

# Governor's FY 2026 Budget

Staff Presentation to the House Finance  
Committee  
February 5, 2025

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# Introduction

- Provide an overview of the Governor's FY 2026 and FY 2025 revised budgets
  - Review how we got here
  - Outline basics of proposals
  - Highlight trends and issues to inform article and agency budget hearing inquiries
    - Implementation considerations
    - What happened with prior initiatives
  - Identify risks that affect assumptions

# Governor's FY 2026 Budget

- Overview of Governor's budget
  - Uses \$185 million in one-time surplus funds, mostly for ongoing commitments
  - Projects \$300 million budget gap for FY 2027
    - Some initiatives generate more revenue or savings in later years
    - Offset by use of one-time savings in FY 2026 and known growth areas
  - Implementation challenges pervasive

# Governor's FY 2026 Budget

- Observed general strategies
  - Cap statutory growth
  - Shift costs to existing other funds
  - Increase targeted taxes and user fees
  - Assume better enforcement of existing rules
  - Reprioritize certain investments
  - Defer solutions on several issues pending further information/study results

# Key Budget Concepts

- *Deficits or surpluses*
  - Actual or projected differences between resources & expenditures
    - Actual year or current year
- *Budget Gaps*
  - Projected differences between estimated resources & estimated expenditures
    - Budget year and out years
  - Governor must submit a balanced budget
    - Out years must also be presented and provide measure of structural issues

# Projections vs Reality

## ITEMS TRACKED REGULARLY

- Revenue Collections
  - Regular
  - New initiatives
- Entitlement programs
  - Trends
  - Policy implementation
- Program spending
  - Initiative progress
- Staffing patterns

## INFORMATION USERS

- Managers & Directors
  - Reporting
  - Course correction
- Executive decision-makers
  - Address systemic issues
  - Implementing response
- Legislators
  - Oversight
  - Policy and funding revisions

# Budget Cycle

- Preliminary FY 2024 Closing – Sept 18
- REC/CEC Q1 – Mid-November
- Governor's FY 2026 Budget – Jan 16
  - 2025 - H 5075 & 5076 introduced & referred
- Agencies Q2 – Jan 30
- FY 2024 Audited Closing – Feb ??
- Budget Office Q2 – Feb 15
- REC/CEC Q3 – Mid-May
- New Fiscal Year July -1

# Governor's FY 2026 Budget

## *Finance Committee Review*

- Briefing - Overview
- Article hearings through March
  - 10 articles separate from appropriation
    - Some with multiple sections on different topics
- Subcommittee review of individual agency budgets – March
- Governor's requested amendments and other issues of interest – March/April



# References

- Materials are online on the Assembly website - <http://www.rilegislature.gov>
  - House Fiscal Reports
    - 2025 session
    - Prior session document links
    - Links to OMB/Budget Office
  - Includes items prepared by House Fiscal Staff that may be helpful
  - Hearings available “on demand” on Assembly website

# Governor's FY 2026 Budget

- ***FY 2024 Closing***
- FY 2025 Revised Budget
- FY 2026 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

# FY 2024 Preliminary – Sept 18

	<b>Enacted</b>	<b>Prelim</b>	<b>Diff.</b>
Opening	\$457.4	\$457.4	\$ -
Other Revenues	5,373.9	5,368.8	(5.1)
<b>Total Revenues</b>	<b>\$5,831.3</b>	<b>\$5,826.2</b>	<b>\$(5.1)</b>
Fund Balance Adj	14.7	23.8	9.1
To Rainy Day	(173.6)	(173.4)	0.2
Expenditures/Transfers	(5,393.4)	(5,350.2)	43.2
<b>Closing Surplus</b>	<b>\$ 279.0</b>	<b>\$326.4</b>	<b>\$47.3</b>
Reappropriation	-	(34.6)	(34.6)
Retirement/Reserve	-	-	-
<b>\$ in millions      Free Surplus</b>	<b>\$279.0</b>	<b>\$291.8</b>	<b>\$12.8</b>

# FY 2024 Draft Audit Jan - 16

	<b>Enacted</b>	<b>Draft</b>	<b>Diff.</b>
Opening	\$457.4	\$457.4	\$ -
Other Revenues	5,373.9	5,418.5	44.6
<b>Total Revenues</b>	<b>\$5,831.3</b>	<b>\$5,875.9</b>	<b>\$44.6</b>
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
<b>Closing Surplus</b>	<b>\$ 279.0</b>	<b>\$404.2</b>	<b>\$125.2</b>
Reappropriation	-	(34.6)	(34.6)
Retirement/Reserve	-	(43.3)	(43.3)
<b>\$ in millions      Free Surplus</b>	<b>\$279.0</b>	<b>\$326.4</b>	<b>\$47.3</b>

# Changes to Projected FY 2024 Ending Surplus

- Significant adjustments
  - Tax receipt timing
  - Expense corrections
- Revenue add triggers rule on transfer

<b>Closing variance</b>	<b>9-18</b>	<b>1-16</b>
Opening	\$ -	\$ -
Other Rev	(5.1)	44.6
<b>Total Revenues</b>	<b>\$(5.1)</b>	<b>\$44.6</b>
Fund Balance Adj	9.1	9.1
To Rainy Day	0.2	(0.4)
<b>Exp/Transfers</b>	43.2	<b>72.8</b>
Closing Surplus	<b>\$47.3</b>	\$125.2
Reapprop.	(34.6)	(34.6)
Ret/Reserve Txfer	-	(43.3)
<b>Free Surplus</b>	<b>\$12.8</b>	<b>\$47.3</b>

# FY 2024 Closing

- Preliminary closing issued 18 days late
  - Auditor General continues to express concern over timeliness and effects of staff turnover and procedural deficiencies
  - Draft audit changes are significant
    - Some avoidable with better process
  - Inaccuracies complicate budget process
- Audited financials are also delayed
  - Cascading effects of initial delay and quality

# Closing - Expenditures

- General Revenues - \$72.8 million less
  - \$34.6 million unspent & re-appropriated
  - \$38.2 million – another net underspend
    - \$7.7M - EOHHS caseload
    - \$12.3M DOC – major spending estimate issue
    - \$6.5M DHS – including Veterans Home
    - \$3.0M RIDE – aid savings, including retirement
    - DCYF – \$6.0 million overspend
      - Failed federal claiming efforts, lower staffing costs

# Closing – Revenues

- Revenues - \$44.6 million more
  - Income tax receipts higher than expected
    - Prelim closing excluded delayed payment
    - Audit will fix to match May REC – accounting rules
  - Sales tax shortfall offset by other sources
  - Excess transferred to the retirement system and the supplemental budget reserve fund
    - Requirements adopted by 2023 Assembly
- FEMA reimbursement - \$9.1 million more
  - Process nearly complete



# Governor's FY 2026 Budget

- FY 2024 Closing
- *FY 2025 Revised Budget*
- *FY 2026 Revenue-Expenditure Gap*
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

# Current Year

- The *current year* has surplus vs enacted expectations
  - FY 2024 Closing – draft audit
  - REC/CEC results
  - Current spending estimates
    - Net of the impact of post-budget collective bargaining agreements
- The Governor's budget proposed changes to enhance that and preserve for use in FY 2026

# Economic Forecast

- Revenue Estimating Conference adopts a consensus economic forecast
  - It takes testimony from IHS Markit
  - The firm builds U.S. macroeconomic models from which it derives its Rhode Island forecasts
  - Updated in November
  - Will be updated again in May along with revenues

# Economic Forecast: Nov 24

- Positive outlook with significant threats
  - Nearly at full employment
  - Inflation nearing target levels
  - Strong consumer spending growth
  - RI's wage growth keeping pace nationally
- Risks to forecast
  - RI's tight housing market
    - Affordability index at lowest level since early 1990s
  - National policies – assumes divided gov't
    - Tariffs, immigration, debt limit, etc.

# November 2024

## Consensus Revenue Estimates

	<b>FY 2024 D-Audit</b>	<b>FY 2025 Rev.</b>	<b>Chg to Enacted</b>	<b>FY 2026 Estimate</b>	<b>Change to FY 25</b>
Personal Income	\$1,819.4	\$1,913.5	\$48.0	\$1,989.1	\$75.6
Business Taxes	717.2	705.0	6.5	713.0	8.0
Sales & Use Taxes	1,775.5	1,840.5	1.3	1,891.7	51.2
Other Taxes	66.2	83.4	12.4	81.6	(1.8)
<b>Total Taxes</b>	<b>\$4,378.1</b>	<b>\$4,542.4</b>	<b>\$68.2</b>	<b>\$4,675.4</b>	<b>\$133.0</b>
Departmental	552.3	543.5	25.9	315.0	(228.5)
Other Misc.	38.2	25.4	(1.9)	23.5	(1.9)
Lottery	426.4	424.0	(25.4)	432.7	8.7
Unclaimed Prop.	23.6	21.3	0.7	20.5	(0.8)
<b>Total</b>	<b>\$5,418.7</b>	<b>\$5,556.6</b>	<b>\$67.5</b>	<b>\$5,454.2</b>	<b>\$(89.5)</b>

\$ in millions

# November CEC

## FY 2025 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg.</i>
All Funds	\$3,667.9	\$3,596.7	\$(71.2)
General Revenues	1,358.1	1,331.2	(26.9)
<b><i>Cash Assistance</i></b>			
All Funds	\$126.3	\$125.7	\$(0.7)
General Revenues	28.8	28.7	(0.2)
<b><i>Private DD Services</i></b>			
All Funds	\$424.5	\$431.7	\$7.3
General Revenues	187.8	191.6	3.7
<b>Total</b>	<b>\$4,218.7</b>	<b>\$4,154.2</b>	<b>\$(64.6)</b>

\$ in millions

# November CEC

## FY 2026 Caseload Estimating Conference

<b><i>Medical Assistance</i></b>	<b><i>Enacted</i></b>	<b><i>Nov CEC</i></b>	<b><i>Chg. to 25</i></b>
All Funds	\$3,667.9	\$3,917.0	\$320.3
General Revenues	1,358.1	1,418.7	87.4
<b><i>Cash Assistance</i></b>			
All Funds	\$126.3	\$130.2	\$4.5
General Revenues	28.8	28.8	0.1
<b><i>Private DD Services</i></b>			
All Funds	\$424.5	\$440.6	\$8.9
General Revenues	187.8	190.2	(1.4)
<b>Total</b>	<b>\$4,218.7</b>	<b>\$4,487.9</b>	<b>\$333.7</b>

