

Governor's FY 2026 Budget: Articles

Staff Presentation to the House Finance
Committee
February 6, 2025

Introduction

Agenda by Article	
2025-H 5075, Section 10	
Marijuana Trust Fund	
2025-H 5075	
Article 1, Section 6	
State Fiscal Recovery Funds Reporting & Compliance	
Article 1, Section 19	
2025-H 5076	Article 2
	Sections 2 through 4
	State Funds
Article 3	
Sections 14 & 17	
Government Reform and Reorganization	

Introduction

Hearing Topics

State Fiscal Recovery Funds – Reallocation Authority and Reporting Changes

Excess Revenue Transfer – FY 2024 reversal

Restricted Receipts - Indirect Cost Recovery rate and exempt accounts

Risk Management Function transfer

Marijuana Trust Fund Scoop

American Rescue Plan Act – SFRF

- State & Local Fiscal Recovery Funds
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - Use spans several state fiscal years
 - Obligation deadline was Dec. 31, 2024
 - **Funded projects must be completed by Dec. 31, 2026 - FY 2027**
- State Pandemic Recovery Office
 - Planning, oversight, compliance
 - Quarterly reporting, assessment of at-risk projects
 - Sunsets on December 31, 2026

State Fiscal Recovery Fund Reporting & Compliance

- 2024 Assembly
 - Authorized Governor discretion to reallocate State Fiscal Recovery funds
 - If projects deemed at-risk of federal forfeiture
 - November 10 deadline
 - Reallocations all dedicated to Unemployment Insurance Trust Fund
 - Opportunity for rejection by House & Senate
 - Final quarterly PRO report due on October 31, 2026

State Fiscal Recovery Fund Reporting & Compliance

- December 2024 guidance more flexible
 - Reduces risk of recapture
 - Ability to reallocate unspent funds
 - Including any existing program with spending committed
- Governor
 - Adds 1 project & adjusts funding for 3
 - *Expands executive reallocation authority*
 - *Changes reporting schedule*

2025-H 5075 Article 1, Sec. 6 & 2025-H 5076 Article 1, Sec. 19

- Authorizes Governor to reallocate SFRF
 - If at-risk of federal forfeiture
 - Can include underspending at program close
 - Wide discretion – any other eligible use
 - Must notify Assembly “within 30 days”
 - Unclear if this is before or after reclassification
- PRO Reporting Changes
 - Last quarterly due on January 31, 2025
 - Twice yearly report beginning April 30, 2025 & ending on October 31, 2026

American Rescue Plan Act – At-Risk Projects

- Currently 2 at-risk projects totaling \$4.3 million
 - Both are within the Dept. of Housing
- More projects may be added as spending deadline nears
- 13 additional projects are being monitored totaling \$74.6 million

At-Risk ARPA Projects	
Municipal Planning	\$2.3
Statewide Housing Plan	2.0
Total	\$4.3

