



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUDGET OFFICE  
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*Memorandum*

**To:** The Honorable Lincoln D. Chafee  
Governor

Richard A. Licht, Director  
Department of Administration

**From:** Thomas A. Mullaney *Thomas A. Mullaney*  
Executive Director/State Budget Officer

**Date:** November 15, 2011

**Subject:** FY 2012 First Quarter Report

The first quarter report for FY 2012 contains estimates of annual expenditures based upon analysis of expenditures through the first quarter of FY 2012 (July 1, 2011 through September 30, 2011), as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 4, 2011 and November 10, 2011 Caseload and Revenue Estimating Conferences. The fiscal year 2012 balance, based upon these assumptions, is estimated to show a \$6.7 million deficit.

Section 35-1-5 of the Rhode Island General Laws states that the Director of Administration shall "direct the State Budget Officer to project on a quarterly basis the anticipated year-end balance assuming current trends continue and the typical cyclical expenditure patterns prevail over the course of the year. A consolidated quarterly report incorporating the current status and projections shall be released to the public within forty-five days of the end of each quarter." This report demonstrates compliance with this section of the General Laws.

The Budget Office continues to review department and agency FY 2012 expenditure plans in conjunction with the FY 2013 budget process. Any changes recommended by the Governor to the FY 2012 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations act, which under current law must be submitted to the General Assembly no later than Thursday, January 19, 2012.

The projected budget deficit of \$6.7 million for FY 2012 is the result of an opening surplus of \$60.8 million (\$3.6 million more than the enacted opening surplus), reappropriations of \$4.5 million, a current year revenue increase of \$19.4 million, which is offset by a \$0.6 million increase in reserve fund contributions, spending projected in excess of enacted appropriations of \$32.6 million, and a reserve of \$1.0 million for potential final audit adjustments.

The FY 2012 enacted budget was predicated on an ending surplus from FY 2011 of \$57.2 million. The actual surplus from FY 2011, based on the State Controller's preliminary audit, is \$60.8 million. The difference is the result of final pre-audited expenditures being less than final enacted appropriations by \$15.4 million, prior period adjustments of \$0.6 million and a decrease in the transfer to the Budget Reserve Fund of approximately \$200,000, offset by a revenue shortfall of \$8.1 million and reappropriations of \$4.5 million. The November Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the economic forecast. On the revenue side, general revenue receipts are expected to be \$19.4 million more than enacted. Taxes are expected to exceed the enacted estimates by \$10.0 million, while departmental revenues and other sources, including lottery revenues, are expected to also exceed enacted estimates by \$9.4 million. The November Revenue Estimating Conference estimates that revenues will be \$3,195.4 million, which is \$19.4 million more than the enacted estimate of \$3,176.0 million for FY 2012.

Table 1 demonstrates that available resources, net of reserve fund contributions, have been adjusted upward from the enacted budget by \$25.9 million. This includes the additional balance forward from FY 2011 of \$3.6 million, reappropriations of \$4.5 million, additional revenues estimated at the Revenue Estimating Conference of \$19.4 million, offset by additional reserve fund contributions of \$0.6 million and a reserve for potential final FY 2011 audit adjustments of \$1.0 million. Expenditures increase by a net of \$32.6 million, including \$4.5 million of reappropriations from FY 2011 and \$1.1 million in reduced costs estimated by the Caseload Estimating Conference.

Table 2 shows the enacted budgets by agency, as contained in Article 1 of the FY 2012 Appropriations Act, and identifies the distribution of medical benefit savings and projected other changes for each agency. The projected "other changes", which are discussed in more detail below, essentially reflect the extent to which an agency will or will not be able to stay within their enacted budget allotments.

#### Revenue Projections

The attached Table 3 displays the revenue estimates of the November 10, 2011 Revenue Estimating Conference, as compared to those contained in the enacted budget. The revenue increases reflect a slow recovery in the economy, with anticipated modest decreases in unemployment through the remainder of FY 2012.

Budget Reserve Fund Resources

Based on the preliminary audit, the Budget Reserve Fund was fully funded at \$130.3 million as of June 30, 2011. Using the revised revenue estimates for FY 2012, the transfer to the Budget Reserve Fund will increase by \$644,649 compared to the enacted budget. The balance in the Budget Reserve Fund is projected to be \$149.8 million as of June 30, 2012.

Personnel Vacancies

Although the Administration has not instituted a hiring freeze for FY 2012, the Budget Office and the Governor's Office have been jointly reviewing all requests to fill vacancies and have restricted hiring to only critical vacancies. The payroll projections included in this first quarter report are based upon the positions filled as of mid-October, with adjustments for some position vacancy refills for the balance of the fiscal year.

Medical Benefit Savings

The FY 2012 enacted budget included a \$3.0 million savings item, budgeted under the Department of Administration, for projected savings from a Medical Benefits Holiday. An analysis by the Budget Office towards the end of FY 2011 determined that there would be a sufficient balance in the Health Insurance Fund during FY 2012 to warrant a reduction in the amounts billed to agencies. This information was provided to the General Assembly prior to enactment of the FY 2012 Budget and they included savings of \$3.0 million in the final appropriations act. The savings were budgeted under the Department of Administration with the intent that it would be allocated to all state agencies based on their enacted budgets for employee medical insurance as part of the supplemental appropriations act. This first quarter report reflects the distribution of these savings to all agencies.

