



A Summary of the FY 2006 State Budget as Enacted

Rhode Island Public Expenditure Council

August 4, 2005



FY 2006 State Budget

All Funds

By Category	2003	2004	2005R	2006
Personnel	\$1,330.0	\$1,354.2	\$1,453.7	\$1,532.1
Operating	411.1	423.7	403.1	394.7
Local Aid	1,008.6	1,069.7	1,099.2	1,170.7
Grants & Benefits	2,399.8	2,586.8	2,767.9	2,882.6
Capital	152.1	150.2	157.8	149.9
Debt Service	131.6	141.7	202.7	219.9
<i>Total</i>	<i>\$5,433.1</i>	<i>\$5,726.3</i>	<i>\$6,084.3</i>	<i>\$6,349.9</i>
<i>Percent Change:</i>		<i>5.4%</i>	<i>6.3%</i>	<i>4.4%</i>

Source: RIPEC calculations based on State Budget Office Data

Total Funds increased by 6.5 percent over FY 2005 Enacted and by 4.4 percent over FY 2005 Revised.



FY 2006 Budget Statement General Revenues

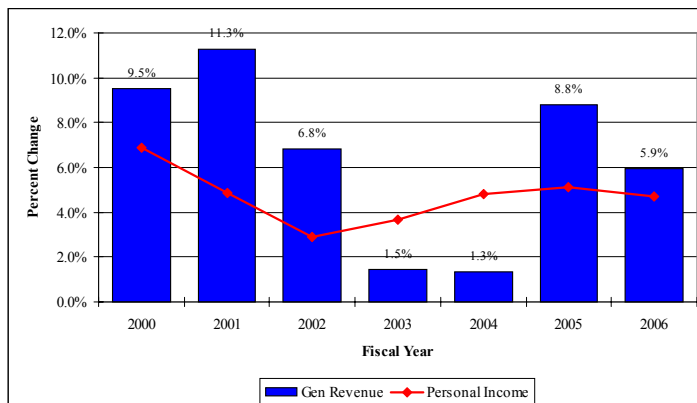
Summary	FY 2004	FY 2005R	FY 2006
Total - Opening Surplus	\$42.6	\$24.4	\$40.8
Reappropriated Surplus	7.3	10.1	-
Total Revenues	\$2,767.3	\$3,033.3	\$3,165.5
Cash Stabilization	(\$56.2)	(\$61.2)	(\$64.1)
Total Available Revenues	\$2,761.1	\$3,006.8	\$3,142.2
Expenditures	\$2,726.5	\$2,966.0	\$3,142.0
Free Surplus	\$34.6	\$40.8	\$0.2
Reappropriations	(10.1)	-	-
Total Ending Balance	\$24.4	\$40.8	\$0.2

Source: RIPEC Calculations based on House Fiscal Staff Budget Documents

FY 2006 Budget contains an operating deficit of \$40.0 million due to relying on opening surplus.



Change in State General Revenue



State spends what it takes in and general revenue spending growth exceeds personal income and inflation growth combined.



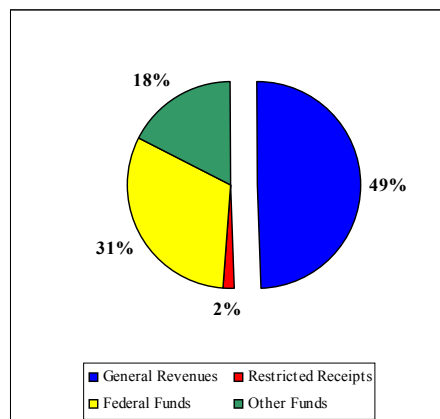
Overall Budget Observations

- General Revenue funds increased by 7.0 percent over FY 2005 Enacted and by 5.9 percent over FY 2005 Revised;
- Personal income growth is projected at 4.7 percent in 2006, while inflation is projected at 2.5 percent in 2006.
- RIPEC forecasts operating deficits to average \$135.0 million annually through the remainder of the decade.

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FY 2006 - Source of Funds



Taxes and fees represent 39.0 percent of all funds and 78.0 percent of general revenues.

