	(92,012)	(387,845)	12,179,625	776,490	12,956,115	(656,467)	
Charlestown	1,457,976	98,948	1,556,924	(62,511)	(13,201)	(50,925)	1,331,219	112,249	1,443,468	(113,456)	
Coventry	18,056,602	991,787	19,048,389	(716,961)	(133,322)	(541,698)	16,664,621	1,125,109	17,789,730	(1,258,659)	
Cranston	31,662,364	1,752,647	33,415,011	(1,359,383)	(235,601)	(949,871)	29,117,509	1,988,248	31,105,757	(2,309,254)	
Cumberland	11,829,001	654,948	12,483,949	(509,970)	(354,870)	(864,840)	10,876,119	742,990	11,619,109	(864,840)	
East Greenwich	1,503,977	96,326	1,600,303	(328,298)	(12,949)	(45,119)	1,117,611	109,275	1,226,886	(373,417)	
East Providence	24,499,856	1,328,384	25,828,240	(666,586)	(178,569)	(734,996)	22,919,705	1,506,953	24,426,658	(1,401,582)	
Foster	1,286,565	69,979	1,356,544	(40,282)	(9,407)	(38,597)	1,198,279	79,386	1,277,665	(78,879)	
Glocester	2,927,941	158,776	3,086,717	(80,089)	(21,344)	(87,838)	2,738,670	180,120	2,918,790	(167,927)	
Hopkinton	5,219,145	308,347	5,527,492	(209,154)	(41,450)	(170,334)	4,798,207	349,797	5,148,004	(379,488)	
Jamestown	398,900	26,278	425,178	(68,724)	(3,532)	(11,967)	314,677	29,810	344,487	(80,691)	
Johnston	9,596,567	531,110	10,127,677	(433,752)	(71,395)	(287,897)	8,803,523	602,505	9,406,028	(721,649)	
Lincoln	6,363,969	365,750	6,729,719	(485,206)	(49,166)	(190,919)	5,638,678	414,916	6,053,594	(676,125)	
Little Compton	296,651	18,221	314,872	(44,416)	(2,449)	(8,900)	240,886	20,670	261,556	(53,316)	
Middletown	9,533,085	518,598	10,051,683	(353,333)	(69,713)	(285,993)	8,824,046	588,311	9,412,357	(639,326)	
Narragansett	1,467,137	93,727	1,560,864	(241,185)	(12,599)	(212,599)	1,169,339	106,326	1,275,665	(285,199)	
Newport	10,744,683	586,477	11,331,160	(302,249)	(78,838)	(322,340)	10,041,256	665,315	10,706,571	(624,589)	
New Shoreham	64,988	5,254	70,242	(35,033)	(706)	(1,950)	27,299	5,960	33,259	(36,983)	
North Kingstown	10,631,113	592,155	11,223,268	(529,600)	(79,601)	(318,933)	9,702,979	671,756	10,374,735	(848,533)	
North Providence	12,081,507	661,166	12,742,673	(494,528)	(88,878)	(362,445)	11,135,656	750,044	11,885,700	(856,973)	
North Smithfield	4,344,330	238,830	4,583,160	(214,223)	(32,105)	(130,330)	3,967,672	270,935	4,238,607	(344,553)	
Pawtucket	62,176,675	3,311,223	65,487,898	(1,010,632)	(445,115)	(1,865,300)	58,855,628	3,756,338	62,611,966	(2,875,932)	
Portsmouth	5,923,070	331,008	6,254,078	(346,779)	(44,496)	(177,692)	5,354,103	375,504	5,729,607	(524,471)	
