



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

MEMORANDUM

To: The Honorable Daniel J. McKee, Governor
Jonathan Womer, Director of Administration

From: Joseph Codega Jr., Budget Officer *Joseph Codega Jr.*

Date: February 14, 2024

Subject: FY 2024 Second Quarter Report

Executive Summary

Overview

The Budget Office anticipates a FY 2024 year-end general revenue fund balance of \$164.3 million, surpassing the enacted surplus of \$0.55 million by \$163.8 million. While these adjustments represent a \$66.8 million increase relative to the \$97.6 million surplus previously reported in the First Quarter Report, the increase in projected fund balance has already been incorporated in the FY 2024 Recommended Revised Budget submission.

Notable developments since the publication of the Budget Office's FY 2024 First Quarter Report include:

- The State Controller's FY 2023 *Draft*¹ Audited Closing revealed favorable adjustments to prior year revenue and expenditures which make available an additional \$43.6 million in FY 2024 opening surplus relative to the enacted level or \$2.3 million above the First Quarter Report. These updates are already incorporated in the Governor's budget submission.
- Relative to enacted levels, adjustments recognized in this report include a \$25.9 million net decrease in expenditures and a \$2.6 million increase in statutory contributions to the budget reserve and cash stabilization account. The expenditure-side adjustments are largely reflective of changes recommended as part of the Governor's FY 2024 Revised Budget, which reduced overall expenditures by \$46.2 million.
- Discretionary, policy-based changes to both revenues and expenditures contained in the Governor's FY 2024 Revised Budget are excluded from this Second Quarter Report.

¹ FY 2023 Final Audited Closing Statements are unpublished as of February 14, 2024. "Draft Audited" figures represent most accurate data available as of the date of second quarter report release, but remain subject to further revision.

Budget Office FY 2024 Second Quarter Report

Statutory Basis for Reporting

RIGL § 35-1-15 states that 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 the 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 within forty-five days of the end of each quarter.” This report demonstrates compliance with this section of the General Laws.

FY 2023 Draft Audited Closing and Adjustments to Fund Balance

The State Controller issued the preliminary unaudited FY 2023 closing statements on September 15, 2023, reflecting a \$410.0 million general revenue surplus, which is \$41.3 million more than the enacted level of \$368.7 million.² After accounting for statutorily required transfers of surplus revenue to the Supplemental State Budget Reserve Account and Employees’ Retirement System of Rhode Island, this adjustment resulted in an additional \$29.0 million in available general revenues in FY 2024.³

Prior to submittal of the Governor’s FY 2024 Revised and FY 2025 Budgets, the Budget Officer was informed by the State Controller and the Office of the Auditor General that the FY 2023 final audited closing statements, though unpublished, were substantially complete. The “draft” final FY 2023 general revenue closing reflects a \$412.3 million general revenue surplus, which is \$43.6 million more than the enacted level of \$368.7 million.

Article 2, Section 4 of the FY 2024 Appropriations Act set forth RIGL § 35-6-1(e) requiring that upon issuance of the final audited closing statements, 50 percent of the excess amount of actual general revenues relative to final enacted general revenues (net of contributions to the State Budget Reserve and Cash Stabilization Account) be transferred to the Supplemental State Budget Reserve Account and that the remaining 50 percent be transferred to the Employees’ Retirement System of Rhode Island. Draft audited general revenue data indicates that FY 2023 revenues exceeded estimates by \$13.5 million. The draft final audited closing statements therefore recognize transfers of \$6.5 million to both the Supplemental State Budget Reserve and the Employees’ Retirement System. Note that the Controller’s preliminary unaudited FY 2023 ending balance did not incorporate these transfers, in accordance with statute.

