

Rhode Island's FY 2023 Enacted Budget and Fiscal Outlook

**Unprecedented Federal and
Surplus Funds Fuel One-Time
Spending**

September 2022



RIPEC

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I. Introduction

Rhode Island's state budget enacted for fiscal year (FY) 2023, which began on July 1, 2022, represents the state's third consecutive annual budget characterized by the massive influx of federal relief dollars and the second consecutive annual budget marked by large state revenue surpluses. As such, these budgets have presented extraordinary opportunities and challenges for policymakers, who have been tasked with determining how to strategically invest these abundant one-time revenues while avoiding unsustainable increases in continuing funding for state programs.

The FY 2023 budget follows a period of instability in state finances, which were dramatically affected by the COVID-19 pandemic.¹ The FY 2023 budgeting process began with Governor Daniel J. McKee's proposed budget submitted on January 20, 2022. The governor's spending plan most notably fully committed the state's \$1.24 billion State Fiscal Recovery Fund (SFRF) and Capital Projects Fund allocations from the American Rescue Plan Act (ARPA), as well as \$618.4 million in surplus general revenue funds. For FY 2023, the governor recommended total expenditures of \$12.83 billion, including \$4.73 billion in general revenues. The governor's FY 2023 budget additionally recommended three general obligation bond referenda in the total amount of \$350.0 million for consideration by voters at the general election in November 2022.²

Along with his FY 2023 budget proposal, the governor proposed significant mid-year revisions to the FY 2022 budget, recommending total expenditures of \$13.76 billion, an increase of \$641.8 million over the enacted budget, and general revenues of \$5.00 billion, an increase of \$448.1 million over the enacted level. These large increases in total and general revenue expenditures reflected proposed spending of ARPA and surplus funds.³

Incorporating a big jump in state revenues projected at the May 2022 Revenue Estimating Conference, the FY 2023 budget enacted by the General Assembly and signed by the governor on June 27, 2022, represents a substantial increase in spending over the governor's proposed budget.

¹ In June 2020, the General Assembly, facing a sharp shortfall in revenues with the emergency closure of parts of Rhode Island's economy, enacted a revised budget for FY 2020 that was balanced largely on a transfer from the state's rainy day fund and the use of federal pandemic relief funds. Anticipating an additional federal relief package, the Assembly deferred action on the budget for FY 2021, which commenced on July 1, 2020. With the fiscal year nearly half over, on December 21, 2020, the General Assembly enacted a pared-down, or "skinny," budget for FY 2021, which included a large appropriation for federally funded pandemic response costs but otherwise contained no significant policy or programmatic changes. On March 11, 2021, Governor Daniel J. McKee submitted his proposed budget for FY 2022 only nine days after being sworn in as governor. Governor McKee's budget, however, did not take account of federal assistance to state and local governments provided by ARPA, signed into law on the same day that Governor McKee's budget was introduced. The FY 2022 budget enacted by the General Assembly a few months later, in July 2021, represented a considerable departure from the governor's proposed budget; the enacted budget incorporated a large allocation of federal relief funding, as well as a substantial increase in state general revenues. The FY 2022 enacted budget contained federal funds appropriated through ARPA but did not appropriate any of the state's allocation of ARPA State Fiscal Recovery Funds. Rhode Island Public Expenditure Council, "[The Governor's FY 2023 Budget and the State's Fiscal Outlook](#)," March 2022.

² R.I. OMB, [FY 2023 Budget Proposal, Executive Summary](#).

³ Ibid.

The enacted budget appropriates total expenditures for FY 2023 of \$13.60 billion, an increase of \$773.7 million over the governor’s proposal, and general revenues of \$5.04 billion, an increase of \$309.3 million over the proposed level.⁴

Concurrent with enactment of the FY 2023 budget, the General Assembly enacted a revised FY 2022 budget, which similarly relies on the large increase in projected state revenues to authorize spending at levels considerably greater than proposed by the governor. The enacted revised budget appropriates total expenditures for FY 2022 of \$13.88 billion, an increase of \$113.7 million over the governor’s proposed revised budget, and general revenues of \$5.49 billion, an increase of \$493.9 million over the governor’s proposal.⁵

This RIPEC report analyzes the enacted FY 2023 budget, including revisions to the FY 2022 budget, and follows a series of RIPEC reports on the fiscal impact of the COVID-19 pandemic on the state budget.⁶ This report first analyzes the revenue changes underlying the substantial surplus funds available, with a primary focus on the May 2022 Revenue Estimating Conference. It next examines the enacted spending plan, focusing on the expenditures of one-time federal and surplus funds. The report then analyzes the state’s fiscal outlook, incorporating the most recent revenue assessments and analyzing the extent to which the budget utilizes one-time federal funding to pay for ongoing state expenditures (thereby implicating potential structural deficits for future budget years). Finally, the report includes RIPEC comments and policy recommendations.

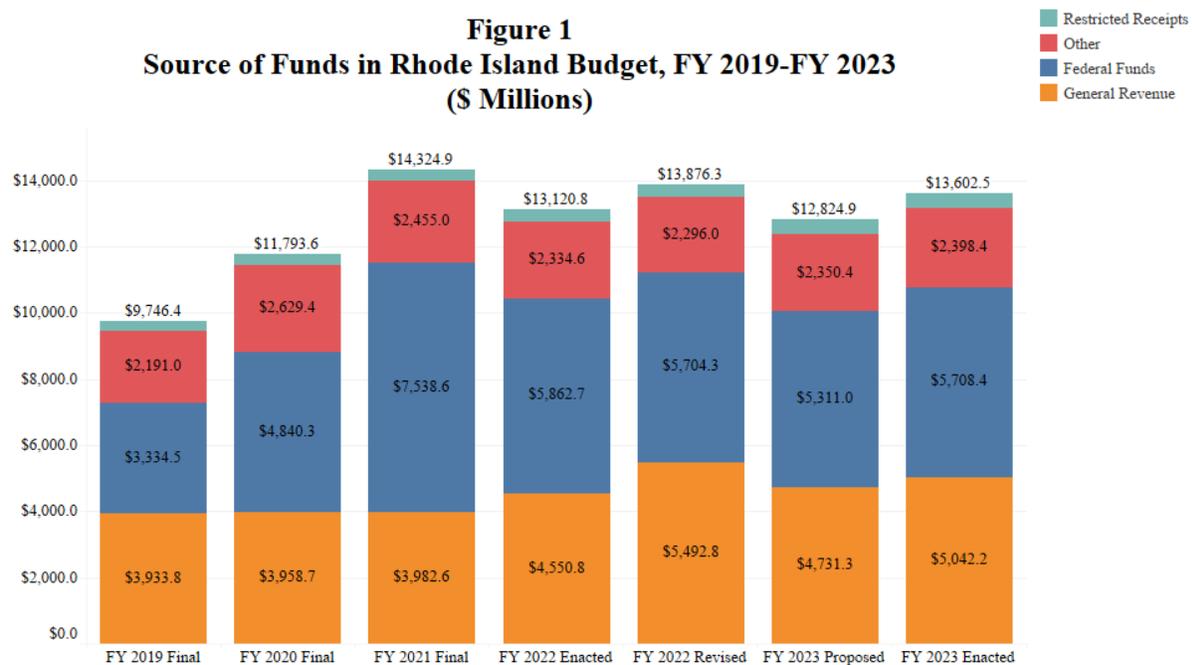
⁴ R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section I: Budget at a Glance](#). Comparison between the governor’s proposed and the enacted budgets for FY 2022 and FY 2023 is complicated by the delay in the accounting of Federal Emergency Management (FEMA) reimbursements for COVID-19 related emergency expenses. The governor’s revised FY 2022 budget included \$243.9 million in general revenue to cover such expenses until FEMA reviews and approves them. In the enacted budget, the General Assembly included a \$278.9 million general revenue fund balance adjustment in FY 2023 when reimbursements are expected to be made. R.I. Senate Fiscal Office, [FY 2023 Budget as passed by House Finance Committee](#).

⁵ R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section V: FY 2022 Revised Budget](#).

⁶ Rhode Island Public Expenditure Council, [“The COVID-19 Economic Crisis: Federal Assistance and Rhode Island’s Budget,”](#) April 2020; [“The Impacts of the COVID-19 Crisis on Rhode Island’s Unemployment and Temporary Disability Insurance Programs,”](#) June 2020; [“Rhode Island’s FY 2020 Supplemental Budget: The General Assembly Takes the First Step in Responding to Pandemic Fallout,”](#) July 2020; [“Rhode Island’s FY 2021 Enacted Budget and the Fiscal Challenges Ahead,”](#) January 2021; [“Rhode Island’s FY 2022 Budget Outlook,”](#) June 2021; [“The Governor’s FY 2023 Budget and the State’s Fiscal Outlook,”](#) March 2022.

II. FY 2023 Enacted Budget

As depicted in Figure 1, the FY 2023 enacted budget signifies the continuation of a level of total spending that is dramatically higher than that of just a few years ago. The enacted budget for FY 2023 reflects the third consecutive fiscal year of total annual spending exceeding \$13 billion, in contrast to total annual spending below \$10 billion as recently as FY 2019, the last fiscal year unaffected by the COVID-19 pandemic. At \$13.60 billion, total spending appropriated in the FY 2023 enacted budget is \$3.85 billion, or 39.5 percent, more than the state’s total spending for FY 2019. This increase is in large part attributable to federal pandemic relief funds; expenditures from federal sources have jumped considerably, from \$3.33 billion in FY 2019 to \$5.71 billion in the enacted FY 2023 budget. Even at this heightened level, spending from federal sources for FY 2023 is far below the high watermark of \$7.54 billion in FY 2021, when federal pandemic response spending was at its peak.



Source: R.I. House Fiscal Advisory Staff, "Budget as Enacted, Section II: Statewide Overview," FY 2020-FY 2023.

State general revenue spending appropriated in the FY 2023 budget also reflects substantial growth over this period, although not at the rate of expenditures from federal sources or total expenditures. At \$5.04 billion, general revenue spending authorized in the FY 2023 enacted budget is up \$489.8 million (10.7 percent) over the level of general revenue spending appropriated in the FY 2022 enacted budget and \$1.11 billion over the amount authorized in FY 2019 (an increase of 28.2 percent over four fiscal years).

