

State Budget Office

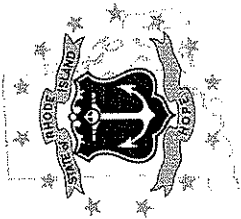
Assessment of Budget Picture

FY 2008 through FY 2014

October 8, 2009

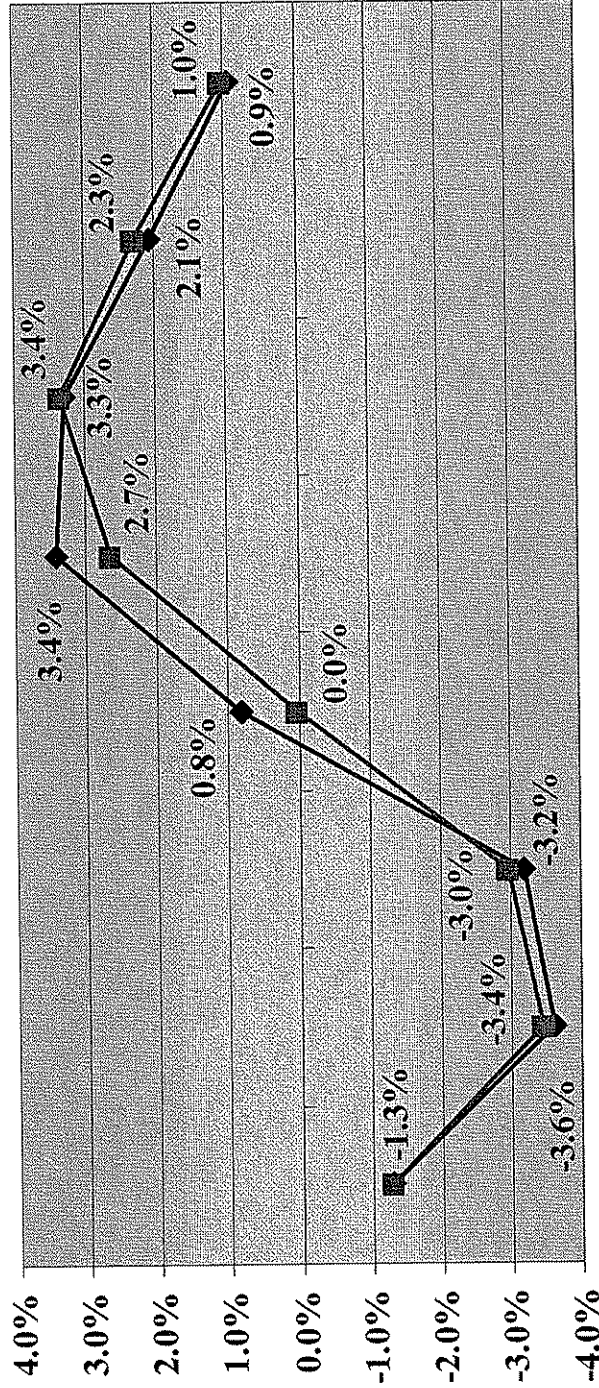
It is getting Worse

- More recent economic forecasts are more pessimistic than that adopted at the May revenue conference
- Revenues come up short in FY2009 and continue to slide
- Turning point is difficult if not impossible to estimate
- Budget Office/Department of Revenue internal projections reveal larger current and outyear gaps



