



# OFFICE OF MANAGEMENT & BUDGET

## STATE BUDGET OFFICE

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### MEMORANDUM

**To:** Department Directors and Agency Heads  
**From:** Joseph M. Codega Jr.  
Deputy Budget officer   
**Date:** April 5, 2021  
**Subject:** FY 2021 Third Quarter Financial Statement Requirement

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Section 35-1-5 of the Rhode Island General Laws in Chapter 35-1 requires that the Budget Office prepare and release to the public within 45 days of the close of each quarter a consolidated quarterly report incorporating the cumulative current and year-end status of revenues and expenditures. The statute requires that each quarter's report include both current actual departmental expenditures and encumbrances compared to appropriations, and the anticipated year-end balance, assuming current trends continue, and that typical cyclical expenditure patterns prevail over the course of the year. To assist in fulfilling this statutory requirement and in accordance with RIGL 35-3-17.1 (shown below), each agency and department is required to submit financial statements to the Budget Office and House and Senate Fiscal Offices within 30 days of the end of each quarter. These statements are used by policymakers and Budget Office staff as an indicator of the adjustments that may be needed in the FY 2021 final budget. Therefore, it is critical that the report be based on sound and prudent assumptions.

Agency financial statements should include data and supporting notes sufficient to demonstrate each department's fiscal condition and should also include a concise executive summary. Review of current year operations is integral to day-to-day fiscal management, and to the development of the upcoming fiscal year's financial plan. Each agency and department head should provide an explanation of projected deviations from the legislatively enacted programs (line items) reflected in the budget database.

#### BFM Quarterly Report Tool

Last year, the Budget Office developed a new Quarterly Report tool within BFM to assist agencies in the development of their quarterly financial statements. This report provides year-to-date expenditure data. Because the April 2 payroll was for the pay period ending March 27 (pay period 20), we have included payroll expenditure data through April 2 in the new Quarterly Report form (all other expenditure data is through March 31). This tool will enable agencies to export data to Excel, enter projections through year-end, re-import the data to BFM and run several summary reports that can be used as part of your report submission. Accompanying this memo are updated instructions on how to access this feature in BFM. One additional benefit of using BFM for development of your quarterly report is that it can be accessed via the internet without the need for VPN in case you are working remotely. The updated form and BFM report should be live and available for use by COB Tuesday, April 6. If you have any questions about using this feature, please contact Lisa Henriques ([lisa.henriques@budget.ri.gov](mailto:lisa.henriques@budget.ri.gov)).

The FY 2021 quarterly financial statement submission should include:

1. Analysis of the status of funding by program including the projected annual expenditure vs. the FY 2021 enacted appropriation under current trends, and the plan for a resolution of shortfalls, if any are

projected. Any anticipated transfers between programs should be discussed. Agencies should clearly identify assumptions in the analysis relating to adjustments from or to federal and restricted accounts, or other cost allocation adjustments which have not yet been processed. ***The statement should specifically address any budget reduction plans and other initiatives enacted by the General Assembly and their current status. If projected savings are NOT being achieved by your agency, you should identify plans to offset any unachieved savings.***

2. Analysis of trends of under or over-expanded programs, noting the reasons and the projected ending balances.
  - a. With respect to personnel costs, agencies should use the payroll benefit rates and co-shares currently being charged (as shown on the Planning Values distributed with the FY 2021 Budget Instructions). Please note that health benefit rates for medical, dental, and vision coverage for all state employee plan levels changed on January 1, 2021, in accordance with the attached schedule.
  - b. You should estimate personnel costs based upon positions filled as of March 27, 2021 (pay period 20, paid on April 2, 2021). Please be sure to identify your assumptions relating to filling of currently vacant positions through year-end. As part of your third quarter financial statement estimates, please include all payroll reallocations (through pay period 14) to the Coronavirus Relief Fund (CRF) that were processed pursuant to the *Policy for Charging Public Employee Payroll To the Coronavirus Relief Fund* and in accordance with the guidelines set forth in the OMB memorandum of December 7, 2020, entitled *Coronavirus Relief Fund (CRF) Deadline Guidance for State Agencies*.
  - c. If you have received DOA COVID-19 Governance Committee approval to utilize general revenue for COVID-19 pandemic response activities AND such amounts are programmed in the Governor's FY 2021 Revised Appropriations Act under the 47XX2XX.01 appropriation account codes, please include these amounts in your expenditure estimates.
  - d. With respect to Internal Service Funds, agencies should reflect the enacted funding level for HR, DOIT and DCAMM charges (for natural accounts in the 647xxx series).
3. Analysis of federal funds receipts and Rhode Island Capital Plan funds, noting any projected requirements for increases in cap authorizations. All ceiling increases known at this time should be included in your statement. Federal Funds must include any COVID-19 direct grants under: (1) The Coronavirus Preparedness and Response Supplemental Appropriations Act; (2) The Families First Coronavirus Response Act; (3) The Coronavirus Aid, Relief, and Economic Security (CARES) Act; (4) The Paycheck Protection Program and Health Care Enhancement Act; (5) The Consolidated Appropriations Act, 2021; and (6) Any forecasted reimbursements from the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The Budget Office is not expecting any major impacts associated with the American Rescue Plan (ARP) Act of 2021 as we have received minimal guidance from federal partners and generally are still awaiting receipt of federal funds. If you would like to include impacts related to ARP then please consult Budget Office staff prior to submission.
4. In accordance with the DOA Overtime Policy issued on June 5, 2019 (copy attached), agencies are also asked to provide a separate report on overtime. This report shall include information on the amount of overtime paid in the previous quarter by type. This report shall include a comparison of paid overtime with budgeted amounts and justifications for any significant deviations.

In accordance with the DOA Enterprise OMB Quarterly Report and Corrective Action Plan Policy, if the Budget Office is projecting a general revenue deficit for an agency in the quarterly report issued on May 17, 2021, a corrective action plan must be filed within 30 days of the quarterly report's publication. A draft plan that lists the activities the agency can and/or will pursue to eliminate the projected deficit needs to be submitted to the Budget Office for review and approval prior to submitting to the House and Senate.

In accordance with the DOA Enterprise OMB Budgetary Control Policy, agencies projecting a deficit will be held to more stringent controls in RIFANS and the PAR system. Only expenditures related to immediate health and safety will be approved.

This information must then be submitted with full documentation to the Budget Office, House and Senate Fiscal Offices by Friday, April 30, 2021 to allow for preparation, briefing the Governor, and timely public submission of the Budget Office's quarterly report.

Your continued cooperation is appreciated.

**§ 35-3-17.1 Financial statements required from state departments, agencies, and instrumentalities. –**

The several state departments, agencies, and public authorities and corporations shall submit to the fiscal advisors of the house and senate, statements of financial conditions and operations within thirty (30) days of the close of each of the first three (3) fiscal quarters of each year. The statements shall include, at a minimum:

- (1) Account numbers;
- (2) Allotments;
- (3) Expenditures to-date;
- (4) Estimated expenditures to complete the fiscal year; and
- (5) Surplus or deficiency projections.

JMC:21-qtr3

cc: Departmental Chief Financial Officers