Pension Reform Savings

The FY 2012 enacted budget did not include any savings from potential pension reform. It is unclear at this time if the reforms enacted by the House and Senate Finance Committees on November 10, 2011 will result in any savings to the fiscal year 2012 budget or just to future fiscal years. Until further information is provided by the retirement system's actuary, no savings have been assumed in the Budget Office's first quarter analysis.

Overall, net projected general revenue spending for FY 2012, as compared to the enacted budget, is approximately \$32.6 million more than appropriated. Major expenditure changes include:

<b>Agency/Major Item</b>	<b>(Surplus)/Deficit</b>
Reappropriations	
General Assembly (per RIGL 35-3-15 (a))	\$3,842,297
Judiciary (per RIGL 35-13-15 (a))	\$91,815
Secretary of State – Quick Start Program	\$190,000
Attorney General – Tobacco Litigation	\$366,122
General Treasurer – Renovations/SEC Investigation Legal Fees	\$42,008
Debt Service	
General Obligation Bonds	(\$5,036,801)

Certificates of Participation	\$483,177
Historic Structures Tax Credit	(\$1,400,000)
Fidelity Job Rent Credits	\$704,054
Tax Anticipation Notes	(\$500,000)
Administration – Facilities Mgt – Natural Gas/Electricity Expenses	\$167,000
Administration – Facilities Mgt – Janitorial Services/Operating	\$393,000
Administration – Facilities Mgt – Insurance Premium	\$86,000
Administration – Capital Projects – Vendor Dispute/Arbitration	\$135,000
Administration – DoIT – SONENT Ring/RIFANS Maintenance	\$463,000
Administration – DoIT – Reduced Federal Resources for Personnel	\$776,000
Revenue – Central Falls Receivership/Legal Fees	\$390,000
Revenue – DMV – Reduced Turnover/Increased Overtime	\$370,000
Revenue – DMV – Additional Staffing (14.5 FTE)	\$600,000
Revenue – DMV – Business Analyst Costs to Restricted Funds	(\$300,000)
Revenue – DMV – Build Out for Wakefield/Westerly Branches	\$50,000
Revenue – State Aid – Property Revaluation Program	(\$120,000)
Labor and Training – Policemen/Firemen’s Relief Fund	\$78,000
Secretary of State – Voter ID	\$150,000
OHHS – Transfer of 5.0 FTE from Health	\$780,000
OHHS – Personnel Savings (Turnover)	(\$260,000)
OHHS – Relocation/Rent Expenses	\$190,000
Human Services – Caseload Estimating – Medicaid	(\$1,910,000)
Human Services – SSI	\$777,000
Human Services – Veterans Affairs	\$580,000
Human Services – RIDE Program	\$600,000
DCYF – Personnel (Unachieved Turnover)	\$1,085,000
DCYF – Reduced Federal Resources/Increased Costs	\$7,150,000
Health – Personnel (Unachieved Turnover)/Contract Services	\$1,510,000
Health – Grants/Capital	(\$852,000)
BHDDH – Overtime and Group Home Closures	\$3,900,000
Education – Teachers Retirement	\$2,395,000
Education – School Housing Aid	(\$2,730,000)
Corrections – RIBCO Arbitrator’s Decision	\$3,100,000
Corrections – Housing Modules	\$2,000,000
Corrections – Net Other Costs	\$300,000
Judicial – Unachieved Turnover Savings	\$1,750,000
Public Safety – New Positions Due to Sheriffs Transfer	\$230,000
Public Safety – Trooper Contract	\$1,400,000
Public Safety – Pay-as-you-go Pensions	\$225,000
Public Safety – Unachieved Turnover Savings	\$1,805,000
Military Staff – RISCO	\$230,000
Military Staff (EMA) – Tropical Storm Irene	\$100,000
Environmental Management – Tropical Storm Irene	\$315,000
Transportation – Revenue Shortfall	\$7,607,790
Net All Other Changes	(\$1,632,405)
<b>Total All Changes</b>	<b>\$32,596,057</b>

### Reappropriations

As required under Rhode Island General Law 35-3-15 (a), the Governor recommended the reappropriation of unexpended and unencumbered balances in the general revenue appropriations of the General Assembly and the Judiciary. The total amounts reappropriated were \$3,842,297 and \$91,815, respectively. The FY 2011 supplemental appropriations act also included language mandating reappropriation of any funds remaining within the Secretary of State's Office for the Quick Start Initiative, which ended FY 2011 with a \$190,000 balance. In addition, the Governor recommended two additional discretionary reappropriations. The first was for funding remaining in the Attorney General's budget for ongoing litigation relating to Tobacco Settlement Funds (\$366,122). The second was for funding in the General Treasurer's Office for costs associated with the move of certain divisions from leased space in Providence to a new state-owned facility in Warwick and legal costs associated with a SEC investigation (\$42,008).