Providence	178,309,944	9,577,917	187,887,861	(2,889,979)	(1,287,522)	(5,349,298)	168,783,145	10,865,439	179,648,584	(8,239,277)	
Richmond	5,214,320	305,742	5,520,062	(208,216)	(41,100)	(169,570)	4,795,434	346,842	5,142,276	(377,786)	
Scituate	2,926,242	168,328	3,094,570	(201,968)	(22,628)	(87,787)	2,613,859	190,956	2,804,815	(289,755)	
Smithfield	4,992,642	283,754	5,276,396	(324,049)	(38,144)	(149,779)	4,480,670	321,898	4,802,568	(473,828)	
South Kingstown	9,224,287	521,147	9,745,434	(564,147)	(70,056)	(276,729)	8,313,355	591,203	8,904,558	(840,876)	
Tiverton	5,271,861	293,067	5,564,928	(253,760)	(39,396)	(158,156)	4,820,549	332,463	5,153,012	(411,916)	
Warwick	33,468,879	1,858,870	35,327,749	(1,595,379)	(249,880)	(1,004,066)	30,619,554	2,108,750	32,728,304	(2,599,445)	
Westerly	5,774,932	338,074	6,113,006	(502,261)	(45,446)	(173,248)	5,053,977	383,520	5,437,497	(675,509)	
West Warwick	18,738,108	1,009,842	19,747,950	(488,625)	(135,749)	(562,143)	17,551,591	1,145,591	18,697,182	(1,050,768)	
Woonsocket	44,074,701	2,342,811	46,417,512	(672,070)	(314,935)	(1,322,241)	41,765,455	2,657,746	44,423,201	(1,994,311)	
Bristol/Warren	18,764,456	1,009,726	19,774,182	(440,504)	(135,733)	(562,934)	17,625,285	1,145,459	18,770,744	(1,003,438)	
Charlton	1,514,942	19,679	1,534,621	0	(2,645)	(11,363)	1,500,934	22,324	1,523,258	(11,363)	
Exeter-West Greenwich	6,814,330	374,779	7,189,109	(284,815)	(50,380)	(204,430)	6,274,705	425,159	6,699,864	(489,245)	
Foster-Glocester	5,194,804	283,077	5,477,881	(167,025)	(38,053)	(155,844)	4,833,882	321,130	5,155,012	(322,869)	
Central Falls	42,507,399	2,167,539	44,674,938	(453,973)	(291,374)	(1,275,222)	40,486,830	2,458,913	42,945,743	(1,722,195)	
Subtotal	\$629,649,205	\$34,107,196	\$663,756,401	(\$18,274,182)	(\$4,584,895)	(\$18,889,476)	\$587,900,652	\$38,692,091	\$626,592,743	(\$37,163,658)	
Charter Schools	33,250,318	1,471,087	34,721,405	(190,130)	(197,752)	(960,249)	\$31,902,187	\$1,668,839	\$33,571,026	(\$1,150,379)	
Davies	14,056,193	718,226	14,774,419	0	(96,548)	(310,607)	13,649,038	814,774	14,463,812	(310,607)	
School for the Deaf	5,941,646	327,291	6,274,937	0	(43,996)	(132,322)	5,771,328	371,287	6,142,615	(132,322)	
Met School	12,187,381	571,386	12,758,767	0	(76,809)	(250,000)	11,860,572	648,195	12,508,767	(250,000)	
	\$695,090,743	\$37,195,186	\$732,285,929	(\$18,464,312)	(\$5,000,000)	(\$20,542,654)	\$651,083,777	\$42,195,186	\$693,278,963	(\$39,006,966)	

