Governor's FY 2027 Budget

Staff Presentation to the House Finance Committee
January 29, 2026

Introduction

- Provide an overview of the Governor's FY 2027 and FY 2026 revised budgets
  - Review how we got here
  - Outline the 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

H.R. 1 – Adopted July 4, 2025

- State budget passed in June
  - Required extensive analysis of pending federal law changes expected to significantly affect RI and its budget
  - Tax Policy – DOR
  - Medicaid - EOHHS
  - Other Federal Grants – OMB
- All three reports issued on Oct 30
  - Findings form the basis for estimated impacts and budget proposals

Governor's FY 2027 Budget

- Overview of Governor's budget
  - Uses $95 million in one-time surplus funds, mostly for ongoing commitments
  - Projects $237 million budget gap for FY 2028
    - Grows to over $500 million by FY 2031
      - Initiatives with higher impacts in later years
      - Costs and revenues
  - Significant revenue proposals
  - Line Item veto authority referendum

Governor's FY 2027 Budget

- Observed general strategies
  - Cap statutory growth
  - React to H.R. 1 impacts
    - Redirect some savings from caseload impacts to related expenses
    - Modify tax policy for specific groups
  - Reduce energy and gas costs
  - Maintain current services

Budget Cycle

- Preliminary FY 2025 Closing – **Oct 14**
- REC/CEC Q1 – Mid-November
- Governor's FY 2027 Budget – Jan 15
  - 2026 - H 7126 & 7127 introduced & referred
- Agencies Q2 – Jan 30
- FY 2025 Audited Closing – Feb ??
- Budget Office Q2 – Feb 15
- REC/CEC Q3 – Mid-May
- New Fiscal Year July -1

Governor's FY 2027 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
    - 2026 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 2027 Budget

- ***FY 2025 Closing***
- FY 2026 Revised Budget
- FY 2027 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

Data Reporting

- **E**nterprise **R**esource **P**lanning System
  - Several-year process for new accounting, HR, and payroll systems
    - Accounting switched at the end of FY 2025
    - Payroll and HR converted in November
  - Delays in data availability
    - Closing report submitted 6 weeks late
    - Financial and staff counts
  - Presentation changes impede comparability
    - Expense categories merged and shifted

FY 2025 Preliminary – Oct 14

	Enacted	Prelim	Diff.
Opening	$360.9	$382.6	$21.6
Other Revenues	5,624.3	5,610.0	(14.3)
Total Revenues	**$5,985.2**	**$5,992.6**	**$7.4**
Fund Balance Adj	-	0.7	0.7
To Rainy Day	(178.5)	(178.7)	(0.2)
Expenditures/Transfers	(5,576.5)	(5,525.5)	51.0
Closing Surplus	***$230.2***	***$289.0***	***$58.8***
Reappropriation	-	(38.8)	(38.8)
Free Surplus	**$230.2**	**$250.3**	**$20.0**

$ in millions

FY 2025 Draft Update - Jan 15

	Enacted	Draft	Diff.
Opening	$360.9	$382.6	$21.6
Other Revenues	5,624.3	5,612.0	(12.3)
Total Revenues	**$5,985.2**	**$5,994.6**	**$9.4**
Fund Balance Adj	-	0.7	0.7
To Rainy Day	(178.5)	(178.7)	(0.2)
Expenditures/Transfers	(5,576.5)	(5,535.5)	40.4
Closing Surplus	***$230.2***	***$280.0***	***$50.2***
Reappropriation	-	(38.8)	(38.8)
Free Surplus	**$230.2**	**$241.6**	**$11.4**

$ in millions

Closing

- General Revenues - $62.0 million less
  - $38.8 million unspent & re-appropriated
  - $23.2 million – another net underspend
    - $8.9M - EOHHS caseload
    - $3.7M DHS –including Veterans Home
    - $4.0M RIDE – aid savings, including retirement
    - $5.5M DPS
    - $2.0M overspend BHDDH
- Revenues - $7.4 million less
  - FEMA reimbursement - $0.7 million more

Governor's FY 2027 Budget

- FY 2025 Closing
- *FY 2026 Revised Budget*
- *FY 2027 Revenue-Expenditure Gap*
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

Current Year

- The *current year* has a surplus vs enacted expectations
  - FY 2025 Closing – draft update
  - REC/CEC results
  - Current spending estimates
- The Governor's budget proposes changes to enhance that and preserve for use in FY 2027

Economic Forecast

- Revenue Estimating Conference adopts a consensus economic forecast
  - It takes testimony from Moody's Analytics
  - 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 25

- Positive outlook with significant threats
  - Economic growth continues
  - Inflation nearing target levels
  - Interest rate cuts anticipated
  - Labor market near full employment
- Risks to forecast
  - Demographics
    - Restrictive immigration policies & aging population
  - Job creation has slowed
    - Losses in higher-paying sectors & gains in lower-wage industries
- Data issues
  - Delayed data from fed gov shutdown

November 2025 Consensus Revenue Estimates

	FY 2025 Draft	FY 2026 Rev.	Chg to Enacted	FY 2027 Estimate	Change to FY 26
Personal Income	$1,975.3	$2,056.4	$55.5	$2,130.8	$74.4
Business Taxes	676.1	672.4	(44.2)	705.6	33.2
Sales & Use Taxes	1,811.8	1,860.5	(7.1)	1,905.3	44.8
Other Taxes	104.3	126.0	15.9	126.2	0.2
Total Taxes	**$4,567.5**	**$4,715.3**	**$20.1**	**$4,867.9**	**$152.6**
Departmental	541.2	574.9	0.6	341.0	(233.9)
Other Misc.	33.4	25.3	(2.0)	20.1	(5.2)
Lottery	433.6	451.3	10.3	453.1	1.8
Unclaimed Prop.	34.3	29.0	0.2	24.5	(4.5)
Total	**$5,610.0**	**$5,795.8**	**$29.2**	**$5,706.6**	**$(89.2)**

$ in millions

November 2025 Consensus Revenue Estimates

- HR 1 made dozens of changes
  - Only some affect RI tax code
    - TY 2025 and prior – Decoupled in budget
    - TY 2026 and after - Impacts begin in FY 2026

Tax Type	FY 2026	FY 2027
Personal Income	$(8.0)	$(11.0)
Corporate	(27.6)	(26.5)
Total Rec Impact	**$(35.6)**	**$ (37.5)**
Governor's Budget		
R&D Tax Decouple	*$22.6*	*$22.6*
HR 1 Impact Retained	**$(13.0)**	**$(14.9)**

$ in millions

November CEC

FY 2026 Caseload Estimating Conference			
Medical Assistance	***Enacted***	***Nov CEC***	***Chg.***
All Funds	$3,941.0	$3,900.8	$(40.2)
General Revenues	1,426.4	1,412.7	(13.7)
Cash Assistance			
All Funds	$138.0	$129.6	$(8.4)
General Revenues	28.8	28.6	(0.2)
Private DD Services			
All Funds	$452.5	$459.4	$6.9
General Revenues	194.7	199.5	4.8
Total	**$4,531.6**	**$4,489.8**	**$(41.8)**