Department of Revenue Economic Forecast

Rhode Island Non-Farm Employment Growth



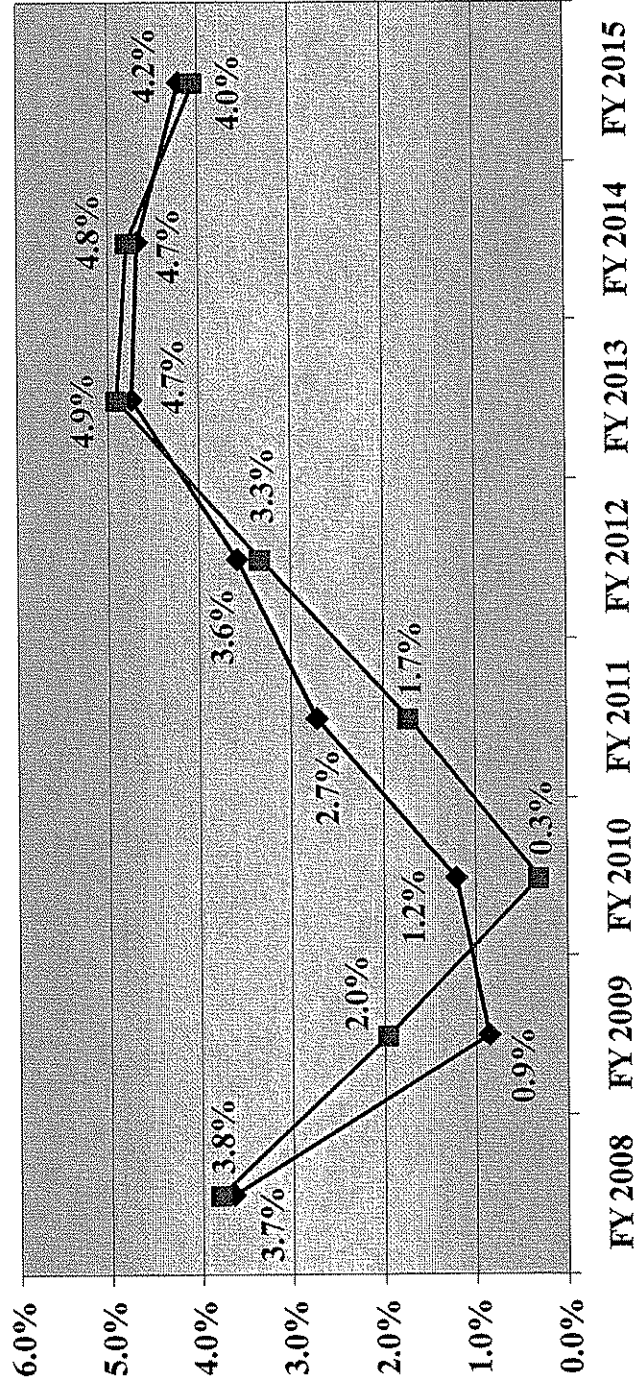
FY 2008 FY 2009 FY 2010 FY 2011 FY 2012 FY 2013 FY 2014 FY 2015

