**Last Week At the State House**

The **House Finance Committee** met last week to discuss the preliminary closing of the FY2020 books and to understand what further adjustments might be coming in the near future. Keep in mind that as this article talks about numbers, the comparisons are made to assumptions that were made as to what might happen given the COVID-19 potential effects on revenues and expenditures for the year.

As of now, it appears that revenues are up $141.8 million from the anticipated amount adopted at the May revenue estimating conference. Good news - income and sales tax revenues account for $132.5 million of that number. Remember, at the time of May revenue estimating conference, income taxes were delayed until July due to a federal order, so it was extremely difficult to accurately predict how the income tax would ultimately be affected by job losses as well as stimulus packages. The business tax revenue was higher than expected; and the lottery also brought in a little more than estimated. After all is said and done – in the aggregate – the closing revenue and expenses (which were lower than anticipated) came close to the budget passed over a year ago. Further adjustments will have to be made to the FY2020 books as items, like the excess loss for pass-through entities, are finalized and the numbers changed accordingly. (Reminder - the $120 million from the Rainy Day Fund must be re-paid in FY2021)

Medicaid spending experienced a $37 million savings thanks to a reduction in enrollment and utilization during the pandemic. The federal government’s extension of the emergency designation also means a higher Medicaid reimbursement rate to the State for three-quarters of a year, so that should bring Rhode Island an additional $25-30 million.

The federal government also provided some additional flexibility in the CARES Act money to cover certain Department of Corrections expenses. It is believed that this may free up another $30 to $40 million to cover budget items. However, that is the only new flexibility mentioned at this time. That still leaves millions of dollars in a State account with great uncertainty as to how it can be spent. The directive also still states that the money must be spent by December 30th or be returned to the federal government. The challenge remains, does Rhode Island spend the money on immediate programs only to find out later that it could be used to balance a FY2021 budget that will undoubtedly be more difficult than the current budget? Does the State save the money and the federal government say that it can’t be used to balance a future budget leaving the State with a missed opportunity to keep some business afloat or to assist in the State’s unemployment fund problem?

One interesting side note worth mentioning, the CARES Act money has earned about $400,000 in interest for the State. That money appears to be useable, without strings. Another sobering moment from the hearing came from the House Fiscal Advisor Sharon Reynolds stating that Rhode Island is “on track to run out of money if we fail to pass a budget before the end of the fiscal year.” That is why the legislature is expected to return in November to address the budget.

Next steps – State agencies were required to submit their FY2021 budget requests by October 1st. Agency first quarter financial reports are due October 30th. The Revenue Estimating Conference will meet November 2nd to review FY2021 caseload estimates (expenses), and November 6th to review FY2021 revenue estimates. These meetings could be very helpful to the legislature as they return in November to pass a FY2021 budget. The Governor is then required by law to submit her FY2022 budget to the legislature January 21, 2021.

**This Week At the State House**

At the time this edition of UTD is being written, no hearings were scheduled for this week.