



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
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Memorandum

To: The Honorable Gina M. Raimondo
Governor

Michael DiBiase, Director
Department of Administration

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

Date: February 20, 2015

Subject: FY 2015 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 2015 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, 2014 and November 10, 2014 Caseload and Revenue Estimating Conferences. The projected fiscal year 2015 balance, based upon these assumptions, is estimated to show a \$27.2 million deficit.

FY 2014 Final Audited Closing

The State Controller issued his final audited FY 2014 closing report on December 29, 2014. This report reflected a \$67.8 million general fund surplus. General revenue receipts exceeded the final enacted estimates by \$14.2 million, while general revenue expenditures were lower than final enacted appropriations by \$8.6 million. Under current law, the State Controller is required to transfer all general revenues received in excess of the estimates adopted for that fiscal year, net of the transfer to the state budget reserve and cash stabilization account, to the employee's retirement system. Based on the final closing report, a transfer of \$13.8 million would be made for FY 2014.

The projected budget deficit of \$27.2 million for FY 2015 is the result of an opening surplus of \$67.8 million (\$8.6 million more than the enacted opening surplus of \$59.2 million), reappropriations of \$7.4 million, a current year net revenue increase of \$15.8 million, as determined by the November Revenue Estimating Conference, which is offset by a \$0.7 million increase in reserve fund contributions and spending projected above enacted appropriations of \$51.4 million.

General revenue receipts are expected to be \$15.8 million more than enacted as determined by the November Revenue Estimating Conference. Taxes are expected to exceed the enacted estimates by \$18.5 million, while departmental revenues and other sources, including lottery revenues, are expected to be less than enacted estimates by \$2.7 million. The November Revenue Estimating Conference estimates that revenues will be \$3,508.9 million, which is \$15.8 million more than the enacted estimate of \$3,493.1 million for FY 2015. The Conference's estimates reflect revenue trends and expected collections based upon the economic forecast received at the November Conference.

Table 1 demonstrates that available resources, net of reserve fund contributions, have been adjusted upward from the enacted budget by \$31.0 million. This includes the additional balance forward from FY 2014 of \$8.6 million; reappropriations of \$7.4 million; additional revenues estimated at the Revenue Estimating Conference \$15.8 million, offset by additional reserve fund contributions of \$0.7 million. Expenditures increase by a net of \$58.8 million, including the addition of \$7.4 million for reappropriations from FY 2014.

Table 2 shows the enacted budgets by agency, as contained in Article 1 of the FY 2015 Appropriations Act, and identifies projected expenditure changes for each agency.

Reappropriations

As required under Rhode Island General Law 35-3-15 (a), Governor Chafee recommended the reappropriation of unexpended and unencumbered balances in the general revenue appropriations of the General Assembly totaling \$4.2 million and \$117,891 for the Judiciary. In addition, Governor Chafee recommended \$3.0 million in reappropriations for several other agencies, as shown in the following table.

Agency/Major Item	Reappropriation
General Assembly (per RIGL 35-3-15 (a))	\$4,263,739
Judiciary (per RIGL 35-3-15(a))	\$117,891
Attorney General – Tobacco Litigation	\$439,341
Department of Health	\$41,299
Department of Behavioral Healthcare, Dev. Disabilities and Hos.	\$250,000
Department of Labor and Training	\$454,010
Department of Administration	\$1,030,218
I-195 Commission	\$615,901
Department of Revenue	\$166,266
Total Reappropriations	\$7,378,665

The Office of Management and Budget, in conjunction with the Governor's Office, is finalizing the development of the FY 2015 revised and FY 2016 budgets and is working to reduce expenditures to meet the available resources not only for FY 2015, but also to address the projected FY 2016 current services level deficit.

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

TAM: S/16budget/FY 2015 Revised/Q2/Q2report
Attachments

cc: The Honorable Raymond E. Gallison Jr., Chairman
House Finance Committee

The Honorable Daniel DaPonte, 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 2015 General Revenue Budget Surplus

