



RIPEC

Overview of the FY 2009 State Budget As Enacted

Rhode Island Public Expenditure Council



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FY 2009 Budget

Overview of Budget

- Budget addresses structural deficit by reducing costs and significantly lowering out-year deficits without an increase in any broad-based taxes;
- First time since 1993 that general revenue spending declined year-over-year;
- Decreases total spending from FY 2008 Final budget of \$6,983.0 million to \$6,919.1 million in FY 2009, a decline of \$63.9 million (0.9%);
- Decreases general revenue spending by \$91.6 million (2.7%), from \$3,367.8 million in FY 2008 to \$3,276.2 million in FY 2009;
- Changes FIP program to “Rhode Island Works Program”;
- Creating Medicaid Reform Act of 2008; and
- Significant changes to personnel/State employee benefits.



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FY 2009 Budget

Expenditures - All Funds (\$ million)

By Fund	2008	2009	2008-2009	
			Change	%
General Revenue	\$3,367.8	\$3,276.2	(\$91.6)	-2.7%
Federal Funds	2,032.8	1,997.9	(34.9)	-1.7%
Restricted Funds	156.2	152.5	(3.7)	-2.4%
Other Funds	1,426.2	1,492.5	66.3	4.6%
Total	\$6,983.0	\$6,919.1	(\$63.9)	-0.9%

Source: RIPEC calculations based on House Fiscal staff documents.



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General Revenue Budget Statement

	2008	2009	2008-09 Change Amount
Opening Surplus	\$3.6	\$3.2	(\$0.4)
Total Revenues	3,436.1	3,346.7	(89.4)
Cash Stabilization	(68.7)	(73.7)	(5.0)
Revenues	\$3,371.0	\$3,276.2	(\$94.8)
Expenditures	\$3,367.8	\$3,276.2	(\$91.6)
Free Surplus	\$3.2	\$0.0	(\$3.2)

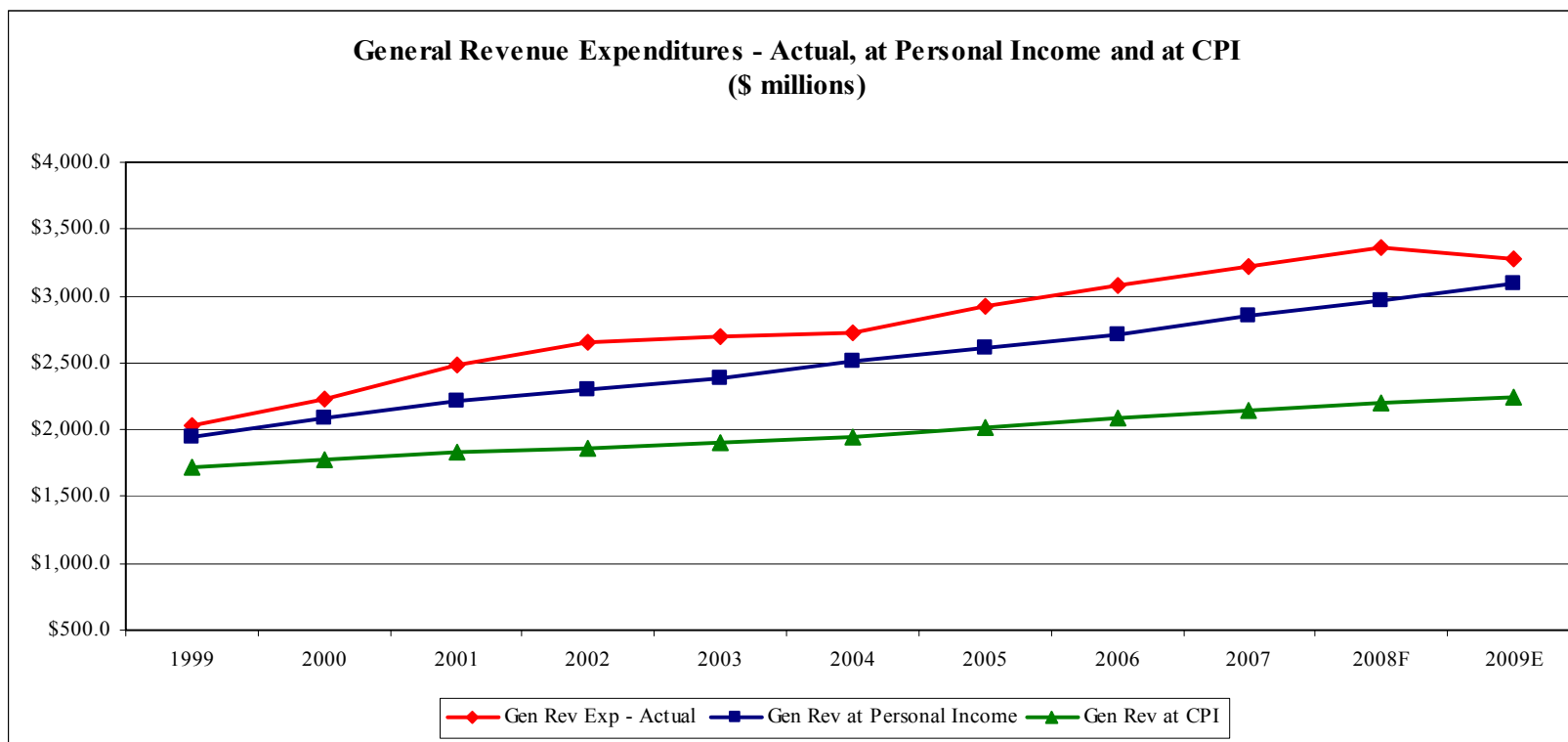
Source: RIPEC calculations based on State Budget and House Fiscal Staff documents.