### Debt Service

The enacted budget included funding for new General Obligation Bonds, Certificates of Participation and Tax Anticipation Notes debt issuances. These issuances have been completed and therefore actual debt service costs for the remainder of this fiscal year are now known. Based on the actual issuances, overall general revenue funding required for debt service is projected to decrease by a total of \$5.75 million. This is comprised of savings in G.O. Bond debt service of \$5.0 million (savings are included under the Department of Administration and Higher Education), TANS debt service of \$0.5 million and Historic Structures Tax Credit debt service of \$1.4 million. These savings are offset by increases in debt service for Certificates of Participation of \$0.5 million and \$0.7 million for performance-based debt due to increased employment by Fidelity Investments, which requires the State to contribute more to debt service on their Smithfield facilities.

### Agency Specific Changes

#### **Department of Administration**

Net of the Medical Benefits Savings and debt service changes described above, the Department of Administration is projecting a deficit of \$2.0 million. The department is forecasting additional costs for certain information technology expenses, including ongoing software maintenance costs for the RIFANS accounting/purchasing system (\$256,000), personnel and operating costs shifting to general revenue due to reduced federal resources at agencies serviced by DoIT (\$776,000), and additional costs for the State's SONET ring as more agencies access this alternative to standard data lines (\$207,000).

Within Facilities Management, the department is forecasting additional costs in natural gas expenses due to a rate increase for Energy Efficiency implemented in August 2011 (\$345,000); higher insurance premiums for the State House and Cranston Street Armory (\$86,000); cleaning of the ventilation system at the Cannon Building (\$80,000); increased costs for janitorial services (\$230,000); and an increase in the sewer bill for the Pastore Center (\$83,000). These additional facilities related costs are offset in part by a projected reduction in electricity expenses of \$178,000.

The Capital Projects and Property Management program projects an unbudgeted expense of \$135,000 for arbitration fees and to hire an expert witness to assist the division with a vendor dispute related to the new DCYF Training School facility.

#### **Department of Revenue**

The Department of Revenue is projecting a deficit of approximately \$1.1 million, primarily for costs associated with the Central Falls Receivership/Bankruptcy and staffing costs at the Registry of Motor Vehicles. The department is forecasting increased receivership costs of \$80,000 and additional bankruptcy related legal fees of \$310,000. For the Registry of Motor Vehicles, the department is forecasting lower turnover savings and slightly increased overtime costs totaling approximately \$370,000, costs for build out of the new Wakefield Branch and furniture for the Westerly Branch (\$50,000), offset by a shift of \$300,000 for business analysts working on the new computer system to available restricted receipt funds. In addition, the Registry is forecasting personnel costs of \$600,000 for 14.5 new FTE positions recently hired to address the historically long wait times of customers, backlogs of processing suspensions and license reinstatements and other areas of regulation and compliance with federal and state laws. The department is also forecasting a reduction of \$120,000 in the Property Revaluation Program based on updated information from the communities undertaking revaluations or statistical updates this year.

#### **Department of Labor and Training**

The Department of Labor and Training is projecting additional costs in the Policemen's and Firemen's Relief Funds of approximately \$78,000.

#### **Secretary of State**

The Secretary of State's Office is projecting additional costs of \$150,000 for the new Voter ID law. Legislation requiring the Secretary of State to provide voter identification cards to Rhode Island voters who request them (due to lack of other acceptable forms of identification) was enacted by the General Assembly during the 2011 session, but no additional funding was provided in the enacted budget to fund this new program. The Office forecasts that the cost of additional equipment, advertising to notify the public of the new law, and training of staff will cost approximately \$150,000 in FY 2012.

#### **Office of Health and Human Services**

The Office of Health and Human Services is projecting a deficit of \$750,000, comprised primarily of the transfer of 5.0 FTE positions from the Department of Health (\$780,000), offset by personnel savings of \$260,000 from several currently vacant positions. In addition, the Office is forecasting additional costs for relocating certain OHHS staff from their current location on the Pastore Center campus in Cranston to new office space. Costs for new office furniture and equipment, in addition to moving costs, are projected to be approximately \$120,000.

#### **Department of Human Services – Caseload Conference**

The November Caseload Estimating Conference projected reduced costs of approximately \$1.1

million. Within the Medical Assistance (Medicaid) program, a surplus of \$1.9 million is projected based on the consensus estimates. The most significant revisions to the enacted budget for Medical Assistance are contained within three expenditure categories. As a result of a flattening caseload trend in both RIte Care and RIte Share, a decline in expected Medicaid-financed births and neonatal intensive care stays, enhanced managed drug rebate equalization payments, and lower than-anticipated average capitation rates, managed care expenses decreased by \$8.5 million. These savings are partially offset by increases of \$3.7 million and \$3.4 million for Disproportionate Share (DSH) payments and home and community-based long-term care services (HCBS), respectively. DSH expenditures rise due to the Conference's assumption that there will be no recoupment of \$3.7 million in federal financial participation that exceeded the FFY 2011 federal DSH allotment. Absent any recoupment from hospitals, additional general revenues will be required to compensate for the disallowed federal funding. The increase to HCBS is largely the result of unachieved savings totaling \$2.5 million for the Money Follows the Person Demonstration Grant, coupled with an anticipated uptick in the HCBS caseload.