\$ in millions

# Medical Assistance: CEC

- FY 2026 enrollment 18,000 above FY 2020

<b>Enrollment</b>	<b>FY 2020</b>	<b>FY 2023</b>	<b>FY 2025 Enacted</b>	<b>FY 2025 Nov CEC</b>	<b>FY 2026 Nov CEC</b>
<b>Managed Care</b>	<b>169,930</b>	<b>195,363</b>	<b>186,838</b>	<b>178,687</b>	<b>180,200</b>
RH Partners	14,588	14,102	13,260	12,667	12,943
RH Options	14,225	13,243	12,931	11,787	11,900
<b>Expansion</b>	<b>75,568</b>	<b>113,308</b>	<b>89,146</b>	<b>86,942</b>	<b>86,741</b>
<b>Total</b>	<b>274,311</b>	<b>336,016</b>	<b>302,175</b>	<b>290,083</b>	<b>291,784</b>



# Budget Gap

- HFAS projected ~ \$262M gap for FY 2026
- Budget Office October gap was ~\$400M
  - Collective bargaining agreement added costs for FY 2025 and FY 2026

<b>BO Current year surplus – Q1</b>	
FY 2024 Prelim Closing	\$12.8
Nov Revenues	67.5
Nov CEC	23.3
Other Q1	(26.6)
<b>Total</b>	<b>\$77.0</b>

\$ in millions

# Current Year - Changes

Budget Office Q1	\$77.0
Draft audit - net change from \$12.8	34.5
Reserve/ERSRI transfer reversal	43.3
Scoops	8.3
Debt service	5.2
Revise ongoing projects	3.0
Fund shifts	15.7
Other	0.3
<b>Total</b>	<b>\$187.3</b>

\$ in millions

# Governor's Budget

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
Opening Surplus	\$412.3	\$326.4	\$187.4
Reappropriated Surplus	45.2	34.6	-
FEMA Related Adjustment	23.8	-	-
Revenues	5,418.5	5,567.2	5,734.1
Rainy Day Fund	(174.9)	(176.8)	(177.6)
<b>Available Revenues</b>	<b>\$5,724.8</b>	<b>\$5,751.3</b>	<b>\$5,743.8</b>
<b>Expenditures</b>	<b>\$5,236.1</b>	<b>\$5,610.7</b>	<b>\$5,743.1</b>
Transfers	(162.3)	46.7	-
<b>Total Surplus*</b>	<b>\$326.4</b>	<b>\$187.4</b>	<b>\$ 0.8</b>

\$ in millions; \* Includes reappropriated surplus; FY 2024 draft audit data

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- Observed general strategies
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# Governor's Solution

- *Revenues*
- Medicaid/EOHHS Agencies
- Locals
- Commerce
- Departments and Agencies

# Revenues Changes

<b>Changes to REC</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Digital Ad Revenue Tax*	\$ -	\$9.5	\$16.9
Cigarettes	-	4.4	3.3
Firearm Safety Devices	-	(0.1)	(0.1)
Tax Incentive Repeals	-	0.2	0.4
Financial Instit. Data Match	-	5.3	8.0
Indirect Cost Recovery on RR	-	6.8	7.0
Scoops/Internal Fund Transfers	51.6	2.9	-
<b>Total</b>	<b>\$51.6</b>	<b>29.0</b>	<b>\$35.5</b>

\$ in millions

# Medicaid/EOHHS Agencies

Hospitals – Changes	GR	All
Rates	\$(1.7)	\$(5.3)
UPL Reimbursement	(6.7)	(18.3)
DSH Payment	(5.9)	(13.7)
State Directed Payment	9.1	30.6
License Fee	(16.8)	(16.8)
<b>Total</b>	<b>\$(22.0)</b>	<b>\$(23.5)</b>

\$ in millions



# Medicaid/EOHHS Agencies

<b>ESH – DSH Payment</b>	<b>GR</b>	<b>All</b>
Increased Payment	\$2.6	\$5.9
Offsetting Revenues	(12.9)	(12.9)
<b>Net GR Change</b>	<b>\$(10.3)</b>	

\$ in millions

# Medicaid/EOHHS Agencies

Changes to Medicaid	GR	All
Home & Comm. Based Services Rates	\$(4.3)	\$(10.1)
Nursing Homes Rates	(3.2)	(7.7)
Program Integrity*	(2.9)	(6.9)
Technical Correction – Rite Care	(1.9)	(4.5)
E-Consults*	(0.2)	(0.6)
<b>Total</b>	<b>\$(12.5)</b>	<b>\$(29.8)</b>

\$ in millions/\*net of administrative costs

# Medicaid/e-Consults

- Expanded benefit in fee-for-service program
  - Avoid in-patient visits for specialists
  - Starts October 1, 2025

	<b>New Benefit</b>	<b>Savings – in patient visit</b>	<b>Total</b>
General Revenues	\$1.4	\$(1.5)	\$(0.2)
Federal Funds	4.0	(4.5)	(0.4)
<b>Total</b>	<b>\$5.4</b>	<b>\$(6.0)</b>	<b>\$(0.6)</b>

\$ in millions

# Medicaid/Program Integrity

- Net savings of \$5.7 million
  - \$2.1 million from general revenues
- Half-year savings – grow in out years

	<b>Staff &amp; Operating</b>	<b>Savings</b>	<b>Net Savings</b>
General Revenues	\$0.8	\$(2.9)	\$(2.1)
Federal Funds	0.4	(4.0)	(3.6)
<b>Total</b>	<b>\$1.2</b>	<b>\$(6.9)</b>	<b>\$(5.7)</b>

\$ in millions

# The Work Number

- Income Verification using Equifax
  - Run monthly income data on beneficiaries
    - Address an audit finding
  - Delayed -contract not signed – not working

	<b>FY 2025 Enacted</b>	<b>FY 2025 Nov. CEC</b>	<b>CEC Enacted</b>	<b>FY 2026 Nov. CEC</b>
Savings	\$(21.5)	\$(8.2)	\$13.3	\$(21.5)
Annual exp.	8.5	3.7	(4.8)	9.9
<b>Total</b>	<b>\$(13.0)</b>	<b>\$(4.5)</b>	<b>\$8.5</b>	<b>\$(11.6)</b>
<b>Net GR</b>	<b>\$(3.7)</b>	<b>\$(1.1)</b>	<b>\$2.6</b>	<b>\$(3.3)</b>

\$ in millions

# RI Bridges

- State staff– DHS/DOA/EOHHS
- Contracted IT services, management, staff support & analytics

Agency	FY 2024	FY 2025 Enacted	FY 2025 Gov. Rev.	FY 2026 Gov.	Gov. to Enacted
EOHHS	\$58.2	\$59.0	\$54.5	\$66.1	\$7.1
DHS	32.9	29.3	32.5	12.8	(16.6)
DOA	6.3	6.5	6.8	5.8	(0.7)
<b>Total</b>	<b>\$97.4</b>	<b>\$94.8</b>	<b>\$93.8</b>	<b>\$84.6</b>	<b>\$(10.2)</b>
General Revenues	<b>\$28.0</b>	<b>\$27.2</b>	<b>\$26.4</b>	<b>\$22.8</b>	<b>\$(4.4)</b>

\$ in millions

# Medicaid/EOHHS Agencies

<b>BHDDH - Hospitals</b>		<b>GR</b>	<b>All</b>
<i>Efficiencies &amp; Billings</i>	ESH - Increase Census (6)	\$(2.4)	-
	ESH - Increase Medicare Billings	(0.8)	-
	ESH - Medicare – re-enrolling physicians	(0.1)	-
	RISPH – Medicare Part D	(0.1)	-
	<b>Change</b>	<b>\$(3.4)</b>	<b>\$-</b>

\$ in millions

# Medicaid/EOHHS Agencies

DCYF	GR	All
Placement Shifts – Congregate Care	\$(9.1)	\$(10.4)
Placement Shifts – Foster Care	2.1	2.7
Emergency Housing*	(1.8)	3.1
LEA Reimbursement Efforts	(3.0)	(3.0)
<b>Total</b>	<b>\$(11.8)</b>	<b>\$(7.6)</b>

\$ in millions/\*revised recommendation adds \$3.8 million from all funds



# DCYF – Staffing/Caseloads

- 647 filled positions in January 2025
  - 592 in January 2022
    - Net gain of 55
  - 32 resignations in 2023 & 29 in 2024
    - Improvement from 62 in 2022
    - However, 51.8% of non-retirement departures were resignations in 2024
- Caseloads
  - Average # per worker with full caseload
    - March 2020 – 16.5 ; November 2023 12.5
    - December 2024 – 11.0

# Risks - Federal Changes

- Potential for Medicaid changes widely discussed\*
  - Reduce/Rescind 90% federal match for Medicaid Expansion population
    - Moving RI FY 2026 regular 57.2% match would require \$232 million more from general revenues
  - Medicaid Block grants with a spending cap for each state
  - Work Requirements

*\*Information from KFF published 1/23/2025*

# Governor's Solution

- Revenues
- Medicaid/EOHHS Agencies
- *Locals*
- Commerce
- Departments and Agencies
  - Statewide
  - Initiatives
  - Debt and Other

# Education Aid

<b>Education Aid Components</b>	<b>FY 2025 Enacted</b>	<b>FY 2026 Gov</b>	<b>Chg. to Enacted</b>
Formula Aid	\$1,238.3	\$1,269.6	\$ 31.2
Concentrated poverty factor	-	10.9	10.9
Categorical Funding	62.6	60.9	(1.8)
Set-Aside Funds	1.3	1.1	(0.2)
Construction and Retirement	247.4	257.9	10.5
<b>Total</b>	<b>\$1,549.6</b>	<b>\$1,600.3</b>	<b>\$50.7</b>

