



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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 Gina M. Raimondo
Governor

Brett Smiley, Director
Department of Administration

From: Thomas A. Mullaney
Executive Director/State Budget Officer

Date: February 19, 2020

Subject: FY 2020 Second Quarter Report

Section 35-1-5 of the Rhode Island General Laws 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 projections 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.

The second quarter report for FY 2020 reflects revised estimates of annual expenditures for each state department or agency, as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 5, 2019 and November 8, 2019 Caseload and Revenue Estimating Conferences. The projected fiscal year 2020 balance, based upon these assumptions, is estimated to show a \$7.3 million surplus.

FY 2019 Audited Closing

The State Controller issued his final audited FY 2019 closing statements on January 3, 2020. This report reflected a \$30.5 million general fund surplus. General revenue receipts exceeded the final enacted estimates by \$5.7 million, while general revenue expenditures were lower than final enacted appropriations by \$9.8 million.

The projected budget surplus of \$7.3 million for FY 2020 is the result of an opening surplus of \$30.5 million (\$5.0 million more than the enacted opening surplus of \$25.5 million), reappropriations of \$10.3 million, a current year net revenue increase of \$0.1 million, as determined by the November Revenue Estimating Conference, offset by a \$0.1 million increase in reserve fund contributions and spending projected below enacted appropriations of \$1.9 million.

Reappropriations

As required under RIGL § 35-3-15 (a), the Governor recommended the reappropriation of unexpended and unencumbered balances in the general revenue appropriations for the General Assembly totaling \$9.7 million, for the Judiciary totaling \$0.3 million and for all other agencies totaling \$386,141, as shown in the following table.

Agency/Major Item	Reappropriation
General Assembly (per RIGL 35-3-15 (a))	\$9,652,376
Judicial (per RIGL 35-3-15 (a))	\$257,934
Attorney General	\$23,199
Department of Public Safety	\$211,487
Department of Revenue	\$52,920
Executive Office of Health and Human Services	\$69,949
Governor's Commission on Disabilities	\$28,586
Total Reappropriations	\$10,296,451

November Revenue Estimating Conference

General revenue receipts are expected to be \$0.1 million more than enacted as determined by the November Revenue Estimating Conference. Taxes are expected to exceed the enacted estimates by \$38.4 million, while departmental revenues and other sources, including lottery revenues, are expected to be less than enacted estimates by \$38.3 million. The November Revenue Estimating Conference estimates that revenues will be \$4,178.8 million, which is \$0.1 million more than the enacted estimate of \$4,178.7 million for FY 2020.

Table 1 demonstrates that available resources, net of reserve fund contributions, have been adjusted upward from the enacted budget by \$15.3 million. This includes the additional balance forward from FY 2019 of \$5.0 million; reappropriations of \$10.3 million; additional revenues estimated at the Revenue Estimating Conference \$0.1 million, offset by additional reserve fund contributions of \$0.1 million. Expenditures increase by a net of \$8.4 million, including the addition of \$10.3 million for reappropriations from FY 2019.

Table 2 shows the enacted budgets by agency, as contained in Article 1 of the FY 2020 Appropriations Act, and identifies projected expenditure changes for each agency. In most agencies, projected expenditures are in line with the Governor's recommended supplemental budget for FY 2020, submitted to the General Assembly on January 16, 2020. A few agencies are projected to exceed FY 2020 enacted appropriations.

Net of statewide savings adjustments, the Department of Administration (DOA) is projected to be \$2.4 million below the enacted budget. \$4.6 million in statewide savings was budgeted under DOA in the enacted budget but must be mostly allocated to the other agencies. DOA is projected to exceed the enacted budget by \$2.2 million primarily due to this required reallocation of statewide savings. In particular, changes to the DOA budget include a decline in debt service funding of \$9.9 million, of which \$3.0 million is added to the URI budget and \$0.2 million to the RIC budget based on the issuance of new debt for the respective schools. The balance of the reduction is the result of savings in certain projects, as well as a delay in the FY

2020 G.O. Bond issuance. These savings are offset by increased general revenue funding to support the three major internal service funds of HR (\$0.5 million), IT (\$3.5 million) and Facilities (\$3.8 million).

As discussed in the First Quarter Report, the Department of Children, Youth and Families (DCYF) and the Office of Veterans' Services (VETS) are continuing to project deficits in the current fiscal year. Deficits in both agencies have improved since the first quarter due to enhanced oversight and better projections based on recent trends, but will still require increased appropriations to sustain current operations. The Governor's proposed revised budget for FY 2020 recommends this appropriation early in the fiscal year to ensure proper planning and implementation.