◆ CEF May 2009 ■ Economy.com Aug 2009

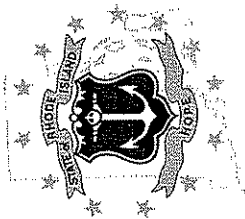


Department of Revenue Economic Forecast

Rhode Island Personal Income Growth

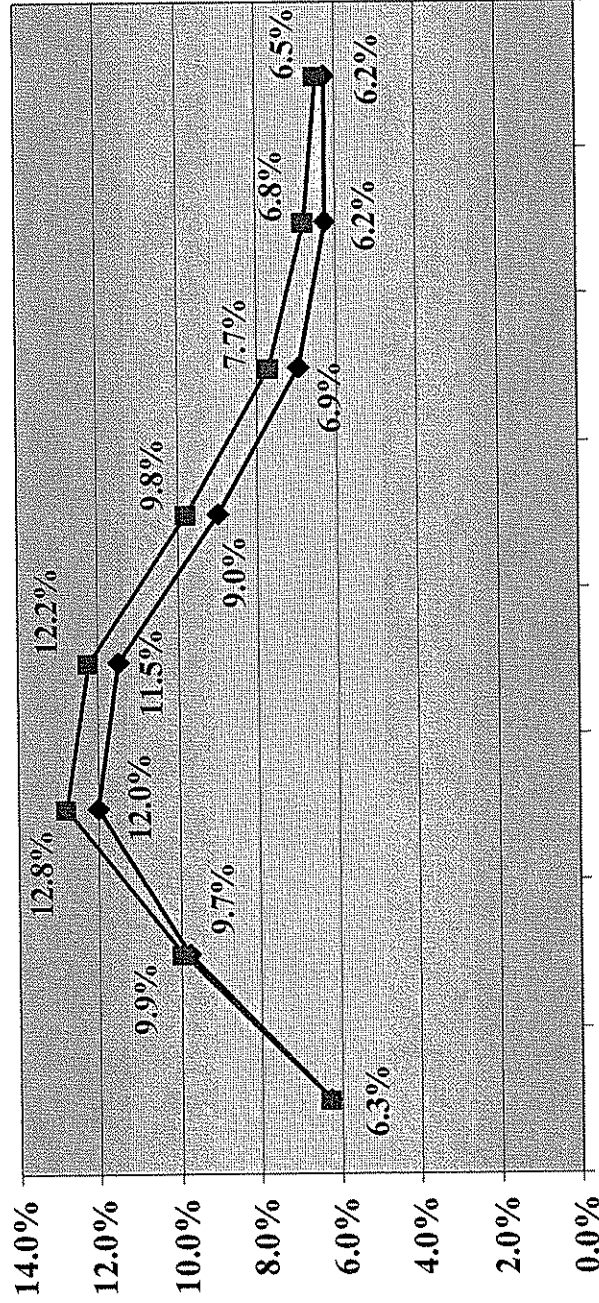


◆ CEF May 2009 ■ Economy.com Aug 2009



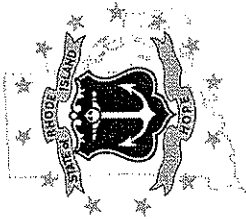
Department of Revenue Economic Forecast

Rhode Island Unemployment Rate

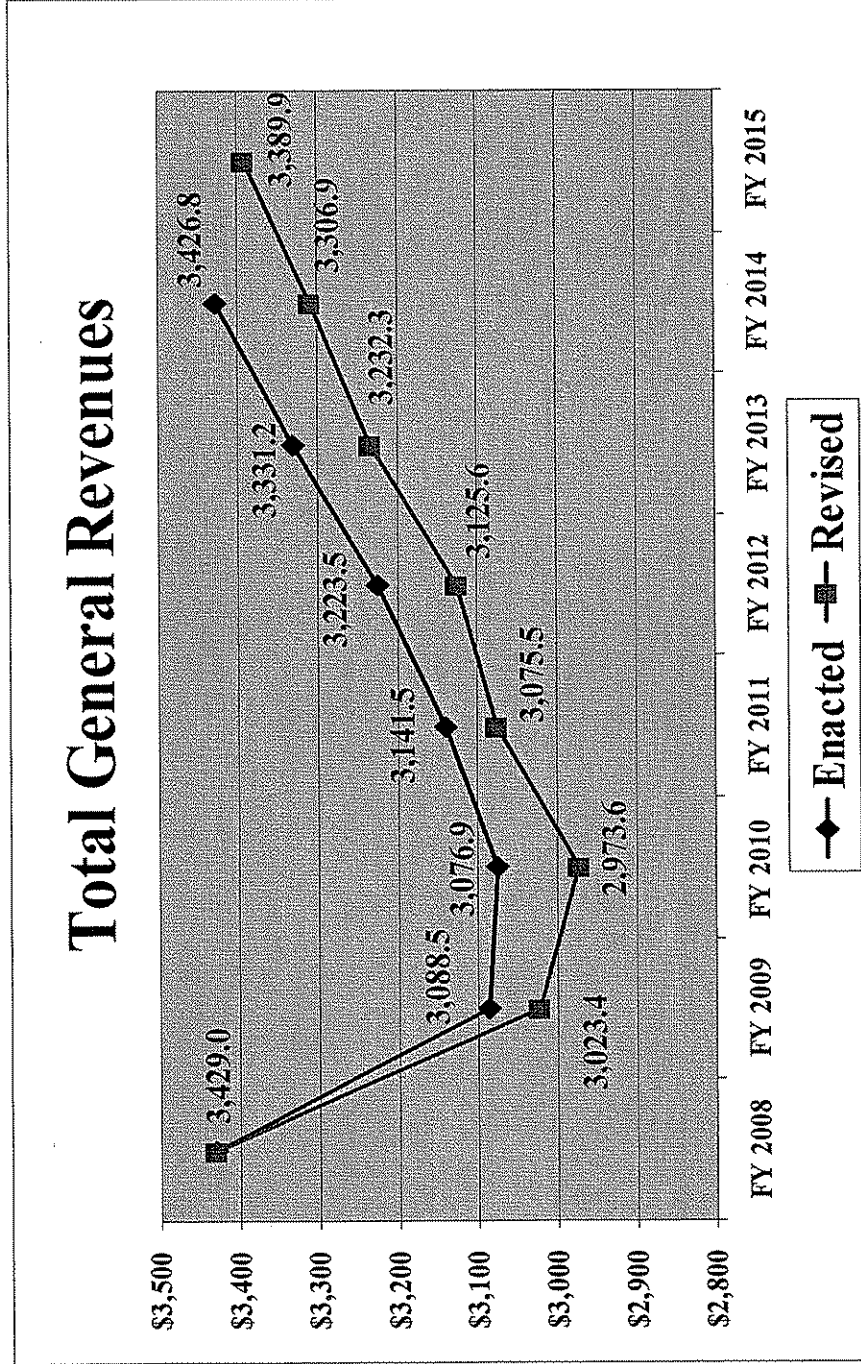


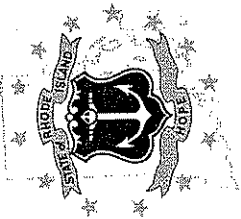
FY2008 FY2009 FY2010 FY2011 FY2012 FY2013 FY2014 FY2015