In recent years, anticipated reimbursements from the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act for qualifying pandemic response expenditures have been recorded as general revenue expenditures in the year in which they were incurred with a positive fund balance adjustment recognized in the fiscal year in which federal reimbursement takes place. The FY 2024 Enacted Budget assumed \$5.06 million in FEMA reimbursement relative to prior year expenditures. As shown on Table 1, this report revises adjustment upward by \$9.7 million to

² [FY23 Closing Statements Preliminary Unaudited 09-15-2023.pdf \(ri.gov\)](#)

reflect a total of \$14.7 million of anticipated FEMA reimbursement in FY 2024 relative to prior year expenditures. Given that the emergency declaration period has closed and no further expenditures are being incurred, this represents the entire remaining amount of FEMA reimbursement.

Reappropriations

The Governor issued discretionary reappropriations to FY 2024 totaling \$9.4 million and another \$21.2 million in reappropriations authorized via stipulations in Article 10, Section 1 of the FY 2024 Appropriations Act. Pursuant to RIGL § 35-3-15 (a), non-discretionary reappropriations of unexpended and unencumbered balances for the General Assembly totaling \$12.5 million and for the Judiciary totaling \$2.0 million were also recognized.⁴ Taken together, reappropriations of unexpended FY 2023 budget authority into FY 2024 total \$45.2 million, as displayed on Tables 1 and 2.

FY 2024 Second Quarter

The Second Quarter Report for FY 2024 contains estimates of annual expenditures based upon analysis of agency spending through the second quarter of FY 2024 (July 1, 2023, through December 31, 2023) as compared to available general revenue resources as adopted by the November 2023 Revenue Estimating Conference. The projected FY 2024 year-end balance, based upon these assumptions, is estimated to show a \$164.3 million surplus.

As displayed in Table 1, the projected surplus of \$164.3 million for FY 2024 is the result of an opening surplus of \$427.0 million; reappropriated surplus of \$45.2 million; current year estimated general revenues of \$5,318.4 million; \$171.9 million in Budget Reserve and Cash Stabilization Account transfers; November 2023 Caseload Estimating Conference estimates at \$19.6 million below enacted levels; remaining net downward revisions to agency spending totaling \$51.5 million relative to enacted appropriations; and an increase in projected expenditures resulting from the reappropriation of \$45.2 million.

November 2023 Revenue Estimating Conference

Table 3 displays the FY 2024 revenue estimates adopted at the November 10, 2023, Revenue Estimating Conference (by category), as compared to those contained in the enacted budget. Consensus estimates as adopted by the Conferees total \$5,318.4 million, an increase of \$42.1 million relative to enacted general revenues.

November 2023 Caseload Estimating Conference

The November 2023 Caseload Estimating Conference (CEC) convened on November 7, 2023, and adopted revised cash assistance caseloads, medical assistance, and private community developmentally disabled service expenditures for FY 2024. Compared to the enacted budget, the adopted estimates lowered net general revenue expenditures by \$19.6 million in FY 2024, impacting projected expenditures in the Executive Office of Health and Human Services, Department of Human Services, and Department of Behavioral Health, Developmental Disabilities, and Hospitals.

⁴ [Recommended Reappropriations to FY24_FINAL MEMO.pdf](#)

Agency Expenditure Projections

Overall, net projected general revenue spending for FY 2024, as compared to the enacted budget, is approximately \$25.9 million below enacted appropriations. This figure consists of three major components: (1) reappropriations totaling \$45.2 million, as described above; (2) a decrease of \$19.6 million within the various programs subject to the November 2023 Caseload Estimating Conference; and (3) a net downward revision in other agency spending totaling \$51.5 million. Please refer to Table 2 for projected expenditure changes by agency/department.