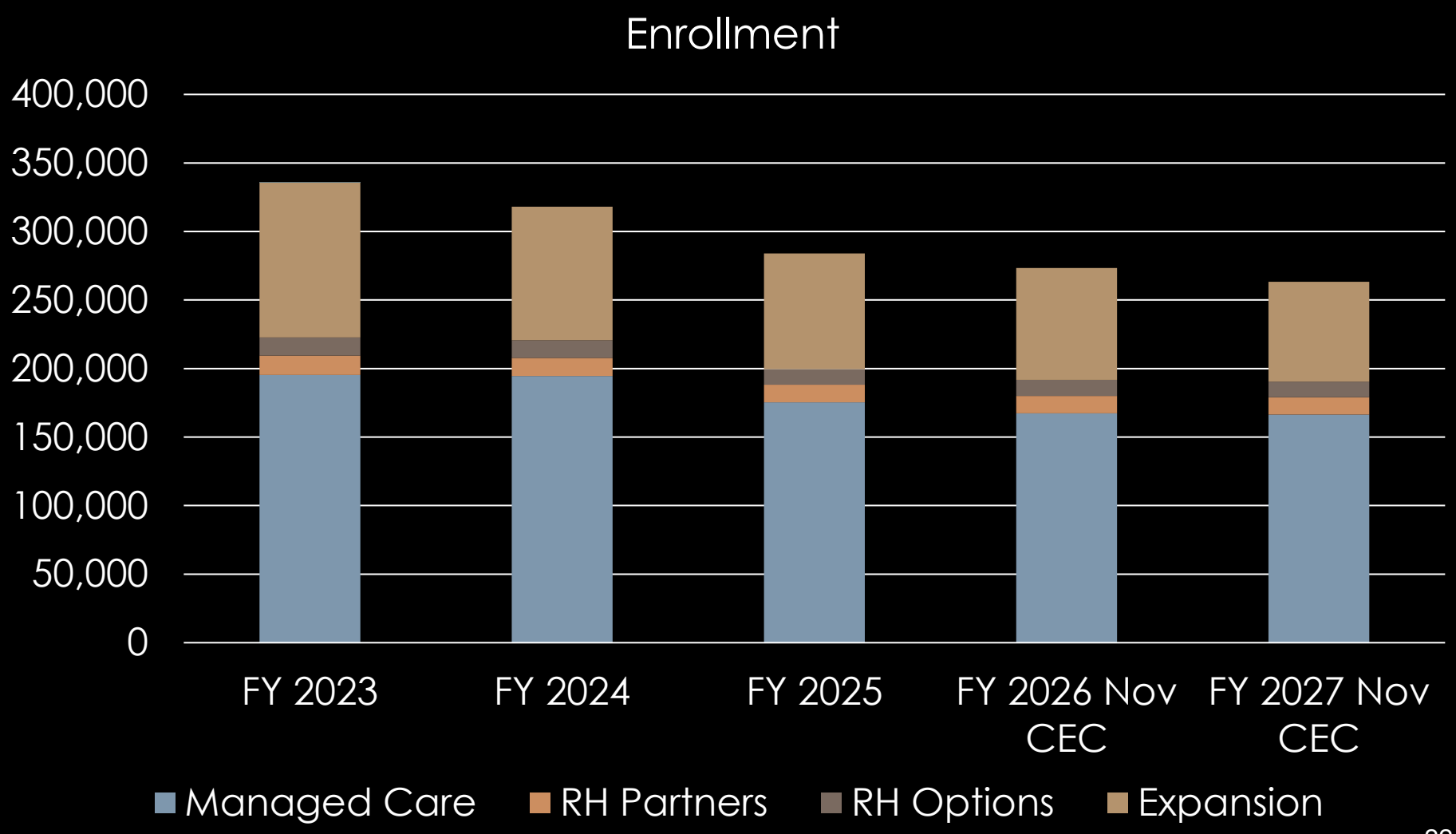
$ in millions

November CEC

FY 2027 Caseload Estimating Conference			
Medical Assistance	***Enacted***	***Nov CEC***	***Chg. To 26***
All Funds	$3,941.0	$3,987.9	$87.1
General Revenues	1,426.4	1,443.6	30.8
Cash Assistance			
All Funds	$138.0	$138.3	$8.7
General Revenues	28.8	28.8	0.2
Private DD Services			
All Funds	$452.5	$469.0	$9.6
General Revenues	194.7	201.1	1.5
Total	**$4,531.6**	**$4,595.2**	**$105.4**

$ in millions

Medical Assistance: CEC



Medical Assistance: H.R. 1

- FY 2027 Cost and Enrollment impacts
  - General Revenue share = $21.5M
    - No formal federal guidance yet

Programs	Qualifying Non-Citizen		Community Engagement	
	#	*Expenses*	#	*Expenses*
RIte Care	2,860	$(14.5)	170	$(0.2)
Expansion	2,380	(17.3)	24,460	(49.5)
RHP	227	*(5.2)*	-	-
RHO/PACE	787	(12.6)	-	-
Medicare SP	990	(4.3)	-	-
LTC/FFS	*[~1,700]*	(7.7)	-	-
Total $ in millions	**7,244**	**$(61.6)**	**24,630**	**$(49.7)**

Budget Gap – Refinement

FY 2027 Budget Gap Factors		HFAS June	OMB Aug.	OMB Dec.
		$304.0	$237.1	$101.3
FY 2026 Budget	June	X	X	X
OHIC Rate Review	Sept 30			
FY 2025 Closing	Oct 14			X
HR 1: Revenues (in REC)	Oct 30			X
HR 1: Medicaid - (in CEC)				X
HR 1: SNAP/Admin				
REC/CEC – 2-year impact	Nov 10			X
OMB Q1	Nov 15			X

Governor's Budget

	FY 2025	FY 2026	FY 2027
Opening Surplus	$326.4	$241.6	$96.2
Reappropriated Surplus	34.6	38.8	-
FEMA/SRDF Transfer in	22.4	-	-
Revenues	$5,612.0	$5,822.9	$6,043.5
Rainy Day Fund	(178.8)	(181.9)	(184.2)
Available Revenues	**$5,816.5**	**$5,921.4**	**$5,955.5**
Expenditures	**$5,535.5**	**$5,825.0**	**$5,954.7**
Transfers	(39.3)	(0.2)	-
Total Surplus*	**$241.6**	**$96.2**	**$ 0.8**

$ in millions; * Includes reappropriated surplus; FY 2025 draft data

Governor's FY 2027 Budget

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- Observed general strategies
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    - Redirect some savings from caseload impacts to related expenses
    - Modify tax policy for specific groups
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  - Maintain current services

Governor's Solution

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

Revenues Changes

Changes to REC	FY 2026	FY 2027	FY 2028
R&D Tax Provisions	$22.6	$22.6	$10.9
Income Tax Tier – $1.0M +3%	-	67.1	135.3
Social Security Exemption	-	(3.0)	(14.6)
Child Tax Credit	-	(14.7)	(29.7)
Cigarettes/Tobacco	-	8.0	6.4
Utility Ratepayer Savings	-	(2.3)	(4.8)
Tax Amnesty	-	26.3	-
Pawtucket TIF Debt Service	-	0.5	0.2
Scoops/Internal Fund Transfers	10.8	-	-
Total	**$33.4**	**$104.5**	**$103.7**

$ in millions

Medicaid/EOHHS Agencies

Changes to FY 2027 Medicaid CEC	GR	All
OHIC Rate Increase – 1/2 Study*	$23.0	$58.2
Nursing Homes Rates at 2.5 %	(2.1)	(5.0)
Hospital Rates at 2.5%	(0.5)	(1.5)
Federally Qualified Health Ctr Rates at 2.5%	(1.2)	(3.3)
Substance Use Disorder Residential Rate Freeze (*value restored in OHIC Rates*)	(0.7)	(1.6)
GLP-1 – Limited Coverage	(6.3)	(20.1)
Total	**$12.2**	**$26.7**

$ in millions/*net of administrative costs

H.R. 1 Response

- Supplemental Nutrition Assistance Program Structure
  - Cost sharing
- Compliance
  - Eligibility and work requirements
- Related Proposals
  - Alternate coverage options

H.R.1 – SNAP Changes

- Supplemental Nutrition Assistance Program
  - 10/1/2026 – Admin. Match Rate to 75% from 50%
  - 10/1/2027 – New cost of benefits based on state error rate – currently 100% federally funded

General Revenues	FY 2027	FY 2028			
		< 6%	< 8%	< 10%	10%+
Error Rate	$-	$-	$17.1	$34.2	$51.3
Admin 75%	9.3	13.0	13.0	13.0	13.0
Total	**$9.3**	**$13.0**	**$30.1**	**$47.2**	**$64.3**

$ in millions; RI current error rate is 12.3% from FFY 2024; FY 2029 full year

H.R. 1 – Compliance

- Must modify systems to maintain compliance
  - Adds proposals to enhance outreach and success

System/Personnel Changes	Gen. Rev.	Total
(1) SNAP Payment Error Rate	$8.6	$18.1
(2) RIBridges System Compliance & Support	7.7	19.9
(3) EOHHS - 7.0 FTE & Contracted Services	1.2	2.3
(4) Work Requirement Platform	0.8	1.9
(5) Volunteer & Workforce Development Capacity	1.0	3.0
Total	**$19.3**	**$45.1**

$ in millions

(1) SNAP Payment Error Rate

- Most Common Error Categories*
  - Income
    - Errors in payroll data and income reporting
    - Unverified or missing information
  - Shelter Deductions
    - Deductions inadequately documented
    - Utility or rent data not adjusted during changes
  - Household Composition
    - Policy not followed on who is included

**From state's Federal Compliance Advisory Meeting - 8/19/2025*

(1) SNAP Payment Error Rate

- FY 2027 recommendation includes
  - New Office of Program Integrity – 6.0 FTE
  - Technology Changes– 5.0 FTE
    - AI – assisted Chat Bots & enhanced worker training
  - Front-line staff and administrators – 18.0 FTE