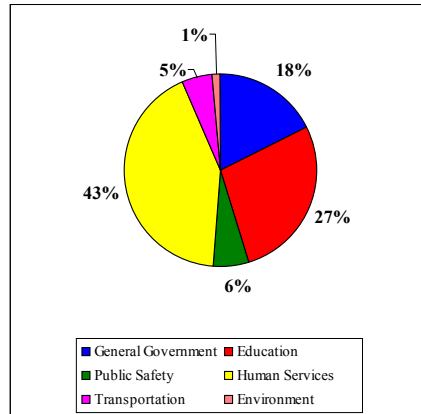
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FY 2006 Expenditures By Function

Expenditures for Human Services accounted for 43% of all expenditures in FY 2006, up from 39% in FY 2000; and

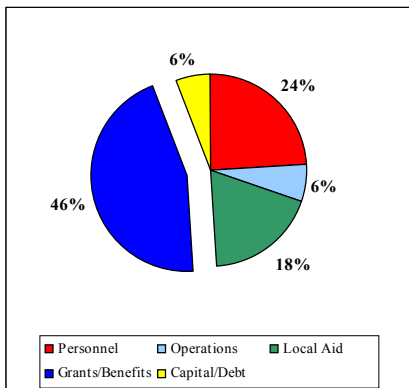
Education expenditures stayed at 27% of all expenditures in both FY 2000 and FY 2006.



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FY 2006 Expenditures By Category



Grants and Benefits, which include all entitlement programs, accounts for 46.0 percent of all expenditures.

Medicaid is projected to total \$1.8 billion in FY 2006, representing nearly 30 percent of the total State budget.

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FY 2006 Budget – Selected Highlights

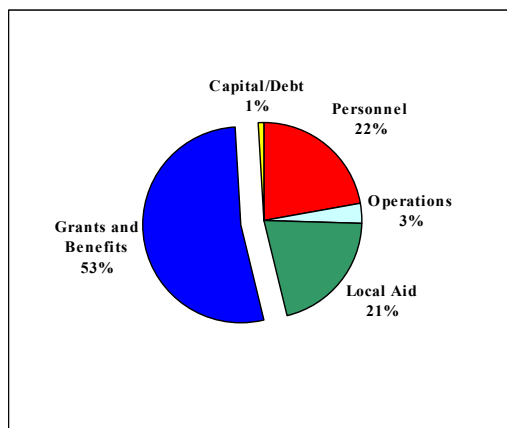
- Enacted significant pension reform, which includes \$45.6 million in savings to the State and to municipalities in FY 2006;
- Budgeted \$43.0 million in pay plan reserves for cost of living adjustments included in new State employee contracts (\$10.0 million in FY 2005 and \$33.0 million in FY 2006); and
- Increased all direct local aid by \$43.9 million over FY 2005, including \$17.9 million in school aid, \$12.9 million in general revenue sharing and an additional \$7.3 million for a further reduction in the motor vehicle excise tax.

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Share of Growth in Spending

Since FY 2000



For every new \$1.00 spent since FY 2000, \$0.53 will be spent to support grants and benefit programs to individuals.

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Selected Changes to the FY 2006

Social Services Budget

- Adding Additional Placements
Adding \$4.7 million from all funds (\$2.7 million in general revenues) for additional purchase of 50 placements for children at DCYF;
- Continue the RI Hospital Efficiency, Leverage and Profitability Program (HELP)
Continue funding HELP with \$3.3 million in general revenues to provide financial assistance to hospitals that are facing financial difficulty;
- Increase Provider Rates
Adding \$4.8 million (\$2.3 million general revenues) for a provider index adjustment beginning January 1, 2006 for private community based providers; and
- Additional Uncompensated Care Funding
Adding \$6.5 million (\$3.0 million in general revenues) to adjust for anticipated uncompensated care expenditures to the State and community hospitals.