	FY 2014 Final Enacted ⁽¹⁾	FY 2014 Audited ⁽²⁾	FY 2015 Enacted ⁽³⁾	FY 2015 Second Quarter	Change from Enacted
Surplus					
Opening Surplus	\$104,119,715	\$104,119,715	\$59,210,130	\$67,806,737	\$8,596,607
Reappropriated Surplus	7,052,524	7,052,524	-	7,378,665	7,378,665
Subtotal	\$111,172,239	\$111,172,239	\$59,210,130	\$75,185,402	\$15,975,272
General Taxes	2,622,955,876	2,674,140,830	2,738,957,477	\$2,738,957,477	-
Revenue estimators' revision	32,844,124	-	-	\$18,542,523	18,542,523
Changes to the Adopted Estimates	-	-	-	-	-
Subtotal	\$2,655,800,000	\$2,674,140,830	\$2,738,957,477	\$2,757,500,000	\$18,542,523
Departmental Revenues	348,707,542	360,678,655	351,671,912	\$351,671,912	-
Revenue estimators' revision	5,792,458	-	-	(\$2,371,912)	(2,371,912)
Changes to Adopted	4,660,861	-	-	-	-
Subtotal	\$359,160,861	\$360,678,655	\$351,671,912	\$349,300,000	(\$2,371,912)
Other Sources					
Other Miscellaneous	5,545,000	6,391,686	7,475,000	7,475,000	-
Revenue estimators' revision	2,010,000	-	-	325,000	325,000
Changes to Adopted	925,420	-	-	-	-
Lottery	394,100,000	376,327,121	384,500,000	384,500,000	-
Revenue estimators' revision	(13,400,000)	-	-	(1,200,000)	(1,200,000)
Changes to Adopted	-	-	-	-	-
Unclaimed Property	9,700,000	12,724,124	10,500,000	10,500,000	-
Revenue estimators' revision	2,200,000	-	-	500,000	500,000
Subtotal	\$401,080,420	\$395,442,931	\$402,475,000	\$402,100,000	(\$375,000)
Total Revenues	\$3,416,041,281	\$3,430,262,416	\$3,493,104,389	\$3,508,900,000	\$15,795,611
Transfer to Budget Reserve	(105,604,830)	(106,031,464)	(106,569,436)	(107,301,202)	(731,767)
Total Available	\$3,421,608,690	\$3,435,403,191	\$3,445,745,084	\$3,476,784,200	\$31,039,116
Actual/Enacted Expenditures	\$3,359,755,123	\$3,336,423,288	\$3,445,169,968	\$3,445,169,968	\$0
Reappropriations	7,052,524	7,378,665	-	7,378,665	\$7,378,665
Caseload Conference Changes	8,950,009	-	-	37,048,209	\$37,048,209
Other Changes in Expenditures	(23,359,096)	-	-	14,362,954	\$14,362,954
Total Expenditures	\$3,352,398,560	\$3,343,801,953	\$3,445,169,968	\$3,503,959,796	\$58,789,828
Total Ending Balances	\$69,210,130	\$91,601,238	\$575,116	(\$27,175,596)	(\$27,750,712)
Transfer to Other Funds ⁽⁴⁾	(\$10,000,000)	(\$23,794,501)	\$0	\$0	\$0
Reappropriations					
Free Surplus	\$59,210,130	\$67,806,737	\$575,116	(\$27,175,596)	(\$27,750,712)
Budget Reserve and Cash					
Stabilization Account	\$176,008,050	\$177,021,097	\$177,615,676	\$178,842,559	\$1,226,883

⁽¹⁾ Reflects the final FY 2014 revised budget enacted by the General Assembly and signed into law by the Governor on June 19, 2014.

⁽²⁾ Derived from the State Controller's final closing report for FY 2014, dated December 29, 2014, reflecting a surplus of \$67,806,737.

⁽³⁾ Reflects the FY 2015 budget enacted by the General Assembly and signed into law by the Governor on June 19, 2014.

⁽⁴⁾ Reflects restricted General Fund balances transferred to the Accelerated Depreciation Fund and projected transfer of surplus revenues to the State Retirement Fund

Table 2 - Summary of Changes to FY 2015 Enacted General Revenue Expenditures-Second Quarter Report