At \$5.49 billion, revised general revenue appropriations for FY 2022 are significantly higher than FY 2023 and constitute the highest level of general revenue spending for a fiscal year ever

appropriated for the State of Rhode Island. The FY 2022 revised budget authorizes general revenue spending which is \$942.0 million greater than appropriated in the FY 2022 enacted budget—an increase of 20.7 percent. At the same time, the Assembly reduced spending from federal sources in the revised FY 2022 budget by \$158.4 million as compared to the enacted budget. At \$13.88 billion, appropriations from all funds for FY 2022 are \$755.5 million greater than the FY 2022 budget as previously enacted.⁷

Revenues

The FY 2023 budget and the FY 2022 revised budget incorporate extraordinary levels of one-time revenues, including \$877.5 million in projected surplus funds, as well as \$1.13 billion in ARPA SFRF and \$112.3 million in ARPA Capital Projects Funds. The large projected surplus is primarily the result of significantly higher general revenues than expected for FY 2022 and FY 2023, as estimated most recently at the May 2022 Revenue Estimating Conference. The rapid increase in revenues over this period is reflective of a national trend; following strong growth in April tax collections, most states experienced revenues exceeding forecasts for FY 2022.⁸ One such example is Massachusetts, which recently reported FY 2022 revenues that were 22.3 percent higher than were estimated in that state’s FY 2022 enacted budget.⁹

The May Revenue Estimating Conference

In Rhode Island, the annual state budget is based on projections of general revenue determined through a Consensus Revenue Estimating Conference, which occurs in May and November of each year.¹⁰ Revenue estimates reflect the consensus reached by the three Conference principals: the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor.¹¹ The Conference relies on testimony from executive branch officials as well as economic projections by an independent forecasting firm to produce revenue estimates for both the current and subsequent fiscal year.¹²

Economic Forecasting Testimony

The economic forecasting testimony presented by IHS Markit—a state-contracted national firm now part of S&P Global—has been a critical input for calculating revenue estimates during the volatile economic period of the past few years. Projecting that Rhode Island employment growth will continue to proceed “at a steady yet decelerating pace” as the recovery from the pandemic continues, IHS Markit lowered its projections for employment growth at the May 2022 Conference

⁷ R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section V, FY 2022 Revised Budget](#).

⁸ B.Sigritz, “[Strong Growth in Fiscal 2022 Revenues Leads to Record-High Surpluses for Many States](#),” National Association of State Budget Officers, July 29, 2022.

⁹ Massachusetts Department of Revenue, “[Fiscal Year 2022 Revenue Collections Total \\$31.105 Billion](#).”

¹⁰ R.I. Gen. Laws [§ 35-16-3\(a\)](#).

¹¹ R.I. Gen. Laws [§ 35-16-1](#), [35-16-2](#).

¹² R.I. Gen. Laws [§ 35-17-1](#).

as compared to its November 2021 projections. As depicted in Figure 2, IHS Markit projected employment growth for FY 2022 to be 4.3 percent—slightly lower than the 4.9 percent rate projected at the November 2021 Conference. For FY 2023, IHS Markit projected employment to grow at a rate of 2.5 percent, less than the 3.2 percent growth rate projected in November of last year.

While downgrading its projections for employment growth at the May 2022 Conference, IHS Markit forecast higher levels of personal income growth and personal consumption growth as compared to projections made at the November 2021 Conference. For FY 2023, the May forecast projected 5.0 percent personal income growth, compared to a rate of 4.7 percent projected the previous November. Similarly, personal income growth for FY 2022 was upgraded to 1.4 percent in May, compared to a decline of 0.1 percent forecast in November. The May 2022 projection for consumer spending growth in FY 2023 is higher than the rate projected in November 2021 (5.8 percent vs. 5.0 percent), and the projection for FY 2022 was similarly improved in May compared to November (10.7 percent vs. 9.3 percent).

Figure 2
Change in Economic Forecast in Key Indicators From
November 2021 to May 2022 Revenue Estimating Conference

		November	May
Nonfarm Employment Growth	FY 2022	4.9%	4.3%
	FY 2023	3.2%	2.5%
Personal Income Growth	FY 2022	-0.1%	1.4%
	FY 2023	4.7%	5.0%
Personal Consumption Growth	FY 2022	9.3%	10.7%
	FY 2023	5.0%	5.8%

Source: R.I. November 2021 and May 2022 Revenue Estimating Conference Consensus Economic Forecast.

For FY 2024 through FY 2027, IHS Markit’s forecast for employment growth remained tepid, with nonfarm employment projected to increase by fewer than 10,000 jobs over four years—an average annual growth rate of less than 0.5 percent. However, key metrics relating to projected personal income growth and personal spending continued to be relatively bullish, with growth rates significantly higher than recent historical trends for Rhode Island. Personal income growth is projected to average 4.9 percent annually and personal consumption expenditure growth is forecasted to average 4.3 percent per year during this period.¹³

¹³ R.I. OMB, [May 2022 Revenue Estimating Conference Report](#).

IHS Markit's May 2022 forecast also included alternative economic scenarios. The scenarios include an optimistic scenario characterized by a quicker post-pandemic recovery and a projected annual U.S. Gross Domestic Product (GDP) growth rate for 2023 of 4.0 percent. In a more pessimistic scenario reflecting a weaker recovery, the firm projected a GDP growth rate for 2023 of 2.1 percent. In a recession, the firm projected that Rhode Island's gross state product for 2023 would drop by 3.4 percent, and unemployment would increase by 1.7 percent, compared to the baseline forecast.¹⁴

Revenue Estimates

The May 2022 Revenue Estimating Conference projected a big jump in revenues for FY 2022 as compared to estimates made only six months earlier in November 2021. As shown in Figure 3, Conference principals adopted a total general revenue estimate of \$5.07 billion for FY 2022, an increase of \$386.7 million (8.3 percent) over the November 2021 estimate of \$4.68 billion. Most of this increase is attributable to a \$284.2 million uptick in the state's largest general revenue source, personal income tax revenues.¹⁵ Driven by surprisingly strong April 2022 tax collections, estimated personal income tax revenues increased sharply, by 17.2 percent, over the estimate made in November 2021. Business tax revenues estimated in May also were up significantly over November estimates, increasing by \$58.4 million to \$576.8 million (11.3 percent increase). In contrast, estimated sales and use taxes were only slightly higher in May as compared to November—increasing by \$43.0 million (3.0 percent) to \$1.48 billion.

Figure 3 also highlights that, while finding a considerably improved revenue outlook for FY 2022, the May 2022 Conference principals adopted a more conservative outlook for FY 2023. The estimate for total general revenues was \$4.78 billion, \$193.0 million (4.2 percent) higher than the FY 2023 estimate determined in November 2021, but \$294.8 million *less* than the revised general revenue estimate for FY 2022. Revenues from the hospital licensing fee are not factored into FY 2023 general revenue estimates because this item is included in the budget on a year-to-year basis. With the hospital licensing fee included at its FY 2022 level of \$170.2 million, estimated general revenues for FY 2023 still would reflect a decline of \$124.6 million (2.5 percent) from the FY 2022 revised level. This decline in revenues in large part is attributable to the estimate by Conference principals that personal income tax revenues will fall by \$236.7 million from FY 2022 to FY 2023.¹⁶

¹⁴ Ibid.

¹⁵ At the May 2022 Conference, personal income tax revenues were estimated to comprise over a third—38.3 percent—of total general revenues for FY 2022. Ibid.

¹⁶ Ibid.

Figure 3
May 2022 Revenue Estimating Conference
General Revenue Estimates (\$ Millions)

November 2021 and May 2022 Estimated FY 2022 Revenues	
November 2021 Estimated FY 2022 Revenues	\$ 4,684.3
May 2022 Estimated FY 2022 Revenues	\$ 5,071.0
	\$ 386.7

November 2021 and May 2022 Estimated FY 2023 Revenues	
November 2021 Estimated FY 2023 Revenues	\$ 4,583.2
May 2022 Estimated FY 2023 Revenues	\$ 4,776.2
	\$ 193.0

May 2022 Estimated FY 2022 and FY 2023 Revenues	
Estimated FY 2022 Revenues	\$ 5,071.0
Estimated FY 2023 Revenues + Hospital Licensing Fee*	\$ 4,946.4
	\$ (124.6)

* FY 2023 estimate assumes hospital licensing fee at FY 2022 level
Source: November 2021 and May 2022 Revenue Estimating Conference

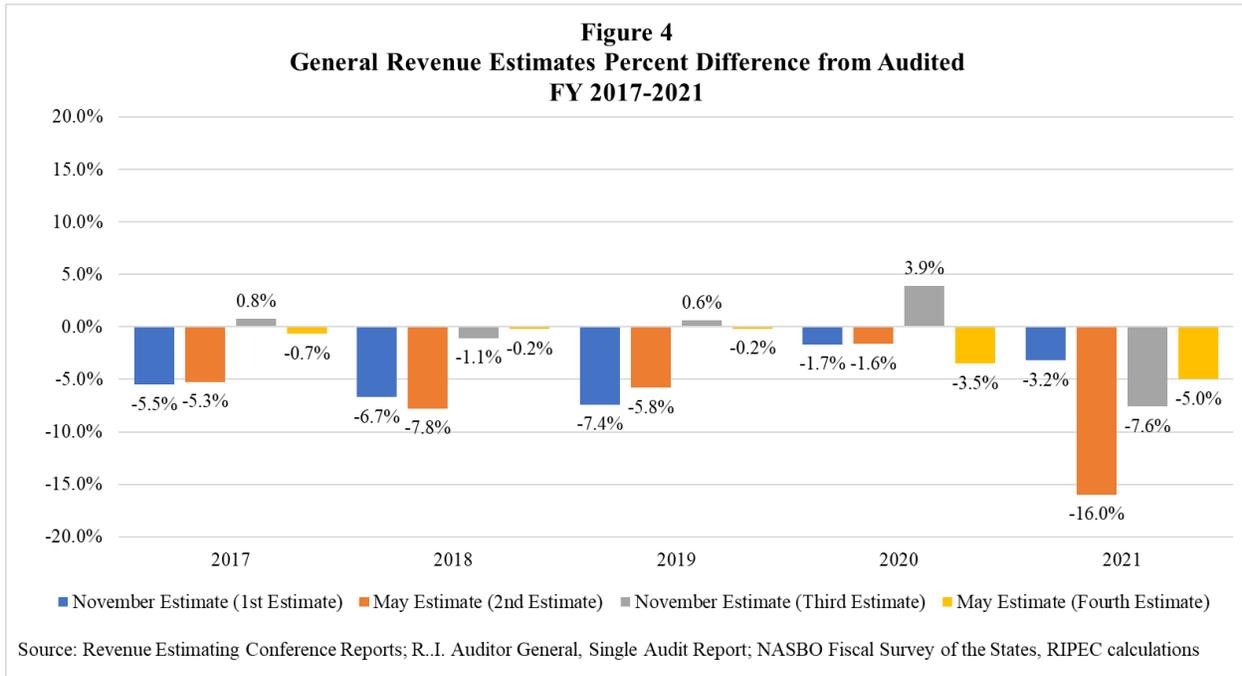
Arguably, the revenue estimates for FY 2023 are overly conservative, particularly given the current inflationary environment.¹⁷ It is reasonable for the Conference principals to discount as non-recurring some of the extraordinary increases in personal income tax and business tax revenues in FY 2022, and it is likewise prudent to acknowledge the real prospect of a mild recession in the short term. However, to project negative revenue growth in FY 2023 over FY 2022 appears inconsistent with relatively strong growth rates for personal income (4.7 percent) and personal consumption (5.0 percent)—key economic metrics related to income and sales tax revenues—forecast by IHS Markit at the May Conference.

The Conference principals have underestimated revenues in the past few years.¹⁸ Figure 4 shows the percent difference from each of the four general revenue estimates for a given fiscal year at the

¹⁷ The Consumer Price Index (CPI) is up 8.5 percent for the year ending July 2022. U.S. Bureau of Labor Statistics, “[Consumer Price Index unchanged over the month, up 8.5 percent over the year, in July 2022](#),” The Economics Daily, August 15, 2022. Notably, this most recent reported CPI is higher than the CPI of 6.9 percent for FY 2022 projected by IHS Markit. R.I. Legislature, [May 2020 Adopted Revenue Estimates](#).