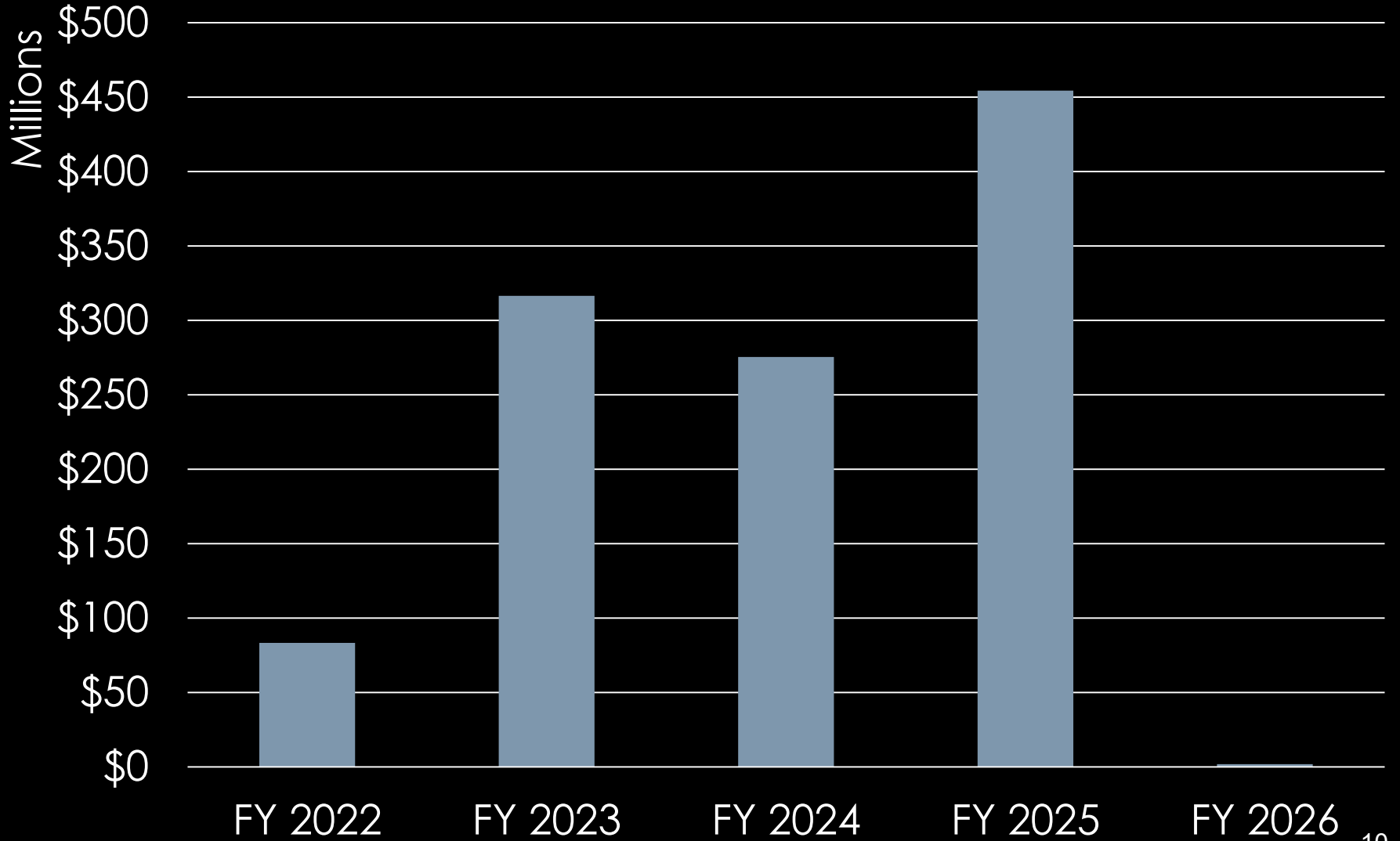
\$ in millions; flagged as at-risk by PRO in December 2024

American Rescue Plan Act

- \$4.5M - SNAP Healthy Incentives Pilot
 - Swaps to create general revenue savings
 - Allowed under updated federal guidelines
 - Existing program with spending committed

Governor's Proposed Changes	
SNAP Health Incentive Pilot - NEW	\$4.5
Electric Heat Pump Grant Program	(0.6)
Certified Community Behav. Health Clinics	(1.0)
Psychiatric Residential Facility (Female Youth)	(2.9)
Total	\$ -

American Rescue Plan Act



Art. 2, Sec. 3 & Art. 3, Sec. 17 – State Controller

- Supplemental Reserve Account
 - Account created in 2023 & funded with \$55.0 million available general revenues
 - Essentially increasing total reserves to 6%
 - Current rainy day fund is constitutionally capped at 5%
 - Future funding stream also established
 - Half of any revenues above final estimates
 - Determined at fiscal close
 - The other half is directed to the Employees' Retirement System

Art. 2, Sec. 3 & Art. 3, Sec. 17 – State Controller

- Governor's FY 2025 budget proposed
 - Repealing the provision related only to the Supplemental Reserve Account
 - Excess was \$13.0 million; \$6.5 million would be retained
- 2024 Assembly agreed for FY 2023 only
 - Post budget to address tax issue
- Governor's FY 2026 budget suspends both transfers for FY 2024 only
 - Draft audit shows \$43.3 million

FY 2024 Draft Audit - Jan 16

	Enacted	Draft	Diff.
Opening	\$457.4	\$457.4	\$ -
Other Revenues	5,373.9	5,418.5	44.6
Total Revenues	\$5,831.3	\$5,875.9	\$44.6
Fund Balance Adj	14.7	23.8	9.1
To Rainy Day	(173.6)	(174.9)	(1.3)
Expenditures/Transfers	(5,393.4)	(5,320.6)	72.8
Closing Surplus	\$ 279.0	\$404.2	\$125.2
Reappropriation	-	(34.6)	(34.6)
Retirement/Reserve	-	(43.3)	(43.3)
\$ in millions Free Surplus	\$279.0	\$326.4	\$47.3

Art. 2, Sec. 2 – Indirect Cost Recovery

- All revenues = general revenue, unless otherwise noted – RIGL 35-3-14 (a)
- Currently 10% indirect charge on receipts unless:
 - Prohibited (federal or other)
 - Charitable
 - Specifically listed as exempt