Subsequent to the publication of the first quarter report, which reflected a year-end deficit of \$4.1 million, and in conjunction with the development of the FY 2021 budget, the Governor instructed the Office of Management and Budget to identify savings that could bring the current fiscal year into balance and help lower the projected FY 2021 deficit. Savings identified for FY 2020 included lower health benefit costs based on updated rates for calendar year 2020; debt service savings as described above; reduced spending in both DCYF and Veterans Services based on enhanced monitoring of expenditures; and updated calculations in local aid programs. These savings, along with the additional carry forward from FY 2019, are projected to result in a surplus of \$7.3 million for FY 2020.

If you have any questions concerning this second quarter report, please feel free to contact me.

TAM: S/21budget/FY 20 Revised/Q2/Q2report
Attachments

cc: The Honorable Marvin L. Abney, Chairman
House Finance Committee

The Honorable William J. Conley, Jr., Chairman
Senate Finance Committee

Sharon Reynolds Ferland, House Fiscal Advisor

Stephen Whitney, Senate Fiscal Advisor

Jonathan Womer, Director, Office of Management and Budget

Table 1 - FY 2020 General Revenue Budget Surplus

	FY 2018 Audited	FY 2019 Final Enacted	FY 2019 Final Audited	FY 2020 Enacted	FY 2020 Second Quarter
Surplus					
Opening Surplus	\$61,660,230	\$52,525,379	\$52,525,379	\$25,464,117	\$30,502,912
Adjustment to Opening Surplus	-	-	-	-	-
Reappropriated Surplus	10,338,899	10,057,409	10,057,409	-	10,296,451
Subtotal	\$71,999,129	\$62,582,788	\$62,582,788	\$25,464,117	\$40,799,363
General Taxes	3,097,875,408	3,173,950,000	3,186,592,310	3,278,927,019	3,278,927,019
Revenue Est. Conference Changes	-	-	-	-	38,372,981
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	3,097,875,408	3,173,950,000	3,186,592,310	3,278,927,019	3,317,300,000
Departmental Revenues	397,579,143	422,170,000	\$416,720,537	\$451,451,653	\$451,451,653
Revenue Est. Conference Changes	-	-	-	-	(7,951,653)
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	\$397,579,143	\$422,170,000	\$416,720,537	\$451,451,653	\$443,500,000
Other Sources					
Other Miscellaneous	37,054,016	11,437,185	12,367,080	25,650,000	25,650,000
Revenue Est. Conference Changes	-	-	-	-	5,350,000
Changes to the Adopted Estimates	-	-	-	-	-
Lottery	364,974,286	400,100,000	397,321,087	412,800,000	412,800,000
Revenue Est. Conference Changes	-	-	-	-	(35,700,000)
Changes to the Adopted Estimates	-	-	-	-	-
Unclaimed Property	10,901,582	11,200,000	11,578,604	9,900,000	9,900,000
Revenue Est. Conference Changes	-	-	-	-	-
Subtotal	412,929,884	422,737,185	421,266,771	448,350,000	418,000,000
Total Revenues	\$3,908,384,435	\$4,018,857,185	\$4,024,579,618	\$4,178,728,672	\$4,178,800,000
Transfer to Budget Reserve and Cash Stabilization Account	(119,101,340)	(122,141,477)	(122,313,150)	(126,125,784)	(126,279,087)
Total Available	3,861,282,224	3,959,298,496	3,964,849,256	4,078,067,005	4,093,320,276
Actual/Enacted Expenditures	\$3,798,699,436	\$3,933,834,379	\$3,924,049,893	\$4,077,594,991	\$4,077,594,991
Reappropriations (from prior year)	-	-	-	-	10,296,451
Caseload Conference Changes	-	-	-	-	(12,492,517)
Other Changes in Expenditures	-	-	-	-	10,609,514
Total Expenditures	\$3,798,699,436	\$3,933,834,379	\$3,924,049,893	\$4,077,594,991	\$4,086,008,439
Total Ending Balances	\$62,582,788	\$25,464,117	\$40,799,363	\$472,014	\$7,311,837
Reappropriations (to following year)	(10,057,409)	-	(10,296,451)	-	-
Free Surplus	\$52,525,379	\$25,464,117	\$30,502,912	\$472,014	\$7,311,837