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FY 2009 Budget

General Revenue Expenditures





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General Revenues

(\$ million)

General Revenues	FY 2008	FY 2009	2008-2009	
	Final	Adopted	Change	%
Taxes				
Personal Income Tax	\$1,069.1	\$1,124.2	\$55.1	5.2%
General Business Taxes	371.1	389.0	17.9	4.8%
General Sales & Use Tax	910.8	921.1	10.3	1.1%
Cigarette Tax	118.1	114.5	(3.6)	-3.0%
Other Taxes	51.7	51.5	(0.2)	-0.4%
<i>Subtotal - Taxes</i>	<i>\$2,520.8</i>	<i>\$2,600.3</i>	<i>\$79.5</i>	<i>3.2%</i>
Department Receipts	\$357.5	\$347.6	(\$9.9)	-2.8%
Other Sources*	\$557.8	\$398.7	(159.1)	-28.5%
Total Revenues	\$3,436.1	\$3,346.6	(\$89.5)	-2.6%

Source: House Fiscal Documents; May 2008 REC; RIPEC Calculations
 * Includes Tobacco Securitization Revenues of \$124.3 million in FY 2008 only



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FY 2009 Budget

Additional Revenues Through Taxes and Fees

(\$ millions)	
<u>Item</u>	<u>Amount</u>
Foreign Tax Credit	\$3.6
Innovative Technology Tax Credit	1.0
Health Insurer Tax to 1.75%	10.8
Driving Violation \$10 Increase	1.4
Good Driver Fee	0.3
Expanding Hospital Licensing Fee*	32.7
<u>Affordable Energy Fund</u>	<u>4.2</u>
Total	\$54.0

*Does not include reinstating Hospital Licensing Fee in the amount of \$78 million.
Source: RIPEC, based on State Budget Office and House Fiscal staff documents.



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FY 2009 Budget

Selected Tax Highlights

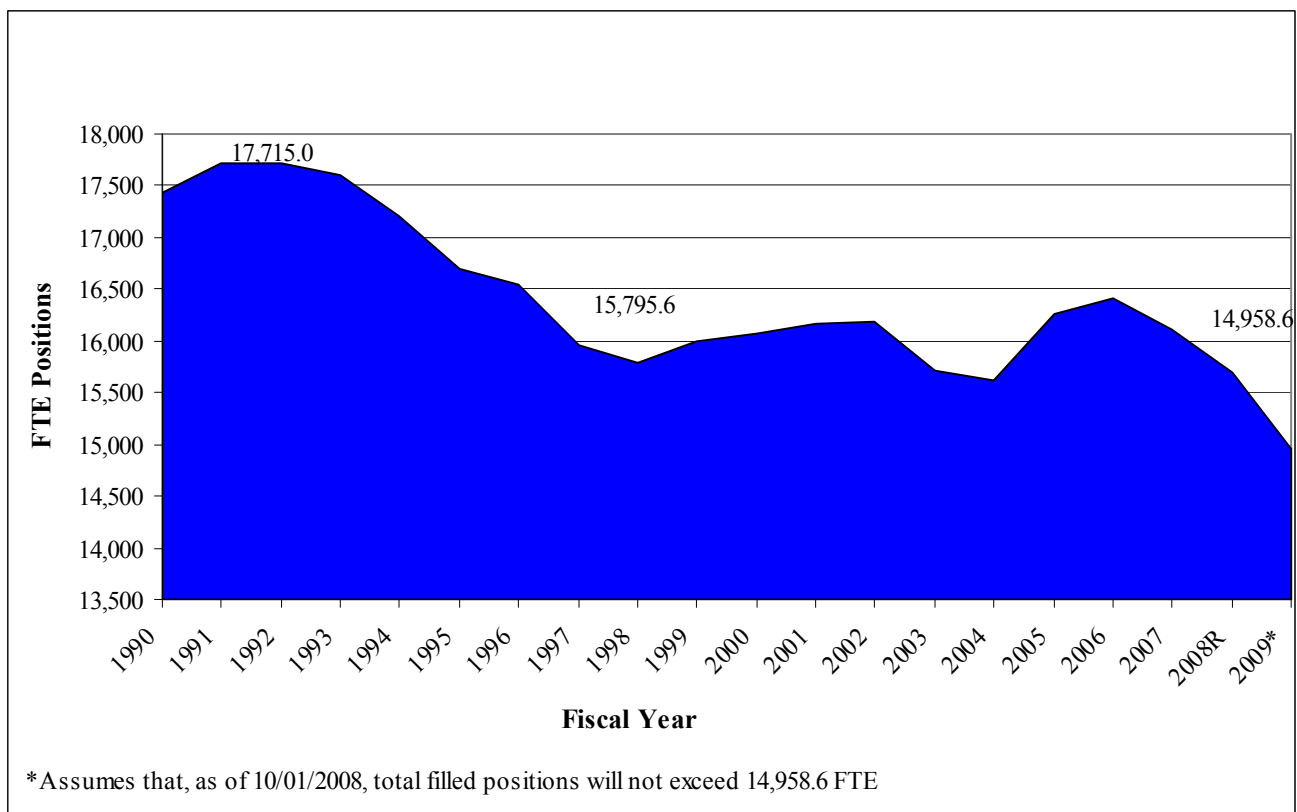
- *Foreign Tax Credit* – Removes the foreign tax credit as a credit against Rhode Island income tax;
- *Innovative Technology Tax Credit* – Reduces the amount EDC is authorized to issue from \$2.0 million to \$1.0 million;
- *Health Insurer Tax* – Adds nonprofit dental service corporations to the definition of insurers that are subject to gross premium tax and increases tax to 1.75%;
- *Affordable Energy Fund* – Repeals Fund;
- *Hospital Licensing Fee* – Increases rate of assessment to 4.94%;
- *Driving Violation* – Increases all driving violations by \$10.00; and
- *Good Driving Record* – Increases fee for good driving dismissals to flat rate of \$35.00.