Art. 2, Sec. 2 – Indirect Cost Recovery

- Section 2 increases indirect charge on receipts from 10% to 15%
 - Aligns state's rate with recently increased federal rate
 - State's rate was last increased from 7.0% to 10% in FY 2006
- Budget assumes additional revenues of \$6.8 million from rate increase
 - Revenues were \$12.9 million for FY 2024 and \$9.5 million for FY 2023

Art. 2, Sec. 2 – Indirect Cost Recovery

- Governor's budget proposes two new standalone agencies
 - Office of Energy Resources
 - RI Cannabis Control Commission
- Section 2
 - Modifies presentation of accounts under their purviews
 - Exempts Clean Transportation Programs account
 - No express statutory authority

Art. 2, Sec. 4 – RI State Psychiatric Hospital

- 53-bed facility at the Pastore Center
 - Stand-alone entity created in 2022 to allow for the state to maximize Medicaid reimbursement for Eleanor Slater Hospital
 - Facilities with 50% + psychiatric patients not eligible
 - No prohibition on Medicare or other third-party reimbursements
 - FY 2026 - Governor recommends \$33.7 M
 - \$33.4 million from general revenues
 - \$0.1 million each from restricted receipts/RICAP

Art. 2, Sec. 4 – RI State Psychiatric Hospital

- Sect. 4 creates a restricted receipt account for Medicare Part D receipts
 - Assumes these pharmacy reimbursements would offset general revenues
 - FY 2026 budget assumes \$0.9 million for pharmacy costs
 - \$0.1 million from anticipated reimbursements
- Account does not appear to be a barrier to billing

Division of Purchases

- State purchasing program comprises five major functions
 - Procurement
 - Operational support services
 - Purchase order production and record keeping
 - Standards & specification development
 - Goods and services to be solicited
 - Issuance of specifications
 - Vendor information

Art. 3, Sec. 14 – Procurement Fee

- 2017 Assembly authorized assessment on Master Price Agreement vendors
 - Not to exceed 1.0%
 - Support e-procurement system
 - Implemented in February 2022
 - Deposited as restricted receipts
 - Required annual reporting by January 15
 - Collections
 - Expenses
 - Account balance

Art. 3, Sec. 14 – Procurement Fee

Fiscal Year	2020	2021	2022	2023	2024
Prior Yr. Balance	\$-	\$(0.1)	\$0.1	\$0.3	\$0.9
New Receipts	-	0.2	0.7	1.0	2.0
Available	\$ -	\$0.2	\$0.7	\$1.3	\$2.9
Expenses	\$0.1	-	\$0.4	\$0.4	\$0.5
Ending Balance	\$(0.1)	\$0.1	\$0.3	\$0.9	\$2.4

\$ in millions

Art. 3, Sec. 14 – Procurement Fee

- Section 14 lowers fee cap to 0.33%
 - Expands to all contracts
 - Expands allowable uses
 - Effective January 1, 2026
 - Staggered rollout; full implementation in FY 2027
- Governor's recommendation includes general revenue savings of \$0.5 million
 - Shifts additional Division of Purchases expenses to currently available restricted receipts

Art. 3, Sec. 14 – Procurement Fee

- Purchasing budget is \$5.9 million for FY 2026
 - \$4.0 million remains funded from general revenues

Fiscal Year	2024	2025	2026	2027
Prior Yr. Balance	\$0.9	\$2.4	\$3.7	\$4.0
New Receipts	2.0	2.0	1.6	?
Available	\$2.9	\$4.4	\$5.3	?
Expenses	\$0.5	\$0.7	\$1.3	?
Ending Balance	\$2.4	\$3.7	\$4.0	

\$ in millions

Risk Management -

Art. 2, Sec. 3 & Art. 3, Sec. 17

- Current law authorizes
 - DOA director to enter into agreements for comprehensive insurance on state property
 - Protect state against loss from fire and other risks
 - Division of Capital Asset Management and Maintenance manages and maintains state facilities
- Articles transfer functions of Office of Risk Management from DCAMM to Controller
 - Asset/risk functions more than maintenance

2025-H 5075 Article 1, Sec. 10

- Marijuana Trust Fund
 - Created under 2022 RI Cannabis Act
 - Receives 10% excise tax on retail sales
 - For program & regulatory activity in 6 agencies
 - Net FY 2024 revenue of \$5.8 million
- Governor's Recommendation
 - Transfer \$0.6 million based on automatic expungement underspending

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