Given the timing of this second quarter report (less than one month following the Governor's Revised Budget submission), the expenditure estimates contained herein are largely reflective of the Governor's submission of January 18, 2024. However, there are several notable exceptions. The first of these are recommended budgetary actions that are purely discretionary and/or policy-driven in nature, as these cannot be reasonably included in any estimate of cyclical expenditure trend prior to appropriation by the General Assembly. As such, this Second Quarter Report adjusts general revenue expenditures, relative to the Governor's Revised Budget, for the following item:

- Adds \$20.0 million in general revenue for the proposed use of \$20.0 million in federal State Fiscal Recovery Funds (SFRF) within the Department of Corrections. The appropriation of all monies from the State Fiscal Recovery Fund is at the sole discretion of the General Assembly.

Secondly, there are occasionally corrections that arise in the weeks subsequent to budget submission that may require forthcoming amendment(s) to the Governor's Revised Budget that are recognized in the Second Quarter Report. This report recognizes the following change within the Board of Elections:

- Increase of \$335,662 for a new contract for license, maintenance, and support services for voting equipment. The amount included in the Governor's revised budget submission was inadequate as the final contract amount was not yet known to the Budget Office at the time of budget submission.

Other Risks, Commentary, and Discussion

Trend: FY 2024 Full Time Equivalent (FTE) Positions

Although growth trends have continued, Rhode Island state government continues to experience significant personnel turnover and vacancy relative to authorized/enacted FTE position levels. Average filled FTE positions in FY 2024 are approximately 13,846 FTE to-date, as compared to an average filled rate of 14,205 FTE in FY 2020, 13,890 FTE in FY 2021, 13,494 FTE in FY 2022, and 13,716 in FY 2023. The Budget Office will continue to monitor personnel trends so that expenditure savings may be recognized in the third quarter report and/or in amendments to the Governor's revised budget submission.

Risk: FEMA Reimbursement

The incident period for the Stafford Act emergency declaration related to the COVID-19 pandemic closed in FY 2023, so the state is no longer incurring any COVID-related FEMA-reimbursable emergency expenditures. At this stage, all pending FEMA reimbursement relates to prior year expenditures, and the state is actively working through remaining reimbursement requests and/or awaiting notification of approvals from FEMA. While the state has had a strong track record to date in successfully securing FEMA reimbursement, there remains the risk – especially at the end of the reimbursement review period – of further reimbursement rejections.⁵ The Budget Office continues to monitor the status of pending reimbursement requests.

In recognition of this risk, the FY 2023 enacted budget contained \$5.0 million in FEMA contingency reserve with proviso language reappropriating these funds to FY 2024 (the Governor's FY 2024 Revised Budget fully maintains this reappropriation). To date, none of these contingency reserves have been expended.

Agency Fiscal Oversight

The FY 2024 closing surplus and the statewide favorable variance to enacted appropriations contained within this report demonstrate the importance of continued fiscal discipline and oversight. The Office of Management and Budget will continue to vigilantly monitor discretionary spending and hiring at those agencies projecting a closing deficit in this report, pursuant to RIGL §35-3-24 and the Department of Administration's OMB Budgetary Control Policy.

If you have any questions concerning this Second Quarter Report, please feel free to contact me.

cc: The Honorable Marvin L. Abney, Chairman, House Finance Committee
The Honorable Louis P. DiPalma, Chairman, Senate Finance Committee
Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor

⁵ As context, since the beginning of the COVID-19 emergency based on recent reporting from the Office of Accounts and Controls, the State has requested \$665.0 million in FEMA reimbursement, of which \$630.5 million has received final approval, \$16.8 million remains under review, and \$2.3 million been denied.

