

**Highlights from the
State's Fiscal 2023 Audited Financial Statements**

**Prepared by the
Office of the Auditor General**

**State of Rhode Island
Annual Comprehensive Financial Report**

Fiscal year ended June 30, 2023



Daniel J. McKee, Governor

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2023

State of Rhode Island Annual Comprehensive Financial Report (ACFR) Highlights – Fiscal 2023

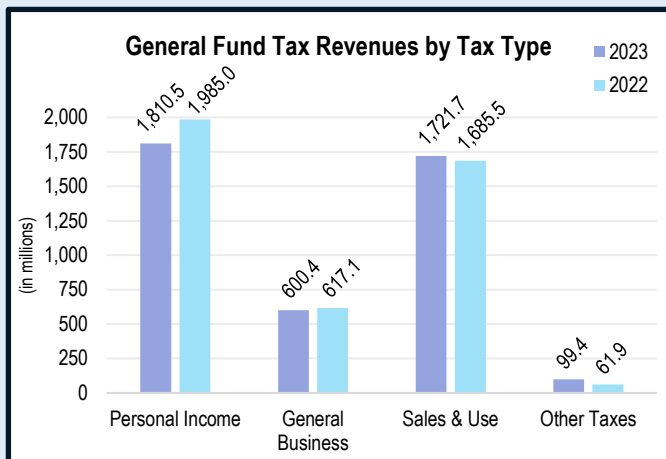
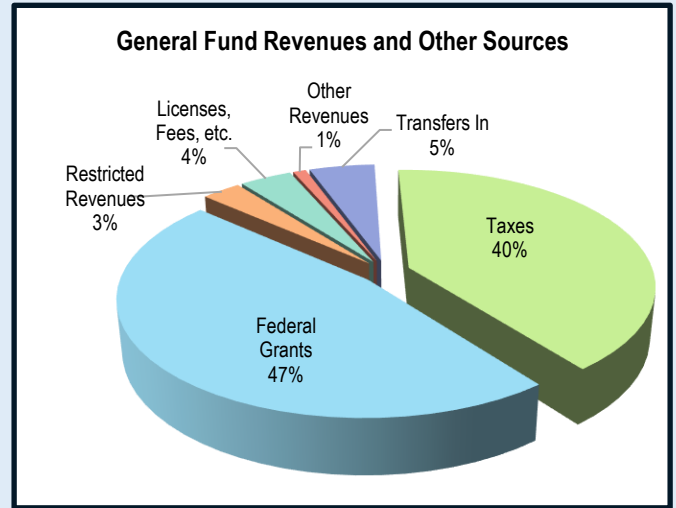
- The State's fiscal 2023 financial statements reported strong operating results. Tax revenues, while slightly reduced over fiscal 2022, remained solid. Federal revenue continued to be the State's largest revenue source. Expenditures remained comparable to the prior year as the State continued to utilize pandemic recovery funds across government.
- Government-wide net position (governmental activities) totaled \$2.5 billion – an increase of \$1.3 billion. \$4.8 billion represents the State's net investment in capital assets. \$1.8 billion is restricted for specific purposes, leaving an unrestricted net deficit of \$4.1 billion.
- Fund balance of the General Fund totaled \$1.2 billion at June 30, 2023, an increase of \$209.5 million – \$412.3 million is available for future appropriation.
- The budget reserve ("rainy day") account totaled \$271 million at June 30, 2023. A supplemental budget reserve account was statutorily created in fiscal 2023, totaling \$6.5 million at June 30, 2023.
- Unemployment insurance benefits totaled \$154.7 million in fiscal 2023, a decrease of \$296.3 million from fiscal 2022, which was the last year for pandemic expanded unemployment benefits.
- The Rhode Island Lottery transferred \$434.7 million in net income to the General Fund in fiscal 2023 as compared to \$388.6 million in the prior year.
- The RI Capital Plan Fund reported \$998.5 million available for future capital projects. \$427.9 million was transferred to the fund from the General Fund, including a fiscal 2023 appropriation of \$257 million for future capital projects. Expenditures in the fund totaled \$81.6 million in fiscal 2023.
- Capital assets of the primary government, net of accumulated depreciation, totaled \$5.6 billion at June 30, 2023, of which \$2.7 billion were infrastructure assets. Construction in progress totaled \$1.1 billion, mostly for infrastructure projects.