The Supplemental Security Income (SSI) program for FY 2012 is estimated to have a deficit of \$777,000. This is the combined result of increased estimates for both the SSI caseload and the cost per person relative to enacted levels. The caseload is anticipated to increase by 305 persons, from 33,495 to 33,800, while the cost per person was upwardly revised from \$44.60 to \$46.00.

#### **Department of Human Services – Other Programs**

The department is forecasting a deficit of \$580,000 in the Division of Veterans' Affairs. This is primarily driven by unachieved overtime savings (\$1.3 million) and nursing pool expenditures (\$390,000) that were originally programmed as part of an initiative to consolidate nursing operations at the Veterans' Home, while concurrently planning for an increase in the resident census. The department reports significant slippage in the implementation of this plan, but claims that "the Division (of Veterans' Affairs) is in the process of implementing a unit consolidation plan to avoid, or at least mitigate, future expenses such as these". Offsetting the impact of these items is a surplus of almost \$1.0 million in other salaries and benefits, presumably stemming from increased levels of turnover expectancy and persistent hiring lags at the Veterans' Home.

The department is also forecasting a deficit of \$600,000 in the Elderly Transportation (RIDE) Program due to increased utilization and fewer CNOM-claimable beneficiaries than assumed in the enacted budget.

#### **Department of Children, Youth and Families**

The Department of Children, Youth and Families is projecting a deficit of approximately \$7.9 million. This includes increased expenditures of \$1.1 million in personnel and \$7.2 million in grants and benefits, offset slightly by small savings in other categories. For personnel, the recommended budget included a statewide reduction of 3.0 percent, which translated to \$1.6 million for the department, and the General Assembly reduced personnel funding by an additional \$200,000 in the enacted budget. Both of these reductions were in addition to

turnover savings of \$4.1 million included in the department's original budget request. Due to current staffing levels, the department is projecting that it will be unable to achieve the increased turnover savings.

In the grants and benefits category, the additional expenses are attributed to a decrease in federal and restricted resources and an increase in expenditures. The loss in federal resources is primarily attributed to lower Medicaid earnings for contracted placements. Medicaid earnings were affected by the actual claiming rates determined by a time study process and the shift from higher end placements to step-down or community based services that earn less Medicaid reimbursement. Other federal grants are anticipated to be \$1.3 million less than assumed in the enacted budget.

#### **Department of Health**

For the Department of Health, the Budget Office is projecting a net deficit of \$650,000, comprised of increased personnel and contract services costs of \$1,350,000 and \$160,000, respectively, offset by savings in grants and benefits (\$600,000), operating (\$217,000) and capital (\$35,000). The shortfall in personnel is primarily due to the statewide turnover increase of 3.0 percent recommended in the original budget submission, as well as additional costs for filling the State Medical Examiner position. The change in personnel funding is net of the transfer of 5.0 FTE positions to the Office of Health and Human Services. Contract services costs are higher due to the need for contract Medical Examiners to cover for vacant positions.

#### **Department of Behavioral Healthcare, Developmental Disabilities and Hospitals**

The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals is projecting a net deficit of \$3.9 million. The enacted budget included significant savings based on initiatives in the RICLAS and Hospital programs to reduce overtime expenses. The reduction in costs were based on the consolidation/vacating of six group homes, hiring more seasonal staff, and hiring more full time workers at starting salaries that would cost less than paying overtime to more senior staff. Due to delays in hiring new staff and vacating groups homes, savings in overtime are not being fully achieved.



### **Department of Elementary and Secondary Education**

The Department of Elementary and Secondary Education is projecting a surplus of \$335,000. School Housing Aid is forecast to be \$2.7 million less than enacted based on school districts delaying capital projects in order to qualify for the increased state minimum share ratio of 40 percent beginning in FY 2013. Savings in the current fiscal year will translate into higher costs for the State in future years. The projected State share for Teachers Retirement costs are forecasted to be \$2.4 million higher than enacted due to a higher than projected teacher wage base in FY 2011 as compared to FY 2010, upon which estimated retirement costs were based. The current projection is based on actual FY 2011 wages, as reported to the State Retirement System, inflated by 2.0 percent.

### **Department of Corrections**

For the Department of Corrections, the Budget Office is projecting a deficit of \$5.4 million. The largest component of this deficit relates to increased personnel costs of \$3.1 million from implementing an arbitrator's decision to provide uniformed members of the Rhode Island Brotherhood of Correctional Officers (RIBCO) with an additional base increase of 2.95 percent to bring their wages into parity with the Sheriffs. Other increases in personnel costs can be attributed to the use of unbudgeted furlough days by RIBCO members resulting in increased overtime costs. This projection assumes limited filling of positions for the balance of the fiscal year.