Changes	Gen. Rev.	Total
Contracted Services	$5.5	$13.0
Staffing (29.0 FTE)	2.4	4.1
Operating Expenses	0.6	1.0
Total	**$8.6**	**$18.1**

$ in millions

(2) RIBridges

- System Compliance & Support
  - System changes for the Medicaid program & HealthSource RI
  - 1.0 FTE for compliance oversight

Changes	Gen. Rev.	Total
Contracted Services	$7.0	$18.4
Staffing (1.0 FTE)	0.1	0.2
Operating Expenses	0.7	1.3
Total	**$7.7**	**$19.9**

$ in millions

RIBridges –Total Funding

- $96.2 M for FY 2026 & $130.8M for FY 2027
  - State Staff & Contracted Services
    - IT services, management, staff support & analytics

Agency	FY 2026 Governor	FY 2027 Governor	Change to FY 2026
EOHHS	$77.2	$111.4	$34.2
DHS	12.8	13.2	0.4
DOA	6.2	6.2	(0.0)
Total	**$96.2**	**$130.8**	**$34.6**
General Revenues	**$25.1**	**$42.0**	**$16.9**

$ in millions

(3) EOHHS

- New Staff
  - Data analyst, project managers, policy & systems specialist, and strategic planning and monitoring
- Contracted Services
  - Program support

Changes	Gen. Rev.	Total
Staffing (7.0 FTE)	$0.5	$1.0
Contracted Services	0.7	1.3
Total	**$1.2**	**$2.3**

$ in millions

(4) Work Requirement Platform

- TuaPath Platform
  - Accessible to both DHS staff & client
  - Unifies work requirement tracking
    - Across Medicaid, SNAP, and RI Works
  - Provides a single system for multiple programs
    - Upload documentation; Verify hours worked
    - Email, texts, and in-app notifications
    - Data can be shared with other systems
  - $1.9 million
    - $0.8 million from general revenues

(5) Community Engagement

- Volunteer & Workforce Development
  - To help individuals meet work, education, or volunteering requirments
  - FY 2026 Revised
    - $2.0 million federal grant
      - In coordination with DHS & DLT
      - Media campaign, focus groups, translation services
  - FY 2027
    - $1.0 million from general revenues
      - Project manager
      - Other expenses – TBD

H.R. 1 - Response

- Other changes to mitigate impacts

Programs	Gen. Rev.	Total
RI Marketplace Affordability Program	$9.5	$9.5
Hospitals – DSH Payment	4.2	10.0
Parent & Caregiver Premium Assistance Coverage	0.3	0.8
Planned Parenthood (One-time grant)	0.6	0.6
Total	**$14.6**	**$20.9**

$ in millions

Individual Marketplace Affordability Program

- HSRI = 90% of individual market were receiving federal assistance
  - Traditional premium tax credits
  - Enhanced premium tax credits
    - Expired end of 2025
  - Governor proposes authority for new premium assistance program for 2027
    - Individuals < 200% of federal poverty level
      - $9.5 million from general revenues in FY 2027
        - Annualized cost $20 million

H.R. 1 – Provider Taxes

- Current 6.0% threshold on provider taxes
  - Reduced by 0.5 % annually – starting in FY 2028
    - Until it reaches 3.5 percent in FY 2032
    - Projected revenue loss of $91.3 million on HLF
    - Also applies to managed care tax and fees
      - FY 2030~$10M

FY	Threshold	HLF Loss
2028	5.5%	$(12.2)
2029	5.0%	$(31.9)
2030	4.5%	$(51.7)
2031	4.0%	$(71.5)
2032	3.5%	$(91.3)

$ in millions

Rural Health Transformation Grant

- State received $156.2M federal grant
  - Awarded in late December
    - Not included in FY 2027 budget
  - First year - FY 2026 award
    - Have until 9/30/2027 to spend
    - Any balance will be redistributed among states
- Revised plan must be submitted to CMS by 1/30
  - RI has not submitted its plan yet

Medicaid/EOHHS Agencies

BHDDH – Eleanor Slater Hospital		GR	All
Efficiencies & Billings	Expand Census Expansion	$(9.7)	$-
	Increase Medicare Part B Billings	(1.0)	-
	Increase Third Party Receipts	(1.1)	-
	Closure – Adolf Meyer Building	(0.6)	(1.5)
	Change	**$(12.5)**	**$(1.5)**

$ in millions

Medicaid/EOHHS Agencies

DCYF	GR	All
Consent Decree Activities	$3.6	$4.4
Female Residential Facilities	3.3	7.0
Restoration of FY 2026 Savings	3.8	2.0
Discretionary Savings	(1.8)	(1.8)
Overtime Reduction	(1.0)	(1.1)
Total	**$7.9**	**10.5**

$ in millions

DCYF Consent Decree

- $4.4M general revenues, $5.4M total
- Implementing the remedial plan related to the children's behavioral health consent decree
  - 6.0 new positions
  - Continued consultant support
  - Independent care management
  - In-home and community supports

DCYF – Staffing/Caseloads

- 650 filled positions in November 2025
  - 592 in January 2022; net gain of 58
  - 32 resignations in 2024 & 28 in 2025
    - Improvement from 62 in 2022
    - 56% of non-retirement departures were resignations in 2025
- Caseloads
  - Average # per worker with full caseload
    - March 2020 –16.5; November 2023 -12.5
    - December 2025 – 11.2
      - Slight increase from July low of 10.8

Governor's Solution

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

Education Aid

Education Aid Components	FY 2026 Enacted	FY 2027 Gov	Chg. to Enacted
Formula Aid	$1,293.8	$1,300.6	$6.8
Student Success Factor to 43%	-	14.4	14.4
Categorical Funding	63.4	65.9	2.5
Set-Aside Funds	1.1	1.1	-
Construction and Retirement	257.9	233.1	(24.8)
Total	**$1,616.2**	**$1,615.1**	**$(1.0)**

$ in millions

Education Aid

- Current law formula increase is $6.8 million
  - Core instruction amount of $13,859
    - $537 or 4.0% increase from FY 2026
- October enrollment down 1.6%
  - Poverty count also down 13.8% from FY 2026
  - March enrollment will be used for final aid
    - Has resulted in large swings in recent years
- Governor proposes increasing the student success factor from 40% to 43% for all districts - $14.4 million

Education Aid

Categorical Funding	FY 2026 Enacted	FY 2027 Gov	Chg. to Enacted
High-Cost Special Education	$17.5	$20.0	$2.5
Career and Technical	4.5	4.5	-
Early Childhood	28.9	28.9	-
Non-Public Transportation	4.7	4.7	-
Regional District Transportation	7.8	7.8	-
Total	**$63.4**	**$65.9**	**$2.5**

$ in millions

- Most categories consistent with enacted budget

Education Aid

Other Aid	FY 2026 Enacted	FY 2027 Gov	Chg. to Enacted
Teacher Retirement	$138.0	$130.2	$(7.8)
Construction Aid	119.9	102.9	(17.0)
Total	**$257.9**	**$233.1**	**$(24.8)**

$ in millions

- Teacher retirement decrease reflects updated payroll information and growth assumptions
- School construction assumes changes to reimbursement practices
  - Essentially delays aid until later years

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 transportation and career and technical education
  - Special Education is anticipated to increase by $2.5 million annually

Education Aid Out-Years

	FY 2028	FY 2029	FY 2030	FY 2031
Direct Aid	1.9%	2.4%	4.7%	2.0%
Teacher Retirement	1.5%	(0.7)%	1.4%	1.3%
School Construction	43.0%	17.3%	13.0%	13.0%
Growth	**4.5%**	**3.4%**	**5.3%**	**3.1%**

- Retirement projections assume 2.0% payroll growth and state share consistent with ERSRI projections
- School construction growth uses May 2025 SBA projections, adjusted for FY 2027 savings

Education Aid

School Construction Out-Year Estimates					
Traditional Program	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
FY 26 Enacted	$131.7	$158.4	$172.5	$176.6	n/a
FY 27 Gov*	$102.9	$147.1	$172.5	$194.9	$220.2
GO Bonds	*26.4*	*32.5*	*32.9*	*32.9*	*32.9*
Central Falls	*10.8*	*10.8*	*10.8*	*10.8*	*10.8*
Adjusted FY 2027 Total	**$140.1**	**$190.4**	**$216.2**	**$238.6**	**$263.9**

$ in millions

*Does not reflect January 2026 SBA Projections

Local Aid – General Aid Programs

	FY 2026 Enacted	FY 2026 Revised	FY 2027 Governor
Dist. Communities	$14.9	$14.9	$14.9
PILOT	51.3	51.3	49.0
Motor Vehicle Excise	239.6	239.6	239.6
Tangible Tax Exempt.	25.9	25.9	25.9
Total	**$331.7**	**$331.7**	**$329.4**