- Opioid settlement revenues received in fiscal 2023 totaled \$20 million. The State recognized settlement revenues totaling \$134 million in the State's government-wide financial statements representing the anticipated revenue from current settlements to be received in future years for opioid treatment, prevention, and recovery efforts.
- The State received an allotment of \$1.13 billion in State Fiscal Recovery Funds under the American Rescue Plan Act. The State expended \$316.4 million in fiscal 2023, much of which was used to replenish the State's Unemployment Insurance fund, provide small business assistance through the RI Commerce Corporation, and to fund affordable housing programs administered by RI Housing. In addition, the State also disbursed \$132 million of Local Fiscal Recovery funds to cities and towns from the State's allotment of non-entitlement and county distributions.
- Under FEMA Disaster Grants – Public Assistance (Stafford Act), the State received federal funds totaling \$324.4 million in fiscal 2023, of which \$270.8 million related to reimbursement of expenditures in prior years.
- The Auditor General issued an unmodified opinion on the State's fiscal 2023 financial statements, concluding that the financial statements are fairly presented in accordance with U.S. generally accepted accounting principles.

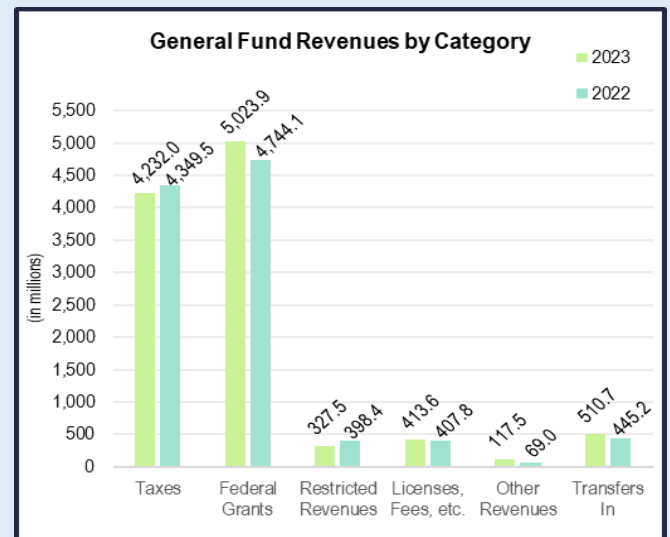
General Fund Revenues

- General Fund revenues increased by \$211 million in fiscal 2023 over the prior year. Tax revenue, as detailed more fully below, accounted for a decrease of \$117.5 million but was offset by an increase in federal grant revenue of \$279.8 million. Additionally, interest earned on General Fund deposits totaled \$59.7 million for fiscal 2023 as compared to just \$4.6 million in the prior year.
- Transfers from the Lottery (reported as General Fund Transfers In) totaled \$434.7 million in 2023, an increase of \$46.1 million from fiscal 2022. The 11.9% increase in fiscal 2023 was largely attributable to increased receipts from operations at Bally's Twin River Casino in addition to growth in mobile sports betting and traditional lottery.