The enacted budget incorporated savings of \$6.0 million for the closure of the Medium Price facility; however, the population census has remained relatively stable and no transition funds were included in the enacted budget to address the supervision of the population moved from Price to other facilities. In addition, in order to effectuate the move of inmates to other facilities, housing modules that were slated to remain closed and for which savings were taken in the enacted budget, needed to be reopened at an additional cost of \$2.0 million.

Other costs within the department, including reduced federal SCAAP funds, additional costs for a new fully-automated Time Tracker System, and savings from outpatient services net to an increase of approximately \$300,000.

### **Judicial**

The Judiciary is projecting a deficit of \$1.8 million attributable to unachieved turnover savings. The enacted budget included savings of 2.0 percent, or \$1.4 million, in additional turnover savings above that requested by the Department, as well as an additional \$1.0 million withdrawn by the General Assembly. The Judiciary is forecasting that it will not be able to achieve this level of turnover savings based on current staffing levels.

### **Department of Public Safety**

The Department of Public Safety is projecting a deficit of \$3.7 million, primarily in personnel costs. The enacted budget included the addition of 2.6 new FTE positions for the Central Management program due to the transfer of the Sheriffs program from the Department of Administration but without any funding to support these new positions. Approval has been given for the department to fill these positions with a projected cost in FY 2012 of \$230,000.

The Rhode Island Troopers Association (RITA) contract was finalized in June 2011 and included two retroactive 3.0 percent raises, the funding for which was not included in the enacted FY 2012 budget. These salary increases are offset in part by an increase in the percent of medical co-shares paid by the Troopers, but overall this is estimated to cost an additional \$1.4 million in FY 2012. Pay-as-you-go pensions for retired State Troopers are projected to cost an additional \$225,000 compared to the enacted budget. Finally, the department is forecasting that based on current staffing levels it will be unable to achieve the additional turnover savings of 3.0 percent included in the enacted budget for FY 2012, requiring additional funding of \$1.8 million.

#### **Military Staff**

The Military Staff is projecting a deficit of \$320,000 comprised of increased costs for the maintenance contract for the RI Statewide Communications Network (RISCON) of \$230,000 and \$100,000 in state match for costs incurred by the EMA during Tropical Storm Irene.

#### **Department of Environmental Management**

The Department of Environmental Management is projecting a deficit of \$0.1 million due to the \$315,000 cost for debris removal and emergency measures associated with Tropical Storm Irene, offset by personnel savings in several programs.

#### **Department of Transportation**

Although the focus of this first quarter report is on the general revenue funded portion of the FY 2012 enacted budget, the status of the Department of Transportation, which is financed primarily with gas tax receipts, requires discussion. The department receives 19.75 cents of the 33.0 cents in taxes on gasoline for its operations and to cover debt service obligations on bonds issued for the state match to federal highway funds. Net of debt service costs, but including a carry over of \$1.4 million from FY 2011, the department is projected to have resources of \$41.6 million based on the enacted estimate of the per penny gas tax yield. The department forecasts expenditures in FY 2012 of \$49.2 million, which includes financing for winter maintenance for an average winter season. This will result in a shortfall in resources of \$7.6 million. As was the case in the final FY 2011 supplemental budget, the FY 2012 supplemental budget may need to include a general revenue appropriation to cover this shortfall. In order to account for this likelihood, this first quarter report factors in this shortfall.

As you know, the Budget Office is currently reviewing the FY 2012 revised and FY 2013 budget requests submitted by the various state departments and agencies and will work with them to take actions to minimize all state spending and to develop plans to reduce expenditures to meet the available resources not only for FY 2012, but also to address the projected FY 2013 current services level deficit.

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November 15, 2011

If you have any questions concerning this first quarter report, please feel free to contact me.