\$ in millions

# Education Aid

- Current law core instruction of \$13,322
  - \$705 or 5.6% increase from FY 2025
  - October enrollment down – 0.6% from FY 2025
    - March enrollment will be used for final aid
  - Current law increase totals \$31.2 million
- Governor proposes increasing the student success factor from 40% to 43% for high-poverty districts - \$10.9 million
  - Aid for students from Central Falls, Newport, Pawtucket, Providence, & Woonsocket

# Education Aid

Categorical Funding	FY 2025 Enacted	FY 2026 Gov	Chg. to Enacted
High-Cost Special Education	\$15.0	\$15.0	\$ -
Career and Technical	6.5	4.5	(2.0)
Early Childhood	29.9	28.9	(1.0)
Non-Public Transportation	3.9	4.7	0.7
Regional District Transportation	7.3	7.8	0.5
<b>Total</b>	<b>\$62.6</b>	<b>\$60.9</b>	<b>\$(1.8)</b>

\$ in millions

- Teacher retirement \$138.0 million; \$3.2M less
- School construction \$119.9 million, \$13.7M more

# Education Aid Out-Years

- Governor's out-year estimates
  - Costs per student increase with average CPI
  - Population declines
- Some categories held flat in the out-years
  - No further early childhood expansion
  - Level fund special education and career and technical education
  - Transportation funding assumed to increase

# Education Aid Out-Years

	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Direct Aid	7.7%	2.1%	2.2%	2.1%
Teacher Retirement	2.6%	2.5%	2.4%	2.3%
School Construction	10.0%	20.5%	10.0%	2.3%
<b>Growth</b>	<b>6.8%</b>	<b>3.5%</b>	<b>2.8%</b>	<b>2.1%</b>

- FY 2027 estimate uses the Department's core instruction projection & flat enrollment
- FY 2030 School construction growth after FY 2029 based on CPI, not SBA projections



# Education Aid

<b>School Construction Out-Year Estimates</b>					
<b>Traditional Program</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
FY 25 Enacted	\$111.1	\$133.8	\$162.3	\$162.3	n/a
FY 26 Gov	\$119.9	\$131.8	\$158.9	\$174.9	\$178.9
<i>GO Bonds</i>	<i>18.0</i>	<i>29.0</i>	<i>35.8</i>	<i>38.6</i>	<i>38.9</i>
<i>Central Falls</i>	<i>10.5</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>	<i>11.0</i>
<b>Adjusted FY 2026 Total</b>	<b>\$148.4</b>	<b>\$171.8</b>	<b>\$205.7</b>	<b>\$224.5</b>	<b>\$228.8</b>

\$ in millions

# Local Aid – General Aid Programs

	<b>FY 2025 Enacted</b>	<b>FY 2025 Revised</b>	<b>FY 2026 Governor</b>
Dist. Communities	\$12.4	\$12.4	\$12.4
PILOT	49.2	49.2	49.2
Motor Vehicle Excise	234.7	234.7	234.9
Tangible Tax Exempt.	28.0	25.9	25.9
<b>Total</b>	<b>\$324.3</b>	<b>\$322.2</b>	<b>\$322.3</b>

\$ in millions

# Local Aid Programs

- PILOT - \$49.2 million
  - Assumes 25.9% reimbursement
  - \$2.1 million less than full funding
- Car Phase-Out - \$234.9 million
  - FY 2026 aid tied to sales tax revenue growth
  - Governor proposes repeal of growth
    - \$9.7 million in savings
  - Allows greater of FY 2024 or FY 2025 amount
    - Accounts for rounding issues in FY 2025
      - \$140K cost for hold harmless

# Local Aid – Restricted Aid Programs

	<b>FY 2025 Enacted</b>	<b>FY 2025 Revised</b>	<b>FY 2026 Governor</b>
Library Resource Aid*	\$11.9	\$11.9	\$11.9
Library Const. Aid	2.2	2.2	2.1
Property Valuation	1.9	1.9	0.7
<b>Total</b>	<b>\$16.0</b>	<b>\$16.0</b>	<b>\$14.7</b>

\$ in millions; \*Includes Reference Library Resource Grant to Providence

# Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- *Commerce*
- Departments and Agencies

# Commerce

- 15 programs authorized in FY 2016 budget
  - 5 tax incentive programs
  - 10 other programs, investments & initiatives
  - Partially funded from debt restructuring
- 2016 - 2024 Sessions
  - Added & made revisions
  - Extended sunsets
  - Recaptured unused funds
- Governor extends again – funds some

# Commerce

Current Programs	2016 – 2024	2025 R	2026
Rebuild RI	\$174.6	\$10.1	\$10.1
Cluster Grants	2.4	-	-
Wavemaker	17.4	4.1	1.0
Innovation Initiative	11.5	1.0	-
Innovation Ecosystem	-	-	0.3
Small Business Assist.	9.2	-	-
Supply RI	2.5	0.8	-
Site Readiness	5.0	1.0	1.0
Air Service Dev.	6.6	1.2	2.8

\$ in millions

# Commerce

Pass-Through	2022	2023	2024	2025 R	2026
Commerce Corp.	\$7.7	\$7.9	\$8.3	\$8.5	\$8.5
Airport Impact Aid	1.0	1.0	1.0	1.0	1.0
STAC	0.9	0.9	0.9	0.9	0.9
Innovative Research	.5	1.0	1.0	1.0	1.0
Minority Business*	0.10	0.14	0.14	0.14	0.14
Chafee Center	0.4	0.5	0.5	0.5	0.5
Polaris	0.4	0.5	0.5	0.5	0.5
EP Waterfront Comm.	0.1	0.1	0.1	0.1	0.1

\$ in millions; \*Urban Ventures



# Governor's Solution

- Revenues
- Medicaid/EOHHS Agencies
- Locals
- Commerce
- *Departments and Agencies*

# Governor's FY 2026 Budget

- Observed general strategies
  - Increase targeted taxes and user fees
  - Cap statutory growth
  - Shift costs to existing other funds
  - Assume better enforcement of existing rules
  - Reprioritize certain investments
  - Defer solutions on several issues pending further information/study results

# Expenditures

	<b>Enacted</b>	<b>FY 2026</b>	<b>Change</b>
Gen. Rev.	\$5,594.9	\$5,743.1	\$148.2
Federal	5,066.5	5,090.2	23.7
Restricted	463.1	446.2	(16.9)
Other	2,838.7	2,936.6	97.9
<b>Total</b>	<b>\$13,963.2</b>	<b>\$14,216.1</b>	<b>\$252.8</b>

\$ in millions

# Expenditures – by Category

All Sources	Enacted	Budget	Change
Salaries/Benefits	\$2,107.1	\$2,240.6	\$133.5
Contracted Services	620.0	569.3	(50.8)
Operating	1,198.3	1,225.0	26.7
Local Aid	2,102.7	2,108.1	5.4
Assistance & Grants	6,393.2	6,679.4	286.3
Capital	1,014.4	867.9	(146.5)
Debt Service	271.6	284.8	13.2
Operating Transfers	256.0	241.1	(14.9)
<b>Total</b>	<b>\$13,963.2</b>	<b>\$14,216.1</b>	<b>\$252.8</b>

\$ in millions

# Personnel and Operating

- Salaries and Benefits
  - Increase of 6.3% from enacted
    - General revenues increase 5.4% from enacted
  - Recently settled contracts
    - 5% COLA for FY 2025
      - \$58.0million; \$34.4 million from general revenues
    - 4% COLA for FY 2026
      - \$107.4 million; \$63.8 million from general revenues
  - Contract reserve for DOC, DPS, RIDE
    - \$11.2 million for FY 2025; \$19.0 million for FY 2026
  - 34.0 new positions