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FY 2009 Budget

Total FTE Positions





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FY 2009 Budget

Selected Personnel Issues

- Includes personnel savings of approximately \$90.0 million;
- Net decrease of 1,028.7 FTE's compared to FY 2008 Enacted;
- A historic low FTE cap of 14,958.6; and
- Changes retirement benefits for justices and State police.



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FY 2009 Budget

Grants and Benefits Changes

- Implement Medicaid Reform Act of 2008 (\$68 million);
- Provide rate increase to 1,137 child care providers (\$1.1 million);
- Change various factors to determine uncompensated care payments to hospitals (\$9.6 million);
- Keep current hospital reimbursement system (Governor had proposed Hospital DRG Reimbursement System);
- Eliminate state-funded RIte Care coverage of non-citizen children (\$4.0 million);
- Decrease parent eligibility for RIte Care from 185% to 175% FPL and mandate dispensing of generic drugs (\$11 million); and
- Implement cost-sharing for families above 133% FPL (\$1.0 million).



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Medicaid Reform Act

The budget includes a number of changes to the State's Medicaid program, and proposes to replace the current program with a new state-federal global Consumer Choice Medicaid Global Waiver, including:

- Rebalancing the long-term care system in favor of community-based care;
- Requiring individuals to enroll in managed care delivery system;
- Providing for competitive contracting for children's behavioral health; and
- Implementing co-payments for certain services.



Medicaid Reform Act (cont.)

In addition, it includes the following provisions:

- The Executive Office of Health and Human Services (EOHHS) shall apply for and obtain a global waiver from federal CMS with the application to be overseen by General Assembly's Finance Committees;
- Ten days prior to submission, EOHHS will provide the General Assembly with proposed submission data;
- If General Assembly does not repeal within 30 days of receipt of proposed federal waiver, EOHHS may accept the waiver; and
- After approval of waiver by CMS, the General Assembly is to create a Permanent Joint Committee.



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Agency Consolidation/ Mergers

- Retains the Sheriffs Division within the DOA instead of transferring the division to the Department of Public Safety;
- Leaves the Commission on the Deaf and Hard of Hearing, Commission on Disabilities, and the Department of Elderly Affairs as separate agencies;
- Maintains independent agency status for the Coastal Resources Management Council and Water Resources Board; and
- Consistent with the Governor's subsequent amendment, ten of the 96 positions recommended for centralization of EOHHS functions are returned to their original departments.



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FY 2009 Budget

Impact on Municipalities

- Maintains funding for general revenue sharing at FY 2008 Revised levels, a \$10.0 million reduction from FY 2008 Enacted;
- Lowers the motor vehicle tax reimbursements to 98.0 percent of the calculated value;
- Level funds education aid but includes permanent education fund, whereas municipalities may receive revenues as it becomes available from the gambling facilities;
- Requires school committees and city/town councils to prepare collective bargaining fiscal impact statements;
- Takes out carrier-specific language from contracts; and
- Creates authorizing legislation for the establishment of Mayoral Academies.



Privatization of State Services

Changes to the privatization statute implemented last year include:

- Applying the statute to privatization of services above \$150,000 (adjusted for inflation) that are substantially similar to, and in replacement of, work normally performed by State employees as of June 30, 2007;
- Exempting the renewal or rebid of contracts prior to June 30, 2007;
- Excluding agreements for legal or management consulting services;
- Requiring the administration to provide affected unions at least six months notice of privatization considerations of State services;
- Mandating that cost analyses be sent to affected unions 60 calendar days prior to issuing a request for proposals; and
- Before award is final, allowing State employees or unions to protest to Director of Administration, and appeal to Superior Court within 30 days from Director's decision.