Table 1 - FY 2024 General Revenue Budget Surplus

	FY 2022 Audited	FY 2023 Final Enacted	FY 2023 Draft Audited*	FY 2024 Enacted	FY 2024 Second Quarter
Surplus					
Opening Surplus	\$374,425,433	\$209,649,745	\$209,649,745	\$368,706,714	\$412,262,966
Adjustment to Opening Surplus- FEMA	155,277,927	243,669,100	270,762,495	5,055,846	14,717,153
Adjustment to Opening Surplus- Other	-	37,664,293	-	-	-
Reappropriated Surplus	8,446,365	19,442,046	19,442,046	-	45,152,130
Subtotal	\$538,149,725	\$510,425,184	\$499,854,286	\$373,762,560	\$472,132,249
General Taxes	\$4,350,459,869	\$4,242,400,000	\$4,235,156,196	\$4,289,123,096	\$4,289,123,096
REC Changes to the Enacted Estimates					12,476,904
Subtotal	\$4,350,459,869	\$4,242,400,000	\$4,235,156,196	\$4,289,123,096	\$4,301,600,000
Departmental Revenues	\$433,130,859	\$478,000,000	\$491,637,590	517,968,317	517,968,317
REC Changes to the Enacted Estimates					13,131,683
Subtotal	\$433,130,859	\$478,000,000	\$491,637,590	\$517,968,317	\$531,100,000
Other Sources					
Other Miscellaneous	\$10,586,336	\$29,900,000	\$32,701,548	\$24,083,875	\$24,083,875
REC Changes to the Enacted Estimates					6,116,125
Lottery	\$388,641,696	\$434,200,000	\$434,666,769	\$428,600,000	\$428,600,000
REC Changes to the Enacted Estimates					8,200,000
Unclaimed Property	\$21,425,309	\$14,700,000	\$18,502,832	\$16,500,000	\$16,500,000
REC Changes to the Enacted Estimates					2,200,000
Subtotal	\$420,653,341	\$478,800,000	\$485,871,149	\$469,183,875	\$485,700,000
Total Revenues	\$5,204,244,069	\$5,199,200,000	\$5,212,664,935	\$5,276,275,288	\$5,318,400,000
Transfer to Budget Reserve and Cash Stabilization Account	(\$167,360,085)	(\$162,265,492)	(\$162,669,440)	(\$169,349,460)	(\$171,919,889)
Total Available	\$5,575,033,709	\$5,547,359,692	\$5,549,849,781	\$5,480,688,388	\$5,618,612,360
Actual/Enacted Expenditures	\$5,239,941,918	\$5,174,208,534	\$5,074,929,254	\$5,425,140,429	\$5,425,140,429
Reappropriations (from prior year)					45,152,130
Nov Caseload Est. Conference Changes					(19,553,380)
Other Changes in Expenditures					(51,462,573)
Total Expenditures	\$5,239,941,918	\$5,174,208,534	\$5,074,929,254	\$5,425,140,429	\$5,399,276,606
Intrafund Transfers to Restricted Accounts	(106,000,000)	(4,444,444)	(4,444,444)	-	-
Transfer to Supplemental State Budget Reserve	-	-	(6,530,493)	(\$55,000,000)	(\$55,000,000)
Transfer to Employees' Retirement System	-	-	(6,530,493)	-	-
Total Ending Balances	\$229,091,791	\$368,706,714	\$457,415,096	\$547,959	\$164,335,754
Reappropriations (to following year)	(19,442,046)	-	(45,152,130)	-	-
Free Surplus	\$209,649,745	\$368,706,714	\$412,262,966	\$547,959	\$164,335,754

* FY 2023 Final Audited Closing Statements are unpublished as of February 14, 2024. "Draft Audited" figures represent most accurate data available as of the date of second quarter report release, but remain subject to further revision.

Table 2 - Summary of Changes to FY 2024 Enacted General Revenue Expenditure Budget