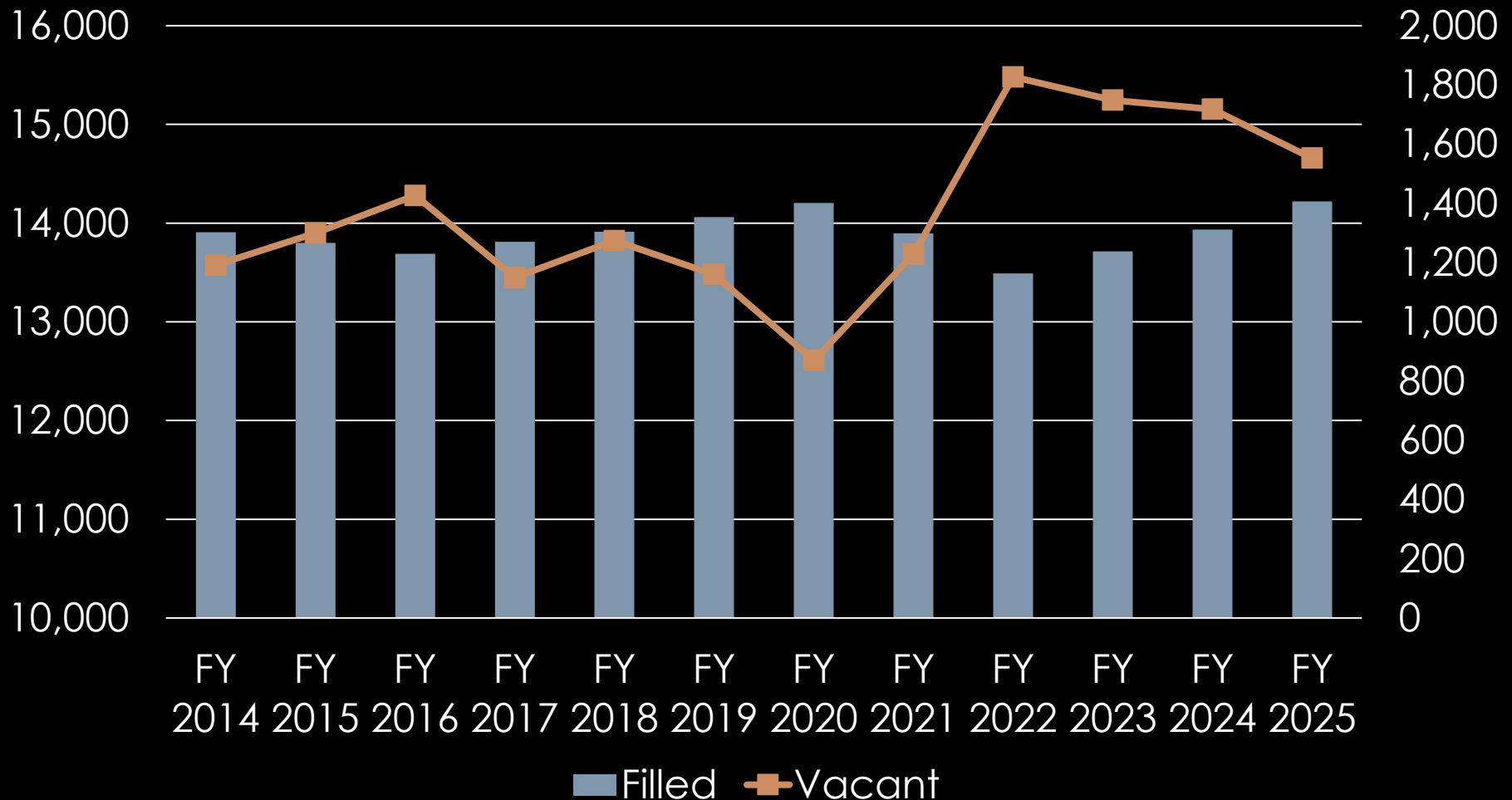
# Staffing Changes

- Biggest changes
  - Fraud, Waste and Integrity – 6.0 FTE
    - DOA and EOHHS
  - Integrated Data System – 6.0 FTE
    - DOA, EOHHS, and Higher Education
  - Revenue – 5.0 FTE
    - Digital Advertising and Whole Home Rentals
  - Medicaid pharmacy claims – 4.0 FTE
  - Office of Energy Resources – 4.0 FTE

# Full-time Equivalent Positions

	<b>Total</b>
FY 2022 Avg.	13,490.8
FY 2023 Avg.	13,715.1
FY 2024 Avg.	13,934.7
FY 2025 Enacted	15,772.8
FY 2026 Governor	15,806.8
<b>Change to Enacted</b>	<b>34.0</b>
Filled January 11, 2025	14,278.7
<i>Vacant</i>	<i>(1,494.1)</i>
<b>Change From FY 2024</b>	<b>344.0</b>

# Full-time Equivalent Positions





# Departments and Agencies

- Higher Education
  - 4,417.3 FTE
  - \$329.1M general revenues
    - ~4% more than enacted
  - Scholarships
    - Promise: \$8.3 million
    - Hope: \$5.5 million
  - Major RICAP outlays
  - Tuition/fee increases
    - URI: 2.7%
    - RIC: 3.6%
    - CCRI: 5.7%

All Funds	FY 2026 Gov	Chg to Enacted
OPC	\$56.3	\$4.5
URI	1,108.7	90.8
RIC	216.4	11.3
CCRI	212.7	16.8
<b>Total</b>	<b>\$1,594.1</b>	<b>\$123.3</b>

\$ in millions

# Opioid Funds

- Funds budgeted over multiple years and uses
- More information available at:
  - [eohhs.ri.gov/Opioid-Settlement-Advisory-Committee](https://eohhs.ri.gov/Opioid-Settlement-Advisory-Committee)

Agency	Pre-FY 2025	FY 2025	FY 2026	5-Year Total
EOHHS	\$9.1	\$18.8	\$11.8	\$39.7
BHDDH	7.9	14.4	5.3	27.6
Health	7.6	8.2	6.7	22.7
Corrections	5.1	2.0	1.3	8.4
<b>Total*</b>	<b>\$29.7</b>	<b>\$43.3</b>	<b>\$25.2</b>	<b>\$98.2</b>

\$ in millions \*corrected from original presentation

# Departments and Agencies

- Corrections – Close Minimum security
  - Budget assumes \$6.2 million in savings; \$12.7 million annualized
  - Assumes \$1.0 million of capital expenses for needed renovations before January 2026

## Population by Fiscal year

2019	2020	2021	2022	2023	2024	2025	2026
2,665	2,544	2,144	2,132	2,298	2,346	2,470	2,536

# Transportation

- Governor does not add new funding sources for RIPTA
- Projected deficit remains for FY 2026
  - Requires Authority to review all operations
    - Ridership and administration to identify efficiencies
  - Report due by March 1, 2025
- Assumes DOT toll collections resume in FY 2026
  - Exact plan for timing and rates?

# Governor's FY 2026 Budget

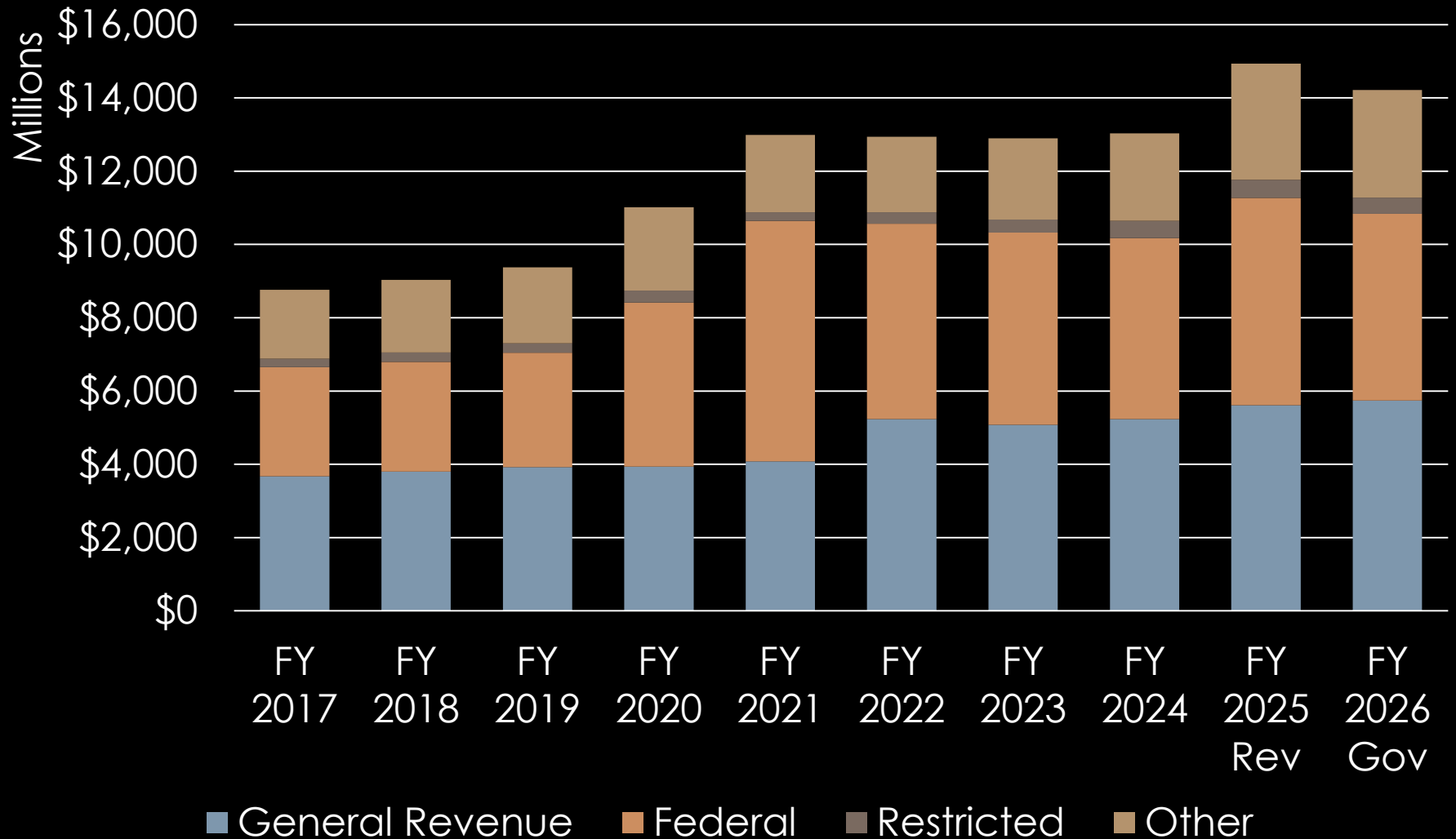
- FY 2024 Closing
- FY 2025 Revised Budget
- FY 2026 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Out-years