¹⁸ A RIPEC analysis of estimated and audited general revenues from FY 2005 to FY 2019 moreover showed that the Conference has been far more likely to underestimate, rather than overestimate, general revenues. An exception to this is FY 2009, during the Great Recession, when the principals overestimated general revenues by an average of 4.8 percent when considering all four estimates. As Rhode Island began to recover from the recession in FY 2012, the

November and May Conference (in the year before and during a given fiscal year) and the actual, audited revenues between FY 2017 and FY 2021.¹⁹ Between FY 2017 and FY 2021, the first estimate by the Conference principals was an average of 4.9 percent lower than the audited amount and the second estimate was an average of 7.3 percent lower, compared to 0.7 percent and 1.9 percent lower for the third and fourth estimates, respectively.²⁰



That revenues for FY 2023 are likely underestimated is also supported by current revenue trends. Only two months after the May 2022 Estimating Conference, state revenues already appear to be running substantially ahead of estimates for the recently concluded fiscal year (FY 2022). According to the latest Revenue Assessment Report by the Rhode Island Department of Revenue, total general revenues through May 2022 are \$70.5 million higher than estimated at the May Conference, driven primarily by strong personal income tax revenue (up \$38.3 million), and to a lesser degree by an increase in sales and use tax revenues (up \$16.3 million).²¹

Conference underestimated revenues at a rate greater than at any other point in this time frame. Rhode Island Public Expenditure Council, [“Rhode Island’s May 2020 Revenue Estimating Conference in Historic and Regional Context,”](#) July 2020.

¹⁹ RIPEC accounts for the impact of increases or decreases in revenues attributable to changes in law by adjusting for statutory revenue changes in the first three estimates. It is assumed that statutory changes for the fourth estimate have been incorporated. Statutory changes impacting revenue often only impact the first two estimates because these estimates are made before the budget for that fiscal year has passed. Often, there are no new statutory changes to consider for the third estimate, which is produced during a given fiscal year. However, in some years, such as FY 2021, when the Assembly deferred action on the budget until after the November 2021 Conference, mid-year statutory changes need to be accounted for.

²⁰ Given that the second estimate for FY 2021 occurred during May 2020—when uncertainty surrounding the COVID-19 pandemic and federal stimulus was arguably at apex—Conference principals understandably underestimated general revenues at an extent far greater than is typical (16.0 percent below actual).

²¹ R.I. Dept. of Revenue, [Revenue Assessment Report FY 2022 Monthly and Year-to-Date as of May 2022.](#)

Revenue Items in the Enacted FY 2023 Budget

The FY 2023 budget enacted by the General Assembly contains no major changes to broad-based taxes but does include one major revenue initiative: a one-time \$250 per child tax rebate for qualifying taxpayers who are Rhode Island residents with federal adjusted gross income for tax year 2021 of up to \$100,000 for single-filer households and \$200,000 for joint-filer households. The child tax rebate program is expected to cost \$43.8 million.²²

The enacted FY 2023 budget also includes several smaller revenue changes, the most fiscally significant of which is the adoption of the governor's proposal to eliminate the personal income tax on military pensions.²³ The enacted budget also increases the amount of a taxpayer's retirement income exempt from taxation from \$15,000 to \$20,000, at a cost of \$1.6 million in FY 2023 (\$3.2 million when annualized). Similarly, the state's property tax relief credit program, also known as the property tax circuit breaker, was enhanced at a cost of \$1.8 million in FY 2022 and \$3.7 million for FY 2023.²⁴ The Assembly also approved the governor's proposed reduction of the penalty interest rate for delinquent payments of certain taxes from 18.0 percent to 12.0 percent, at a cost of \$2.5 million in FY 2023 (\$6.3 million in FY 2024).²⁵

Prior to enactment of the FY 2023 budget, the General Assembly passed the Rhode Island Cannabis Act, which established an adult use marijuana program as well as a new Cannabis Control Commission.²⁶ Under the Act, the 7.0 percent sales tax on cannabis sales will be allocated to general revenues, a new 10.0 percent state excise tax will be directed to a restricted receipt account, and a new 3.0 percent excise tax will be passed through to municipalities hosting marijuana businesses. All licensing fees for cannabis businesses will be deposited in a new Social Equity Assistance Fund. The enacted FY 2023 budget assumes this change in law will yield \$2.9 million in general revenues, \$4.1 million in restricted receipts, \$1.2 million in municipal pass-through revenues, and \$1.2 million in licensing fee revenues.²⁷

While technically an expenditure item, the enacted FY 2023 budget notably utilizes \$64.4 million in surplus general revenues to advance the final year of the motor vehicle excise tax phase-out,

²² R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section I: Budget at a Glance](#). Rebates are capped at three children, or \$750, and are expected to be distributed via check to taxpayers in October 2022. Ibid.

²³ In his budget, the governor proposed phasing out this tax over five years. R.I. OMB, [FY 2023 Budget Proposal, Executive Summary](#). The Assembly decided to eliminate the tax without the phase-in, at a cost of \$3.1 million in FY 2023 and \$6.3 million annually. R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section II: Statewide Overview](#).

²⁴ The credit's maximum amount was increased to \$600 (and would be adjusted by inflation annually), and the upper annual income range for eligibility was increased from \$30,000 to \$35,000. The FY 2022 impact occurs because the changes to the program are effective in tax year 2022. Ibid.

²⁵ The enacted budget continues the hospital licensing fee for FY 2023 at a lower rate—5.42 percent of patient revenues, as compared to 5.565 percent as adjusted by the FY 2022 revised budget—but due to a larger patient revenue base, the fee is expected to yield \$179.1 million in revenues for FY 2023, an increase of \$7.1 million over FY 2022. Ibid.

²⁶ The Act was signed by the governor on May 25, 2022. Ibid.

²⁷ The budget additionally assumes sales tax revenues offset by \$0.8 million in relation to the cost of regulating the new program, including an additional 25.0 full-time equivalent positions. Ibid.

thereby eliminating the tax. This expenditure represents a continuing commitment to reimburse cities and towns for their losses connected with the phase-out. The total appropriated in the FY 2023 budget for the full phase-out and reimbursement to municipalities is \$231.0 million.²⁸

Expenditures

ARPA Spending Proposals

The centerpiece of Governor McKee’s FY 2023 budget proposal was his plan for spending in full the state’s ARPA allocation of \$1.24 billion, consisting of an SFRF allotment of \$1.13 billion and a Capital Projects Fund amount of \$112.3 million.²⁹ The General Assembly already had approved \$119.0 million of SFRF spending as a so-called “down payment” in FY 2022, in response to the governor’s request.³⁰ In the enacted FY 2023 and revised FY 2022 budgets, the General Assembly adopted many of the governor’s SFRF spending proposals while making some changes in the amounts of spending authorized and funding some of the governor’s initiatives with other revenue sources. The Assembly also added some new ARPA spending items. In total, the Assembly approved \$131.0 million of SFRF spending for FY 2022 and \$535.9 million for FY 2023, with plans to spend the remaining \$464.2 million between FY 2024 and FY 2027.³¹

While the governor proposed spending \$152.4 million of SFRF dollars in the category of public health, the Assembly’s budget increased this amount by \$119.3 million for a total of \$271.7 million, representing both the largest sum for any category of SFRF spending and the largest nominal departure from the governor’s spending plan. The governor’s proposal included \$100.1 million for general COVID-19 response and \$50.0 million for health care facilities and providers. The Assembly increased funding for the COVID-19 response by \$86.8 million and for health care facilities by \$27.5 million. The Assembly also added a new ARPA item of \$4.0 million for public health clinics.³²

With respect to housing—the second largest category of spending—the Assembly authorized ARPA funding equal to the governor’s proposed total funding level of \$250 million and made

²⁸ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section VI: Special Reports](#).

²⁹ According to U.S. Treasury guidance, Capital Project Fund allocations must 1) “invest in capital assets designed to directly enable work, education, and health monitoring,” 2) be “designed to address a critical need that resulted from or was made apparent or exacerbated by the COVID-19 public health emergency,” and 3) be “designed to address a critical need of the community to be served by it.” U.S. Dept. of Treasury, [Guidance for the Coronavirus Capital Projects Fund for States, Territories & Freely Associated States](#), September 2021. SFRF allocations may be used to 1) “provide government services up to the amount of revenue lost due to the pandemic,” 2) “respond to the far-reaching public health and negative economic consequences of the pandemic,” 3) “provide premium pay for essential workers,” or 4) make investments in “water, sewer, and broadband infrastructure.” U.S. Dept. of Treasury, [Final Rule for Coronavirus State and Local Fiscal Recovery Funds](#), January 27, 2022.

³⁰ R.I. OMB, [FY 2023 Budget Proposal, Executive Summary](#). The governor proposed spending of \$113.0 million of ARPA funds in an FY 2022 budget amendment submitted in October 2021. The Assembly concurred with all the governor’s proposed spending and committed an additional \$6.0 million to childcare initiatives. R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#).

³¹ R.I. House Bill [No. 7123 as amended](#); RIPEC calculations.

³² R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#).

relatively small changes to program amounts, reducing down payment assistance by \$20 million (for a total of \$30.0 million) and adding \$10.0 million each to the development of affordable housing (totaling \$100.0 million) and homelessness infrastructure (totaling \$15.0 million).³³

The Assembly made major changes to the governor's ARPA proposals relating to business assistance by adding \$70.0 million, for a total of \$100.0 million, to recapitalize the Unemployment Insurance Trust Fund. The Assembly also rejected a proposal to spend \$20.0 million for access to capital for small businesses, reduced funding for a minority business accelerator (by 4.0 million), and declined to extend for FY 2023 programs authorized in FY 2022 to provide assistance to impacted industries (\$15.5 million proposed) and small business assistance grants (\$13.0 million proposed). The governor's proposal to spend \$47.0 million on improvements to the Rhode Island Convention Center was reduced to \$42.0 million, with \$32.0 million funded through the Rhode Island Capital Plan Fund (RICAP). In total, the Assembly's plan committed \$164.0 million of SFRF dollars in the category of assistance to small business and impacted industries.³⁴

In the area of children, families, and education, the Assembly plans to spend \$120.4 million in ARPA funds, \$1.8 million more than was proposed by the governor. The Assembly rejected the governor's proposed \$15.0 million investment in municipal learning centers, increased support for victims of domestic violence from \$4.5 million to \$10.5 million, increased investment for nonprofit assistance from \$10.0 million to \$20.0 million, and funded IT investments for the Department of Children Youth and Families through the IT Investment Fund instead of through ARPA. The Assembly also increased total ARPA funding for behavioral health by adding \$8.0 million for a short-term stay unit at Butler Hospital and doubling funding for a psychiatric residential treatment facility from \$6.0 million to \$12.0 million. On the other side of the ledger, the Assembly rejected proposed spending of \$4.2 million in ARPA funds for a mental health court pilot program, choosing instead to fund this program with general revenues.³⁵

The Assembly allocated \$130.0 million in SFRF dollars to economic and workforce development, \$81.8 million less than the \$211.8 million proposed by the governor. Among other alterations, the General Assembly rejected the governor's proposal to spend \$22.5 million on a new higher education academy, reduced spending on enhancements to the Real Jobs RI program by \$10.0 million (for a total of \$30.0 million), and funded the governor's proposed \$46.0 million investment for Port of Galilee rehabilitation through RICAP instead of ARPA.³⁶

With respect to ARPA spending for climate initiatives, the Assembly allocated \$120 million, \$12 million less than recommended by the governor. The Assembly adopted the governor's proposed programs but reduced spending on electric heat pumps from \$37.0 million as proposed to \$25.0 million.³⁷

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

The governor’s proposed spending of ARPA funding for IT initiatives generally were funded by the Assembly through the IT Investment Fund rather than through ARPA. Similarly, the governor’s proposed ARPA spending of \$5.0 million for a bus hub facility in Pawtucket was funded by the Assembly with RICAP instead of ARPA funds.