TAM: S/13budget/FY 2012 Revised/Q1/Q1report  
Attachments

cc: The Honorable Helio Melo, Chairman  
House Finance Committee

The Honorable Daniel DaPonte, Chairman  
Senate Finance Committee

Sharon Reynolds Ferland, House Fiscal Advisor

Peter Marino, Senate Fiscal Advisor

## Table 1 - FY 2012 General Revenue Budget Surplus

	FY2011 Final Revised <sup>(1)</sup>	FY2011 Preliminary Audit <sup>(2)</sup>	FY 2012 Enacted <sup>(3)</sup>	FY 2012 First Quarter Report <sup>(4)</sup>	Change From Enacted
<b>Surplus</b>					
Opening Surplus	\$17,889,521	\$17,889,522	\$57,202,735	\$60,807,269	\$3,604,534
Resrve for Audit Adjustments	-	-	-	(1,000,000)	(1,000,000)
Audit Adjustments	-	604,058	-	-	-
Reappropriated Surplus	3,364,847	3,364,847	-	4,532,242	4,532,242
Subtotal	<b>\$21,254,368</b>	<b>\$21,858,427</b>	<b>\$57,202,735</b>	<b>\$64,339,511</b>	<b>\$7,136,776</b>
<b>General Taxes</b>	2,317,150,000	2,376,574,657	2,458,886,118	2,458,886,118	-
Revenue estimators' revision - Nov	21,850,000	-	-	10,013,882	10,013,882
Revenue estimators' revision - May	44,600,000	-	-	-	-
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	<b>\$2,383,600,000</b>	<b>\$2,376,574,657</b>	<b>\$2,458,886,118</b>	<b>\$2,468,900,000</b>	<b>\$10,013,882</b>
<b>Departmental Revenues</b>	345,226,745	334,665,834	343,543,141	343,543,141	-
Revenue estimators' revision - Nov	(10,526,745)	-	-	(3,043,141)	(3,043,141)
Revenue estimators' revision - May	(600,000)	-	-	-	-
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	<b>\$334,100,000</b>	<b>\$334,665,834</b>	<b>\$343,543,141</b>	<b>\$340,500,000</b>	<b>(\$3,043,141)</b>
<b>Other Sources</b>					
Gas Tax Transfers	-	(29,415)	-	-	-
Revenue estimators' revision	-	-	-	-	-
Changes to the Adopted Estimates	-	-	-	-	-
Other Miscellaneous	5,331,000	9,194,296	6,325,000	6,325,000	-
Revenue estimators' revision - Nov	5,524,000	-	-	4,690,000	4,690,000
Revenue estimators' revision - May	2,275,000	-	-	-	-
Changes to the Adopted Estimates	16,107	-	-	-	-
Lottery	346,138,520	354,860,987	361,042,103	361,042,103	-
Revenue estimators' revision - Nov	1,361,480	-	-	6,157,897	6,157,897
Revenue estimators' revision - May	5,700,000	-	-	-	-
Changes to the Adopted Estimates	(163,000)	-	-	-	-
Unclaimed Property	6,000,000	7,640,462	6,200,000	6,200,000	-
Revenue estimators' revision - Nov	(700,000)	-	-	1,600,000	1,600,000
Revenue estimators' revision - May	1,800,000	-	-	-	-
Subtotal	<b>\$373,283,107</b>	<b>\$371,666,330</b>	<b>\$373,567,103</b>	<b>\$386,015,000</b>	<b>\$12,447,897</b>
<b>Total Revenues</b>	<b>\$3,090,983,107</b>	<b>\$3,082,906,821</b>	<b>\$3,175,996,362</b>	<b>\$3,195,415,000</b>	<b>\$19,418,638</b>
<b>Transfer to Budget Reserve</b>	<b>(80,830,688)</b>	<b>(80,636,410)</b>	<b>(90,529,575)</b>	<b>(91,174,224)</b>	<b>(644,649)</b>
<b>Total Available</b>	<b>\$3,031,406,787</b>	<b>\$3,024,128,838</b>	<b>\$3,142,669,523</b>	<b>\$3,168,580,288</b>	<b>\$25,910,765</b>
Actual/Enacted Expenditures	<b>\$2,942,118,704</b>	<b>\$2,958,789,327</b>	<b>\$3,142,501,188</b>	<b>\$3,142,501,188</b>	<b>\$0</b>
Reappropriations	3,364,847	-	-	4,532,242	4,532,242
Caseload Conference Changes	(9,901,634)	-	-	(1,087,415)	(1,087,415)
FMAP Makeup	37,289,357	-	-	-	-
Other Changes in Expenditures	1,332,778	-	-	29,151,230	29,151,230
<b>Total Expenditures</b>	<b>\$2,974,204,052</b>	<b>\$2,958,789,327</b>	<b>\$3,142,501,188</b>	<b>\$3,175,097,245</b>	<b>\$32,596,057</b>
<b>Free Surplus</b>	<b>\$57,202,735</b>	<b>\$60,807,269</b>	<b>\$168,335</b>	<b>(\$6,516,957)</b>	<b>(\$6,685,292)</b>
<b>Transfer from Budget Reserve</b>					
<b>Reappropriations</b>	-	(4,532,242)	-	-	-
<b>Total Ending Balances</b>	<b>\$57,202,735</b>	<b>\$65,339,511</b>	<b>\$168,335</b>	<b>(\$6,516,957)</b>	<b>(\$6,685,292)</b>
<b>Budget Reserve and Cash</b>					
<b>Stabilization Account</b>	<b>\$130,572,650</b>	<b>\$130,258,817</b>	<b>\$148,727,159</b>	<b>\$149,786,224</b>	<b>\$1,059,065</b>

<sup>(1)</sup> Reflects the FY 2011 supplemental budget enacted by the General Assembly and signed into law by the Governor on June 30, 2011.

<sup>(2)</sup> Reflects the State Controller's preliminary unaudited closing statements, dated September 1, 2011.

<sup>(3)</sup> Reflects the FY 2012 budget enacted by the General Assembly and signed into law by the Governor on June 30, 2011.