$ in millions

Local Aid Programs

- PILOT - $49.0 million
  - Fully funded
  - $2.3 million less than enacted
- Car Phase-Out - $239.6 million
  - FY 2027 aid tied to sales tax revenue growth, capped at 2.0 percent under current law
  - Governor proposes repeal of growth factor
    - $4.8 million in savings vs current law
    - All subsequent reimbursements would equal what cities, towns, and fire districts received in FY 2026

Local Aid – Restricted Aid Programs

	FY 2026 Enacted	FY 2026 Revised	FY 2027 Governor
Library Resource Aid*	$12.1	$12.1	$12.1
Library Const. Aid	2.1	2.1	2.1
Property Valuation	0.7	0.7	0.8
Total	**$14.9**	**$14.9**	**$15.0**

$ 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 - 2025 Sessions
  - Added & made revisions
  - Extended sunsets
  - Recaptured unused funds
- Governor extends again – funds some

Commerce

Current Programs	2016 – 2025	2026 R	2027
Rebuild RI	$184.6	$10.1	$6.1
Cluster Grants	2.4	-	-
Wavemaker	21.4	2.6	1.0
Innovation Initiative	12.5	-	1.0
Specialty Programming	-	0.3	0.3
Small Business Assist.	9.2	-	-
Supply RI	3.3	-	-
Site Readiness	6.0	1.0	1.0
Air Service Dev.	7.7	2.8	2.8

$ in millions

Commerce

- Rebuild RI
  - Prefunds tax credits taken over time
    - As of November, commitments total $218.5 million for 57 awards
    - Current cap on credits is $225.0 million
  - Article 3 increases cap to $250.0 million
    - Out-years assume need for $6.1 million per year

Commerce

Pass-Through	2023	2024	2025	2026 R	2027
Commerce Corp.	$7.9	$8.3	$8.5	$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	1.0	1.0	1.0	1.0	0.0
Minority Business*	0.14	0.14	0.14	0.14	0.14
Chafee Center	0.5	0.5	0.5	0.5	0.5
Polaris	0.5	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 2027 Budget

- Observed general strategies
  - Cap statutory growth
  - React to H.R. 1 impacts
    - Redirect some savings from caseload impacts to related expenses
    - Modify tax policy for specific groups
  - Reduce energy and gas costs
  - Maintain current services

Expenditures – by Source

	Enacted	FY 2027	Change
Gen. Rev.	$5,809.4	$5,954.7	$145.4
Federal	5,108.5	5,506.0	397.5
Restricted	458.5	459.8	1.3
Other	2,960.0	2,938.5	(21.5)
Total	**$14,336.4**	**$14,859.0**	**$522.6**

$ in millions

Expenditures – by Category

All Sources	Enacted	FY 2027	Change
Salaries/Benefits	$2,259.3	$2,452.0	$192.7
Contracted Services	525.8	886.3	360.5
Operating	1,228.6	1,257.9	29.3
Local Aid	2,133.7	2,127.1	(6.7)
Assistance & Grants	6,772.3	6,810.6	38.3
Capital	882.3	820.5	(61.8)
Debt Service	284.8	279.1	(5.6)
Operating Transfers	249.6	225.5	(24.1)
Total	**$14,336.4**	**$14,859.0**	**$522.6**

$ in millions

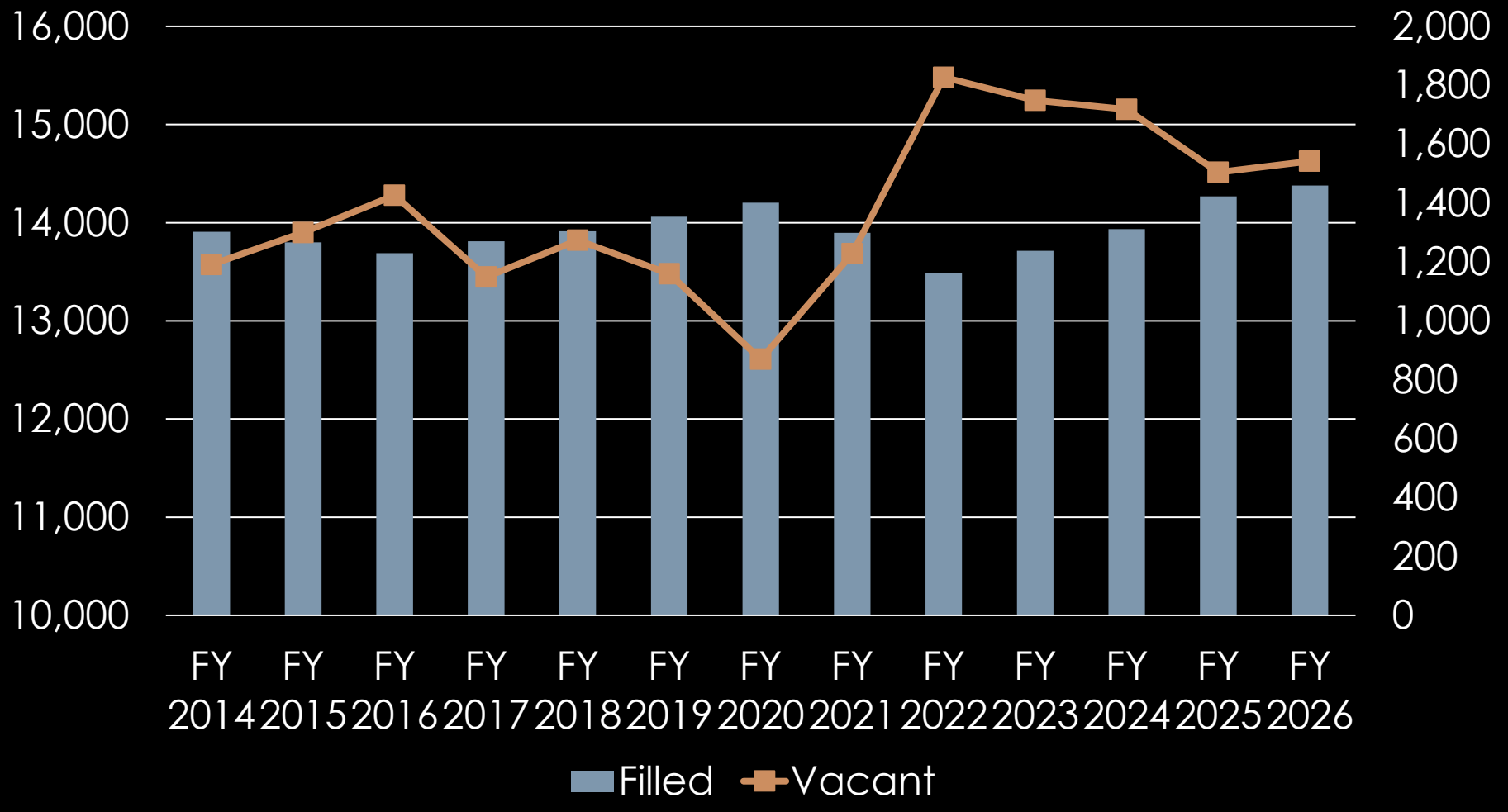
Personnel and Operating

- Salaries and Benefits
  - Adds $110 million to reverse prior presentation of BHDDH Medicaid billings
    - Example of how data presentation changes can obscure trend analysis
  - Adjusted for that, the increase is 3.6%
    - 3% COLA
    - Statewide health and other benefit adjustments

Staffing Changes

- Biggest changes
  - Eliminates URI's FTE cap
    - Retroactive to FY 2026
    - 2,671.0 FTE
      - 2025 Assembly added 100 to enable URI to stay within cap while allowing for growth
  - 80 New FTE support budget initiatives
    - Responding to federal law changes
    - Reopening Veterans Home neighborhood

Full-time Equivalent Positions



Departments and Agencies

- Governor's budget restores general revenues for failed FY 2026 initiatives or unfunded items

Examples	FY 2026	FY 2027
DCYF LEA Reimbursements	$2.7	$2.5
DCYF Emergency Housing Savings	1.3	1.3
State Psychiatric Hospital Overtime Savings	0.5	0.5
ESH Contracted Services Savings*	0.2	0.2
Unachievable Indirect Cost Recovery	0.3	0.4
Program Integrity (in CEC caseload)	2.9	2.9
Corrections Accreditation/Travel	0.5	0.5
Total	**$8.4**	**$8.3**