—◆— CEF May 2009 —■— Economy.com Aug 2009



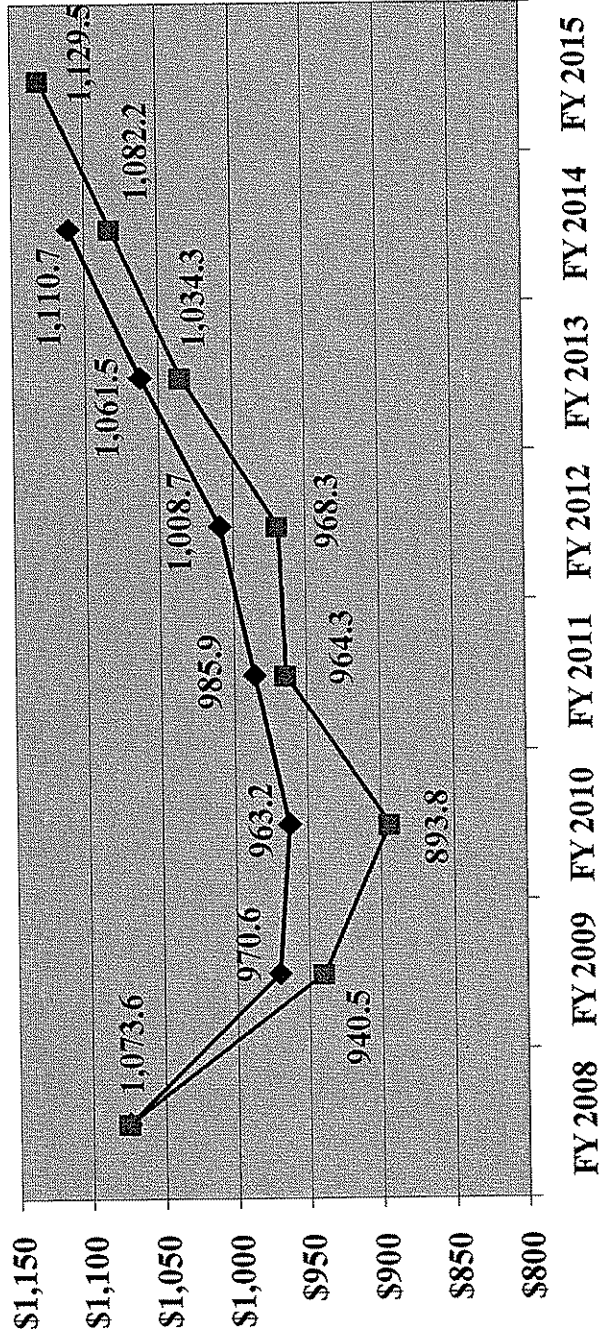
Department of Revenue Revenue Impacts



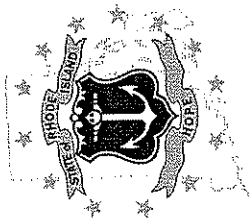


Department of Revenue Revenue Impacts

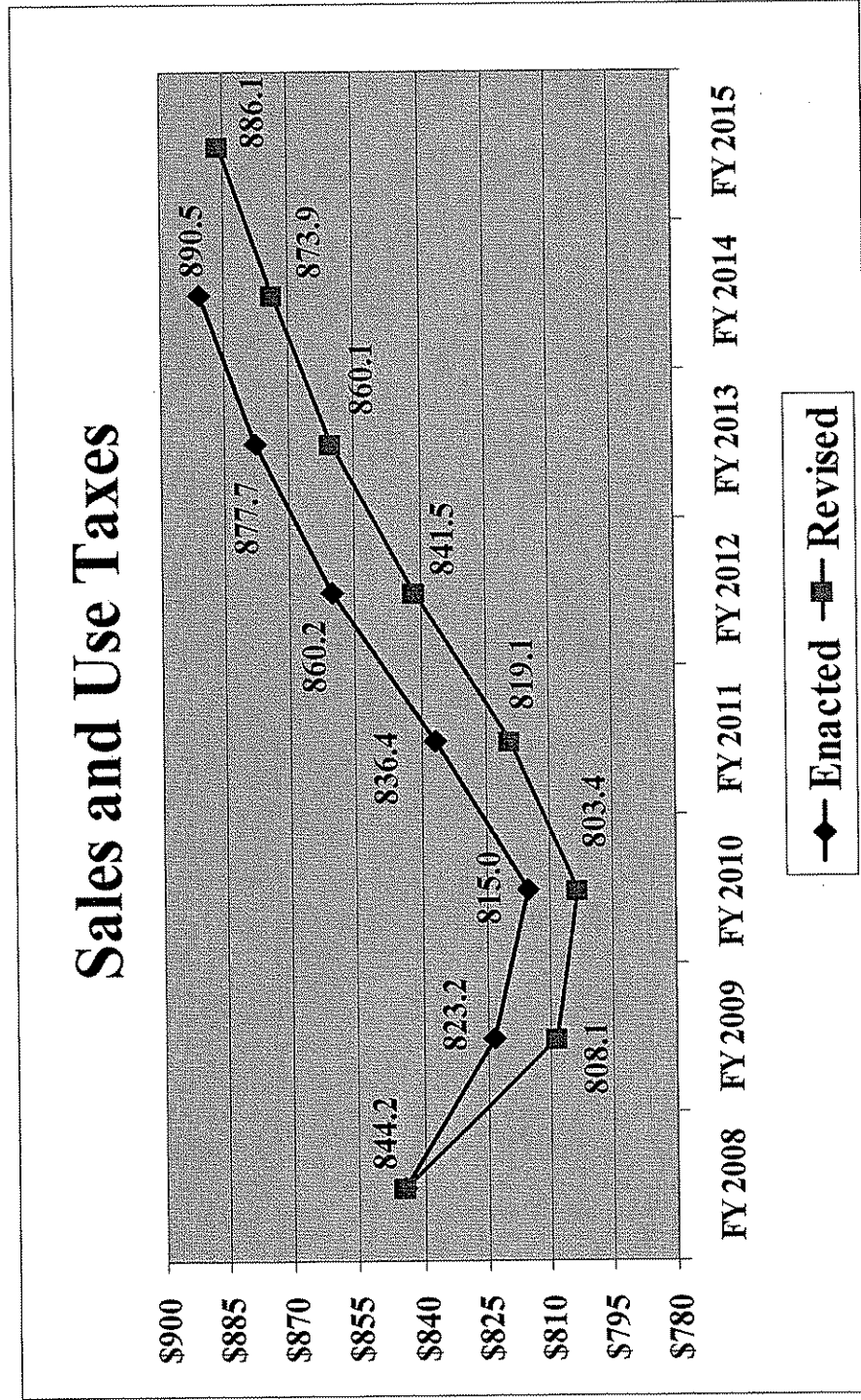
Personal Income Taxes



◆ Enacted ■ Revised



Department of Revenue Revenue Impacts



FY2009 Preliminary Closing

- The State Controller issued his preliminary closing report on August 28, 2009.
- It revealed a deficit of \$61.8 million; this takes into account the \$22.0 million appropriation from the Budget Reserve Fund which was part of the second supplemental budget.
- Expenditures were \$2.2 million under the final enacted appropriations; this includes the reflection of the \$10 million Station Fire settlement as a liability even though it was budgeted in FY2010. Overall, FY2009 expenditures were \$277 million less than the original appropriations.
- Revenues were \$65.1 million less than estimated.
- Personal income Tax was \$30.1 million less than estimates, and Sales Tax was \$15.1 million less, Departmental Revenues were \$10.8 million less, and Business Corporations Tax was \$ 7.5 million less.
- Overall, state general revenues were \$323.3 million less than the estimates upon which the original FY2009 budget was enacted.