Figure 5 shows the enacted changes made to the governor’s proposed allocation of SFRF funds by category. A complete listing of all SFRF-funded initiatives and programs, and their enacted funding levels compared to the governor’s proposal, can be found in the Appendix of this report.

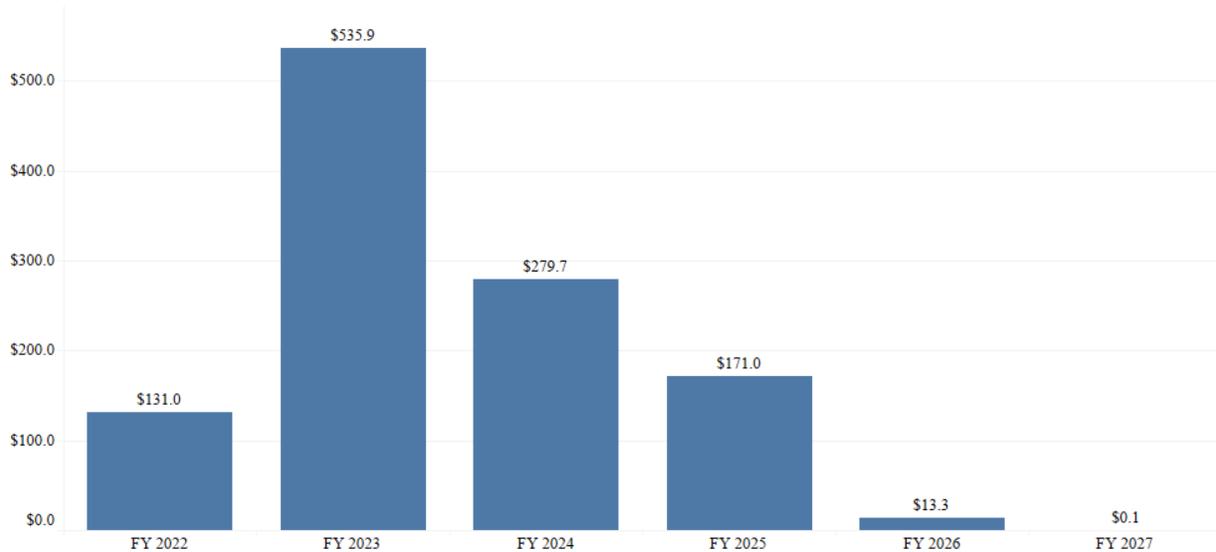
Figure 5
State Fiscal Recovery Fund Spending by Category
Governor's Proposed vs. Enacted FY 2023 Budget
(\$ Millions)

Category	Gov. Proposed	Enacted Amount	Enacted Change From Gov. Proposed
Housing	\$250.0	\$250.0	--
Economic and Workforce Development	\$211.8	\$130.0	(\$81.8)
Aid to Small Business and Impacted Industries	\$180.5	\$164.0	(\$16.5)
Public Health	\$152.4	\$271.7	\$119.3
Climate	\$132.0	\$120.0	(\$12.0)
Children, Families, and Education	\$118.6	\$120.4	\$1.8
Behavioral Health	\$42.4	\$55.1	\$12.7
Public Infrastructure and Technology	\$26.5	\$3.0	(\$23.5)
Administration	\$17.0	\$17.0	--
Total	\$1,131.2	\$1,131.2	--

Note: Certain ARPA programs proposed in the governor's FY 2023 budget were funded in the enacted budget through a non-ARPA revenue source. Totals may not sum due to rounding.
Source: R.I. OMB, Fiscal Year 2023 Budget Proposal: Executive Summary; H 7123 Substitute A as amended; RIPEC calculations.

Figure 6 shows the timeline of SFRF spending through FY 2027 as adopted by the General Assembly in the enacted FY 2023 and revised FY 2022 budgets. It is important to note that allocations of SFRF spending for FY 2024 and beyond are essentially spending plans subject to authorization by the General Assembly through future appropriation acts and therefore can be modified based on changing circumstances or priorities at such time.

Figure 6
Enacted Timeline of SFRF Spending, FY 2022-FY 2027
(\$ Millions)



Note: SFRF is ARPA State Fiscal Recovery Funds.
 Source: House Bill No. 7123 Sub A as amended; RIPEC calculations.

Separate from the state’s SFRF allocation, the governor’s FY 2023 budget proposed spending the state’s \$112.3 million ARPA Capital Projects Fund allocation across three programs: matching grants for municipal community wellness centers (\$46.7 million), a new student services center at Rhode Island College (\$35.0 million), and a grant program to match federal dollars for last-mile broadband projects (\$25.0 million), with the remainder allocated to administrative costs. The General Assembly approved the governor’s ARPA Capital Projects Fund spending plan as proposed.³⁸

Spending of Surplus Funds

Unlike federal ARPA funds, surplus funds technically are not segregated from other revenues and can be legally used for any general revenue purpose. However, Governor McKee specified certain expenditures as funded by surplus revenues in his proposed budget, the largest of which was a transfer of \$338.0 million to RICAP for major new investments in state facility infrastructure as well as a state match to enhanced federal transportation funding. Working with a significantly larger surplus than assumed in the governor’s budget, the General Assembly appropriated an additional transfer of \$225.0 million from general revenues to RICAP in the enacted budget, for a total infusion into RICAP of \$563.0 million.³⁹

This major allocation of RICAP funding is one of the most important aspects of the FY 2023 budget and greatly enhances the state’s ability to invest in capital projects using current dollars

³⁸ R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#).

³⁹ R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section IV: Capital Budget](#).

over the next few years. Immediately prior to the pandemic, RICAP funding totaled approximately \$150.0 million per year. With the enacted FY 2023 budget, RICAP funding is planned to average \$273.6 million—nearly twice the pre-pandemic level—from FY 2023 through FY 2026, before falling to \$151.5 million in FY 2027.⁴⁰

Utilizing this large increase in available RICAP funding, the General Assembly fully funded several projects which the governor had recommended in his SFRF spending proposal, increased funding for other projects proposed by the governor, and funded new projects. RICAP investments in the FY 2023 enacted budget include \$108.2 million for construction of a new 100-bed Zambarano medical hospital in Burrillville, \$100.0 million for the state match for additional federal transportation funds, \$46.0 million for Galilee port rehabilitation, and \$32.0 million for Rhode Island Convention Center Authority projects.⁴¹

State general revenues were used to fund many other one-time expenditures, including \$75.0 million to recapitalize the IT investment fund, \$50.0 million in upfront dollars to pay for high priority school construction projects, and \$28.0 million to recapitalize the Historic Tax Credit Fund. Other major one-time commitments include \$61.8 million to retire a prior pension liability owed to the state employee’s retirement system. Figure 7 contains a list of these items, which total \$325.9 million.

Figure 7
One-Time General Revenue Expenditures in the Enacted FY 2023 Budget
(\$ Millions)

Program	Enacted Amount
IT Investment Fund Recapitalization	\$75.0
Retirement of Pension Liability Connected with 1991-1992 State Deferral of Contributions	\$61.8
High Priority School Construction Projects	\$50.0
Tax Rebates for Families with Children	\$43.8
Historic Tax Credit Fund Recapitalization	\$28.0
Statewide Body-Worn Camera Program	\$15.0
Write-Off of Start Up Loans Given to Developmental Disability Providers	\$12.6
Retail SNAP Incentive Pilot Program	\$11.5
License Plate Reissuance Fee Exemption	\$6.1
Healthcare Workforce Development Initiative	\$6.0
Developmental Disabilities Transformation Fund and Technology Acquisition	\$5.7
Main Street RI Streetscape Improvement Fund Recapitalization	\$5.0
Compensation and Job Classification Study	\$2.0
Correctional Industries Loan Repayment	\$1.9
Human Services Programs Rates and Benefits Analysis	\$1.5
Total	\$325.9

Source: R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, Section I, Budget at a Glance, Section III, Agency Analysis; RIPEC calculations.

⁴⁰ R.I. General Assembly, [House Bill 7123 Substitute A as Amended](#), 2022; RIPEC calculations.

⁴¹ R.I. OMB, [FY 2023 Budget Overview](#); R.I. House Bill [No. 7123 as amended](#).

Health and Human Services Spending

While the most prominent feature of the enacted FY 2023 budget is the appropriation of one-time ARPA and surplus funds, the budget also is characterized by large increases in operating expenditures for a broad range of health and human services programs, primarily through provider rate increases. Most of these increases were not proposed by the governor and were added by the General Assembly in the enacted budget. Figure 8 lists the most significant provider rate increases, which total \$57.0 million in general revenue funding and \$130.7 million in total spending. Significantly, these increases are in addition to rate increases for hospitals and nursing homes already assumed under current law. In terms of general revenue spending, the largest of these items was \$15.1 million to increase reimbursement rates for direct care workers for individuals with developmental disabilities from \$15.75 an hour to \$18.00. This item accounted for over one-quarter of the general revenue spending on rate increases. All these expenditure items represent increased expenditures on a continuing basis.

Figure 8
Health and Human Services Rate Increases in FY 2023 Enacted Budget
(\$ Millions)

Program	General Revenue Spending	Total Spending
Developmental Disabilities Direct Support Wage Increase	\$15.1	\$34.2
Children's Therapeutic and Respite Services Rates	\$9.0	\$20.2
Hospital Labor and Delivery Rates	\$5.7	\$14.5
Personal Care Program Rates	\$5.5	\$12.5
Hospital Rates*	\$3.7	\$12.5
DCYF Provider Rates	\$6.3	\$8.5
Adult Dental Rates	\$2.7	\$8.1
Home Health Agency Rates	\$3.3	\$7.5
Pediatric Provider Rates	\$2.5	\$5.5
Early Intervention Services Rates	\$1.8	\$4.0
Nursing Home Rate Increases*	\$1.4	\$3.2
Total	\$57.0	\$130.7

Note: Hospitals and nursing homes receive yearly statutory rate increases according to a national index. The costs included in the chart for these items reflects additional increases to the reimbursement rates included in the enacted budget above the statutory increases. Including both the statutory and additional rate increases, the enacted budget includes \$8.5 million (\$3.8 million from general revenues) for nursing home rates and \$31.8 million (\$10.0 million from general revenues) for hospitals.
 Source: R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, Section I Budget at a Glance, Section III, Agency Analyses; RIPEC calculations.