$ in millions; *corrected from original

Departments and Agencies

- Other Items of Note
  - DEM Online Application Portal
    - Portal launched in October 2024
      - Supports construction permitting & business licensing
    - $0.8 million from general revenues
- Grants to Nonprofits
  - Food Bank - One-time, $1.0 million increase to $2.0 million
  - Senior Service Support
    - $0.2 million increase to $1.8 million
  - New Grants of $25,000
    - Oasis International
    - New Bridges for Haitian Success
    - Refugee Assistance
      - Increased to $150,000

Departments and Agencies

- Higher Education
  - $341.2M general revenues
    - ~4% more than enacted
  - Scholarships
    - Promise: $8.1 million
    - Hope: $7.1 million
  - Major RICAP outlays
  - Tuition/fee increases
    - URI: 3.0%
    - RIC: 3.5%
    - CCRI: 3.9%
  - Eliminates URI's FTE cap retro to July 1, 2025 - 2,671.0 FTE

All Funds	FY 2027 Gov	Chg to Enacted
OPC	$57.0	$1.8
URI	1,123.7	12.0
RIC	232.6	16.2
CCRI	223.7	9.2
Total	**$1,637.0**	**$39.1**

$ in millions

Opioid Funds

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

Agency	Pre-FY 2026	FY 2026	FY 2027	5-Year Total
EOHHS	$15.6	$22.8	$4.6	$43.0
BHDDH	11.6	15.3	3.9	30.8
Health	11.7	10.6	4.5	26.8
Corrections	4.6	1.5	1.3	7.4
Total	**$43.5**	**$50.2**	**$14.3**	**$107.9**

$ in millions

Energy Affordability

- Several measures to reduce costs passed along to rate payers on utility bills
  - Energy Efficiency Programs
    - Extends surcharges by 10 years through 2038
    - Caps annual amount to $75.0 million for calendar years 2027-2029
  - Amends RI Infrastructure Bank allocation
    - From $5.0 million to $2.5 million
- Renewable Energy Fund
  - Extends surcharge by 3 years to CY 2031
    - Expands uses

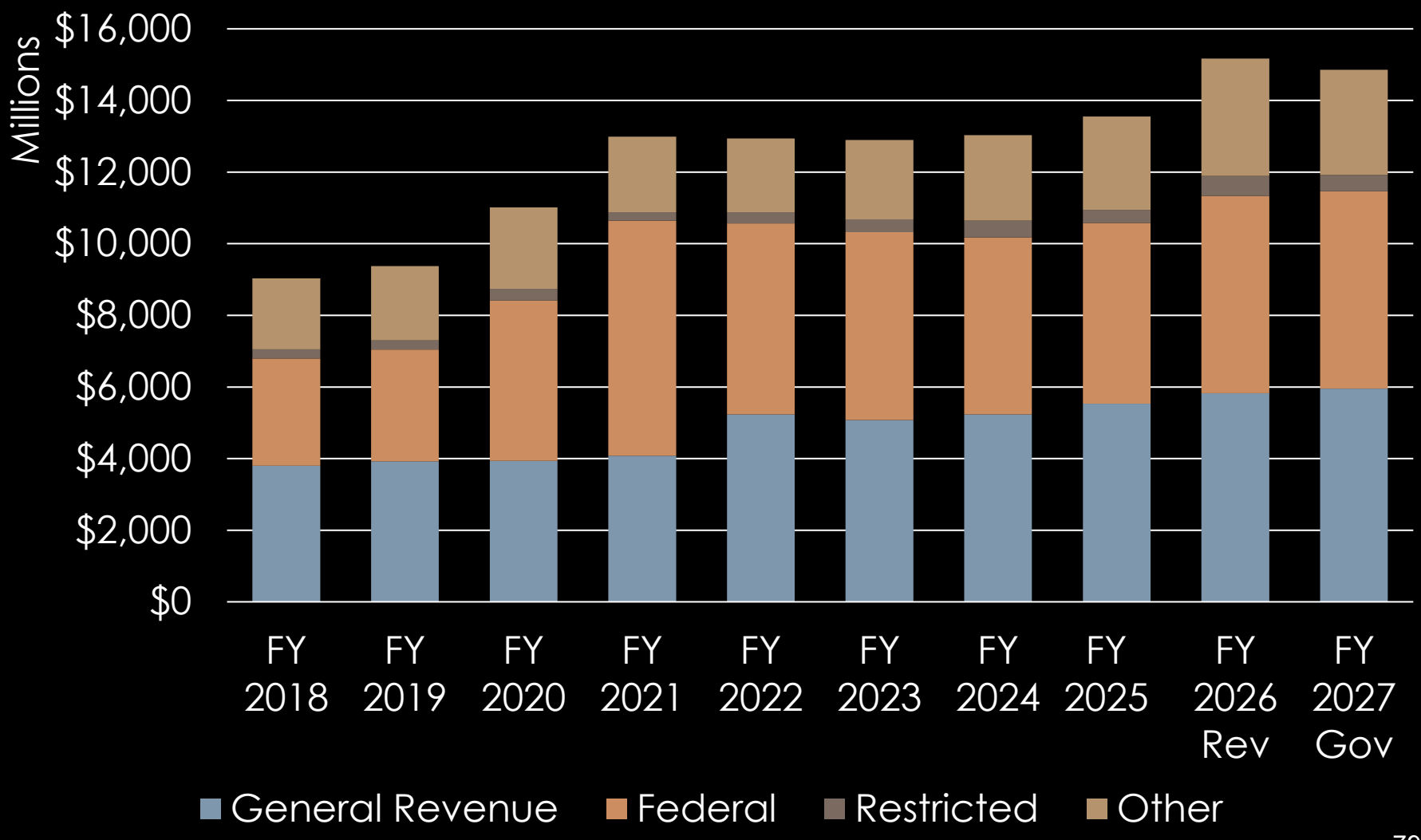
Transportation

- RIPTA operating budget deficit
  - Allocation from DOT's share of HMA fees
  - Newport cruise ship fee increase
  - RICAP for buses
- DOT
  - Reduces gas tax by 2 cents - $8.6 million
    - Statewide Transportation Improvement Program?
  - Adds 2.0 new chief civil engineers for bridge inspection oversight
  - Conflicting toll revenue assumptions

