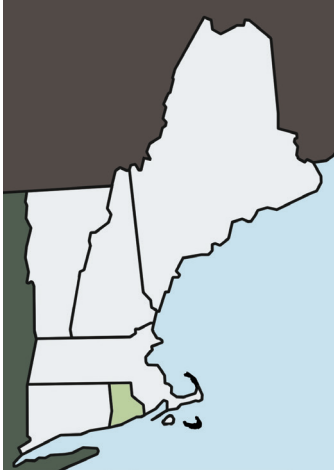


RHODE ISLAND Budget Report Card



RHODE ISLAND'S LOWEST AVERAGE GRADE for fiscal 2015 through 2019 was its C in budget maneuvers. In 2015–18, the state used one-time revenues to sustain budgetary balance, including transferring money to the general fund from agencies such as the Health and Educational Building Corporation, which issues tax-exempt school bonds, and Narragansett Bay Commission, a regional wastewater treatment agency. In 2018, Rhode Island also ran a 75-day tax amnesty program, which brought in \$22 million to support operating expenditures. The state's use of one-time resources declined in 2019, with transfers to the general fund of less than \$5 million, against \$29 million in 2018.

Rhode Island's highest grade was its top A average in budget forecasting. Since 1990, revenue projections formulated by the state's Revenue Estimating Conference have guided the formulation of its budget. The conference, made up of the state budget officer and the house and senate fiscal advisers, meets every May and November. The state budget includes five-year forecasts of revenues and expenditures.

Rhode Island averaged a B in legacy costs. It provides annual funding for its public worker pensions and other postemployment benefits (OPEB), primarily health care, in line with actuarial recommendations. But its pension funding ratio was 56 percent in 2019, 15 percentage points below the total for all states.

The state also averaged a B in reserve funds and transparency. Rhode Island has solid policies for disbursing and replenishing its budget reserve and cash stabilization account, which held \$204 million in 2019, or 5.2 percent of general fund expenditures. It is one of thirty states that do not link funding of reserves to historical revenue volatility.


NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	C	D-	A	B
New Hampshire	D	B	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	B	D	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.


RHODE ISLAND Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	A	A	A	A	A	'15 '16 '17 '18 '19
	Consensus Revenue Forecasts	✓	✓	✓	✓	✓	● ● ● ● ●
	Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	
	Multiyear Revenue Forecasts	✓	✓	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						A	

BUDGET MANEUVERS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	C	C	C	C	B	'15 '16 '17 '18 '19
	Deferring Recurring Expenditures	✓	✓	✓	✓	✓	
	Revenue and Cost Shifting	X	X	X	X	X	●
	Funding Recurring Expenditures with Debt	X	X	X	✓	✓	● ● ● ●
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	X	✓	
5-YEAR AVERAGE						C	

LEGACY COSTS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	B	B	B	B	B	'15 '16 '17 '18 '19
	Public Employee OPEB Funding	✓	✓	✓	✓	✓	
	Public Employee Pension Funding	✓	✓	✓	✓	✓	● ● ● ● ●
	Public Employee Pension Funded Ratio*	59%	55%	55%	55%	56%	
5-YEAR AVERAGE						B	

RESERVE FUNDS							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	B	B	B	B	B	'15 '16 '17 '18 '19
	Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	
	Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	● ● ● ● ●
	Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	
	Reserves Tied to Revenue Volatility	X	X	X	X	X	
5-YEAR AVERAGE						B	

TRANSPARENCY							
	2015	2016	2017	2018	2019	TREND	
	CATEGORY GRADE	B	B	B	B	B	'15 '16 '17 '18 '19
	Consolidated Budget Website	✓	✓	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X	
	Discloses Tax Expenditures	✓	✓	✓	✓	✓	
5-YEAR AVERAGE						B	

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg.

© 2021 VOLCKER ALLIANCE INC.