



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

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MEMORANDUM

To: Department Directors and Chief Financial Officers
From: Joseph M. Codega Jr. - Budget Officer
Date: January 6, 2023
Subject: **Second Quarter Financial Statement Requirement**

A handwritten signature in black ink, appearing to read "John M. Codega Jr.", positioned to the right of the "From:" line.

The Budget Office requires agency directors to submit FY 2023 Second Quarter Agency Financial Statements by Tuesday, January 31, 2023. By statute these submissions shall be made to the Budget Officer, House Fiscal Advisor, and Senate Fiscal Advisor. Submissions should be made individually to each statutory recipient according to the instructions in this memo. The Budget Office encourages the use of the “Quarterly Reporting Tool” on BFM. Agency CFOs should review the detailed instructions for compiling Agency Financial Statements contained in this memo and contact their assigned budget analyst with further questions. Thank you for your cooperation with the quarterly reporting process, which is integral to both budget development and ongoing fiscal management.

Statutory Justification and Purpose

The quarterly financial reporting process consists of a “Quarterly Financial Statement” prepared by each agency followed by a statewide “Quarterly Report” prepared by the Budget Office. Rhode Island General Laws (RIGL) § 35-3-17.1 requires that each agency submit Quarterly Financial Statements to the Budget Office and House and Senate Fiscal Offices within 30 days of the end of each quarter. RIGL § 35-1-5 requires that the Budget Office prepare and release a consolidated Quarterly Report to the public within 45 days of the end of each quarter.

Agency Financial Statements include expenditures and encumbrances to date as well as estimated expenditures to complete the fiscal year, identifying any projected surplus or deficit relative to appropriations. Agencies should make prudent assumptions regarding the continuation of current trends, cyclical expenditure patterns, and anticipated implementation of enacted budget initiatives. The Budget Office Quarterly Report verifies the assumptions made in agency submissions and reports them on a statewide basis.

Quarterly reporting is critical to the budget development process as it indicates adjustments which may be needed in the revised budget. Furthermore, this reporting is critical to ongoing fiscal management as deficiencies may trigger enhanced fiscal oversight and budgetary control.

BFM Quarterly Reporting Tool

The Budget Office has developed a Quarterly Reporting Tool within BFM to assist agencies in the development of their quarterly Agency Financial Statements, which many agencies have chosen to use in the past. 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 Budget Office encourages agencies to utilize the Quarterly Reporting Tool in BFM as part of their submission. The updated form and BFM report should be live and available for use by COB Thursday, January 9, 2023. If you have any questions about using this feature, please contact Lisa Henriques (lisa.henriques@budget.ri.gov).

Should I use the BFM Quarterly Reporting Tool?

The BFM Quarterly Reporting Tool may not be appropriate for all agencies, but regardless of whether you use the Quarterly Reporting Tool, the Budget Office encourages you to explore its functionality as it may assist you in generating useful reports. Consider the following factors when deciding whether the BFM tool is right for you:

	BFM	Traditional
<i>Should I use the BFM Quarterly Reporting Tool?</i>	Well suited for agencies primarily financed with general revenue for which program-level analysis is sufficient to explain major variances; well suited to smaller agencies.	Well suited for agencies with various fund sources, extensive capital budget, or unusual circumstances not well explained by a program-level analysis.
<i>What is my approach to producing analysis?</i>	Agency utilizes BFM forms and tools to produce their report. Within BFM, the agency utilizes the justification, summary narrative, and proposed response fields to explain projected budget-to-actual variances.	Agency utilizes RIFANS, BFM, and their own analysis conducted in Excel or elsewhere to compile budget-to-actual analysis similar to that produced in BFM but adapted to meet the circumstances of your agency.
<i>What elements comprise my submission?</i>	Submission consists of a brief executive summary memo, a pdf export of required reports from BFM, and a required overtime reporting submission.	Submission consists of a more extensive memo which combines executive summary with program-level analysis, and a required overtime submission.

Required Components of the Agency Financial Statement

Agencies submitting via BFM may submit a brief executive summary memo as a PDF with program-level analysis contained within BFM reports. Agencies not utilizing BFM to compile their submission should structure their quarterly financial statements as a single, longer memo, compiled as a PDF, which begins with a high-level summary and is followed by more detailed analysis by fund source, by category, and by program as described below.

Executive Summary

This component may take the form of a brief memo (1-2 pages) from the Agency Director or CFO addressed to the State Budget Officer, House Fiscal Advisor, and Senate Fiscal Advisor. The purpose of this memo is to describe the projected general revenue surplus/deficit relative to appropriations and any notable trends and variances reported in the agency financial statements at a high level. You may discuss other non-general revenue fund sources if significant for your agency.

Either in the executive summary or in later sections throughout the financial statements, the agency should consider including notes to explain any departures from the enacted budget plan, turnover/vacancy trends, cost drivers, savings strategies, implementation status of enacted budget initiatives, program performance, unexpected developments with respect to agency operations, variance from normal trends, risks/opportunities, and any other information deemed relevant to the fiscal management of the agency.

For agencies submitting via BFM, the executive summary memo should be uploaded as PDF file attachment to the Agency Quarterly Estimate Form. For agencies not utilizing BFM, the memo can simply begin with high level summary and naturally continue into more detailed analysis described below. The agency should consider including explanatory tables and charts throughout.

Detailed Budget-to-Actual Analysis

Agencies utilizing the BFM tool will see that reports are automatically generated showing agency-wide summaries by category and by program. Additionally, each program is summarized with a report by source and category. Agencies may add explanations for minor variances using the “justification” field at the line sequence/natural account level and add explanations for significant variances and agency response utilizing the “Summary Narrative” and “Proposed Actions” fields in the Agency and Program Quarterly Estimate forms.