	FY 2024 Enacted Budget	Reappropriation	Other Projected Changes	Total Projected Changes	FY 2024 Projected Expenditures	Change From Enacted (Surplus)/Deficit	Governor's Supplemental Budget	Balance to Governor's Supplemental (Surplus)/Deficit
General Government								
Administration	293,843,692	7,863,630	(9,349,461)	(1,485,831)	292,357,861	(9,349,461)	292,357,861	-
Business Regulation	24,371,468	465,280	(400,661)	64,619	24,436,087	(400,661)	24,436,087	-
Labor and Training	17,697,227	4,483,202	10,453	4,493,655	22,190,882	10,453	22,190,882	-
Department of Revenue	397,716,359	5,406,529	(28,756,298)	(23,349,769)	374,366,590	(28,756,298)	374,366,590	-
Legislature	50,998,683	12,481,141	(6,007,807)	6,473,334	57,472,017	(6,007,807)	57,472,017	-
Lieutenant Governor	1,411,331	-	3,060	3,060	1,414,391	3,060	1,414,391	-
Secretary of State	11,839,843	-	(937,599)	(937,599)	10,902,244	(937,599)	10,902,244	-
General Treasurer	3,995,808	-	(15,790)	(15,790)	3,980,018	(15,790)	3,980,018	-
Board of Elections	3,981,728	-	1,032,952	1,032,952	5,014,680	1,032,952	4,679,018	335,662
Rhode Island Ethics Commission	2,137,059	21,664	3,931	25,595	2,162,654	3,931	2,162,654	-
Governor's Office	8,406,547	-	(119,304)	(119,304)	8,287,243	(119,304)	8,287,243	-
Commission for Human Rights	2,009,246	76,413	(13,957)	62,456	2,071,702	(13,957)	2,071,702	-
Executive Office of Commerce	66,421,142	-	(101,354)	(101,354)	66,319,788	(101,354)	66,319,788	-
Department of Housing	32,997,895	-	(1,503,389)	(1,503,389)	31,494,506	(1,503,389)	31,494,506	-
Public Utilities Commission	-	-	-	-	-	-	-	-
Subtotal - General Government	917,828,028	30,797,859	(46,155,224)	(15,357,365)	902,470,663	(46,155,224)	902,135,001	335,662
Human Services								
Office of Health & Human Services	1,314,146,804	-	(33,547,590)	(33,547,590)	1,280,599,214	(33,547,590)	1,280,599,214	-
Children, Youth, and Families	217,262,746	1,639,460	(9,766,512)	(8,127,052)	209,135,694	(9,766,512)	209,135,694	-
Health	35,655,172	-	(1,096,772)	(1,096,772)	34,558,400	(1,096,772)	34,558,400	-
Human Services	155,552,694	1,291,723	(4,737,666)	(3,445,943)	152,106,751	(4,737,666)	152,106,751	-
Behavioral Healthcare, Developmental Disabilities & Hosp	310,886,337	5,192,435	6,625,698	11,818,133	322,704,470	6,625,698	322,704,470	-
Office of the Child Advocate	1,649,914	-	(23,983)	(23,983)	1,625,931	(23,983)	1,625,931	-
Comm. on Deaf & Hard of Hearing	764,208	-	2,289	2,289	766,497	2,289	766,497	-
Governor's Commission on Disabilities	1,542,951	645,750	(39,831)	605,919	2,148,870	(39,831)	2,148,870	-
Office of the Mental Health Advocate	976,078	-	(54,961.0)	(54,961)	921,117	(54,961)	921,117	-
Subtotal - Human Services	2,038,436,904	8,769,368	(42,639,328)	(33,869,960)	2,004,566,944	(42,639,328)	2,004,566,944	-
Education								
Elementary and Secondary	1,496,382,952	-	354,743	354,743	1,496,737,695	354,743	1,496,737,695	-
Office of Postsecondary the Commissioner	30,102,355	-	(3,037,310)	(3,037,310)	27,065,045	(3,037,310)	27,065,045	-
University of Rhode Island	138,821,474	-	5,923,449	5,923,449	144,744,923	5,923,449	144,744,923	-
Rhode Island College	76,546,642	-	1,729,582	1,729,582	78,276,224	1,729,582	78,276,224	-
Community College of Rhode Island	59,337,865	-	1,692,861	1,692,861	61,030,726	1,692,861	61,030,726	-
RI Council on the Arts	2,292,758	-	10,480	10,480	2,303,238	10,480	2,303,238	-
RI Atomic Energy Commission	1,158,737	-	15,028	15,028	1,173,765	15,028	1,173,765	-
Historical Preservation & Heritage Comm	1,905,557	-	(170,545)	(170,545)	1,735,012	(170,545)	1,735,012	-
Subtotal - Education	1,806,548,340	-	6,518,288	6,518,288	1,813,066,628	6,518,288	1,813,066,628	-
Public Safety								
Attorney General	34,862,891	398,210	120,371	518,581	35,381,472	120,371	35,381,472	-
Corrections	281,010,856	1,790,044	14,560,379	16,350,423	297,361,279	14,560,379	277,361,279	20,000,000
Judicial	121,387,370	2,000,000	(616,469)	1,383,531	122,770,901	(616,469)	122,770,901	-
Military Staff	3,650,802	-	(76,183)	(76,183)	3,574,619	(76,183)	3,574,619	-
Emergency Management	6,632,962	-	205,621	205,621	6,838,583	205,621	6,838,583	-
Public Safety	137,013,201	1,396,649	(1,813,906)	(417,257)	136,595,944	(1,813,906)	136,595,944	-
Office Of Public Defender	15,694,120	-	(453,926)	(453,926)	15,240,194	(453,926)	15,240,194	-
Subtotal - Public Safety	600,252,202	5,584,903	11,925,887	17,510,790	617,762,992	11,925,887	597,762,992	20,000,000
Natural Resources								
Environmental Management	58,678,560	-	(752,903)	(752,903)	57,925,657	(752,903)	57,925,657	-
Coastal Resources Management Council	3,396,395	-	87,327	87,327	3,483,722	87,327	3,483,722	-
Subtotal - Natural Resources	62,074,955	-	(665,576)	(665,576)	61,409,379	(665,576)	61,409,379	-
Total	5,425,140,429	45,152,130	(71,015,953)	(25,863,823)	5,399,276,606	(71,015,953)	5,378,940,944	20,335,662