FY2010 Enacted Budget

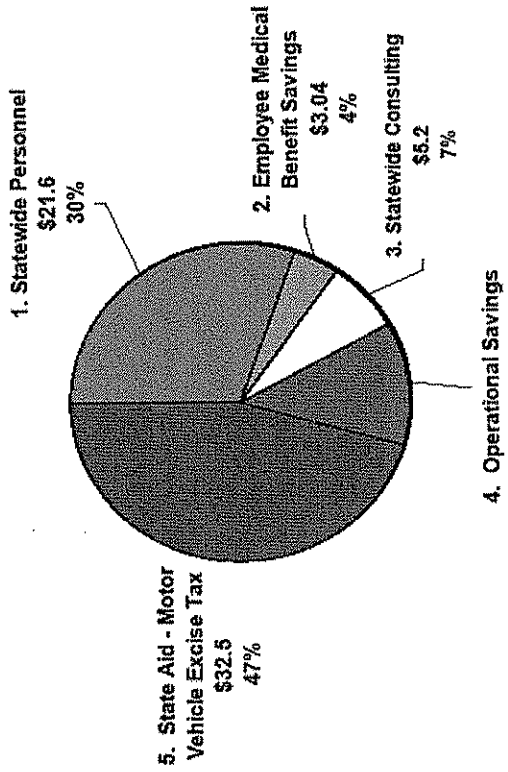
- The FY 2010 Budget passed into law on June 30, 2009
- Enacted FY 2010 budget is predicated on \$3.077 billion of general revenues, a decrease of \$11.6 million from final enacted FY 2009 general revenues.
- Enacted FY 2010 Budget was based upon the May Revenue and Caseload Estimating Conferences estimates and required adjustments to the Governor's proposed FY 2010 budget of \$130.5 million in order to be balanced.
- The General Assembly's solution consisted of \$60.5 million of revenue enhancements and \$74.0 million of expenditure reductions compared to the Governor's proposed FY 2010 budget

Announced Plan for Undistributed Savings

- The FY2010 Budget included \$67.8 million of undistributed savings.
- The Governor's plan to address the undistributed savings was announced on August 24, 2009.
- He proposed 12 shut down days when state government would be closed; staffing would be required at continuous operations facilities like the state hospital and prison. This was to save \$21.6 million. It was a 4.6% reduction in an employees wages (employees had received a 2.5% COLA). (This was challenged in court and led to negotiated settlements.)
- He proposed savings on consultant costs of \$5.2 million(10%).
- He proposed savings in operating costs of \$8.9 million(6.25%).
- He proposed a 25% reduction in the Motor Vehicle Excise tax payment to local governments, by eliminating the last quarter. This requires legislation.
- The savings plan totaled \$71.2 million, \$3.4 million more than the undistributed savings amount.

Announced Plan for Undistributed Savings

FY 2010 Budget Savings Plan



Savings Breakdown	
1. Statewide Personnel	17.3
Shut Down Days-12 Days	4.3
Higher Education-12 Days Equivalent	
Total	\$21.6
2. Employee Medical Benefit Savings	\$3.04
3. Statewide Consulting	1.6
Lectures & Training (50%)	3.6
All Other	\$5.2
Total	\$8.9
4. Operational Savings	1.6
Diets & Fees-Subscriptions (50%)	0.2
Express Delivery (50%)	0.2
Print Advertising (50%)	1.0
Printing - Outside (30%)	0.9
Out of State Travel (75%)	0.3
Staff Training	4.7
All Other	
Total	\$8.9
5. State Aid - Motor Vehicle Excise Tax	
Legislative Change to Reduce Payment By One Quarter	\$32.5
Total Plan Savings	\$71.24

Note: All costs in millions of dollars

FY2010 Deficit

- Budget Office Estimate of FY2010 deficit of \$148.6 million reflects:
 - \$61.8 million carryover deficit
 - \$103.2 million revenue decline(July estimate, worsens each month, \$30 million behind through Sept)
 - \$10 million estimated receipts from RIDE statewide transportation
 - \$151.4 million less available resources