# Expenditures

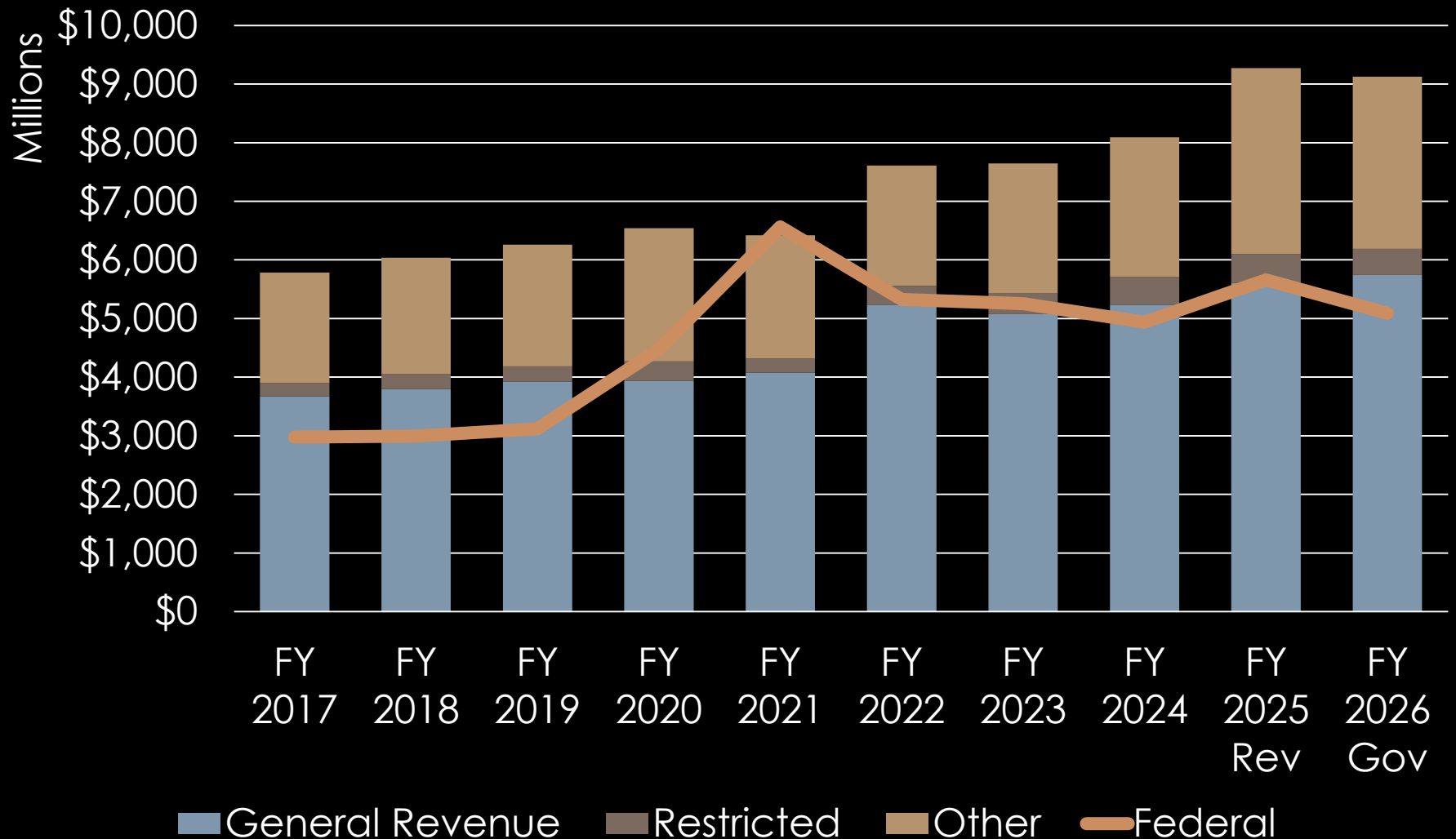
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\$ in millions

# Expenditure Shares by Source



# Expenditure Shares by Source – Federal & All Other





# American Rescue Plan Act

- State & Local Fiscal Recovery Funds
  - \$1.8 billion
    - \$1,131.1 million to the state
    - \$112.3 million for capital project expenses
    - \$536.8 million to locals
  - Use spans several state fiscal years
    - Obligation deadline was Dec. 31, 2024
    - Funded projects must be completed by Dec. 31, 2026 - FY 2027
  - 2024 Assembly continued some programs using general revenues

# American Rescue Plan Act

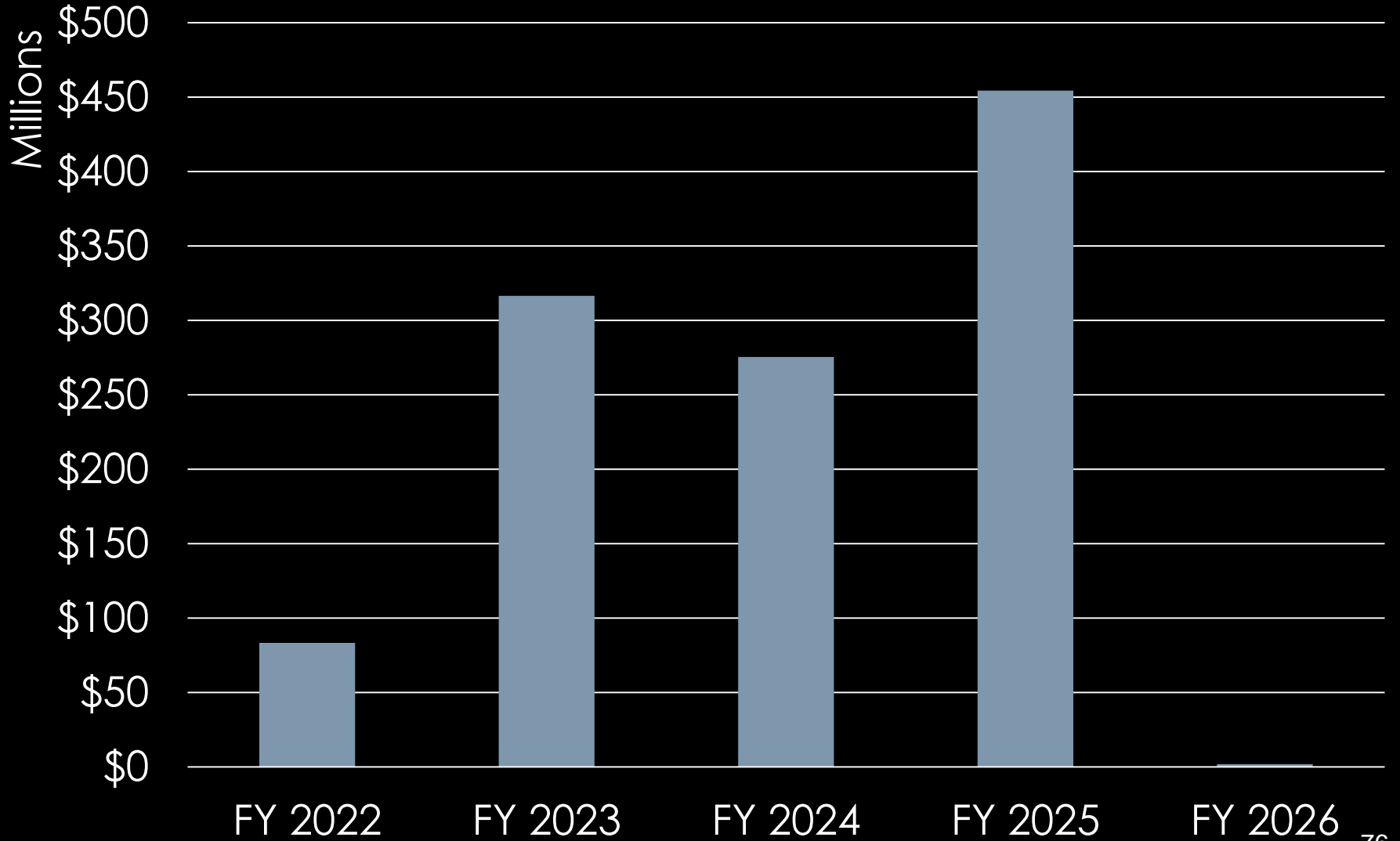
- December guidance more flexible
  - Ability to reallocate unspent funds
  - Reduces risk of recapture
- Governor's Recommendation
  - Adds 1 project & adjusts funding for 3
  - Extends operating funding for 4 projects
  - Expands executive reallocation authority
    - Expansion of one-time authority to reallocate at-risk funds to UI Trust Fund in November 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