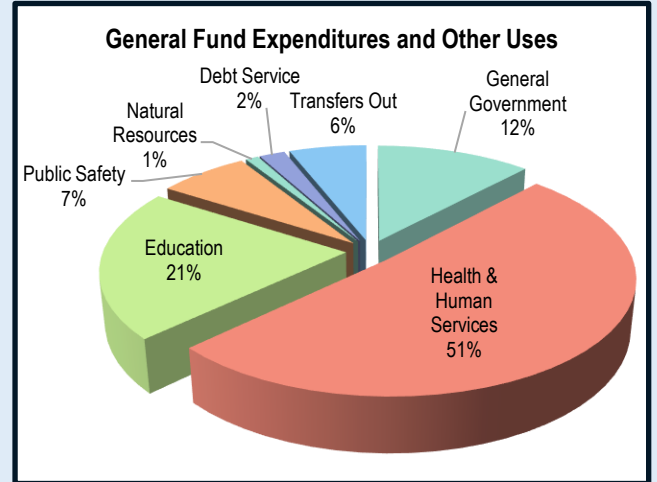
- Tax revenues totaled \$4.2 billion in fiscal 2023, a slight decrease from the \$4.3 billion in fiscal 2022. This reduction mainly resulted from lower personal income and general business tax revenues, which saw modest decreases of 8.8% and 2.7%, respectively. These decreases were partially offset by a notable increase in other taxes, largely attributable to increased inheritance tax collections.
- Sales and use tax totaled \$1.7 billion, an increase of 2.2% over the prior year due to inflation in consumer goods and wages in addition to continued consumer spending of savings accumulated during the pandemic.

- Federal revenue exceeded \$5.0 billion in fiscal 2023. Federal revenue relating to State and Local Fiscal Recovery funding increased by \$230.5 million over fiscal 2022 in support of expenditures for a wide array of pandemic recovery initiatives throughout State government. In addition, federal revenue relating to Education Stabilization funding increased by \$95 million over the prior year as local school districts utilized their funding allocations.
- Restricted revenue decreased by \$70.9 million over the prior year. The decrease in restricted revenue was largely attributable to a provision in the American Rescue Plan Act that provided states with an additional 10% federal Medicaid match on qualified Medicaid home and community-based services. The provision was effective for and ended in fiscal 2022, mandating the State to restrict the additional funding for expanded home and community-based service initiatives.