FY2010 Deficit

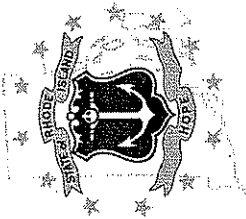
- Expenditures will be reduced by \$10 million
Station Fire appropriation covered in
FY2009 closing
- Expenditures will be increased by payments
to vendors operating statewide
transportation program, estimated at \$10
million.
- Expenditures will be further reduced by
cuts to be proposed for FY2010, some from
early start of reductions for FY2011 and
FY2012.

FY2011 Deficit

- The Budget Office Estimate of the FY2011 Deficit is \$266 million and include:
 - \$8.5 million increase in revenues
 - \$271 million increase(9.1%) in expenditures, including \$95.8 million in add back for phase 1 of reduction in enhanced FMAP (full year in FY2010, half year in FY2011, none in FY2012)
 - Offset by change in budget reserve fund

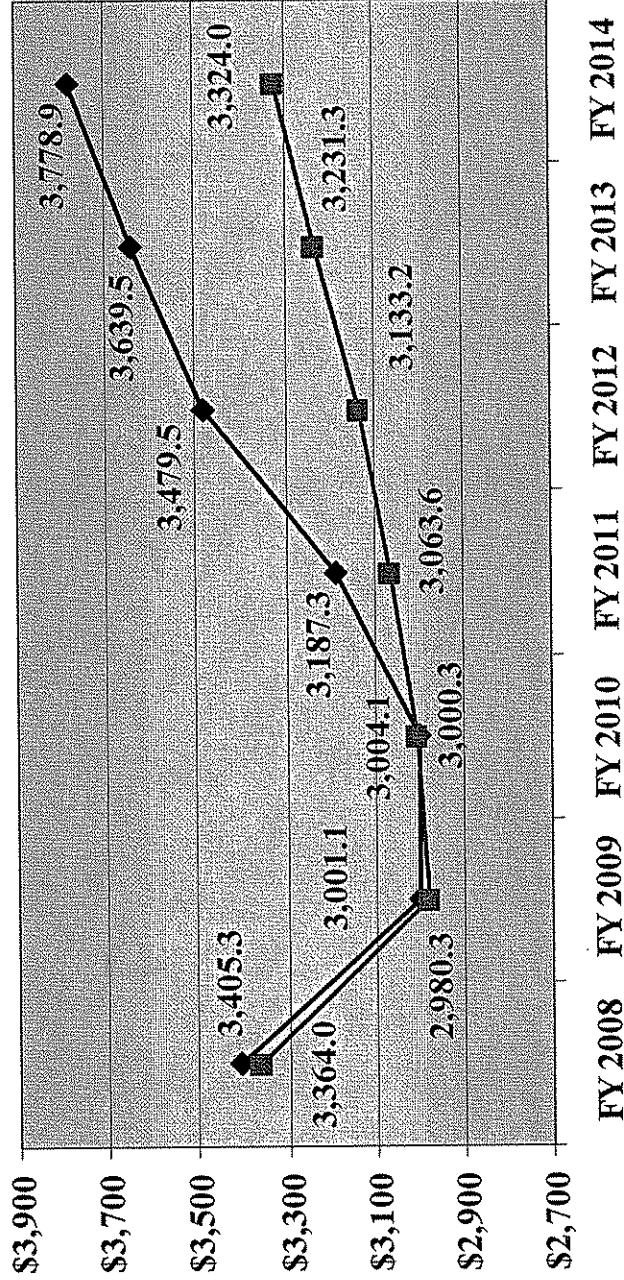
Stimulus Used to Reduce General Revenue Expenditures

	FY2009	FY2010	FY2011	Change
Medicaid				
FMAP	134.3	192.1	96.3	-95.8
Title IVE	1.3	1.7	0.85	-0.85
	135.6	193.8	97.15	-96.65
Stabilization				
Education	38.3	37.2	30.9	-6.3
Public Safety	20	10	0	-10
	58.3	47.2	30.9	-16.3
	193.9	241	128.05	-112.95