<sup>(4)</sup> Reflects the enacted revenues and expenditures adjusted for revenue and caseload estimates adopted at the November 2011 Revenue and Caseload Estimating Conferences and projected year end expenditures based on data through the first quarter of FY 2012

**Table 2 - Summary of Changes to FY 2012 Enacted General Revenue Expenditures**

	FY 2012 Enacted	Reappropriation	Redistribution Medical Benefit Savings	Other Changes	Total Projected Changes	Projected Expenditures	Change From Enacted (Surplus)/Deficit
<b>General Government</b>							
Administration	246,446,221	-	2,810,789	(\$3,245,864)	(435,075)	246,011,146	(\$435,075)
Business Regulation	9,436,378	-	(34,236)	(\$503,405)	(537,641)	8,898,737	(537,641)
Labor and Training	7,575,486	-	(14,003)	\$75,558	61,555	7,637,041	61,555
Department of Revenue	92,610,905	-	(136,025)	\$1,062,084	926,059	93,536,964	926,059
Legislature	36,548,053	3,842,297	(158,767)	(\$194,798)	3,488,732	40,036,785	3,488,732
Lieutenant Governor	965,940	-	(3,186)	(\$11,647)	(14,833)	951,107	(14,833)
Secretary of State	6,376,312	190,000	(18,524)	\$144,809	316,285	6,692,597	316,285
General Treasurer	2,300,852	42,008	(6,369)	\$27,091	62,730	2,363,582	62,730
Board of Elections	1,825,905	-	(4,638)	\$12,404	7,766	1,833,671	7,766
Rhode Island Ethics Commission	1,560,008	-	(2,338)	(\$34,428)	(36,766)	1,523,242	(36,766)
Governor's Office	4,338,521	-	(12,948)	\$16,343	3,395	4,341,916	3,395
Commission for Human Rights	1,154,038	-	(4,594)	\$0	(4,594)	1,149,444	(4,594)
Public Utilities Commission	-	-	-	\$0	-	-	-
<b>Subtotal - General Government</b>	<b>411,138,619</b>	<b>4,074,305</b>	<b>2,415,161</b>	<b>(2,651,853)</b>	<b>3,837,613</b>	<b>414,976,232</b>	<b>3,837,613</b>
<b>Human Services</b>							
Office of Health & Human Services	9,773,834	-	(33,667)	\$750,618	716,951	10,490,785	716,951
Children, Youth, and Families	145,198,983	-	(187,603)	\$7,884,714	7,697,111	152,896,094	7,697,111
Health	24,248,025	-	(61,235)	\$648,857	587,622	24,835,647	587,622
Human Services	893,131,302	-	(159,488)	(\$4,585)	(164,073)	892,967,229	(164,073)
Behavioral Health, Developmental Disabilities & Hospitals	184,249,569	-	(268,575)	\$3,932,872	3,664,297	187,913,866	3,664,297
Office of the Child Advocate	603,384	-	(2,020)	(\$31,953)	(33,973)	569,411	(33,973)
Comm. on Deaf & Hard of Hearing	387,985	-	(1,673)	(\$450)	(2,123)	385,862	(2,123)
Governor's Commission on Disabilities	388,786	-	(845)	\$0	(845)	387,941	(845)
Office of the Mental Health Advocate	468,718	-	(1,297)	(\$37,671)	(38,968)	429,750	(38,968)
<b>Subtotal - Human Services</b>	<b>1,258,450,586</b>	<b>-</b>	<b>(716,403)</b>	<b>13,142,402</b>	<b>12,425,999</b>	<b>1,270,876,585</b>	<b>12,425,999</b>
<b>Education</b>							
Elementary and Secondary	863,077,600	-	(102,393)	(\$334,596)	(436,989)	862,640,611	(436,989)
Higher Education - Board of Governors	166,487,219	-	(253,515)	(\$505,527)	(759,042)	165,728,177	(759,042)
RI Council on the Arts	1,678,862	-	(2,256)	(\$2,695)	(4,951)	1,673,911	(4,951)
RI Atomic Energy Commission	879,592	-	(1,992)	\$180	(1,812)	877,780	(1,812)
Higher Education Assistance Authority	5,913,104	-	(2,081)	(\$153,864)	(155,945)	5,757,159	(155,945)
Historical Preservation & Heritage Comm	1,469,797	-	(5,965)	(\$126,851)	(132,816)	1,336,981	(132,816)
Public Telecommunications Authority	947,960	-	(4,063)	(\$11,398)	(15,461)	932,499	(15,461)
<b>Subtotal - Education</b>	<b>1,040,454,134</b>	<b>-</b>	<b>(372,265)</b>	<b>(1,134,751)</b>	<b>(1,507,016)</b>	<b>1,038,947,118</b>	<b>(1,507,016)</b>
<b>Public Safety</b>							
Attorney General	\$22,442,867	366,122	(\$72,670)	(\$209,879)	83,573	22,526,440	83,573
Corrections	182,141,365	-	(610,897)	\$5,375,596	4,764,699	186,906,064	4,764,699
Judicial	87,073,983	91,815	(303,334)	\$1,752,741	1,541,222	88,615,205	1,541,222
Military Staff	3,470,928	-	(8,031)	\$307,626	299,595	3,770,523	299,595
Public Safety	89,407,711	-	(231,976)	\$3,706,162	3,474,186	92,881,897	3,474,186
Office Of Public Defender	10,300,580	-	(30,922)	\$61,916	30,994	10,331,574	30,994
<b>Subtotal - Public Safety</b>	<b>394,837,434</b>	<b>457,937</b>	<b>(1,257,830)</b>	<b>10,994,162</b>	<b>10,194,269</b>	<b>405,031,703</b>	<b>10,194,269</b>
<b>Environmental Management</b>							
Coastal Resources Management Council	35,383,601	-	(105,227)	\$139,026	33,799	35,417,400	33,799
Subtotal - Natural Resources	2,236,814	-	(7,706)	\$11,309	3,603	2,240,417	3,603
<b>Subtotal - Natural Resources</b>	<b>37,620,415</b>	<b>-</b>	<b>(112,933)</b>	<b>150,335</b>	<b>37,402</b>	<b>37,657,817</b>	<b>37,402</b>
<b>Total</b>	<b>3,142,501,188</b>	<b>4,532,242</b>	<b>(44,270)</b>	<b>20,500,295</b>	<b>24,988,267</b>	<b>3,167,489,455</b>	<b>24,988,267</b>
<b>Projected Revenue Shortfall - Dept of Transportation</b>							
<b>Total Projected Deficit</b>							<b>7,607,790</b>
							<b>32,596,057</b>