Agencies not utilizing BFM should generate comparable budget-to-actual reporting using their own methods and describe contributing factors to any reported variances of projected expenditures relative to appropriations. Agencies not utilizing BFM should generate similarly detailed summary tables to include throughout their submission organized by program.

Regardless of submission format, agency submissions must analyze budget-to-actual expenditures under current trends and include plan for resolving any shortfalls. Anticipated transfers between programs should be discussed. Agencies should clearly identify assumptions in the analysis relating to adjustments to or from federal and restricted accounts or other cost allocation adjustments not yet processed. The statement should specifically address budget reduction plans and/or expansionary initiatives implemented by the General Assembly. If projected savings are NOT being achieved by your agency, you should identify plans to offset any unachieved savings.

Required Overtime Reporting

In accordance with the DOA Overtime Policy (see link below), agencies are also asked to provide a separate report on overtime to the Office of Management and Budget. 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.

For agencies submitting via BFM, this may be attached as a PDF to the Agency Quarterly Estimate Form. For other agencies, this may be submitted as a supplement to the quarterly financial statement in the submission to the Budget Office.

Submission Instructions

By statute, Agency Quarterly Financial statements are to be submitted to the Budget Office, House Fiscal Advisor, and Senate Fiscal Advisor. Please note that the submission is directed to the House and Senate *Fiscal Advisors* (not legislative leadership, committee chair, committee members, or fiscal analyst staff).

Budget Office	House	Senate
<p>If using BFM, please use the stage advance feature to submit. Please ensure that PDFs of your executive summary memo and required overtime reporting are uploaded as attachments to your BFM submission. You may also choose to export BFM reports as a PDF and submit via email using the following instructions.</p> <p>If not using BFM, please compile required submission documents (including required overtime reporting) as a PDF and email as an attachment to Joseph Codega Jr., State Budget Officer at Joseph.Codega@omb.ri.gov and copy Katie.Westgate@omb.ri.gov and your assigned budget analyst.</p> <p>All agencies must submit electronically via BFM or email, but agencies choosing to submit a duplicate copy in paper may direct it to Budget Office; One Capitol Hill, Fourth Floor; Providence, RI 02903.</p>	<p>The House Fiscal Advisor requests paper submission addressed to Sharon Reynolds Ferland, House Fiscal Advisor at House Fiscal Office; Room 305, State House; Providence, RI 02903.</p> <p>All agencies must submit a paper copy, but agencies choosing to send a duplicate copy via email may direct it to SReynolds@rilegislature.gov</p>	<p>The Senate Fiscal Advisor requests submissions as a PDF via email to be addressed to Stephen Whitney, Senate Fiscal Advisor at SWhitney@rilegislature.gov.</p> <p>All agencies must submit electronically via email, but agencies choosing to send a duplicate copy in paper may direct it to Senate Fiscal Office; Room 117, State House; Providence, RI 02903.</p>

Key Assumptions to Guide Your Analysis

Benefit Rates: 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 2023 Budget Instructions). While it is expected that health benefit rates for medical, dental, and vision coverage for all state employee plan levels will change on January 1, 2023, as is customary at the beginning of each new plan year, the Budget Office will accommodate these changes in the FY 2023 Governor’s Recommended Revised Budget submission.

Actual Costs: BFM will be loaded with actual personnel costs based through December 31, 2022 (pay period 14, paid on January 6, 2023) and actual expenditures through December 31, 2022. Actuals should be reported through PP14. Please be sure to identify your assumptions relating to the refilling of currently and soon-to-be vacant positions through fiscal year-end.

Pending Collective Bargaining Agreements: Personnel projections related to any state collective bargaining unit that does not have a final agreement in place should not be included in your projections at this time. Please project personnel costs as if current wage and salary rates remain in effect. The Budget Office will accommodate the impact of any finalized collective bargaining agreement at such time an agreement is made.

Turnover Assumptions: Many agencies experienced significant turnover savings as shown in the preliminary FY 2022 actuals versus the revised enacted budget. Agencies should be projecting realistic personnel expenditures as part of your year-end projections.

Internal Service Funds: 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).

Federal Funds and RICAP: Your submission should include analysis of federal funds receipts and Rhode Island Capital Plan funds, noting any projected requirements for increases in the revised budget submission. 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; (6) The American Rescue Plan Act of 2021 (ARPA) and (7) Any forecasted reimbursements from the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

Corrective Action Plans and Enhanced Fiscal Oversight

In accordance with the DOA Enterprise OMB Quarterly Report and Corrective Action Plan Policy (see link below), if the Budget Office is projecting a general revenue deficit for an agency in the quarterly report issued on February 15, 2023, 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 (see link below), 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.

References to Related Statutes and Policies

§ 35-1-5. Quarterly financial reporting. [...] 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 that typical cyclical expenditure patterns prevail over the course of the year. A consolidated quarterly report incorporating the current status and projection shall be released to the public, with copies provided to the chairperson of the House Finance Committee, chairperson of the senate finance committee, house fiscal advisor, and senate fiscal advisor, within forty-five (45) calendar days of the end of each quarter.

§ 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.

Referenced DOA Enterprise Policies

[OMB Overtime Policy 6-5-19](#)

[OMB Quarterly Reports Policy 8-23-19](#)

[OMB Budgetary Controls Policy 8-23-19](#)

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cc: Departmental Chief Financial Officers
State Budget Office Staff