* Reduction in Education Aid is offset by savings due to decreased pension contributions
 * Stabilization includes the additional \$5.0 million from FY2011 shift

Agency Highlights:

General Government:

Department of Administration (DOA) – The FY2010 Supplemental Budget eliminates the \$10.0 million payment for the Station Fire Settlement, as the funds were posted to FY2009.

Department of Administration (DOA) – The FY2010 Supplemental Budget reduces estimated TANS interest costs by \$2.4 million based on revised cash flow analysis.

Department of Administration (DOA) – The Office of Energy Resources is expecting to receive \$24.0 million in Federal ARRA funding, of which the Governor recommends appropriating \$9.3 million in FY2010 for the following programs:

State Energy Office	
State Energy Plan - ARRA	\$6.2
Appliance Rebate Program - ARRA	\$1.0
Energy Efficiency & Conservation Block Grants - ARRA	\$2.0
State Energy Assurance & Smart Grid Planning	\$0.2
Total	\$9.3

Department of Labor and Training (DLT) – Proposed budget includes \$0.4 million in personnel savings, which includes leaving 4.1 FTE positions vacant for FY2010 and other anticipated turnover.

Department of Labor and Training (DLT) – A \$71.0 net increase in Federal funding to reflect an increase of \$59.5 million in Federal Extended Unemployment Compensation Benefits, \$2.6 million for anticipated Unemployment Insurance benefit payments, and \$10.9 million in workforce development funds offset by a decrease of \$2.0 million in the Trade Adjust Act benefits.

Federal Fund Changes	
Extended Unemployment Compensation	\$59.5
Unemployment Insurance Anticipated Benefits	\$2.6
Workforce Investment Act	\$10.9
Trade Adjust Act	(\$2.0)
Total	\$71.0

Human Services:

Department of Human Services (DHS) – The Governor recommends an increase of \$60.4 million in the Federally-funded Supplemental Nutrition Assistance Program (SNAP), the program formerly known as “food stamps”. The Federal government has been aggressively marketing the availability of SNAP funds, resulting in an increase of \$60.4 million in Federal funding, based on the actual number of program participants. This represents a 46.2% increase over anticipated expenditures in FY2010.

Department of Human Services (DHS) – The Governor recommends an increase of \$25.7 million in the Medical Benefits program of DHS to account for increases in Pharmacy, Other Medical (Rhody Health, ConnectCare, and Fee-for-Service), and Hospital costs in FY2010, as estimated by consensus of the Caseload Estimating Conference (CEC) in November 2009. General Revenue costs represent \$7.9 million of the increase, while Federal funds represent \$17.3 million and Restricted Receipts (pharmacy) are increased \$0.6 million.

Department of Human Services (DHS) – The Governor recommends eliminating \$3.7 million in Unqualified Acute Care payments to certain hospitals. As part of the FY2010 Budget as Enacted, the General Assembly restored \$3.7 million for Hospital Unqualified Acute Care payments, a program which had been established in FY2009. Payments were scheduled to be made to the following hospitals: \$1.6 million for Miriam; \$800,000 for Kent; \$750,000 for Westerly; and \$500,000 for South County in FY2010.

Department of Human Services (DHS) – The Governor recommends a one-time reduction in payments based on the implementation of the Diagnosis-Related Group (DRG) reimbursement methodology. The new DRG reimbursement model would be implemented on April 1, 2010, and would be based on a patient classification methodology that relates payments to hospitals based on various classes of patients treated at the hospitals instead of simply reimbursing them at a certain percentage of normal and customary charges for services. The proposal would reduce reimbursements by 5.0% for those payments made in the fourth quarter of FY2010 only, and would result in all-funds savings of \$2.7 million, including \$1.0 million in General Revenue and \$1.7 million in Federal funds.

Mental Health, Retardation and Hospitals (MHRH) - The Governor proposes to include a \$6.0 million donation to offset the anticipated General Revenue deficit in the Developmental Disability (DD) private provider system. The alternative reduction offered in the Corrective Action Plan (CAP) was \$17.0 million in all funds (\$6.0 million General Revenue), or a 20% rate cut. This alternative would result in elimination of services to DD clients.

Mental Health, Retardation and Hospitals (MHRH) - The Governor proposes to increase the patient census at the Eleanor Slater Hospital by fourteen (14) patients and to increase the patient census in group homes by two (2) patients, allowing the State to claim more Federal funding without requiring increases in staffing levels or costs, resulting in an estimated \$1.0 million to be shifted to Federal Funds. The ability to increase the patient census has been created by the attrition of an aging population in some units of the Eleanor Slater Hospital.

Public Safety:

Department of Corrections (DOC) – The Budget Office assumes personnel and operating savings at the DOC based on reduced inmate population levels that continue to trend downward. Included is more than \$0.4 million in food savings projected due to the use of a contracted vendor that will analyze food use and direct the Department's menu towards lower cost items, as well as \$0.7 million in savings by cancelling a Training Class for Correctional Officers. *[Analyst Note: Initial analysis of the proposals and the 1st Quarter Report indicate that both the savings from cancelling the class (\$0.7 million) and reduced contract services (\$0.4 million) are double-counted.]*

Judiciary – The Governor shifts \$1.2 million in General Revenue funded Child Support Enforcement activities to Federal Funds for FY2010. The Judiciary will be moving to an estimated cost allocation system rather than the reimbursement system that currently is in place.