Table 3 - November 2023 Revenue Estimating Conference Results

	FY 2024 Enacted	FY 2024 November 2023 Consensus	FY 2024 Consensus vs. FY 2024 Enacted	Growth From FY 2024 Consensus vs. FY 2024 Enacted
Personal Income Tax	\$ 1,885,662,443	\$ 1,853,900,000	\$ (31,762,443)	-1.7%
General Business Taxes				
Business Corporations	276,000,000	310,900,000	34,900,000	12.6%
Public Utilities Gross	65,260,523	67,800,000	2,539,477	3.9%
Financial Institutions	34,500,000	26,900,000	(7,600,000)	-22.0%
Insurance Companies	158,200,130	163,300,000	5,099,870	3.2%
Bank Deposits	4,600,000	4,600,000	-	0.0%
Health Care Provider	41,200,000	39,600,000	(1,600,000)	-3.9%
Sales and Use Taxes				
Sales and Use	1,607,000,000	1,628,600,000	21,600,000	1.3%
Cigarettes	122,900,000	125,600,000	2,700,000	2.2%
Alcohol	22,500,000	22,500,000	-	0.0%
Other Taxes				
Estate and Transfer	55,500,000	42,400,000	(13,100,000)	-23.6%
Racing and Athletics	500,000	600,000	100,000	20.0%
Realty Transfer	15,300,000	14,900,000	(400,000)	-2.6%
Total Taxes	4,289,123,096	4,301,600,000	12,476,904	0.3%
Departmental Receipts	517,968,317	531,100,000	13,131,683	2.5%
Other Miscellaneous	24,083,875	30,200,000	6,116,125	25.4%
Lottery	428,600,000	436,800,000	8,200,000	1.9%
Unclaimed Property	16,500,000	18,700,000	2,200,000	13.3%
Total General Revenues	5,276,275,288	5,318,400,000	42,124,712	0.8%