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

# American Rescue Plan Act

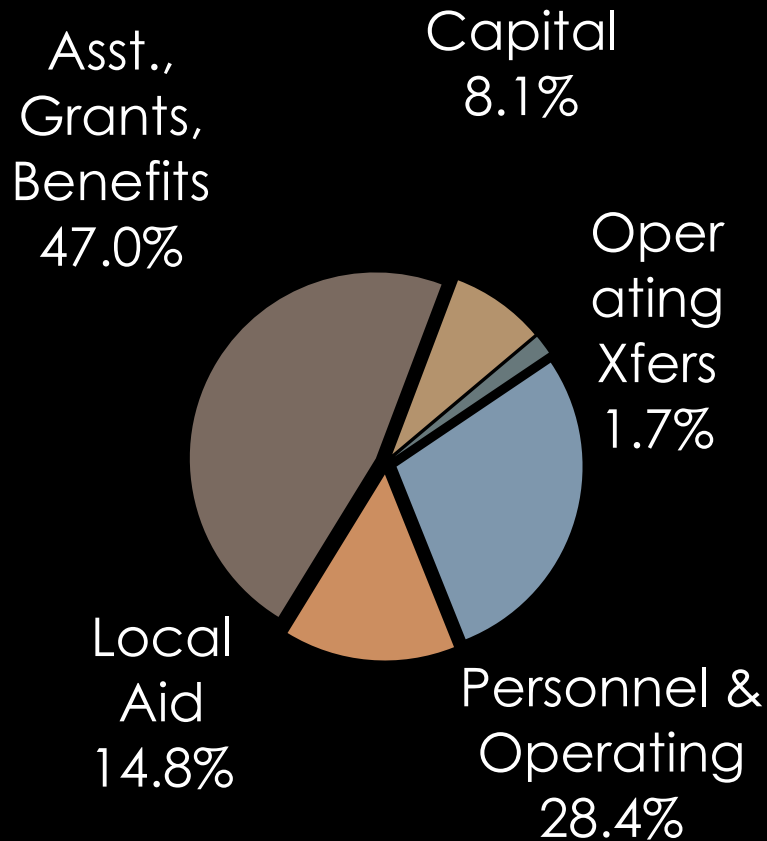


# American Rescue Plan Act

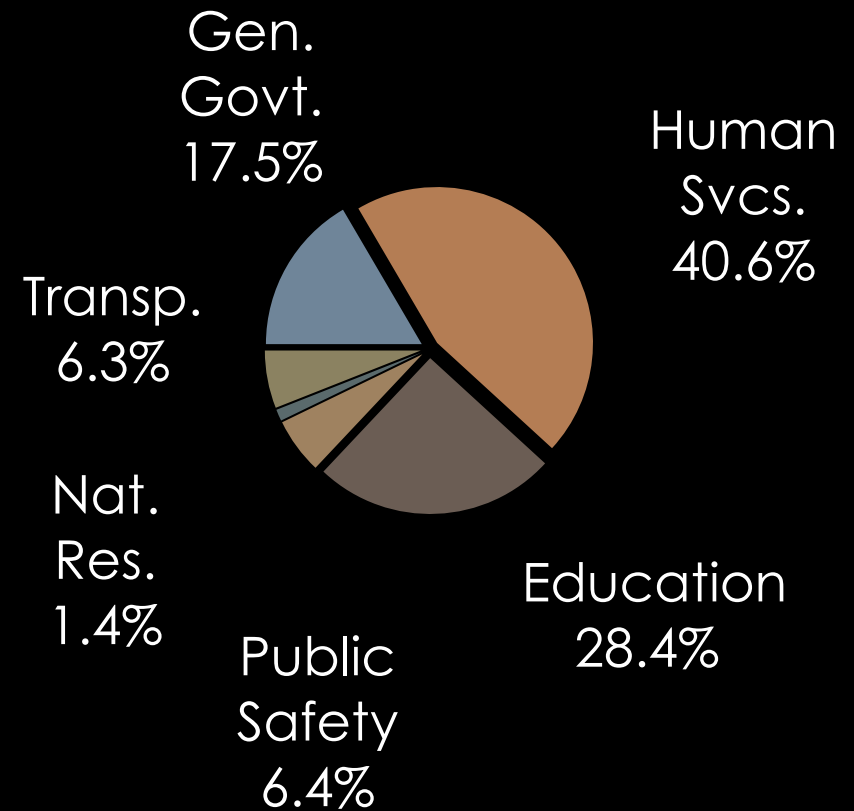
Programs	Enacted SFRF	FY 2025 Enacted	FY 2026 Governor
		<b>General Revenues</b>	
Out-of-School Time Edu.	\$6.0	\$3.0	\$2.5
Destination Marketing	3.0	1.4	1.4
Minority Business Accel.	6.0	0.5	-
Public Health Warehouse	4.2	0.6	0.9
<b>Subtotal</b>	<b>\$19.2</b>	<b>\$5.4</b>	<b>\$4.8</b>
		<b>Transportation Funds</b>	
Municipal Roads Grant Program	\$27.0	-	\$6.5
<b>Total</b>	<b>\$46.2</b>	<b>\$5.4</b>	<b>\$11.3</b>