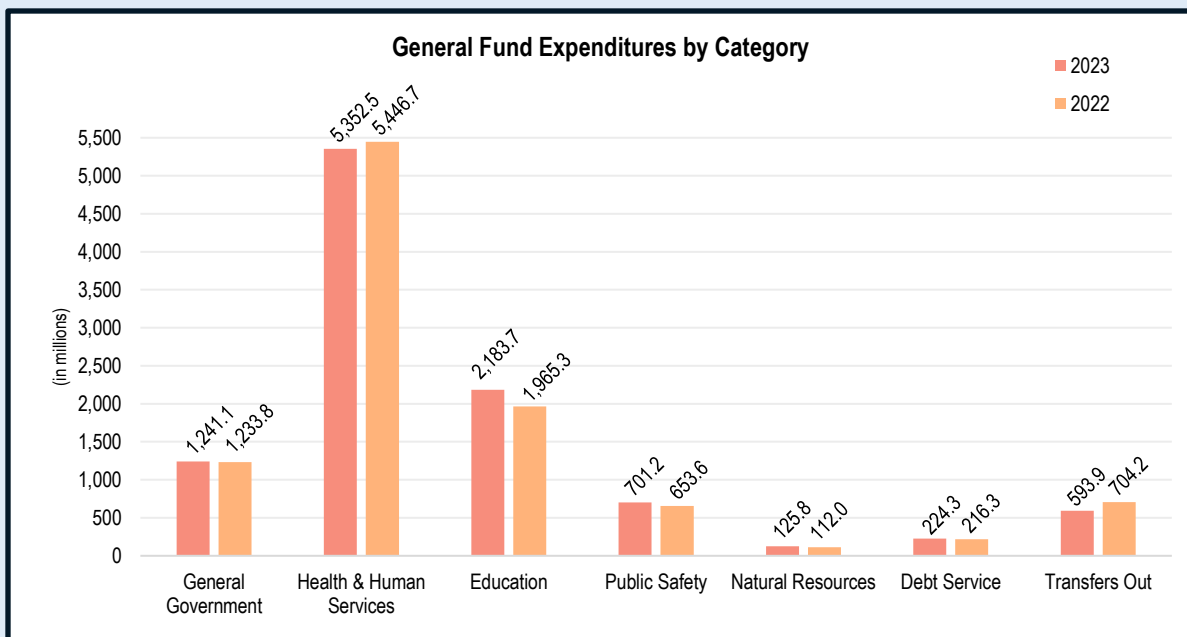


General Fund Expenditures

- Expenditures and transfers totaled \$10.4 billion in fiscal 2023, an increase of \$90.8 million or 0.9% over fiscal 2022, principally attributable to spending of federal funds supported by the American Rescue Plan Act (ARPA).
- General government expenditures totaled \$1.2 billion in fiscal 2023, a slight increase over fiscal 2022. This included the State's continued utilization of State Fiscal Recovery Funding for appropriated pandemic recovery initiatives.
- Health & human services expenditures dipped by \$94.1 million in fiscal 2023, largely attributable to the reduction of pandemic-related expenditures at the RI Department of Health that were eligible for reimbursement from FEMA.
- Education expenditures increased \$218.5 million in fiscal 2023 over the prior year. Increased federal funding of \$100 million in the Education Stabilization Fund and Title I programs was provided to local school districts, charter schools, and State schools. The State also provided increased support of \$7.2 million for the public higher education institutions.
- Public safety expenditures increased by \$47.6 million due in large part to increased staffing at the RI Department of Corrections.



- Natural resources expenditures grew by \$13.8 million in fiscal 2023, significantly attributable to a \$28.5 million transfer to RI Infrastructure Bank to finance the State match for federal clean water and drinking water programs.
- The General Fund also transferred \$257 million to the RI Capital Plan Fund and \$28 million to the Historic Tax Credit Financing Fund, as appropriated, to fund future capital projects and revenue replacement for future historic tax credits claimed by taxpayers, respectively.



Intermodal Surface Transportation (IST) Fund Operations

- IST Fund expenditures were funded through a variety of revenue sources in fiscal 2023. These sources mostly included gasoline taxes, appropriations from the RI Capital Plan Fund, federal transportation programs, GARVEE bond proceeds, and motor vehicle registry fees and surcharges.
- RIDOT expended \$649.8 million on infrastructure projects and maintenance programs. Infrastructure expenditures accounted for \$449.1 million. The two largest infrastructure projects were the I-95 Viaduct North Bound Bridge and the Route 6/10 interchange project with expenditures totaling \$52.7 million and \$26.4 million, respectively. Transfers of gas tax revenue from the IST Fund to the RI Public Transit Authority (RIPTA) in fiscal 2023 totaled \$41.9 million, consistent with the prior year.
- The notes to the financial statements reported (a) continued litigation regarding the State's RhodeWorks tolling program which was suspended in September 2022 and (b) the closure of the I-195 Washington Bridge westbound span deemed no longer safe for public use. The outcome of these issues will significantly impact future revenues and expenditures relating to the State's transportation infrastructure.

Revenues and other sources:	(in millions)
Taxes	\$ 234.0
Federal grants	496.0
Transfers (primarily from RICAP)	58.3
Fees	31.8
Other	14.6
Total	\$ 834.7
Expenditures and transfers:	
Maintenance and infrastructure capital outlays	\$ 649.8
Debt service	73.3
Transfers to RIPTA - gas tax	41.9
Transfers (primarily to General Fund for debt service)	62.0
Total	827.0
Increase in fund balance	\$ 7.7