Provider rate increases included in the FY 2023 enacted budget follow a recent focus on the adequacy of rates, given that some have been at the same level for several years.⁴² However, some of the rate increases included in the budget, such as those for hospitals, do not fall in this category and some of the providers receiving rate increases also are receiving one-time funding appropriations in the enacted budget.⁴³ It is likely that health and human services rates will continue to be scrutinized by lawmakers going forward, as the enacted FY 2023 budget included \$1.5 million in general revenues to the Office of the Health Insurance Commissioner to fund a comprehensive analysis of state social and human service providers and the rates paid to them. Social and human service departments will also be required to specify recommended reimbursement rates for these providers in budget requests biennially beginning in fall 2023.⁴⁴

General revenue spending for the category of health and human services grew from \$1.46 billion in FY 2019 to \$1.90 billion in FY 2023, a four-year increase of 29.7 percent. In comparison, from FY 2019 to FY 2023 general revenue spending for education increased by 20.3 percent and public safety expenditures increased by 13.6 percent.⁴⁵

Eleanor Slater Hospital

Rhode Island's two-campus state-run Eleanor Slater Hospital (ESH) has presented serious budget issues, primarily related to federal reimbursement, dating back to calendar year 2019. Historically funded through a combination of general revenues and revenues from Medicaid, Medicare, and third-party payers, the state hospital has a mix of medical and psychiatric patients. To receive Medicaid reimbursement, the proportion of a hospital's patient population with a qualifying psychiatric disease must be less than 51.0 percent. ESH fell out of compliance with the patient mix rule, first for several months beginning in August 2019, and again beginning in May 2021. In

⁴² R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section III: Agency Analyses](#). During the 2022 legislative session, a pair of bills was introduced in both chambers which would have required the Executive Office of Health and Human Services to assess and report to the General Assembly on current reimbursement rates paid to state social and health and human services providers and to convene a 24-member advisory committee to regularly review and recommend changes to reimbursement rates. The legislation was not enacted. R.I. General Assembly Legislative Press Bureau "[Sen. DiPalma, Rep. Casimiro and advocates hold press conference on human services rate review legislation](#)," March 8, 2022.

⁴³ The FY 2023 budget includes \$77.5 million to address ongoing staffing needs at hospitals, nursing homes, and community health centers; \$10.0 million to provide support for home care providers consistent with the long care rebalancing provisions of state law; \$14.0 million for transformation and IT acquisition funds to support community-based developmental disability providers; \$7.5 million to provide relief and incentivize screenings for pediatric providers; and \$5.5 million for relief and performance bonuses for early intervention providers. R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section III: Agency Analyses](#), [Section VI: Special Reports](#).

⁴⁴ The budget requires that the Office of the Health Insurance Commissioner submit a rate analysis to the General Assembly by January 1, 2023, and a final report by April 1, 2023. R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section III: Agency Analyses](#).

⁴⁵ A comparison of general revenue spending is somewhat complicated by the appropriation of one-time surplus spending. General revenue spending in the category of general government increased from \$489.8 million in FY 2019 to \$823.0 million in FY 2023, a four-year increase of 68.0 percent that exceeds the 29.7 percent growth rate in health and human services spending. However, general government includes motor vehicle phase-out expenditures, as well as IT and other statewide investments. R.I. House Fiscal Advisory Staff, [FY 2019 & FY 2023 Budget as Enacted](#), Section VII: Summary Tables; RIPEC calculations.

addition, it was determined that the state could not receive Medicaid payments for patients in the psychiatric forensic unit at the Benton facility, resulting in a loss of \$15.0 million in Medicaid funds. The hospital also reported that a large majority of patients other than those in the Benton facility did not meet a hospital level of care and would more likely meet a nursing home level of care for federal reimbursement purposes.⁴⁶

The governor's FY 2023 budget proposal assumes savings from a structural reorganization of ESH that separates medical and psychiatric patients into different facilities. The proposal included a new \$108.2 million 100-bed medical facility at the Zambarano campus, with the 52-bed Benton facility within ESH to be reorganized as the Rhode Island Psychiatric Hospital. The proposal assumes that this reorganization would bring the state into federal compliance on its patient mix for billing purposes, effective January 2023.⁴⁷ In the enacted budget, the General Assembly approved the governor's proposed reorganization, including funding the new Zambarano medical facility through RICAP.⁴⁸

The enacted FY 2023 budget appropriates total operating funds for ESH and the new Psychiatric Hospital of \$149.4 million, of which \$118.8 million is from general revenues, with \$30.6 million in general revenues allocated to operations for the new Rhode Island Psychiatric Hospital.⁴⁹ The hospital system under the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) has a total of 495 licensed beds, 279 of which are occupied.⁵⁰ Assuming a total patient census of 279, the per patient operating cost of the hospital system is about \$535,484 per year, or \$1,467 per day. The billing difficulties at ESH revealed that many patients receive services less than hospital-level care, and that some needed only skilled nursing-level care, which typically costs only a fraction of the per patient costs appropriated for ESH. According to a September 2020 study by ESH-engaged consultants, the average per patient cost of skilled nursing care was about \$125,000 per year, less than one-quarter of the per patient costs for ESH.⁵¹

⁴⁶ R.I. House Fiscal Advisory Staff, [FY 2020 Revised Budget](#).

⁴⁷ Ibid; R.I. OMB, [FY 2023 Budget Overview](#). The Assembly also approved the governor's proposal to use \$22.4 million from the IT Investment Fund for a new medical records system at ESH. In addition, the Assembly appropriated \$3.6 million from general revenues to cover the cost of 20 forensic patients at the Adolph Meyer building that the governor's budget incorrectly proposed to cover with Medicaid funds. Ibid.

⁴⁸ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section III: Agency Analyses](#).

⁴⁹ R.I. General Assembly, [House Bill 7123 Substitute A as Amended](#), 2022.

⁵⁰ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section III: Agency Analyses](#). Total occupied beds consist of 156 occupied out of 306 licensed beds in Pastore, and 123 out of 189 licensed beds at Zambarano. Ibid.

⁵¹ Alvarez & Marsal, "[Eleanor Slater Hospital Transition & Redesign](#)," September 18, 2020. This consultant study reported that ESH costs at the time were approximately \$550,000 per patient. For a study finding that most patients served at long-term acute care hospitals could be treated at skilled nursing facilities at much lower cost, see L. Einav, A. Finkelstein, and N. Mahoney, "[Long-Term Care Hospitals: A Case Study in Waste](#)," National Bureau of Economic Research, April 2019.

K-12 Spending

The enacted FY 2023 budget contains \$1,406.0 million in education aid for local education agencies (LEAs), an increase of \$107.3 million (8.2 percent) over FY 2022.⁵² The largest portion of state education spending (\$1,096.9 million) is funding distributed directly to LEAs through the state’s education funding formula. Additional funding is allocated to school construction costs (\$138.5 million), the state contribution to teacher retirement (\$130.9 million), and categorical funding for certain LEA expenses (\$38.6 million).⁵³

For FY 2022, the Assembly enacted changes to the funding formula to respond to declines in public school enrollment, a trend seen nationwide during the pandemic.⁵⁴ Between October 2019 and October 2021, enrollment in Rhode Island’s traditional school districts declined by 6,554 (4.9 percent), a trend which would have resulted in an overall reduction in formula aid under normal conditions.⁵⁵ For FY 2022, the formula utilized district enrollment as of March 2020 or March 2021, whichever was larger. Additionally, the formula used the higher percentage of students from families at or below 185 percent of the federal poverty line across the two years. Districts receive additional funding through the formula for these students.⁵⁶

Governor McKee recommended that this “hold harmless” provision be extended for FY 2023 in his proposed budget, and the Assembly concurred with some adjustments. The enacted FY 2023 budget used for the purpose of formula aid the larger of district enrollment and percentage of economically disadvantaged students from March 2020, 2021, or 2022. The Assembly also opted to utilize a district’s state share ratio (SSR), which determines what proportion of core educational costs are covered by the state, from FY 2022 for FY 2023. Due to the difficulties in counting disadvantaged students—one of two factors used to calculate the SSR—poorer districts would have received a lower state share in FY 2023 compared to FY 2022.⁵⁷ In total, the adjustments enacted by the Assembly resulted in \$68.3 million in additional formula aid, with 32 of 36 of the state’s traditional public school districts receiving more state aid than they would have received

⁵² R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#). LEAs include traditional public school districts, regional school districts, charter public schools, state schools, and the state’s single urban collaborative school. Ibid.

⁵³ Ibid.

⁵⁴ National Center for Education Statistics, “[Annual Condition of Education Shows Historic Decline in Total Public School Enrollment Between Fall 2019 and Fall 2020](#),” May 31, 2022.

⁵⁵ RIDE [October Enrollment Data](#).

⁵⁶ R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#). Between March 2020 and October 2021, rates of enrollment decline among economically disadvantaged students were twice as high as the overall rate of decline. The Rhode Island House Fiscal Advisory Staff speculated that this is due to the difficulty of counting and verifying these students during the pandemic, a process that in part utilizes applications for the federal Free and Reduced Price Lunch (FRPL) program. The FY 2023 enacted budget contains a requirement that RIDE adopt a method for counting economically disadvantaged students that does not rely on FRPL program applications. R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section III: Agency Analyses](#).

⁵⁷ This change resulted in reductions in formula aid in ten LEAs, including six traditional school districts. In response, the Assembly appropriated \$0.7 million in additional aid to distribute to these LEAs in an amount equal to 20 percent of the reduction in formula aid experienced by the LEA. R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#).

without adjustment.⁵⁸ A breakdown of hold harmless funding and enrollment changes by district can be found in the Appendix of this report.

The changes implemented to the funding formula over the past two fiscal years have resulted in a significant increase in the amount of state formula aid on a per pupil basis. The Rhode Island Department of Education (RIDE) calculated state aid per pupil to be \$7,686 in FY 2023. However, this calculation is based on an overstated number of pupils since total enrollment was based on the higher of annual enrollments over a three-year period. When using the most recent actual enrollment counts reported by RIDE (from October 2021), state aid per pupil was \$7,911 for FY 2023. Using this figure, per pupil state aid increased by 17.4 percent (6.4 percent average annual growth) between FY 2020 and FY 2023, compared to 8.6 percent growth (2.8 percent average annual growth) between FY 2017 and FY 2020.⁵⁹

While state educational aid is increasing at a significantly faster rate than historical trends, Rhode Island school districts have received an unprecedented level of federal Elementary and Secondary School Emergency Relief Fund (ESSER) dollars intended to address the effects of the pandemic on schools and students. Federal regulations give districts relatively wide latitude to spend ESSER dollars, although there is a requirement that at least 20 percent go towards addressing student learning loss.⁶⁰ While RIDE has required districts to submit outlines of planned expenditures, there has been no legislative oversight to date as to how these funds have been allocated and expended. For ESSER III, the third and largest infusion of ESSER funds (\$373.1 million for Rhode Island LEAs), the most recent report covering spending through June 30 shows that just \$8.9 million (2.7 percent) of district funds have been spent. Fourteen districts reported no spending, including Providence, which received by far the state's largest ESSER III allocation (\$129.6 million).⁶¹

Personnel

The FY 2023 budget authorizes 15,455.5 full-time equivalent (FTE) positions in state government—136.6 positions (8.8 percent) more than authorized in the enacted FY 2022 budget. In his FY 2023 budget proposal, the governor recommended 103.3 new FTEs, including 24.0 FTEs related to his adult use marijuana proposal, which was modified in the legislative process. The

⁵⁸ Ibid. Providence, by far the state's largest school district, saw a 9.1 percent decline in enrollment between October 2019 and October 2021 and received \$19.9 million in additional aid, by far the largest allocation in the state. RIDE, [October Enrollment Data](#); RIPEC calculations.