FY 2006 Savings in Employer Pension Contributions

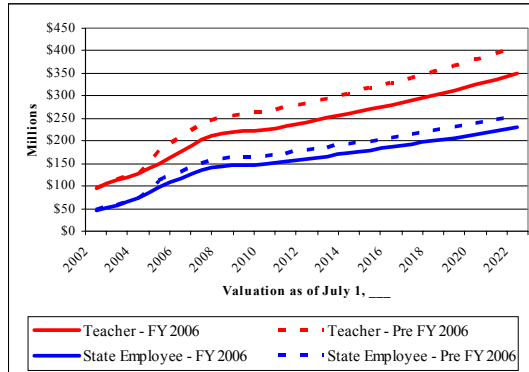
(Millions)

Group of Employee	Current Provisions	FY 2006 Enacted	Projected Savings
State Employees	16.96%	14.84%	\$13.8
Teachers (combined)	20.01%	16.47%	\$31.8
Teachers (State portion)	8.17%	6.75%	12.8
Teachers (local portion)	11.84%	9.72%	19.0
Total Savings to State:			\$26.6
Total State/Local Savings:			\$45.6

A critical question will be if the local savings in pension contributions translate into property tax relief.



Employer Pension Contributions



Even after the pension reforms, employer pension contributions projected to continue to grow by 50% over next five years, requiring \$125.0 million in additional funds through FY 2010.



Major Direct State Aid Programs

(Millions)

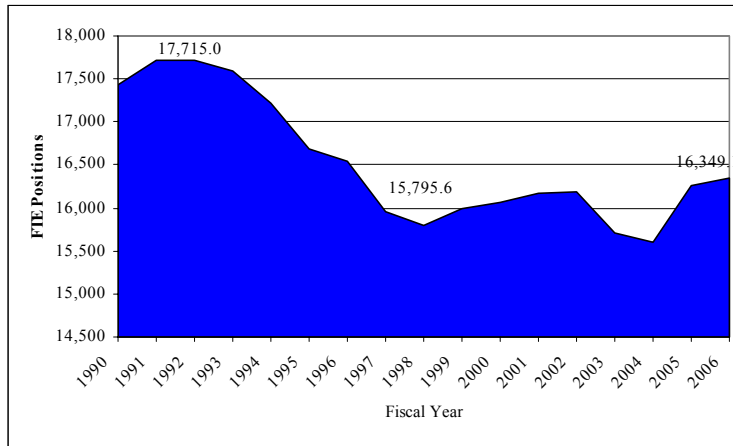
Major State Aid Program	FY 2003	FY 2004	FY 2005R	FY 2006	Change
Education Aid	\$621.7	\$637.6	\$639.7	\$657.6	\$17.9
PILOT	18.2	21.7	22.7	27.0	4.3
General Revenue Sharing	48.3	51.4	52.4	65.3	12.9
Distressed Communities	7.5	7.5	8.5	10.0	1.5
Excise Tax Phase Out	100.2	105.0	105.0	112.3	7.3
Total	\$795.9	\$823.2	\$828.3	\$872.2	\$43.9
Percent Change:		3.4%	0.6%	5.3%	

Source: RIPEC calculations based on House Fiscal Staff Data

A critical question will be if the additional State aid to municipalities translate into property tax relief.



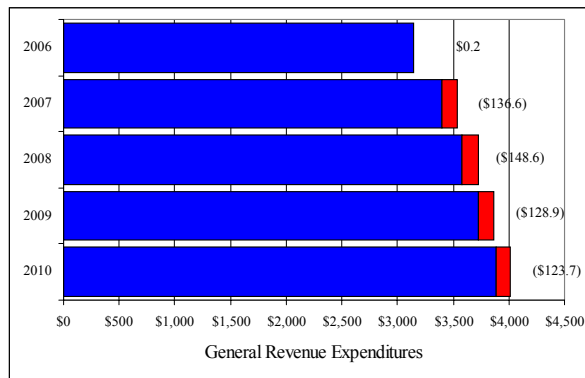
Authorized FTE Positions



After reaching an all-time low of 15,609.2 FTE positions in FY 2004, authorized FTE positions have increased by 4.7 percent.



Revised Five-Year Forecast



Projected Operating Deficits to average \$135.0 million through end of decade – about 3.3 percent of revenues.



Additional Fiscal Restraint Needed

- In May, the State's revenue estimators projected an additional \$106.0 million available for expenditure in FY 2005 and FY 2006;
- Projected ending balance in FY 2006 of \$171,000, with an operating deficit of \$39.8 million;
- FY 2006 Budget included two major tax relief measures totaling \$11.3 million:
 - Increased the phase out of the excise tax from \$4,500 to \$5,000, equating to \$7.3 million in tax relief and
 - Increased the circuit breaker program by \$4.0 million.