Changes in Long-Term Liabilities

	(expressed in millions)			
	Beginning	Additions	Reductions	Ending
Governmental				
Bonds payable	\$ 2,824.4	\$ 301.7	\$ (276.9)	\$ 2,849.2
Lease liability	87.4	2.8	(19.8)	70.4
SBITA liability	-	16.2	(7.7)	8.5
Net pension liability	2,821.1	341.8	(19.8)	3,143.1
Net OPEB liability	208.9	47.8	-	256.7
Other	304.1	32.5	(49.9)	286.7
Total	\$ 6,245.9	\$ 742.8	\$ (374.1)	\$ 6,614.6
Business-Type				
Bonds payable	\$ 181.0	-	\$ (20.2)	\$ 160.8
Lease liability	1.4	-	(0.3)	1.1
Net pension liability	16.6	2.1	-	18.7
Net OPEB liability	2.1	0.4	-	2.5
Other	6.8	14.1	(3.2)	17.7
Total	\$ 207.9	\$ 16.6	\$ (23.7)	\$ 200.8
Total	\$ 6,453.8	\$ 759.4	\$ (397.8)	\$ 6,815.4

- In October 2022, the State issued general obligation bonds totaling \$222.7 million for various projects previously authorized by the voting public. Additionally, the State issued refunding bonds totaling \$43.2 million in July 2022.
- In fiscal 2023, the State implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITA). At fiscal year end, the total SBITA liability recorded was \$8.5 million for Governmental Activities.
- At June 30, 2023, general obligation debt authorized by the voters but unissued totaled approximately \$618.3 million.
- Further details surrounding the changes in Net Pension and Net OPEB Liabilities can be found on the following page.

Employer Pension Plans

- Net pension liabilities of the primary government totaled \$3.2 billion. This is the combined liability for six defined benefit plans covering State employees totaling \$2.0 billion and the State's proportionate share of the net pension liability for teachers totaling \$1.2 billion as of the June 30, 2022 measurement date.
- The net pension liability is the accounting measure of pension liabilities and is net of amounts accumulated for future benefits at the measurement date. Plan net position as a percentage of the total pension liability for the plans at the June 30, 2022 measurement date is shown in the table.
- Net position restricted for State employee pension benefits increased by \$161.6 million in those respective Pension Trust Funds. These funds collectively recognized a \$249.7 million net investment gain across those plans in fiscal 2023.
- The State made employer contributions totaling \$238.2 million in fiscal 2023 to the defined benefit pension plans in addition to \$122.5 million as the State's share of pension contributions for teachers. Retirement benefits paid to retired State employees exceeded \$384.0 million in fiscal 2023.
- The State contributed \$6.2 million to the defined contribution plan in fiscal 2023 for State employees. The Defined Contribution Plan Pension Trust fund, which holds retirement assets for State employees, teachers, and municipal employees (plans administered by the Municipal Employees Retirement Trust Fund) reported net position of \$1.7 billion at June 30, 2023.

Plan fiduciary net position as a % of the total pension liability

ERS - State employees	59.6%
ERS - Teachers	62.1%
SPRBT - State Police	90.4%
SPRFT - State Police	14.9%
JRBT - Judges	101.1%
RIJRFT - Judges	7.4%

Retiree Healthcare Benefit (OPEB) Plans

- Six defined benefit OPEB plans provide retiree healthcare benefits for State employees including certain electing teachers and Board of Education employees.
- The net OPEB liability (asset) is the accounting measure of OPEB liabilities and assets. Net OPEB liabilities totaled \$259.3 million, which is net of amounts accumulated for future benefits at the measurement date. For three plans, a net OPEB asset results from plan assets exceeding the OPEB plans' liabilities by \$15.2 million.
- Plan net position as a percentage of the total OPEB liability at the June 30, 2022 measurement date is shown in the table. The funded status of the OPEB plans declined slightly, with the largest plan covering most state employees decreasing from 60.5% to 55.1% at the June 30, 2022 measurement date.
- Employer contributions to the OPEB plans totaled \$39.6 million in fiscal 2023. The OPEB Trust Funds collectively recognized a \$56.4 million net investment gain across all funds for fiscal 2023. The investment return assumption is 5% for the OPEB plans.
- OPEB Trust Funds paid \$31.2 million towards retiree healthcare benefits in fiscal 2023, an increase of \$2.1 million over the prior year.