⁵⁹ For purposes of the funding formula, enrollment is counted throughout the school year by taking the total number of enrolled student-days and dividing by the number of days school was in session, while October enrollment reported by RIDE is calculated on one day only. The enrollment count used to calculate formula aid for FY 2023, inclusive of the changes implemented to hold districts harmless from enrollment losses, was 142,424, while October 2021 enrollment was 138,566. R.I. House Fiscal Advisory Staff, [FY 2017-FY 2023 Budget as Enacted](#), Section VI: Special Reports; RIDE, [Funding Formula Calculations](#), FY 2017-FY 2023; RIDE, [October Enrollment Data](#); RIPEC calculations.

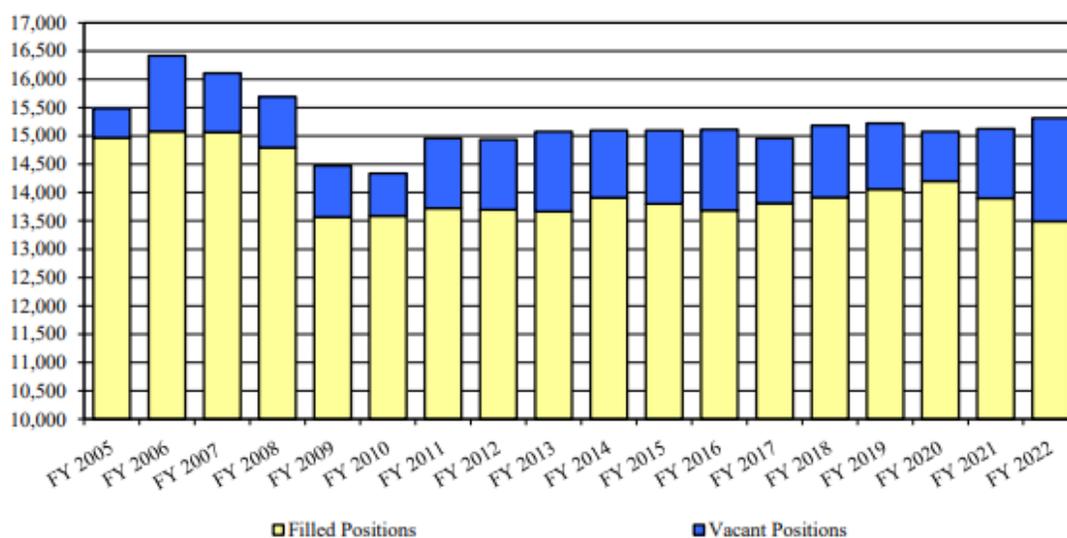
⁶⁰ R.I. Senate Fiscal Office, "[Federal COVID Funds: CRRSA ESSER II and ARP ESSER III](#)," May 10, 2021.

⁶¹ Edunomics Lab, Georgetown University, [ESSER Expenditure Dashboard](#).

Assembly added 33.0 additional positions, including 20.0 positions to support eligibility redetermination efforts at the Department of Human Services.⁶²

The level of authorized FTEs for FY 2023 is the highest since FY 2008, after which hundreds of filled and vacant positions were eliminated throughout state government due to the Great Recession. The number of vacant positions also has climbed significantly, reaching its highest level in 17 years in FY 2022; the average number of vacant positions for FY 2022 (1,827.1) was more than in any fiscal year since at least FY 2005 and the 11.9 percent average vacancy rate in FY 2022 was higher than at any other point in this period. The figure below, prepared by the Rhode Island House Fiscal Advisory Staff, depicts the average vacant and filled positions from FY 2005 to FY 2022.⁶³

Average FTEs in Rhode Island State Budget, FY 2005-FY 2022



Prepared by Rhode Island House Fiscal Advisory Staff in FY 2023 Budget as Enacted, Section VI: Special Reports

The enacted FY 2023 budget contains \$2.65 billion in personnel costs, \$1.21 billion of which is funded by general revenues. General revenue spending on personnel costs consists of \$713.2 million for salaries and wages, \$394.0 million for benefits, and \$105.1 million for contracted services. The proportion of general revenues dedicated to personnel costs declined slightly from FY 2022 to FY 2023 (24.9 percent vs. 24.0 percent) but remained in line with the four-year annual average from FY 2020 through FY 2023 (24.1 percent). However, the proportion of the general revenue budget going to personnel costs since FY 2020 is slightly lower than the level prior to the pandemic—from FY 2016 through FY 2019, the average was 25.5 percent.⁶⁴

⁶² R.I. House Fiscal Advisory Staff, Budget as Enacted FY 2023, [Section VI: Special Reports](#). The enacted FTEs include 523.8 positions within higher education institutions that are funded by third-party funds, primarily dedicated to research.

⁶³ Ibid.

⁶⁴ R.I. House Fiscal Advisory Staff, [Budget as Enacted FY 2016-FY 2023](#); RIPEC calculations.

Bond Initiatives

The FY 2023 budget includes \$400.0 million in bond referenda to be placed on the ballot for voter approval in November 2022. Figure 9 shows that the borrowing to be presented to voters is allocated among three bond proposals: University of Rhode Island (URI) Bay Campus Improvements (\$100.0 million), K-12 school construction (250.0 million), and the green economy (\$50.0 million). Figure 9 also shows how the enacted referenda in the FY 2023 budget differ from the governor’s proposed bond referenda, which totaled \$350.0 million.

Figure 9
November 2022 Ballot Initiatives (\$ Millions)

Ballot Question	Programs/Investments	Proposed	Enacted	Difference
Higher Education	URI Bay Campus Improvements	\$ 50.0	\$ 100.0	\$ 50.0
	CCRI Academic Enhancements	\$ 12.0	\$ -	\$ (12.0)
	<i>Subtotal</i>	\$ 62.0	\$ 100.0	\$ 38.0
K-12 School Construction	Enhanced LEA Reimbursement	\$ 200.0	\$ 250.0	\$ 50.0
	School Building Authority Capital Fund	\$ 50.0	\$ -	\$ (50.0)
	<i>Subtotal</i>	\$ 250.0	\$ 250.0	\$ -
Green Economy	Municipal Resiliency Matching Grants	\$ 16.0	\$ 16.0	\$ -
	Roger Williams Park Zoo Education Center	\$ -	\$ 12.0	\$ 12.0
	Small Business Energy Loan Program	\$ 5.0	\$ 5.0	\$ -
	Narragansett Bay and Watershed Restoration	\$ 3.0	\$ 3.0	\$ -
	Forrest Conservation	\$ 3.0	\$ 3.0	\$ -
	Brownfield Remediation and Economic Development	\$ 4.0	\$ 4.0	\$ -
	State Open Space Land Acquisition Program	\$ 3.0	\$ 3.0	\$ -
	Local Open Space Land Acquisition Program	\$ 2.0	\$ 2.0	\$ -
	Local Recreation Grant Program	\$ 2.0	\$ 2.0	\$ -
<i>Subtotal</i>	\$ 38.0	\$ 50.0	\$ 12.0	
	Total	\$ 350.0	\$ 400.0	\$ 50.0

Source: RI OMB, FY 2023 Budget Proposal, Executive Summary; R.I. House Fiscal Advisory Staff, Budget as Enacted; RIPEC calculations

The General Assembly doubled the amount requested in the governor’s budget for the second phase of improvements to URI’s Bay Campus from \$50.0 million to \$100.0 million.⁶⁵ In addition, the FY 2023 budget includes \$25.0 million in RICAP funds for this project. The Assembly did not include in its bond referenda the \$12.0 million proposed by the governor for a project to renovate and modernize academic and student support spaces, as well as other infrastructure, across the Community College of Rhode Island’s four campuses. However, in place of the governor’s proposal, the Assembly provided the same amount of funding—\$12.0 million—in RICAP funds for the project.⁶⁶

The governor proposed a \$250.0 million K-12 school construction bond, with \$200.0 million earmarked to enhance state reimbursement rates for LEAs undertaking new construction projects and \$50.0 million for the School Building Authority Capital Fund to address high-priority projects, including lighting, heating, and ventilation system upgrades.⁶⁷ The General Assembly maintained the level of the governor’s K-12 bond but, if approved by voters, the full \$250 million would be allocated to LEA reimbursement, while \$50 million in general revenue funds has been separately earmarked by the Assembly for the Capital Fund. The proposed bond is the same amount as a school construction bond approved by voters in 2018.

The General Assembly increased total funding for the green economy bond from \$38.0 million to \$50.0 million, adding \$12.0 million for the construction of a carbon-neutral education center at the Roger Williams Park Zoo, but otherwise made no changes to the governor’s proposal. The \$50.0 million proposal would fund several environmental and recreational enhancement programs, some of which have been approved by voters in previous green bonds, most recently in 2020. Besides the Roger Williams Park Zoo education center, the costliest items under the proposed bond are \$16.0 million to provide up to 75.0 percent matching grants for municipal resiliency projects, \$5.0 million for a small business energy loan program, and \$4.0 million for brownfield remediation and economic development.⁶⁸

⁶⁵ Phase I was in large part paid for with a \$45.0 million general obligation bond approved by voters in November 2018. Phase I was largely dedicated to design, whereas the plan for Phase II is to see the construction of several buildings, including an Ocean Frontiers Building, an Ocean Robotics Laboratory, and an Ocean Engineering Education and Research Center. R.I. Senate Fiscal Office, [FY 2023 Budget as passed by House Finance Committee](#).

⁶⁶ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section I: Budget at a Glance](#).

⁶⁷ Rhode Island Public Expenditure Council, “[The Governor’s FY 2023 Budget and the State’s Fiscal Outlook](#),” March 2022; R.I. Senate Fiscal Office, [FY 2023 Budget as passed by House Finance Committee](#).

⁶⁸ Ibid.

III. Budget Outlook for FY 2024 and Beyond

Rhode Island’s budget picture continues to be complicated by extraordinary allocations of federal pandemic relief funding and, more recently, a significant general revenue surplus. Importantly, as one-time funds that must be spent within the next few fiscal years, federal pandemic relief aid will not be available to pay for continuing state expenditures. Likewise, surplus funding, some of which resulted from the availability of federal funds to pay for state general revenue expenditures, does not reflect excess continuing revenues. To the extent that the enacted FY 2023 budget makes use of one-time federal and surplus funding to pay for continuing state expenses, there would be a structural imbalance that will need to be resolved in the next fiscal year.