Department of Public Safety – The Governor includes \$1.2 million in General Revenue savings by assuming that the Department's employees participate in the FY2010 furlough days and suspended COLA. The Governor also recommends a reduction of vehicle purchases by the Division of State Police, savings \$0.3 million in FY2010. Additional revenues are expected from the transfer of certain seized money to the unclaimed property division, resulting in an increase of \$0.1 million after accounting for necessary set aside requirements.

Article Summaries:

Article 1 – Relating to Making Revised Appropriations in Support of FY2010 - The Article makes revised appropriations for General Revenues, and includes revisions to authorized expenditures from Federal, Restricted and Other funds as well as authorized FTE levels for each agency and department.

Article 2 – Relating to Motor Vehicle Reimbursements - The Article eliminates the 3rd and 4th quarter payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program. The Article permits local supplemental tax increases to recover lost revenues within the confines of existing property tax cap provisions in law.

Article 3 – Relating to Budget Reserve Fund – The Article would defer the \$22.0 million repayment to the Rhode Island Capital Fund from FY2010 to FY2011. Current law requires the \$22.0 million appropriated from the Budget Reserve Fund (Rainy Day fund) in FY2009 be repaid in FY2010. This proposal would shift the burden of repayment to FY2011.

Article 4 – Relating to Public Utilities Commission - This Article reduces the number of commissioners at the Public Utilities Commission to a total of three instead of five, and provides that two members constitute a quorum.

Article 5 – Relating to Child Care Subsidies – This Article effectuates a 5.0% reduction in subsidized child care reimbursement rates, effective January 1, 2010 and thereafter.

Article 6 – Relating to Administrative Management of Food and Nutritional Services – This Article postpones the transfer of the administrative management of food and nutritional services, including food stamps (SNAP), WIC and other programs to the Executive Office of Health and Human Services from March 1 to October 1, 2010.

Article 7 Relating to Hospital Payments – Eliminates the \$3.7 million payment to certain hospitals for unqualified acute care expenses in FY2010.

Article 8 - Relating to Violent Fugitive Task Force - This Article reconfigures the Fugitive Task Force under the Department of Public Safety to be an Employment Integrity Unit charged with preventing and detecting fraud, waste and abuse of public funds. Costs would shift from General Revenues to Assessed Fringe Benefits funding (Internal Service). The Governor estimates a \$0.4 million General Revenue reduction associated with a 6-month shift for the 4.0 remaining FTE positions.

Article 9 - Relating to Education Aid – This Article suspends Caruolo actions in any year there is a reduction in State aid and establishes a new 3-member panel to resolve funding disputes going forward. The Article reduces Education Aid and adds an equal amount of Federal Stimulus Stabilization funds advanced from FY 2011, permits reductions in Aid related to proposed pension changes, and provides authority to withhold Aid for nonpayment of statewide transportation services or for services provided at the School for the Deaf. Provisions include town or city council approval of school committee contracts prior to ratification.

Article 10 - Relating to Restricted Receipt Accounts – This Article exempts restricted receipt accounts created in the Article from indirect cost recoveries. Article establishes restricted receipt accounts for the Statewide Student Transportation fund, a Firefighters League Grant within the Department of Public Safety, a Vigneron Memorial Fund account within MHRH, and accounts within the Office of the Governor and the Department of Administration.

Article 11 - Relating to Telecommunications Education Access Fund and TDD – This Article amends the telephone relay service surcharge to include wireless phone lines and reduces the surcharge rate from \$0.26 to \$0.16 per line. The additional funds would be deposited into the RI Telecommunications Education Access Fund to ensure that internet connectivity for qualified schools is funded.

Article 12 - Relating to Police Officers and Firefighters – Injured on Duty - This Article limits compensation for municipal police and fire personnel as well as state quasi-public agency firefighters and law enforcement officers injured on duty to 80.0% of compensation compared to current 100% of annual compensation.