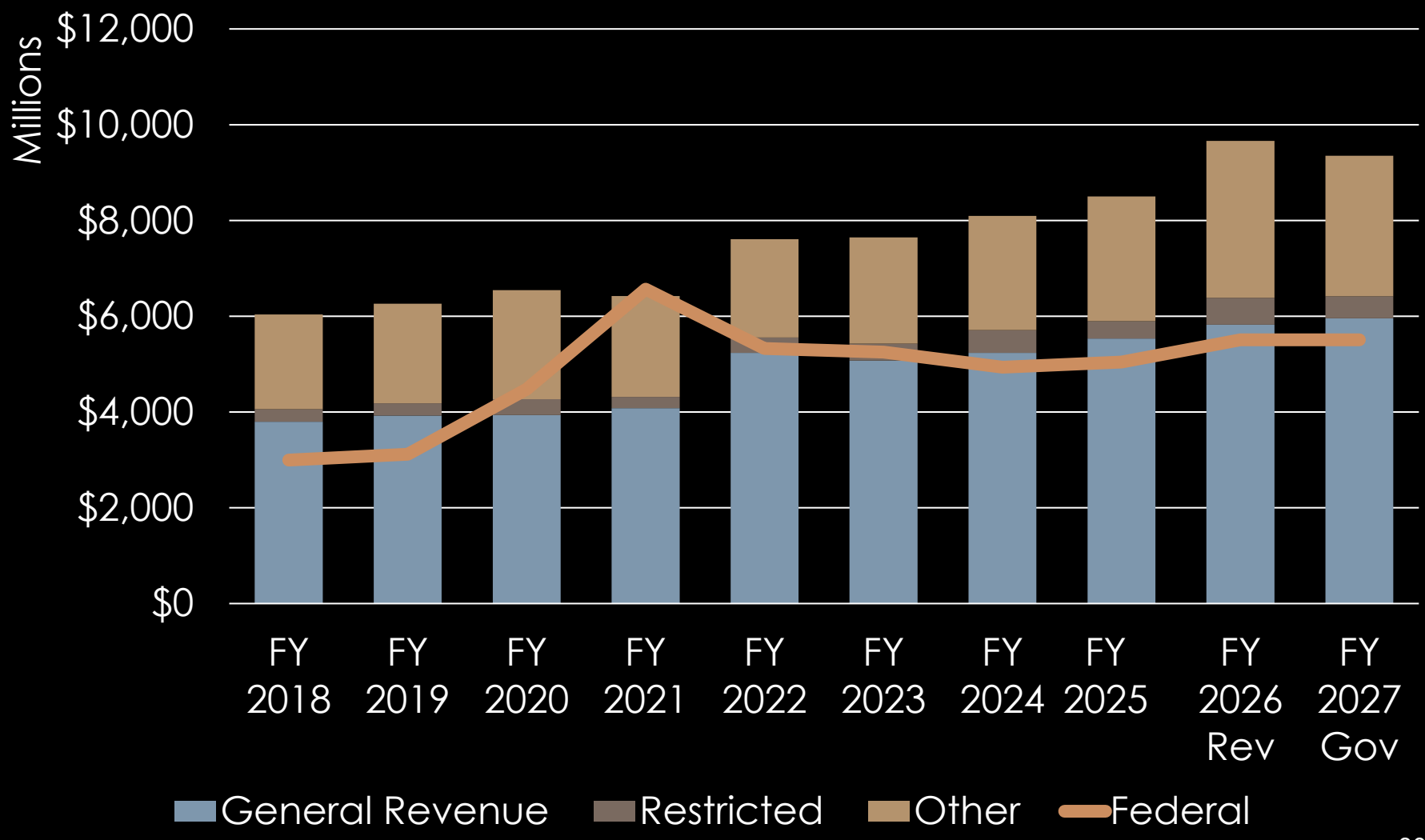
Governor's FY 2027 Budget

- FY 2025 Closing
- FY 2026 Revised Budget
- FY 2027 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Out-years

Expenditure Shares by Source



Expenditure Shares by Source – Federal & All Other



American Rescue Plan Act

- State & Local Fiscal Recovery Funds
  - $1.8 billion - Dec. 31, 2026 spending deadline
    - $1,131.1 million to the state
    - $112.3 million for capital project expenses
    - $536.8 million to locals
  - Governor may reclassify funds
    - Assembly may reject move depending on scale
- Gov. reclassifies $0.6M for 1 new project
  - Continues 8 projects using other sources
    - 5 projects & $9.8M more than enacted

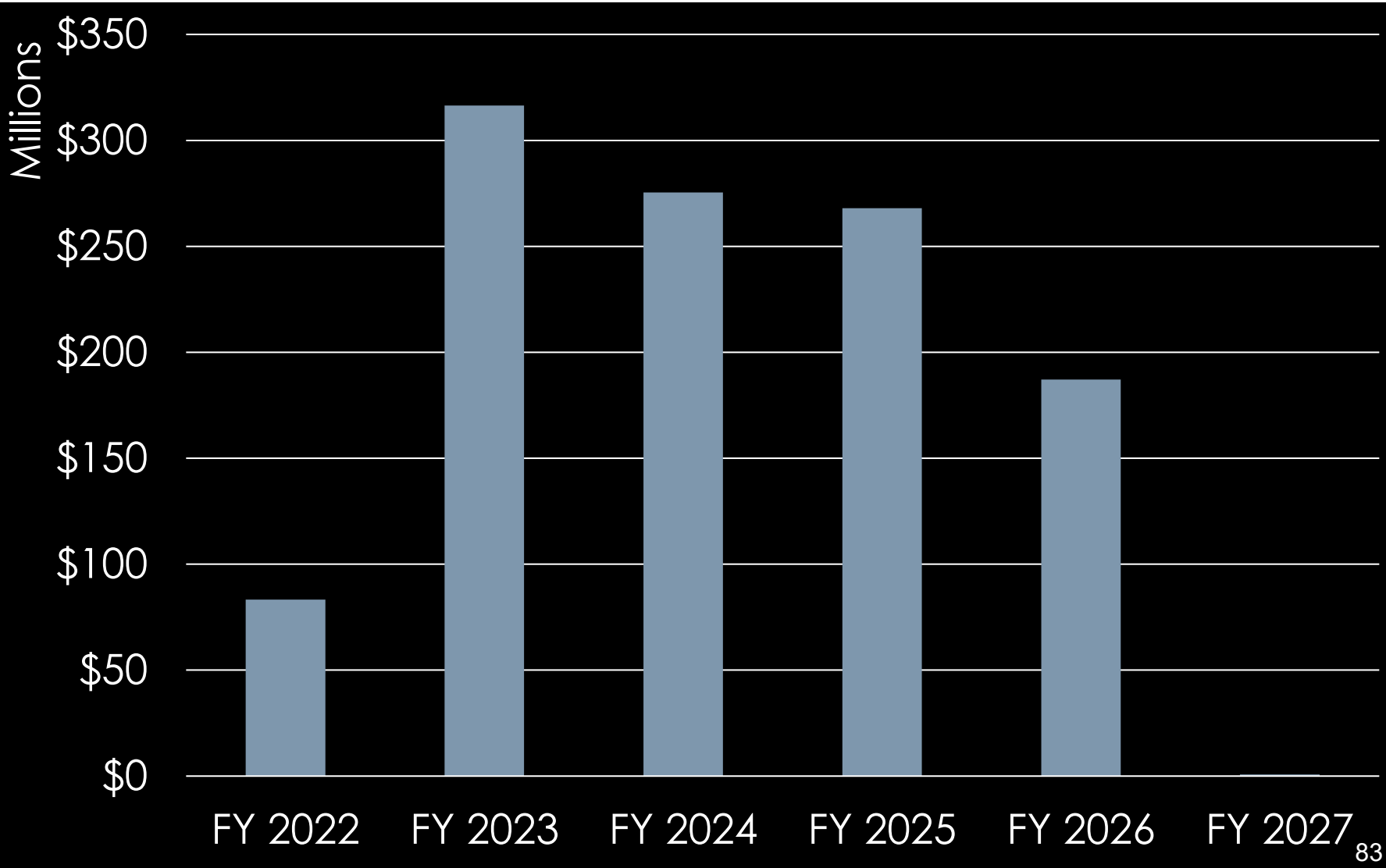
American Rescue Plan Act

- $0.6M – Enterprise Resource Planning System Implementation Support
  - Reclassification of unspent funds
    - Allowed under updated federal guidelines
    - Existing program with spending committed

Governor's Proposed Changes	
ERP Implementation Support - **NEW**	$0.6
RITBA – Safety Barriers Study	(0.2)
Municipal Planning	(0.4)
Total	**$ -**

$ in millions; Governor also reclassified $1,642 from 7 other programs

American Rescue Plan Act



American Rescue Plan Act

Programs	Enacted SFRF	FY 2026 Enacted	FY 2026 Gov.	FY 2027 Gov.
Homelessness Assistance	$38.8	$ -	$0.9*	$1.7
Assist. Impacted Industries	15.0	-	-	0.5
Destination Marketing	3.0	1.4	1.4	1.5
Public Health Warehouse	4.2	0.9	0.7	1.5
Out-of-School Time Edu.	6.0	1.3	4.0	2.0
DCFY – PRTF	9.1	-	-	1.0
Homelessness Infra.[1]	45.0	-	0.3	1.7
Municipal Roads Grant Program[2]	27.0	6.5	6.5	10.0
Total	**$148.1**	**$10.1**	**$13.6**	**$19.9**

*$ in millions from general revenues; [1]RICAP; [2]DOT Funds; *corrected from original*