Table 3 - November 2011 Revenue Estimating Conference Results

FY 2012	FY 2010	FY 2011 Preliminary	Growth from FY 2010	FY 2012 Enacted	Growth from FY 2011	FY 2012 November Consensus	Growth from FY 2011	FY 2012 Consensus vs. FY 2012 Enacted
<b>Personal Income Tax</b>	\$ 898,113,113	\$ 1,021,338,868	13.7%	\$ 1,010,021,422	-1.1%	\$ 1,033,600,000	1.2%	\$ 23,578,578
<b>General Business Taxes</b>								
Business Corporations	146,834,598	84,510,308	-42.4%	121,224,665	43.4%	112,600,000	33.2%	(8,624,665)
Public Utilities Gross	95,792,717	103,743,912	8.3%	99,400,000	-4.2%	99,400,000	-4.2%	-
Financial Institutions	2,319,242	1,652,158	-28.8%	500,000	-69.7%	1,000,000	-39.5%	500,000
Insurance Companies	95,921,454	60,590,000	-36.8%	102,600,000	69.3%	99,500,000	64.2%	(3,100,000)
Bank Deposits	1,860,271	1,967,288	5.8%	2,000,000	1.7%	2,000,000	1.7%	-
Health Care Provider	40,254,281	40,760,872	1.3%	41,327,129	1.4%	41,800,000	2.5%	472,871
<b>Sales and Use Taxes</b>								
Sales and Use	803,394,856	813,007,301	1.2%	846,512,902	4.1%	845,100,000	3.9%	(1,412,902)
Motor Vehicle	48,285,182	47,654,534	-1.3%	51,600,000	8.3%	48,200,000	1.1%	(3,400,000)
Motor Fuel	968,870	1,054,939	8.9%	1,100,000	4.3%	1,100,000	4.3%	-
Cigarettes	138,315,461	134,060,439	-3.1%	133,500,000	-0.4%	131,500,000	-1.9%	(2,000,000)
Alcohol	11,269,477	11,683,059	3.7%	12,100,000	3.6%	11,800,000	1.0%	(300,000)
<b>Other Taxes</b>								
Inheritance and Gift	29,056,952	46,855,153	61.3%	29,300,000	-37.5%	34,000,000	-27.4%	4,700,000
Racing and Athletics	1,492,221	1,325,193	-11.2%	1,200,000	-9.4%	1,200,000	-9.4%	-
Realty Transfer	6,993,915	6,370,632	-8.9%	6,500,000	2.0%	6,100,000	-4.2%	(400,000)
<i>Total Taxes</i>	<i>2,320,872,610</i>	<i>2,376,574,656</i>	<i>2.4%</i>	<i>2,458,886,118</i>	<i>3.5%</i>	<i>2,468,900,000</i>	<i>3.9%</i>	<i>10,013,882</i>
Departmental Receipts	333,128,045	334,665,834	0.5%	343,543,141	2.7%	340,500,000	1.7%	(3,043,141)
Gas Tax Transfer	24,134	(29,415)	-221.9%	-	-100.0%	-	-100.0%	-
Other Miscellaneous	12,466,517	9,194,296	-26.2%	6,325,000	-31.2%	11,015,000	19.8%	4,690,000
Lottery	344,672,747	354,860,987	3.0%	361,042,103	1.7%	367,200,000	3.5%	6,157,897
Unclaimed Property	5,867,150	7,640,462	30.2%	6,200,000	-18.9%	7,800,000	2.1%	1,600,000
<b>Total General Revenues</b>	<b>3,017,031,203</b>	<b>3,082,906,820</b>	<b>2.2%</b>	<b>3,175,996,362</b>	<b>3.0%</b>	<b>3,195,415,000</b>	<b>3.6%</b>	<b>19,418,638</b>