The enacted FY 2023 budget allocation of ARPA funds is largely directed to one-time investments in capital and temporary program initiatives, but some ARPA spending commitments may be difficult to curtail once the federal funding is exhausted. These items include \$21.5 million for homelessness assistance, \$30.0 million for enhanced funding for the Real Jobs RI job training program, \$6.0 million for a minority business accelerator to provide technical assistance for minority-owned businesses, \$5.0 million for adult education services, and \$2.5 million for the Rhode Island Public Transit Authority’s R-Line free service pilot program. Most of these programs reflect authorized expenditures over multiple fiscal years. Consequently, if these programs were continued in future years, the annual cost would be significantly smaller than the totals authorized in the enacted budget.

The enacted FY 2023 budget also utilizes \$877.5 million in one-time surplus funding. The Assembly directed most of this surplus to a one-time transfer of \$563.0 million to RICAP to fund capital projects. In the enacted budget, the Assembly also committed general revenue funding to a long list of one-time investments totaling \$325.9 million, as depicted in Figure 8 on page 17. The transfer to RICAP and the funding of one-time general revenue expenditures total \$888.9 million, slightly greater than the size of the surplus. However, as with some ARPA spending items, there are some one-time general revenue spending items that may be difficult to curtail in the future, including \$11.5 million for the retail SNAP incentive pilot program.⁶⁹ Like the ARPA items cited above, these general revenue items implicate potential future spending commitments but are relatively small in relation to the overall state budget.

Nearly entirely dedicated to one-time expenditures, the allocation of one-time federal and surplus funding in the FY 2023 budget does not appear to have materially added to any existing structural deficit in the state budget. The governor’s proposed FY 2023 budget included financial projections of anticipated general revenues and expenditures for five fiscal years ending in FY 2027 and estimated substantial structural deficits, beginning with a \$215.3 million deficit in FY 2024 and thereafter declining modestly to a \$181.6 million deficit for FY 2027.⁷⁰ The FY 2024 gap cited in

⁶⁹ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section I: Budget at a Glance](#).

⁷⁰ R.I. OMB, [FY 2023 Budget Proposal, Executive Summary](#). State law requires that the state budget officer prepare a five-year final projection of “anticipated general revenue receipts and expenditures, including detail of principal revenue sources and expenditures by major program areas.” R.I. Gen. Laws [§ 35-3-1\(a\)\(6\)](#).

the governor’s proposed budget included the impact of using about \$130.0 million of surplus funds to balance the FY 2023 budget as well as the large expenditure planned at the time for FY 2024 to pay for the last increment of the ongoing car tax phase-out.⁷¹

The revenue picture changed considerably after the governor’s budget proposal, with \$579.7 million in new projected revenues at the May Revenue Estimating Conference, consisting of additional revenues of \$386.7 million for FY 2022 and \$193.0 million for FY 2023. These new revenues mitigated the structural budget gap, with updated projected revenues for FY 2023 essentially offsetting the amount of surplus funds used by the governor to balance his proposed FY 2023 budget. Incorporating this improved revenue situation, the House Fiscal Advisory Staff, citing inflation and other uncertainties, more recently estimated that the enacted FY 2023 budget reflects an average annual deficit going forward of approximately \$100 million.⁷²

This projected budget gap, based on revenue estimates from the May 2022 Revenue Estimating Conference, may be overly conservative. As indicated above, the FY 2023 revenue projection at the May 2022 Conference—which reflects a revenue decline of 2.5 percent from FY 2022—is likely on the low side given growth projections of key economic metrics. Moreover, through May 2022, total general revenues were already running \$70.5 million higher than estimates for FY 2022, only two months after the May Conference. While there is a great deal of economic uncertainty at the present time, it is likely that the uptick in FY 2022 revenues will result in a significant surplus available for FY 2023, and will lead to revenues for FY 2023 exceeding the May Revenue Conference estimate. If this revenue trend continues, the structural revenue gap for future budget years would be substantially reduced or eliminated. Of course, a recession or economic downturn would alter this calculation, as would increased expenditure commitments due to inflation or other factors.⁷³

⁷¹ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section II: Statewide Overview](#).

⁷² Ibid.

⁷³ In some states, there is evidence that revenues are falling short of estimates made as recently as last spring. L.Kashinsky, “[States get stingy as sour economy drains their surpluses](#),” *Politico*, August 31, 2022. While state revenues have been strong across the U.S., the negative impact of inflation on state government expenditures typically lags the positive impact on revenues. C.Gordley, “[States Respond to Inflationary Pressures](#),” The Council on State Governments, July 11, 2022; S.Quinton, “[Despite Economic Headwinds, Most State Budget Experts Aren’t Worried](#),” The Pew Charitable Trusts, July 25, 2022.

IV. RIPEC Comments

The FY 2023 enacted budget represents an extraordinary spending plan. Incorporating \$1.24 billion in federal ARPA funding and \$877.5 million in surplus general revenue funds, the budget funds dozens of new initiatives and increases spending across a broad array of existing programs. Driven in large part by pandemic relief funds, the FY 2023 budget reflects the third consecutive fiscal year of total annual spending exceeding \$13 billion, in contrast to total annual spending below \$10 billion as recently as FY 2019, the last fiscal year unaffected by the pandemic. State general revenue spending appropriated in the FY 2023 budget—at over \$5 billion—also reflects substantial growth over the last few years; in FY 2019, state general revenue spending was below \$4 billion.

There is much to commend in the FY 2023 budget enacted by the General Assembly. The spending plan for one-time federal ARPA funding largely directs these dollars to one-time investments, though it includes some relatively small expenditure items that may be difficult to curtail once ARPA funds are exhausted. Likewise, one-time surplus funds are utilized in the FY 2023 budget to finance primarily one-time expenditures, save for some relatively modest items that may implicate future funding commitments. From a budgetary perspective, the importance of avoiding continuing spending commitments in connection with the allocation of these extraordinary levels of one-time federal and surplus funds cannot be overstated.

There are several one-time investments in the enacted FY 2023 budget which serve to improve the state's financial position and positively influence future budgets. Most notably, the budget dedicates \$64.4 million to advance the motor vehicle excise tax phase-out by one year, thereby eliminating the tax and avoiding the structural challenge of funding this large additional incremental expense in FY 2024.⁷⁴ The budget also dedicates \$61.8 million from general revenues to the state pension system to retire a prior liability for deferred prior pension contributions, thereby avoiding general revenue payments of \$6.0 million per year for the next 12 years. The enacted budget allocates ARPA funding to finance significant capital projects and employs general revenues to recapitalize the IT Investment Fund (\$75.0 million) and the Historic Tax Credit Fund (\$28.0 million) to provide advance funding for future commitments. Similarly, the large transfer (\$563.0 million) from general revenues to RICAP is slated to fund several major capital projects. The use of ARPA and general revenue dollars for these investments not only helps address the state's large unmet capital needs but will enable the state to avoid future borrowing for capital projects.

The Assembly's spending plan spreads ARPA funding among a relatively large number of initiatives and priority areas. The ARPA spending plan includes 46 separate initiatives, with the cost of only one individual initiative exceeding \$100 million (\$189.9 million reserved for public health response). Likewise, the use of surplus funds in the enacted FY 2023 budget is spread, either

⁷⁴ R.I. House Fiscal Advisory Staff, FY 2023 Budget as Enacted, [Section VI: Special Reports](#).

directly or through RICAP, across many individual expenditure items, with only one expenditure item greater than \$100 million (\$108.2 million for construction of a new Zambarano medical facility). As a result, the impact of the state's ARPA and surplus funding is likely to be more broad-based than targeted. Moreover, the multiplicity of initiatives and projects will make more challenging the planning, oversight, and execution of these investments. While the FY 2023 enacted budget includes \$17.0 million over several years to administer programs funded by ARPA, funding to administer many other new initiatives contained in the budget is more limited.

With respect to the FY 2023 state operating budget, the Assembly placed the greatest priority on health and human services, with large increases in expenditures for a broad range of health and human service programs, primarily through provider rate increases. While these increases follow a recent focus on the adequacy of rates, some of which have been at the same level for several years, future spending growth will need to be moderated to avoid crowding out the state's other spending priorities. Also, while the enacted budget includes certain structural reforms in the health and human services area, primarily through one-time investments, the budget essentially reflects an additive exercise of funding increases to existing programs in the current system, along with some new program initiatives. The budget contains very little in the way of consolidation or elimination of programs that may be ineffective or inefficient.

As with health and human services, K-12 education received large increases in spending in the FY 2023 budget despite lowered enrollment and large allocations of federal funding currently available to school districts. Based on actual enrollment figures, state aid per pupil has increased by 17.4 percent between FY 2020 and FY 2023, an annual average increase of 6.4 percent. Notably, the Assembly has made these large increases in per pupil state aid without imposing any new requirements or accountability measures with respect to district spending. Similarly, the Assembly has appropriated pandemic relief funding to school districts without any strings attached.

While the enacted FY 2023 budget contains a significant one-time child tax credit at a cost of \$43.8 million and advances the car tax phase-out by one year, the Assembly deferred on the opportunity to use the state's improved financial position to enact broad-based tax reductions or to meaningfully improve the state's business tax climate, which ranked 40th among states in a recent Tax Foundation study.⁷⁵ The Assembly also missed the opportunity to make more robust the state's rainy day fund, which ranked 38th nationally in terms of its size relative to general fund expenditures at the end of 2019.⁷⁶

Based on this analysis, RIPEC offers to policymakers the following considerations:

⁷⁵ Rhode Island Public Expenditure Council, "[RIPEC Analyzes Rhode Island's Drop from 38th to 40th in Business Tax Climate Index State Rankings](#)," January 2022.

⁷⁶ Rhode Island Public Expenditure Council, "[The COVID-19 Economic Crisis: Federal Assistance and Rhode Island's Budget](#)," April 2020.

Given the economic uncertainty ahead and the temporary nature of federal relief funding, the state needs to be vigilant in avoiding spending commitments beyond available resources.

While state revenues have been strong, general revenue spending has been growing at a rate significantly greater than the historical growth rate. This trend is likely not sustainable over the long term, and it is important to constrain spending and minimize structural deficits so that the state is prepared to weather inevitable future economic headwinds.

The state needs to commit greater focus and resources to the planning, oversight, and execution of the many new projects and programs contained in the enacted FY 2023 budget.

While there is some funding in the budget for the administration of ARPA funds, state government will likely be extremely challenged in its efforts to plan, oversee, and execute so many new initiatives, particularly considering the extraordinary vacancy rate of authorized state personnel. More resources are needed in future budgets to ensure that these new initiatives move forward in a timely and effective manner.

Policymakers should reconcile state education aid consistent with the school funding formula or reprogram excess state resources to reform the formula.

Like many states, Rhode Island has protected school districts from the financial impact of enrollment declines connected with the pandemic. Since it is likely that school districts will not fully recover their enrollment declines, state aid should be reconciled consistent with actual enrollment levels going forward. Alternatively, policymakers could use this opportunity to reprogram excess state funding to reform the funding formula—specifically to increase the state’s share and to target more aid to disadvantaged districts. RIPEC recommended that policymakers reform the formula in a recent report on education finance that showed that many of Rhode Island’s poorest districts have among the state’s lowest per pupil expenditures.⁷⁷

Policymakers need to constrain the growth in health and human services spending and streamline and restructure the delivery of health and human service programs.