	FY 2015 Enacted	Reappropriation	Distribution of Statewide Medical Savings	Other Projected Changes	Total Projected Changes	FY 2015 Projected Expenditures	Change From Enacted (Surplus)/Deficit
General Government							
Administration	268,843,237	1,646,119	3,215,010	(19,836,547)	(14,975,418)	253,867,819	(14,975,418)
Business Regulation	9,013,477	-	(31,134)	(151,349)	(182,483)	8,830,994	(182,483)
Labor and Training	8,669,103	454,010	(14,936)	(82,986)	356,088	9,025,191	356,088
Department of Revenue	107,798,690	166,266	(155,245)	(419,066)	(408,045)	107,390,645	(408,045)
Legislature	36,429,671	4,263,739	(164,132)	(1,126,356)	2,973,251	39,402,922	2,973,251
Lieutenant Governor	1,015,084	-	(3,438)	(1,508)	(4,946)	1,010,138	(4,946)
Secretary of State	7,337,203	-	(20,400)	-	(20,400)	7,316,803	(20,400)
General Treasurer	2,432,105	-	(6,254)	(2,921)	(9,175)	2,422,930	(9,175)
Board of Elections	4,145,127	-	(5,001)	521,122	516,121	4,661,248	516,121
Rhode Island Ethics Commission	1,581,205	-	(3,244)	44,207	40,963	1,622,168	40,963
Governor's Office	4,527,562	-	(1,159)	-	(1,159)	4,526,403	(1,159)
Commission for Human Rights	1,193,983	-	(5,984)	40,000	34,016	1,227,999	34,016
Public Utilities Commission	-	-	-	-	-	-	-
Subtotal - General Government	452,985,547	6,530,134	2,804,083	(21,015,404)	(11,681,187)	441,304,360	(11,681,187)
Human Services							
Office of Health & Human Services	904,633,663	-	(38,585)	42,319,565	42,280,980	946,914,643	42,280,980
Children, Youth, and Families	148,707,146	-	(183,448)	10,008,470	9,825,022	158,532,168	9,825,022
Health	22,957,920	41,299	(79,693)	(6,527)	(44,921)	22,912,999	(44,921)
Human Services	96,328,781	-	(179,131)	2,390,319	2,211,188	98,539,969	2,211,188
Behavioral Healthcare, Developmental Disabilities & Hosp	167,336,873	250,000	(302,905)	1,495,831	1,442,926	1,68,979,799	1,442,926
Office of the Child Advocate	61,181,7	-	(2,476)	25,574	23,098	63,491,5	23,098
Comm. on Deaf & Hard of Hearing	394,279	-	(1,907)	8,214	6,307	400,586	6,307
Governor's Commission on Disabilities	358,275	-	(380)	-	(380)	357,895	(380)
Office of the Mental Health Advocate	495,010	-	(2,442)	15,931	13,489	508,499	13,489
Subtotal - Human Services	1,342,023,764	291,299	(790,967)	56,257,377	55,757,709	1,397,781,473	55,757,709
Education							
Elementary and Secondary	1,004,400,123	-	(75,775)	(332,700)	(408,475)	1,003,991,649	(408,475)
Higher Education	190,954,911	-	(455,753)	(1,421,423)	(1,877,176)	189,077,735	(1,877,176)
RI Council on the Arts	1,483,075	-	(2,054)	12,078	10,024	1,493,099	10,024
RI Atomic Energy Commission	913,197	-	(2,770)	-	(2,770)	910,427	(2,770)
Higher Education Assistance Authority	147,000	-	-	-	-	147,000	-
Historical Preservation & Heritage Comm	1,320,610	-	(4,909)	(105,195)	(110,104)	1,210,506	(110,104)
Subtotal - Education	1,199,218,916	-	(541,261)	(1,847,240)	(2,388,501)	1,196,830,416	(2,388,501)
Public Safety							
Attorney General	823,607,146	439,341	(887,863)	657,503	1,008,981	24,616,127	1,008,981
Corrections	187,745,480	-	(675,881)	9,825,376	9,149,495	196,894,975	9,149,495
Judicial	91,636,668	117,891	(274,031)	2,838,165	2,682,025	94,318,693	2,682,025
Military Staff	1,842,096	-	(4,441)	368,838	364,397	2,206,493	364,397
Emergency Management	1,959,858	-	(2,959)	(93,839)	(96,798)	1,863,060	(96,798)
Public Safety	95,294,034	-	(256,782)	3,485,131	3,228,349	98,522,383	3,228,349
Office Of Public Defender	11,130,816	-	(37,597)	(7,771)	(45,368)	11,085,448	(45,368)
Subtotal - Public Safety	413,216,098	557,232	(1,339,554)	17,073,403	16,291,081	429,507,179	16,291,081
Environmental Management	35,540,105	-	(113,517)	787,424	673,907	36,214,012	673,907
Coastal Resources Management Council	2,185,538	-	(8,750)	145,568	136,818	2,322,356	136,818
Subtotal - Natural Resources	37,725,643	-	(122,267)	932,992	810,725	38,536,368	810,725
Total	3,445,169,968	7,378,665	10,034	51,401,129	58,789,828	3,503,959,796	58,789,828