American Rescue Plan Act

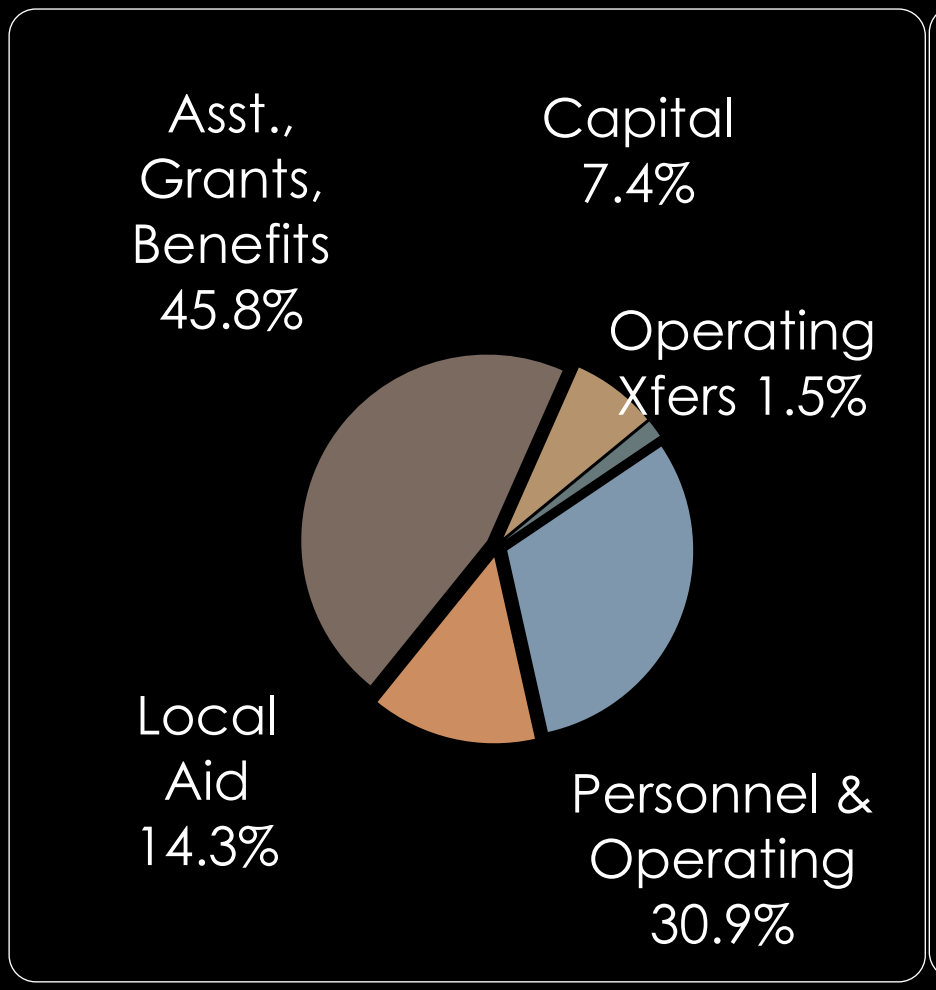
- Governor recommends $124.7M from Capital Projects Funds
  - $12.5M more than available

Programs	Enacted CPF	Governor CPF	Change to Enacted
Community Learning Center Municipal Grant Program	$81.7	$95.7	$14.0
Last-Mile Broadband	25.8	25.8	-
CPF Administration	4.3	3.3	(1.0)
Total	**$111.8**	**$124.7**	**$12.9**

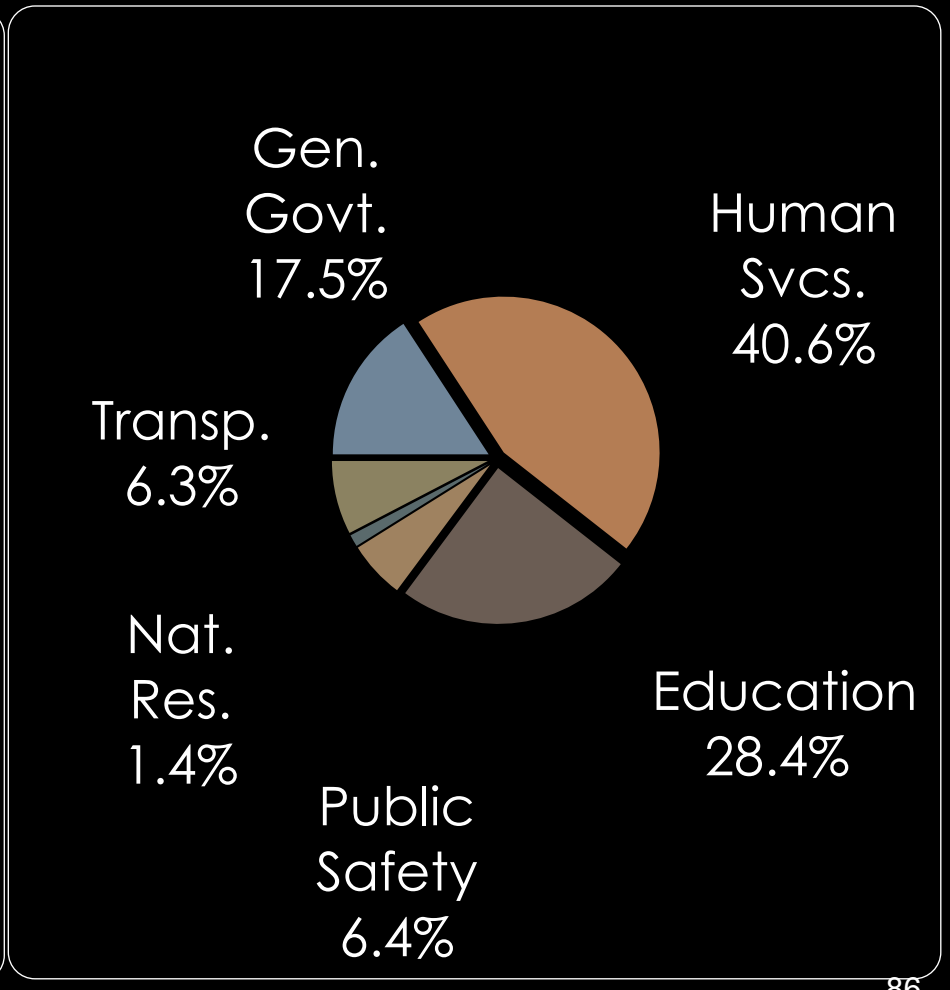
$ in millions; enacted budget contained $0.3 million understatement