Article 13 - Relating to Municipal Retirement – This Article provides a variety of changes to municipal pension plans administered by either the State (MERS) or by municipalities. The changes include reductions to disability pensions, consistent with changes made at the State level last year, changes to years of service requirements and minimum retirement ages for regular and public safety employees, increases employee contributions and mandatory cost sharing for retiree health insurance.

Article 14 - Relating to Medical Insurance Coverage – This Article would terminate employer-sponsored health insurance coverage provided to a divorced spouse on May 30, 2010 and would not allow coverage regardless of marriage status or court order thereafter.

Article 15 - Relating to RI Convention Center Authority Debt Management Act Joint Resolution - This Article permits the RI Convention Center Authority (RICCA) to issue \$29.75 million in bonds to pay the purchase and renovation costs for the Veterans Auditorium and establish a \$2.65 million reserve fund.

Article 16 - Relating to Pension Reform – This Article eliminates the Cost-Of-Living-Adjustment (COLA) for State employees, teachers, judges and State Police who retire after September 30, 2009. State employees, teachers, judges and State Police who are eligible to retire prior to September 30, 2009 will not be impacted and may continue to work without forfeiture of their current COLA provisions. The Article provides General Assembly authority to establish an annual ad hoc adjustment (equal to the CPI but not to exceed a maximum of 3.0%) to retirees not eligible to receive COLA adjustments.

Article 17 - Relating to RI Resource Recovery Corporation – This Article changes the deadline for the Rhode Island Resource Recovery Corporation to begin accepting plastic resins labeled 3 and 7, from January 2011 to June 2014, which is intended to improve the Corporation's cash flow.

Article 18 - Relating to Statewide Purchasing System and Programs for Public Schools – This Article moves the Statewide Purchasing System from Chapter 5 to Chapter 16 of the General Law, and adds language to clarify the authority of the Department of Education. It also provides language to encourage participation in statewide purchasing that includes municipalities and school districts.

Article 19 - Relating to American Recovery and Reinvestment Act – Bonds – This Article provides the Public Finance Management Board (PFMB) with the authority to allocate the anticipated \$87.0 million in Recovery Zone Economic Development Bonds, \$130.5 million in Recovery Zone Facility Bonds, and \$10.9 million in Qualified Energy Conservation Bonds as granted through the American Recovery and Reinvestment Act (ARRA).

Article 20 - Relating to School Realignment Commission – This Article creates a 14-member school realignment commission modeled after the Base Realignment and Closure Commission process (BRAC) used by the Federal government to analyze school district consolidation opportunities.

Article 21 - Relating to Firefighters' and Municipal Police Manning – This Article removes provisions relating to the scope of issues which can be negotiated or arbitrated under existing arbitration laws, including minimum manning, the deployment of equipment and equipment requirements.

Article 22 - Relating to Municipal Health Insurance Cost Sharing – This Article would require a minimum of 25.0% cost sharing requirement for health insurance in any local collective bargaining agreement as of January 1, 2010.

Article 23 - Relating to Uniform Public School Employee Health Care Benefits Program - This Article proposes to establish uniformity of health care benefit plans to public school teachers and other school district employees to obtain administrative savings. The Article outlines parameters for the Department of Administration to design a program with a minimum of five benefit designs, a managed care option, and at least three PPOs (Preferred Provider Options) and one HSA (Health Savings Account).

Article 24 - Relating to Effective Date – Effective Date – Upon passage, unless otherwise provided.

The
Senate Fiscal Office
401-222-2480

Peter M. Marino
Senate Fiscal Advisor

Stephen H. Whitney
Deputy Senate Fiscal Advisor

Sandra L. Berube
Legislative Grant Coordinator

Laurie J. Brayton
Legislative Fiscal Analyst II

Robert C. Bromley
Senior Legislative Fiscal Analyst

Meredith E. Pickering
Legislative Fiscal Analyst II

Kelly M. Carpenter
Legislative Fiscal Analyst
Government Oversight

Linda A. George
Legislative Fiscal Analyst
Government Oversight