The growth in expenditures for health and human services authorized in FY 2023 is likely not sustainable and will need to be moderated in future budgets to avoid the crowding out of other state priorities. In addition, more focus is needed to streamline and restructure the delivery of health and human services programs to achieve more effective outcomes. In particular, before moving forward with the planned investment of \$108.2 million for a new medical facility at the Zambarano campus, policymakers should assess whether the BHDDH hospitals system is on a fiscally responsible and sustainable path.

The state should consider increasing the rainy day fund.

While Rhode Island’s rainy day fund served the state well during the pandemic, the public health emergency caused only transitory disruption to state revenues, with no permanent revenue losses. To the extent substantial surplus funds become available, the state should amend its constitution to increase its contribution to the

⁷⁷ Rhode Island Public Expenditure Council, “[Rhode Island’s Funding Formula After Ten Years: Education Finance in the Ocean State](#),” April 2022.

rainy day fund over time from 3.0 percent to 5.0 percent of revenues, and increase the rainy day fund cap from 5.0 percent to 10.0 percent.

The state should seek to improve its business tax climate. In the enacted FY 2023 budget, the Assembly declined to pursue revenue initiatives to materially improve the business tax climate. To the extent that excess continuing revenues become available in the future, policymakers should consider reforms to improve Rhode Island's business tax climate. In particular, the state should seek to mitigate the relatively high commercial and tangible property tax burden imposed on Rhode Island businesses.⁷⁸

⁷⁸ Lincoln Institute of Land Policy and Minnesota Center for Fiscal Excellence, [50-State Property Tax Comparison Study for Taxes Paid in 2020](#), June 2021.

Appendix

Figure 10
Allocation of State Fiscal Recovery Funds in FY 2023 Enacted Budget
(\$ Millions)

Category/Program	Gov. Proposed	Enacted Amount	Enacted Change From Gov. Proposed	Notes
Housing	\$250.0	\$250.0	\$0.0	
Development of Affordable Housing	\$90.0	\$100.0	\$10.0	
Down Payment Assistance	\$50.0	\$30.0	(\$20.0)	
Site Acquisition	\$25.0	\$25.0		
Home Repair & Community Revitalization	\$25.0	\$25.0		
Homelessness Assistance	\$21.5	\$21.5		
Workforce Housing	\$20.0	\$20.0		
Predevelopment	\$10.0	\$10.0		
Homelessness Infrastructure	\$5.0	\$15.0	\$10.0	
Housing Strategic Plan	\$2.0	\$2.0		
OHCD Support and Capacity	\$1.5	\$1.5		
Economic and Workforce Development	\$211.8	\$130.0	(\$81.8)	
Blue Economy Investments	\$70.0	\$70.0		
Port of Galilee Rehabilitation	\$46.0	\$0.0	(\$46.0)	Funding provided through RICAP (\$55.3)
Enhanced Real Jobs	\$40.0	\$30.0	(\$10.0)	
Bioscience Investments	\$30.0	\$30.0		
Higher Ed Academies	\$22.5	\$0.0	(\$22.5)	
Wi-Fi and Tech at the ACI	\$3.3	\$0.0	(\$3.3)	Funding provided through IT Investment Fund (\$3.3)
Aid to Small Business and Impacted Industries	\$180.5	\$164.0	(\$16.5)	
Aid to the Convention Center	\$47.0	\$10.0	(\$37.0)	Funding provided through RICAP (\$32.0)
Small Business Assistance Grants	\$45.0	\$32.0	(\$13.0)	
UI Trust Fund Contribution	\$30.0	\$100.0	\$70.0	
Assistance to Impacted Industries	\$28.5	\$13.0	(\$15.5)	
Destination Marketing	\$0.0	\$3.0	\$3.0	
Small Business Access to Capital	\$20.0	\$0.0	(\$20.0)	
Minority Business Accelerator	\$10.0	\$6.0	(\$4.0)	
Public Health	\$152.4	\$271.7	\$119.3	
COVID-19 Response	\$100.1	\$186.9	\$86.8	
Public Health Response Warehouse Response	\$0.0	\$2.0	\$2.0	
Health Care Facilities	\$50.0	\$77.5	\$27.5	Included in "COVID-19 response" in Governor's proposal
Medicaid Eligibility Extension/HSRI Auto-Enrollment	\$1.7	\$1.3	(\$0.4)	
Public Health Clinics	\$0.0	\$4.0	\$4.0	
Emergency Staffing at ESH/RI Veterans Home	\$0.6	\$0.0	(\$0.6)	Funding provided through general revenues (\$0.6)
Climate	\$132.0	\$120.0	(\$12.0)	
Port of Davisville	\$60.0	\$60.0		
OER Electric Heat Pumps	\$37.0	\$25.0	(\$12.0)	
South Quay Marine Terminal	\$35.0	\$35.0		

Figure 10 (cont.)
Allocation of State Fiscal Recovery Funds in FY 2023 Enacted Budget
(\$ Millions)

Category/Program	Gov. proposed	Enacted Amount	Enacted Change From Gov. Proposed	Notes
Children, Families, and Education	\$118.6	\$120.4	\$1.8	
Child Care Support	\$42.0	\$42.0		
Pediatric Relief and Recovery	\$15.0	\$15.0		
Municipal Learning Centers	\$15.0	\$0.0	(\$15.0)	
DCYF Wage Stabilization	\$12.5	\$15.0	\$2.5	
Adult Education Investment	\$0.0	\$5.0	\$5.0	
Early Intervention Relief and Recovery	\$11.0	\$11.0		
Nonprofit Assistance/Food Insecurity	\$10.0	\$20.0	\$10.0	
RIBridges Mobile Access and Child Care Tracking	\$6.7	\$0.0	(\$6.7)	Funding provided through IT Investment Fund (\$6.7)
Support for Survivors of Domestic Violence	\$4.5	\$10.5	\$6.0	
Lead Abatement and Fire Safety Upgrades in Foster Homes	\$1.9	\$1.9	\$0.0	
Behavioral Health	\$42.4	\$55.1	\$12.7	
Certified Community Behavioral Health Clinics	\$28.1	\$30.0	\$1.9	
Butler Hospital Short Stay Unit	\$0.0	\$8.0	\$8.0	
Psychiatric Residential Treatment Facility	\$6.0	\$12.0	\$6.0	
Mental Health Court Pilot Program	\$4.2	\$0.0	(\$4.2)	Funding provided through general revenues (\$4.2)
RI Turnpike and Bridge Authority - Safety Barriers Study	\$0.0	\$1.0	\$1.0	
Crisis Intervention Trainings	\$2.2	\$2.2	\$0.0	
9-8-8 Mental Health Hotline	\$1.9	\$1.9	\$0.0	
Public Infrastructure and Technology	\$26.5	\$3.0	(\$23.5)	
DEM Permit and Licensing IT Investments	\$5.8	\$0.0	(\$5.8)	Funding provided through IT Investment Fund (\$5.8)
RIPTA - R-Line Free Service Pilot	\$0.0	\$2.5	\$2.5	
Pawtucket Bus Hub Passenger Facility	\$5.0	\$0.0	(\$5.0)	Funding provided through general revenues (\$5.0)
Main Streets Revitalization	\$5.0	\$0.0	(\$5.0)	Funding provided through general revenues (\$5.0)
DOC Radio System	\$2.7	\$0.0	(\$2.7)	
DBR e-Licensing and Blockchain Digital Identity	\$2.5	\$0.0	(\$2.5)	Funding provided through IT Investment Fund (\$2.5)
DOR Tax Modernization - STAARS Cloud Migration and Other IT	\$2.3	\$0.0	(\$2.3)	Funding provided through IT Investment Fund (\$2.3)
DOA ERP Implementation	\$2.2	\$0.0	(\$2.2)	Funding provided through IT Investment Fund (\$2.2)
Broadband State Office and Development of Statewide Plan	\$0.5	\$0.5		
OHIC Health Spending Accountability and Transparency Program	\$0.5	\$0.0	(\$0.5)	Funding provided through general revenues (\$0.5)
Administration	\$17.0	\$17.0		
Pandemic Recovery Office		\$12.0	\$12.0	
DOA - Administration		\$4.9	\$4.9	
Total	\$1,131.0	\$1,131.0		

Source: R.I. OMB, Fiscal Year 2023 Budget Proposal: Executive Summary; House Fiscal Advisory Staff, Budget as Enacted FY 2023, Section VI, Special Reports.

Figure 11
School District Enrollment Changes and
Enacted FY 2023 Funding Formula Adjustments

District	Enrollment Change Oct. 19-Oct. 21		Funds From Enacted Funding Formula Adjustments
	Nominal	Percent	
Barrington	-20	-0.6%	\$ (1,208,678)
Burrillville	-119	-5.3%	\$ 2,057,087
Central Falls	-177	-6.2%	\$ 1,607,175
Coventry	-156	-3.4%	\$ 1,437,969
Cranston	-217	-2.1%	\$ 6,681,159
Cumberland	56	1.2%	\$ 1,109,033
East Greenwich	-43	-1.7%	\$ (593,912)
East Providence	-198	-3.8%	\$ 4,256,863
Foster	-18	-7.5%	\$ 126,842
Glocester	-18	-3.2%	\$ 223,674
Jamestown	-45	-9.2%	\$ 83,176
Johnston	-191	-5.9%	\$ 2,450,719
Lincoln	41	1.3%	\$ 1,388,208
Little Compton	-28	-11.8%	\$ 121,634
Middletown	-60	-2.8%	\$ 1,683,739
Narragansett	-72	-5.6%	\$ 946,286
Newport	-179	-8.3%	\$ 2,613,850
New Shoreham	-6	-4.4%	\$ 145,438
North Kingstown	-78	-2.0%	\$ 1,764,204
North Providence	-121	-3.4%	\$ 1,425,128
North Smithfield	-52	-3.1%	\$ (122,032)
Pawtucket	-657	-7.5%	\$ 3,879,852
Portsmouth	-179	-7.4%	\$ 1,202,674
Providence	-2180	-9.1%	\$ 19,886,252
Scituate	-30	-2.4%	\$ 57,416
Smithfield	10	0.4%	\$ (301,494)
South Kingstown	-274	-9.5%	\$ 1,026,792
Tiverton	-81	-4.6%	\$ 1,204,867
Warwick	-442	-5.1%	\$ 3,321,885
Westerly	-270	-10.2%	\$ 1,743,304
West Warwick	-67	-1.8%	\$ 1,519,613
Woonsocket	-363	-6.0%	\$ 3,691,112
Bristol-Warren	-232	-7.3%	\$ 1,667,762
Exeter-West Greenwich	-91	-5.5%	\$ 283,521
Charlito	-38	-1.2%	\$ 631,598
Foster-Glocester	41	3.0%	\$ 326,005
District Total	-6554	-4.9%	\$ 68,338,721

Source: R.I. Dept. of Education, October Enrollment Data; R.I. House Fiscal Advisory Staff; RIPEC calculations.