# All Sources Governor FY 2026

## BY CATEGORY

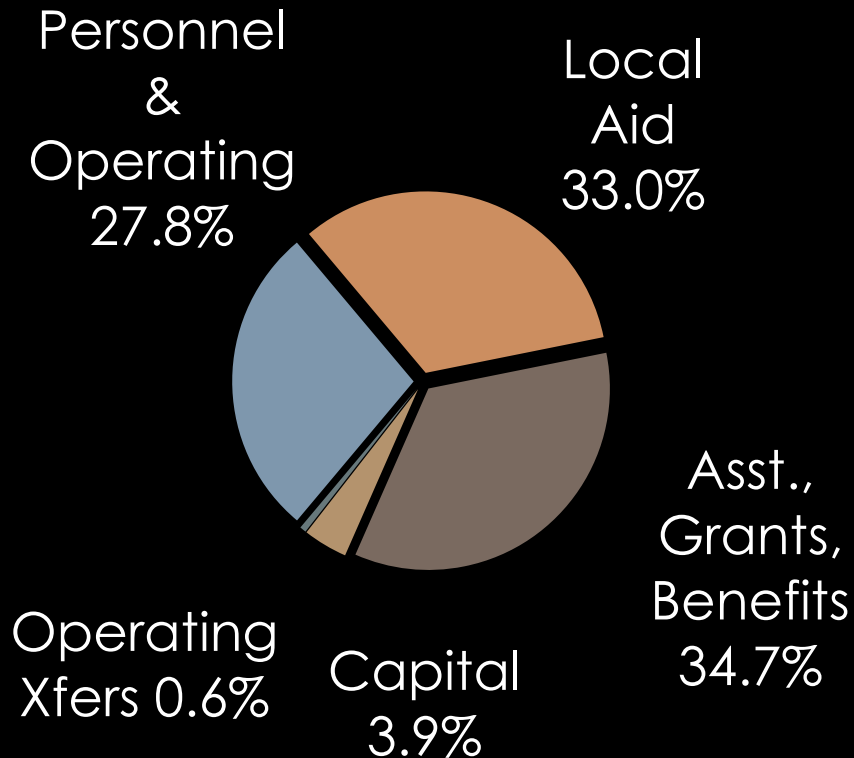


## BY FUNCTION

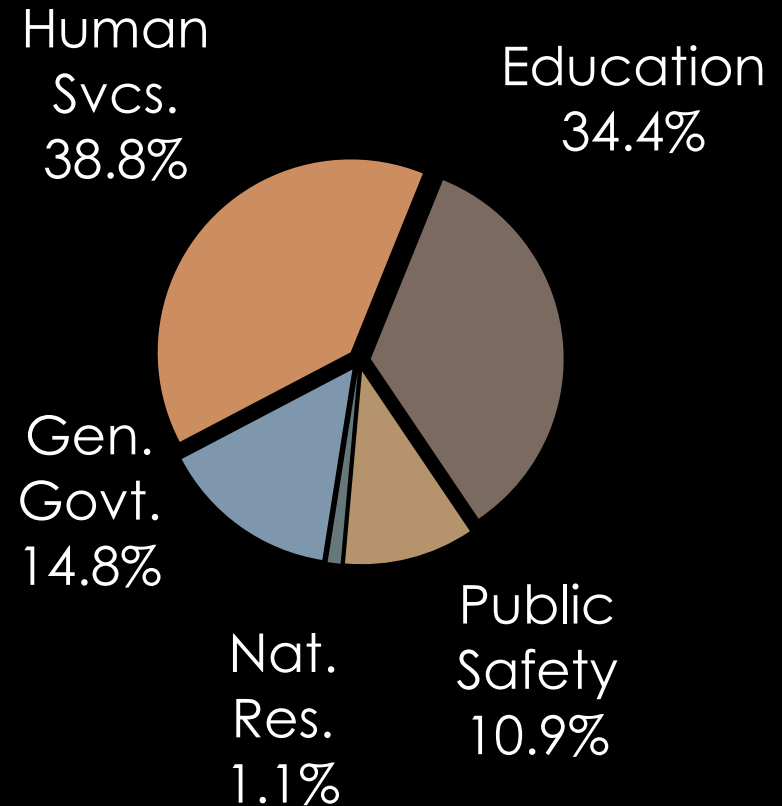


# General Revenues Governor FY 2026

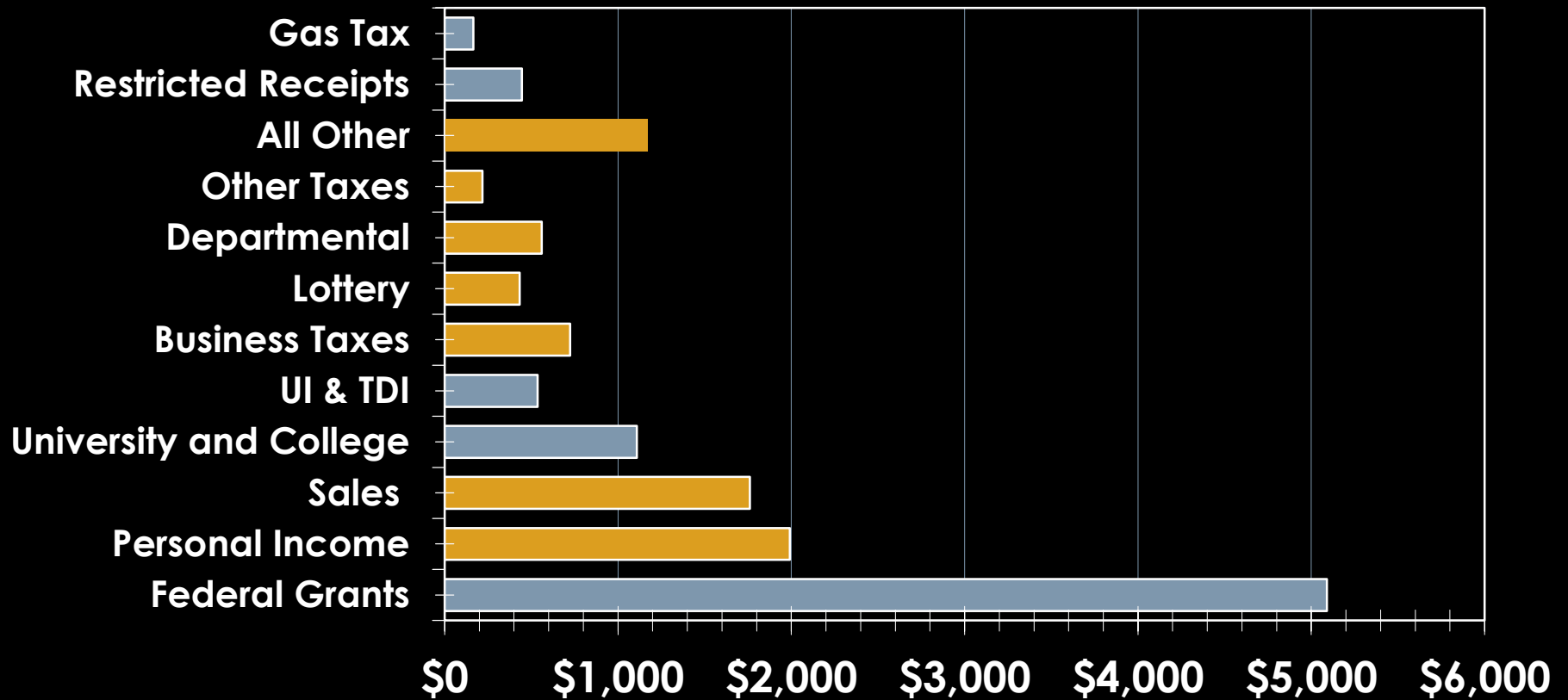
## BY CATEGORY



## BY FUNCTION



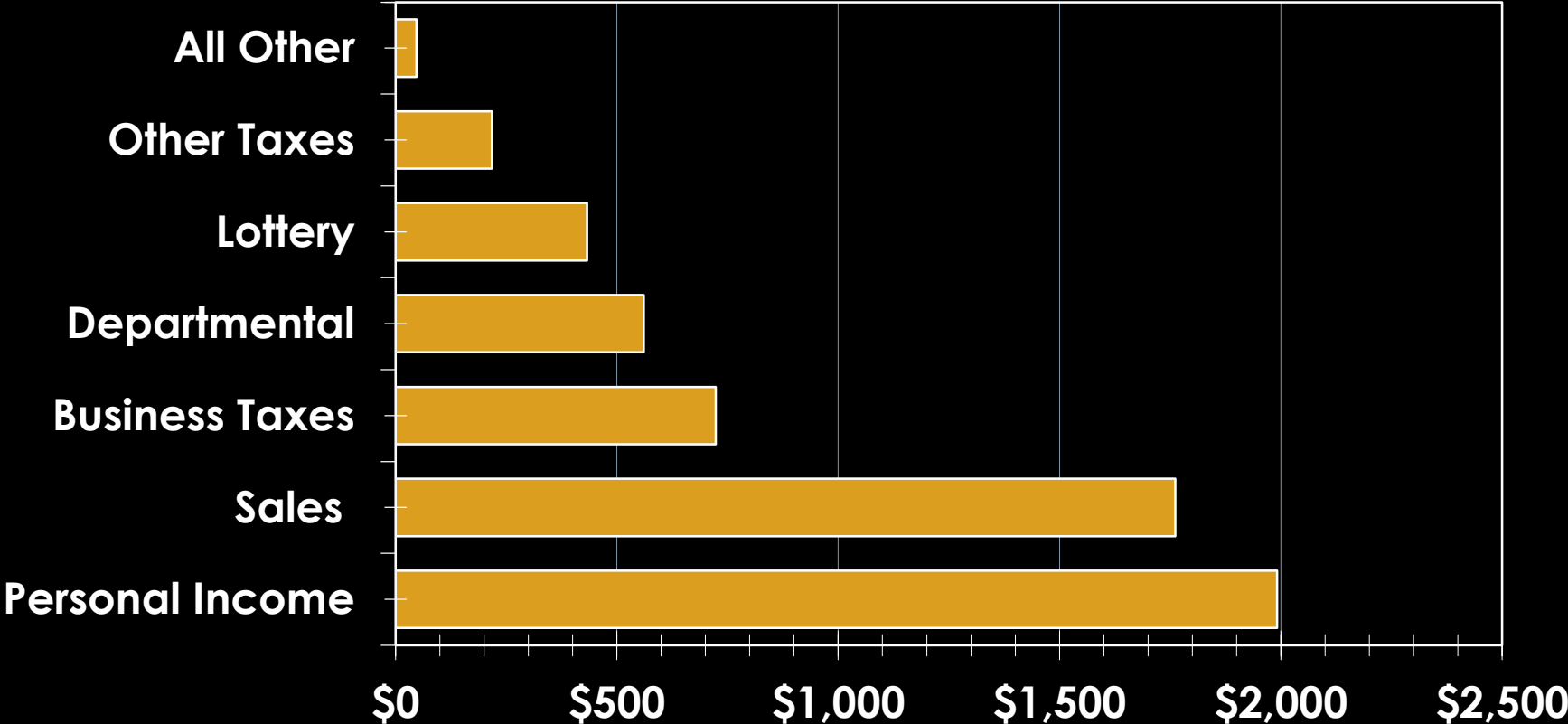
# All Sources *(\$ millions)*





# General Revenue Sources

(\$ millions)



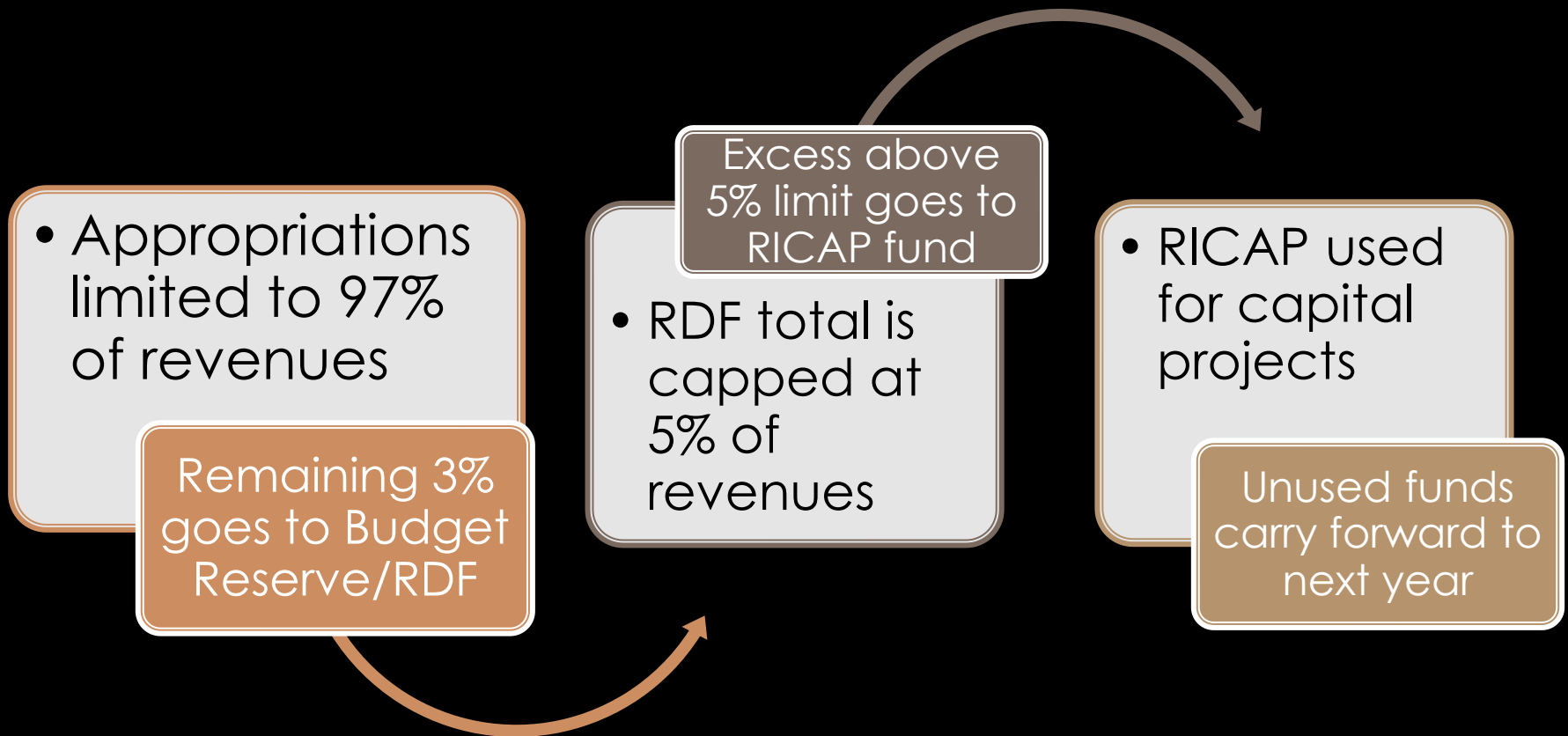
# Governor's FY 2026 Budget

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- FY 2026 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- **Capital Budget Overview**
- **Out-years**

# Assembly Role

- Appropriate Pay-Go (Article 1)
- Approve General Obligation Bond Referenda – every other year
  - Voters approve or reject
  - Debt service automatic
- Other Financing (Kushner)
  - Approve or reject resolution
  - Generally appropriate debt service

# Rhode Island Capital Plan Funds

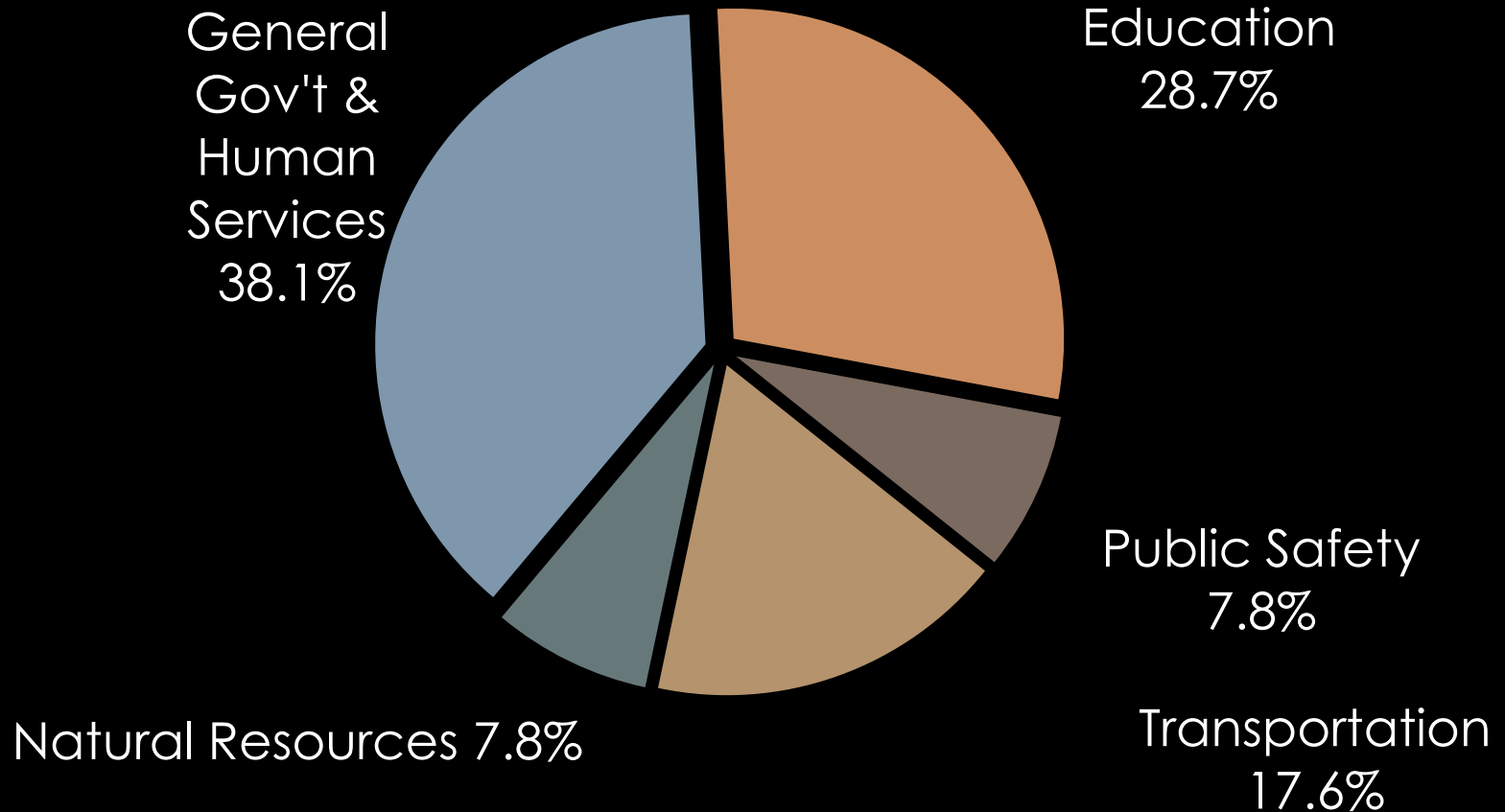


# Rhode Island Capital Plan Funds

- Resources grew after use restricted to capital by constitutional amendment
  - Intended purpose
- Use of rainy day fund to balance FY 2020 budget interrupted normal flow
  - Payback occurred in FY 2021
- Deposits from non-recurring surpluses
  - 2022 Assembly transferred \$578.0 million
  - 2023 Assembly transferred \$242.4 million