Plan fiduciary net position as a % of the total OPEB liability

State employees	55.1%
Teachers	193.9%
State Police	90.2%
Judicial	2373.2%
Legislators	403.2%
Board of Education	76.6%

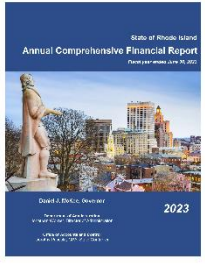
Fiscal 2023 COVID-19 Federal Assistance Expenditures

Fiscal 2023 federal expenditures funded by COVID-19 related assistance totaled \$1.2 billion. This funding consists of authorizations under various federal legislation in response to the pandemic, including the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act. COVID-19 funding in 2023 was largely spent on the following programs for the activities detailed below.

	(in millions)
Coronavirus State and Local Fiscal Recovery Fund – Funding to states and municipalities for pandemic assistance. Approximately \$316.4 million expended from State Recovery Funds and \$132 million disbursed to cities and towns from the State’s Local Fiscal Recovery Funding allotment.	\$ 448.4
Education Stabilization Fund – Funds provided to local education agencies to address the impact the pandemic has had on elementary and secondary schools.	\$ 204.8
Medicaid and CHIP Programs – Enhanced federal reimbursement to States during the public health emergency to assist states in dealing with increasing program expenditures due to expanding enrollments.	\$ 160.5
Emergency Rental Assistance – Funds provided to RI Housing and other organizations to assist households having difficulty making rent and utility payments due to the pandemic.	\$ 60.7
Epidemiology & Laboratory Capacity for Infectious Diseases – Funds used to monitor the spread of COVID-19, as well as lab testing costs, and other virus mitigation efforts.	\$ 59.0
FEMA Stafford Act Disaster Assistance – Claims for certain pandemic-related costs associated with the public health emergency. Not included in this amount is \$270.8 million received from FEMA in 2023 for prior year expenditures.	\$ 53.6
Pandemic EBT Food Benefits – Pandemic EBT is a special Supplemental Nutrition Assistance Program (SNAP) benefit intended to help children who – due to COVID – may have missed free or reduced-price meals through the National School Lunch Program (NSLP).	\$ 36.4
Highway Planning and Construction – Additional funding for eligible maintenance expenses, including personnel, winter vendor & materials, and other maintenance materials.	\$ 25.9
Homeowner Assistance Fund – Funds provided to RI Housing to mitigate financial hardships due to the pandemic and to prevent homeowner mortgage delinquencies, defaults, foreclosures, etc.	\$ 24.3
State Small Business Credit Initiative – Funds provided to RI Commerce Corporation to support small businesses and empower them to access the capital needed to invest in job-creating opportunities as the country emerges from the pandemic.	\$ 19.7
Low-Income Home Energy Assistance – Additional funding to support the assistance of eligible households to meet their immediate home energy needs.	\$ 18.3
Child Care and Development Fund – Additional funding provided to ensure childcare centers are able to maintain operations while recovering from hardships of the pandemic.	\$ 17.6
Other Federal Programs Receiving COVID-19 Assistance	\$ 66.7
Total COVID-19 Assistance Expended in 2023	\$ 1,195.9

Additional information on expenditures of federal awards during fiscal 2023 will be included in the State’s Single Audit Report, which is in progress and will be shared with federal funding agencies as a condition of continued federal assistance.