Department of Revenue Deficit Impacts

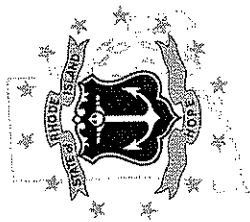
Enacted Deficit Projections



Enacted Deficits

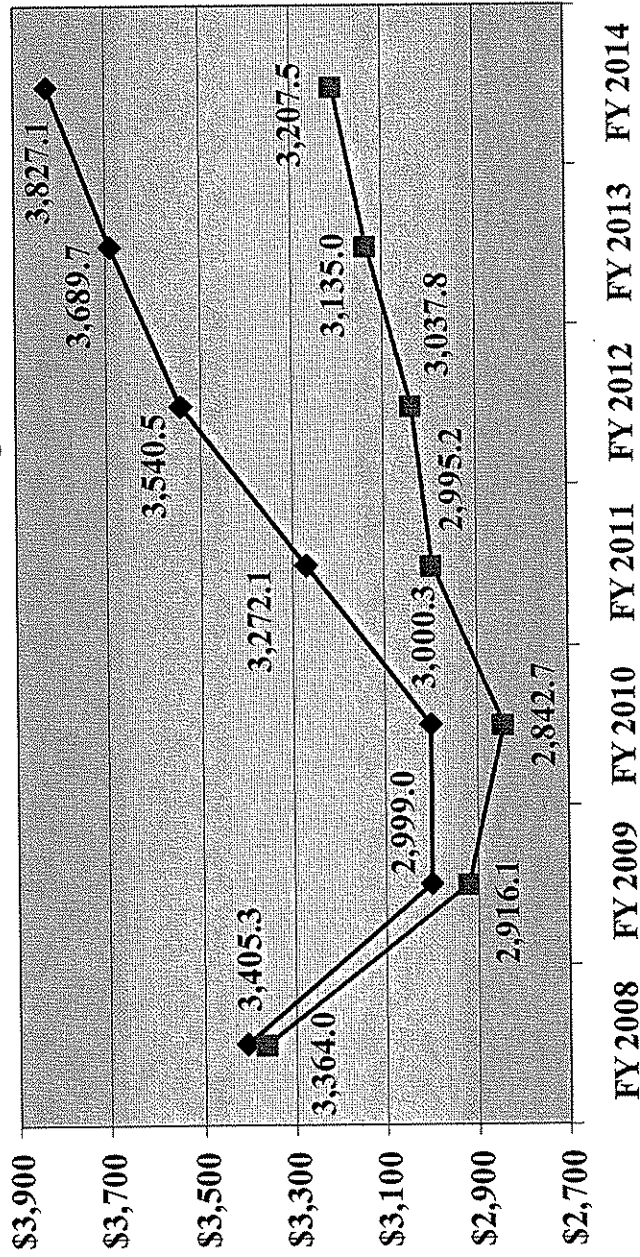
FY 2010:	+\$3.8
FY 2011:	-\$123.6
FY 2012:	-\$346.3
FY 2013:	-\$408.2
FY 2014:	-\$454.9

◆ Expenditures ■ Available Resources



Department of Revenue Deficit Impacts

Revised Deficit Projections



Revised Deficits*

FY 2010:	-\$157.6
FY 2011:	-\$277.0
FY 2012:	-\$502.8
FY 2013:	-\$554.7
FY 2014:	-\$619.6

* Excludes \$10.0 million of anticipated revenues from statewide student transportation program

◆ Expenditures ■ Available Resources

How are we developing a solution?

- Needed to modify the process used over the last several years in order to identify options that will result in structural improvement
- Previous process would have required an estimated 25% reduction statewide
- Serious concerns about quality of responses after so many years of performing this exercise
- Timing of budget instructions and agency budget development coincided with union negotiations

FY2011 Process

- Requested agencies develop current service budgets for submission to the Budget Office
- Meetings with agency directors and key staff are taking place to discuss ideas and concepts that will change the way state government operates
- Ideas include:
 - reconfiguration of service delivery models including relocation and consolidation of state offices and closing facilities, moving out of leased facilities

FY2011 Process

- Reorganizations and restructuring to reduce costs and streamline processes
- Use of technology to improve efficiencies (this is a challenge in that it requires investments)
- Reductions in contracted services
- Redefining the populations we serve
- Changes to make the services delivered by providers more cost effective