# RICAP –

## Governor FY 2026 – FY 2030



# RICAP Fund

<b>FY 2026 Governor</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>
Balance	\$62.2	\$149.8	\$699.2	\$998.5*	\$942.6
Over 5% cap	-	116.4	170.5	154.5	173.7
Premiums & Int.	6.1	5.1	24.3	54.4	25.0
Transfers	120.0	563.0	257.4	-	-
<b>Total</b>	<b>\$188.3</b>	<b>\$834.3</b>	<b>\$1,151.4</b>	<b>\$1,207.4</b>	<b>\$1,141.3</b>
Projects	(38.4)	(135.0)	(152.3)	(264.8)	(665.3)
<b>Balance</b>	<b>\$149.8</b>	<b>\$699.2</b>	<b>\$999.1</b>	<b>\$942.6</b>	<b>\$476.0</b>

\$ in millions; \* draft audit \$0.6 M lower

# RICAP Fund

<b>FY 2026 Governor</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>FY 29</b>	<b>FY 30</b>
Balance	\$476.0	\$150.0	\$42.5	\$37.9	\$38.6
Over 5% cap	176.2	178.6	172.8	178.0	183.0
Premiums & Int.	10.3	2.3	0.7	0.6	1.1
Transfers	-	-	-	-	-
<b>Total</b>	<b>\$662.5</b>	<b>\$330.9</b>	<b>\$216.0</b>	<b>\$216.5</b>	<b>\$222.6</b>
Projects	(512.4)	(288.4)	(178.0)	(177.9)	(144.1)
<b>Balance</b>	<b>\$150.0</b>	<b>\$42.5</b>	<b>\$37.9</b>	<b>\$38.6</b>	<b>\$78.5</b>

\$ in millions



# Capital Projects – State Office Property Acquisition

- Recommends \$31.0 million for FY 2026
  - Acquire & renovate 115 Tripps Lane in E.P.
  - Offset costs by terminating state leases
- Property features
  - 25 acres of land
  - 210,000 square ft. single story
    - 129,000 square ft. of office space
    - 60,000 square ft. data center
  - 800+ parking spaces

# Capital Projects – Regan Building

- Recommendation includes \$61.9 million, including \$42.8 million from RICAP to renovate Regan Building
  - Address ligature risk
  - Mechanical inf

	<b>FY 2025</b>
Infrastructure - RICAP	\$17.8
Hospital Reorganization	44.1
RICAP	25.0
Approved COPS	19.1
<b>Total</b>	<b>\$61.9</b>

*\$ in millions*

# Capital Projects – *Zambarano Long-Term Care*

- Governor recommends \$107.0 million from RICAP funds from FY 2025 - FY 2029
  - \$8.6 M for FY 2025 & \$26.1M for FY 2026
  - Construct 100-patient long-term care facility Zambarano Campus
    - Replacing Beazley building
- Capital budget assumes \$90M in new debt to supplement current pay-go
  - With use starting in FY 2027
- Assembly consideration???

# New Requested Debt

<b>URI Revenue Bonds</b>	<b>Current</b>	<b>Art 4</b>	<b>Chg</b>
Combined Health & Counseling	\$29.0	\$33.6	\$4.6
Memorial Union	57.6	118.0	60.4
<b>Total</b>	<b>\$86.6</b>	<b>\$151.6</b>	<b>\$65.0</b>

\$ in millions

- Revisions to existing authority - 2019 Original
  - 2021 Assembly increased both
- Capital Plan also assumes \$90M new debt for Zambarano
  - No authorization proposed
  - RICAP spend in FY 2025/2026 =\$34.6M

# Funding Considerations

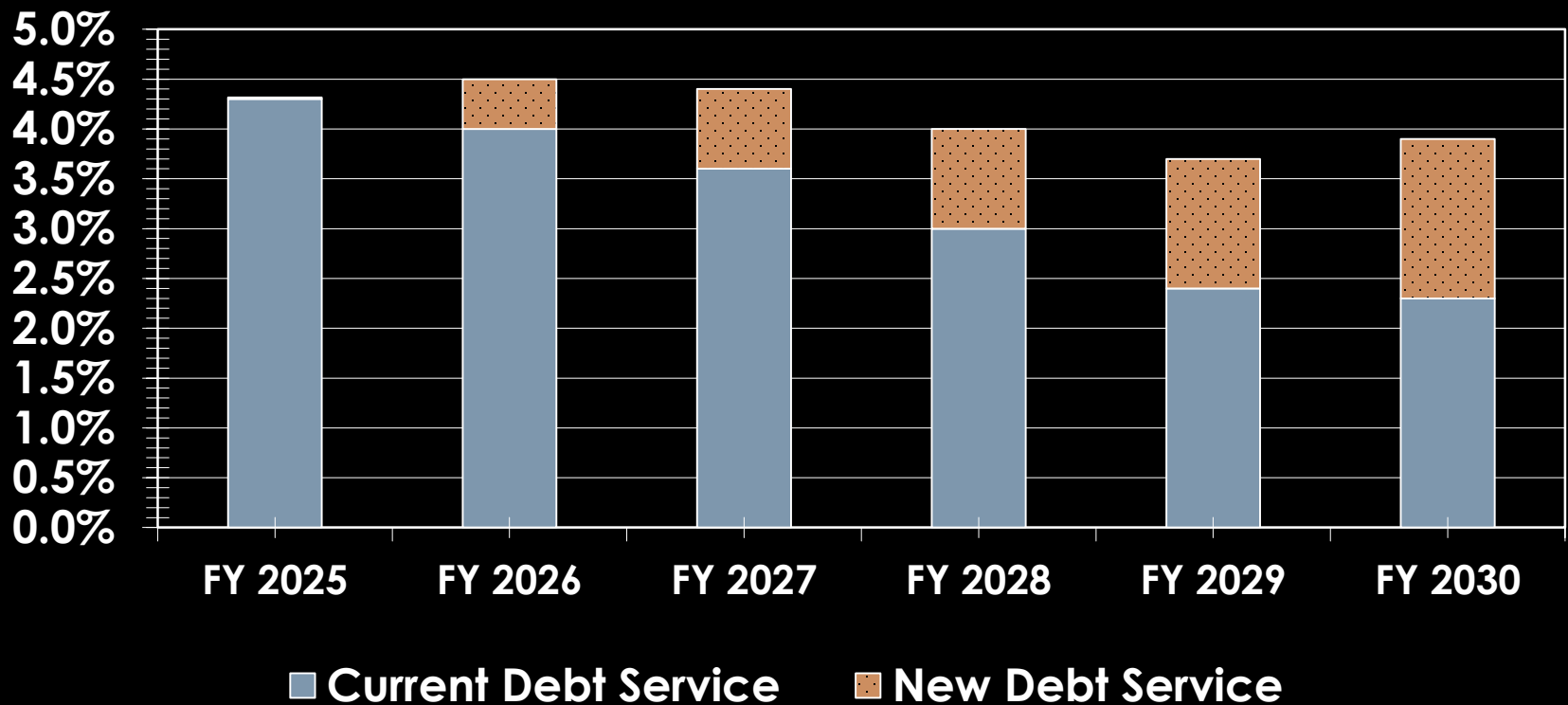
- State's overall debt structure
  - Net tax supported debt would increase by \$293.9 million to \$2,310.5 million
  - Debt as % of personal income would drop from 2.5% in FY 2024 to 2.4% in FY 2030
  - Past practice indicates it will be higher as more projects are added

# Funding Considerations – Debt Service

<b>Fiscal Year</b>	<b>Net Tax Supported Debt Service</b>	<b>Pct. of Revenues</b>
2025	\$239.2	4.3%
2026	\$258.4	4.6%
2027	\$260.0	4.5%
2028	\$243.1	4.1%
2029	\$234.6	3.8%
2030	\$250.4	4.0%

\$ in millions

# Debt Service as Percent of Useable Revenues



# Out-Years

- As submitted the budget has out year deficit of \$300 million for FY 2027
  - Grows to \$400 million by FY 2030
  - Use of surplus in current budget
  - Other program growth
- Annual expenditures outpace revenues



# Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	4.0%
Nonfarm Employment	0.0%
Taxes	3.2%
Total Revenues	2.8%
Total Expenditures	3.6%
Salaries & Benefits – 21% of total	2.8%
Medicaid 31% of total	4.2%

# Governor's FY 2026 Budget

- Risks and Opportunities
  - Uncertainty in Washington, DC
  - Capacity to implement current initiatives
    - Staffing challenges
    - Cyber Attack and caseload impacts
  - Capital project pricing
    - Washington Bridge solution
  - Demographics - limited population growth
    - Growth in older populations
    - Decline in working-age populations

# Governor's FY 2026 Budget

Staff Presentation to the House Finance  
Committee  
February 5, 2025

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