Table 2 - Summary of Changes to FY 2020 Enacted General Revenue Expenditures

	FY 2020 Enacted	Reappropriation	Other Projected Changes	Total Projected Changes	FY 2020 Projected Expenditures
General Government					
Administration	206,638,425	-	2,233,110	2,233,110	208,871,535
Business Regulation	17,896,681	-	(225,163)	(225,163)	17,671,518
Labor and Training	14,679,932	-	(6,808)	(6,808)	14,673,124
Department of Revenue	216,254,237	52,920	(1,769,215)	(1,716,295)	214,537,942
Legislature	43,804,101	9,652,376	(2,493,428)	7,158,948	50,963,049
Lieutenant Governor	1,147,816	-	(1,924)	(1,924)	1,145,892
Secretary of State	9,533,255	-	(44,208)	(44,208)	9,489,047
General Treasurer	3,037,551	-	(71,558)	(71,558)	2,965,993
Board of Elections	2,748,855	-	(31,208)	(31,208)	2,717,647
Rhode Island Ethics Commission	1,845,298	-	(1,853)	(1,853)	1,843,445
Governor's Office	6,093,211	-	(6,886)	(6,886)	6,086,325
Commission for Human Rights	1,353,591	-	(20,992)	(20,992)	1,332,599
Executive Office of Commerce	28,181,129	-	(1,645)	(1,645)	28,179,484
Public Utilities Commission	-	-	-	-	-
Subtotal - General Government	553,214,082	9,705,296	(2,441,778)	7,263,518	560,477,600
Human Services					
Office of Health & Human Services	1,002,282,411	69,949	(16,384,529)	(16,314,580)	985,967,831
Children, Youth, and Families	165,124,585	-	20,112,976	20,112,976	185,237,561
Health	30,968,921	-	(43,921)	(43,921)	30,925,000
Human Services	66,699,938	-	(1,722,348)	(1,722,348)	64,977,590
Office of Veterans' Services	25,478,689	-	1,744,018	1,744,018	27,222,707
Behavioral Healthcare, Developmental Disabilities & Hosp	196,381,240	-	(1,105,147)	(1,105,147)	195,276,093
Office of the Child Advocate	986,701	-	(16,426)	(16,426)	970,275
Comm. on Deaf & Hard of Hearing	533,338	-	(8,819)	(8,819)	524,519
Governor's Commission on Disabilities	1,055,069	28,586	(2,990)	25,596	1,080,665
Office of the Mental Health Advocate	602,411	-	16,959	16,959	619,370
Subtotal - Human Services	1,490,113,303	98,535	2,589,773	2,688,308	1,492,801,611

Table 2 - Summary of Changes to FY 2020 Enacted General Revenue Expenditures

	FY 2020 Enacted	Reappropriation	Other Projected Changes	Total Projected Changes	FY 2020 Projected Expenditures
Education					
Elementary and Secondary	1,239,252,258	-	(798,278)	(798,278)	1,238,453,980
Office of Postsecondary the Commissioner	16,509,011	-	(1,331)	(1,331)	16,507,680
University of Rhode Island	115,225,106	-	3,039,577	3,039,577	118,264,683
Rhode Island College	58,020,333	-	158,313	158,313	58,178,646
Community College of Rhode Island	53,896,408	-	-	-	53,896,408
RI Council on the Arts	2,004,748	-	(11,611)	(11,611)	1,993,137
RI Atomic Energy Commission	1,059,094	-	(3,279)	(3,279)	1,055,815
Historical Preservation & Heritage Comm	1,488,293	-	(40,372)	(40,372)	1,447,921
Subtotal - Education	1,487,455,251	-	2,343,019	2,343,019	1,489,798,270
Public Safety					
Attorney General	28,675,203	23,199	(141,550)	(118,351)	28,556,852
Corrections	242,088,059	-	(2,997,316)	(2,997,316)	239,090,743
Judicial	105,213,960	257,934	(153,614)	104,320	105,318,280
Military Staff	3,219,493	-	(71,787)	(71,787)	3,147,706
Emergency Management	2,364,647	-	(2,200)	(2,200)	2,362,447
Public Safety	105,918,952	211,487	(862,613)	(651,126)	105,267,826
Office Of Public Defender	12,824,871	-	(44,074)	(44,074)	12,780,797
Subtotal - Public Safety	500,305,185	492,620	(4,273,154)	(3,780,534)	496,524,651
Natural Resources					
Environmental Management	43,623,975	-	(81,963)	(81,963)	43,542,012
Coastal Resources Management Council	2,883,195	-	(18,900)	(18,900)	2,864,295
Subtotal - Natural Resources	46,507,170	-	(100,863)	(100,863)	46,406,307
Total	4,077,594,991	10,296,451	(1,883,003)	8,413,448	4,086,008,439