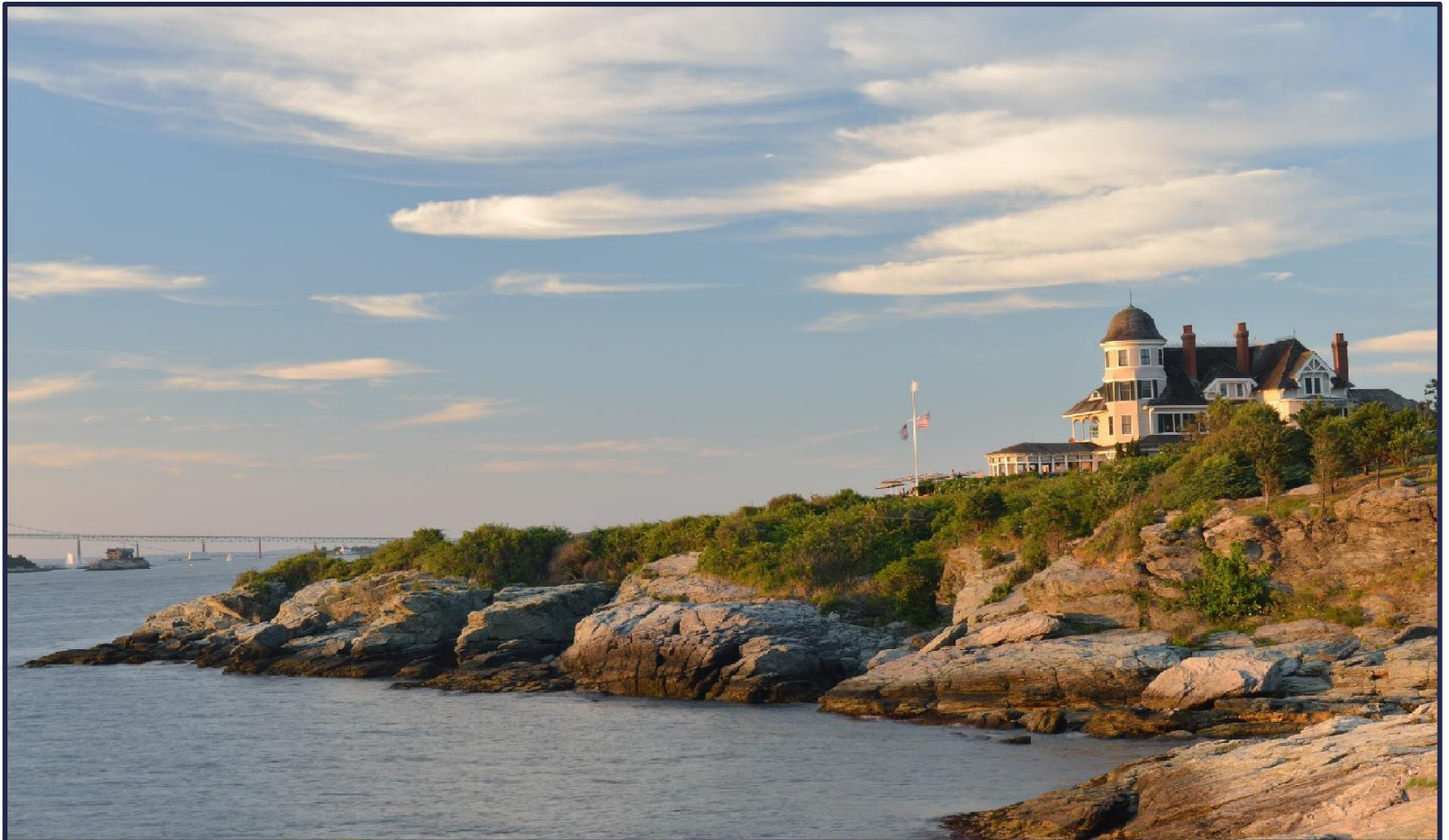
The **State of Rhode Island's Fiscal 2023 Annual Comprehensive Financial Report (ACFR)** prepared by the Office of Accounts and Control – Department of Administration – includes the *Independent Auditor's Report* of the Auditor General resulting from the annual audit of the State's financial statements as required by RI General Law section 35-7-10. Management's Discussion and Analysis explains key highlights and changes between fiscal years 2023 and 2022.



The full fiscal 2023 ACFR is available on the Office of Accounts and Control and Auditor General websites:

[2023 State of Rhode Island ACFR 6.30.23 \(ri.gov\)](https://www.ri.gov)

The Rhode Island Commerce Corporation assisted in providing artwork for the State of Rhode Island's 2023 Annual Comprehensive Financial Report



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