All Sources Governor FY 2027

BY CATEGORY

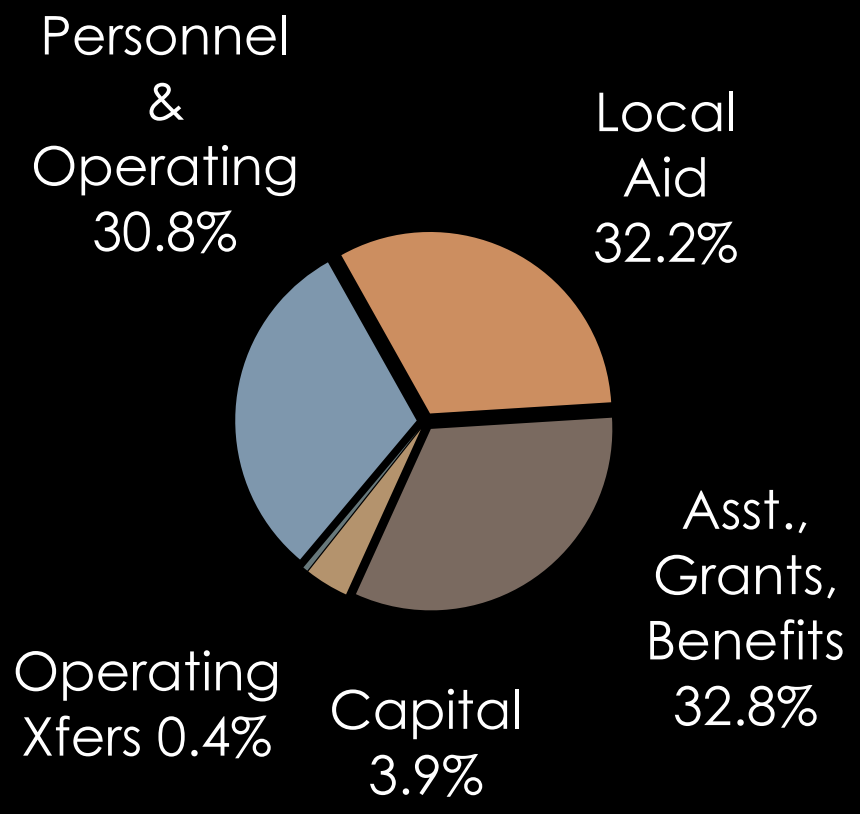


BY FUNCTION

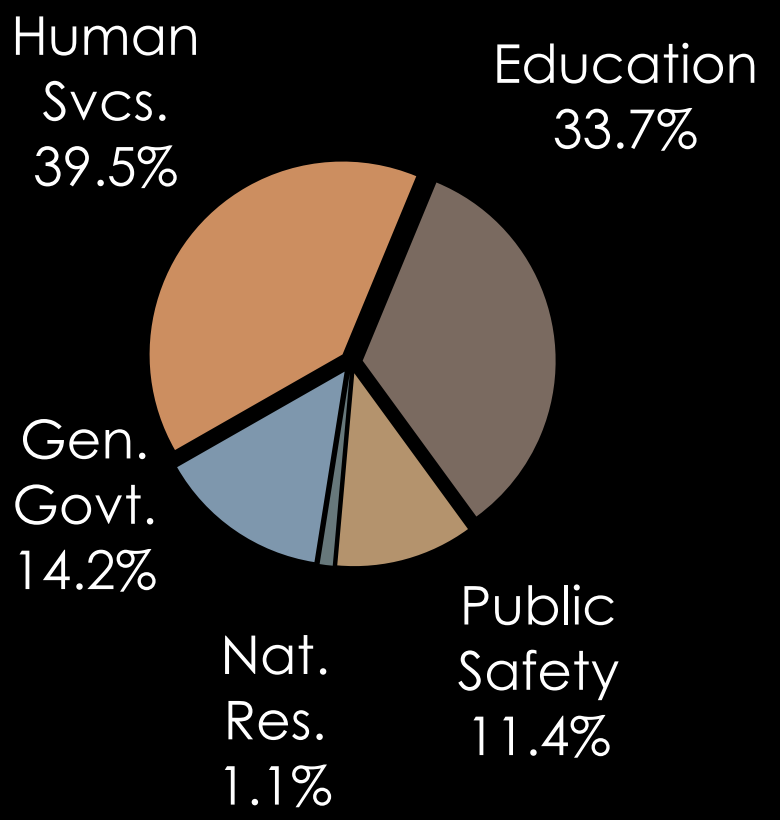


General Revenues Governor FY 2027

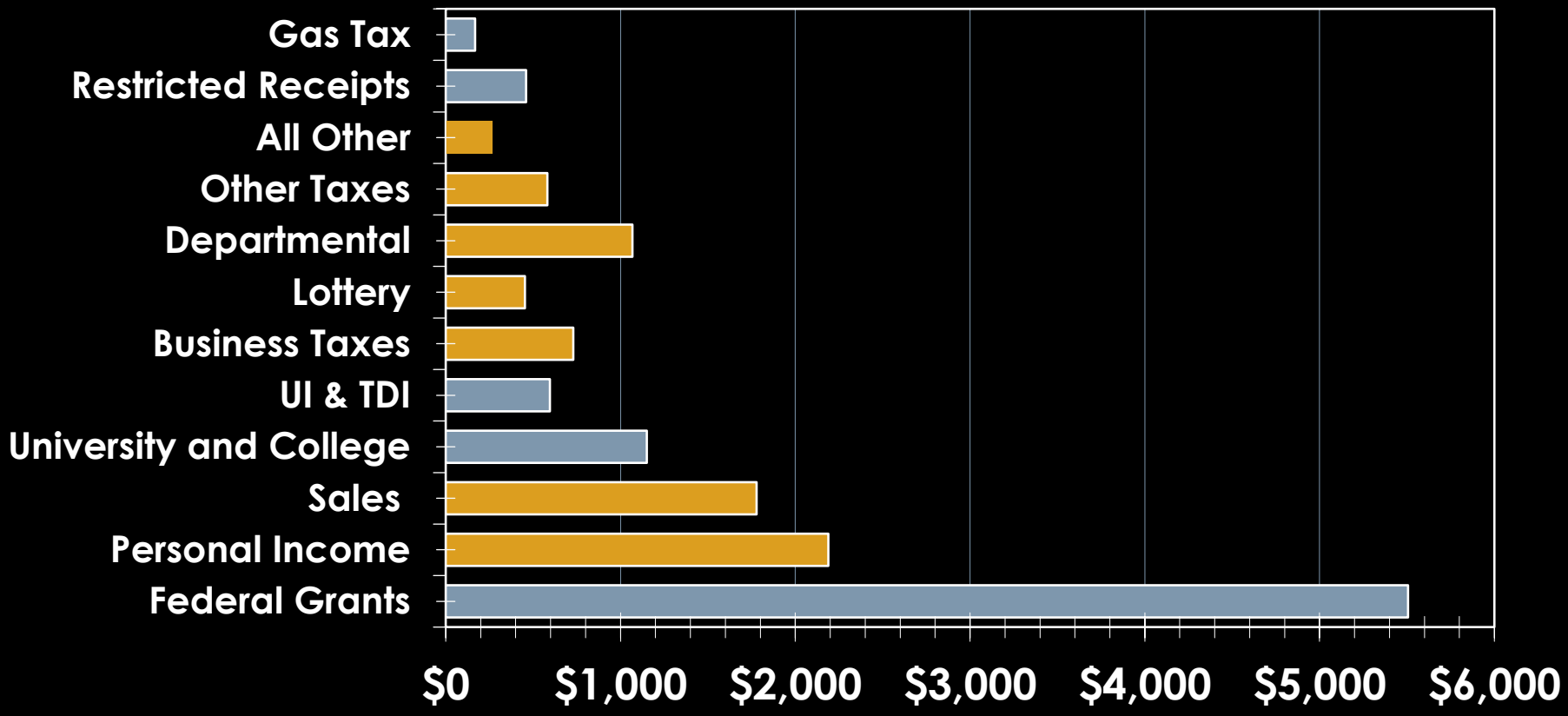
BY CATEGORY



BY FUNCTION

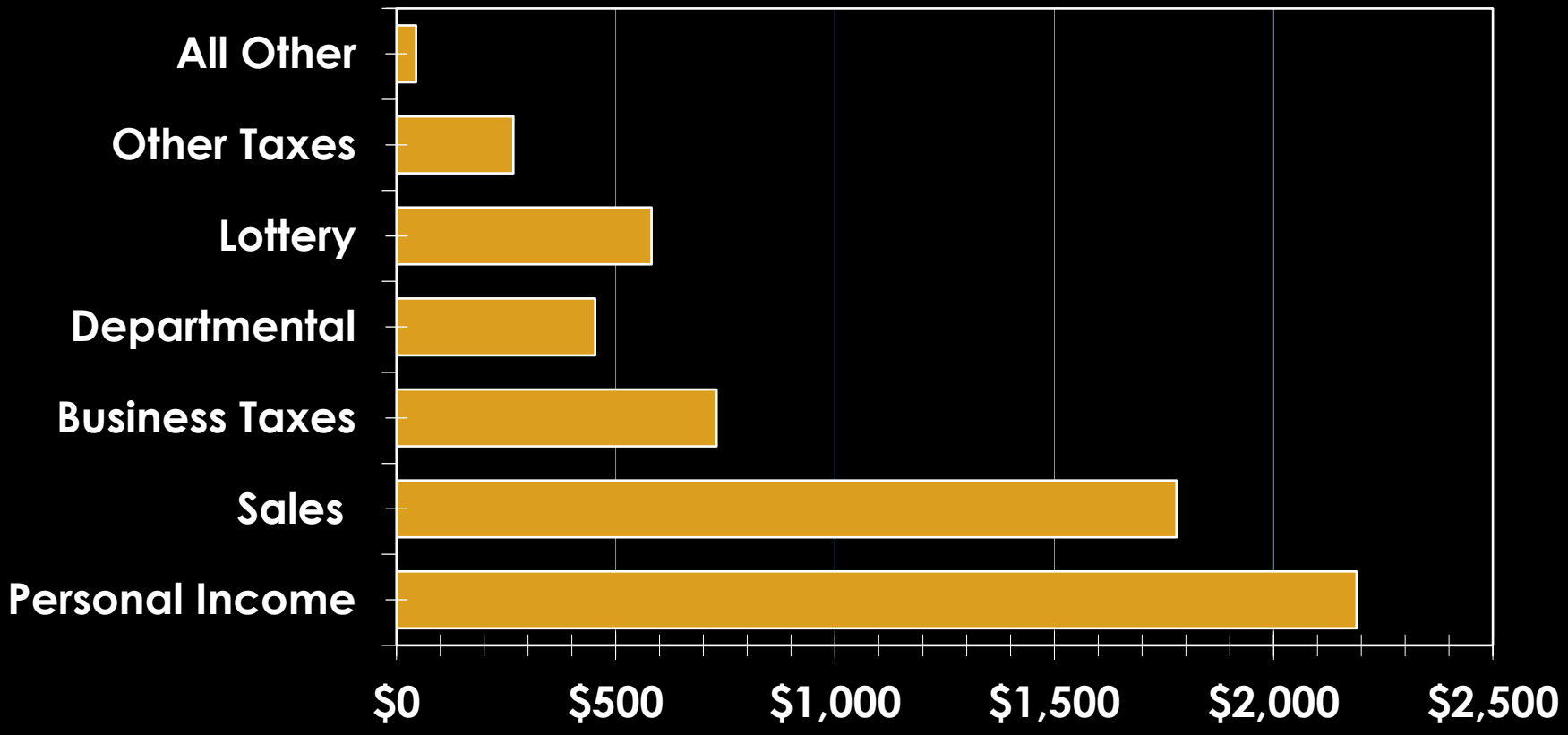


All Sources *($ millions)*



General Revenue Sources

($ millions)



Governor's FY 2027 Budget

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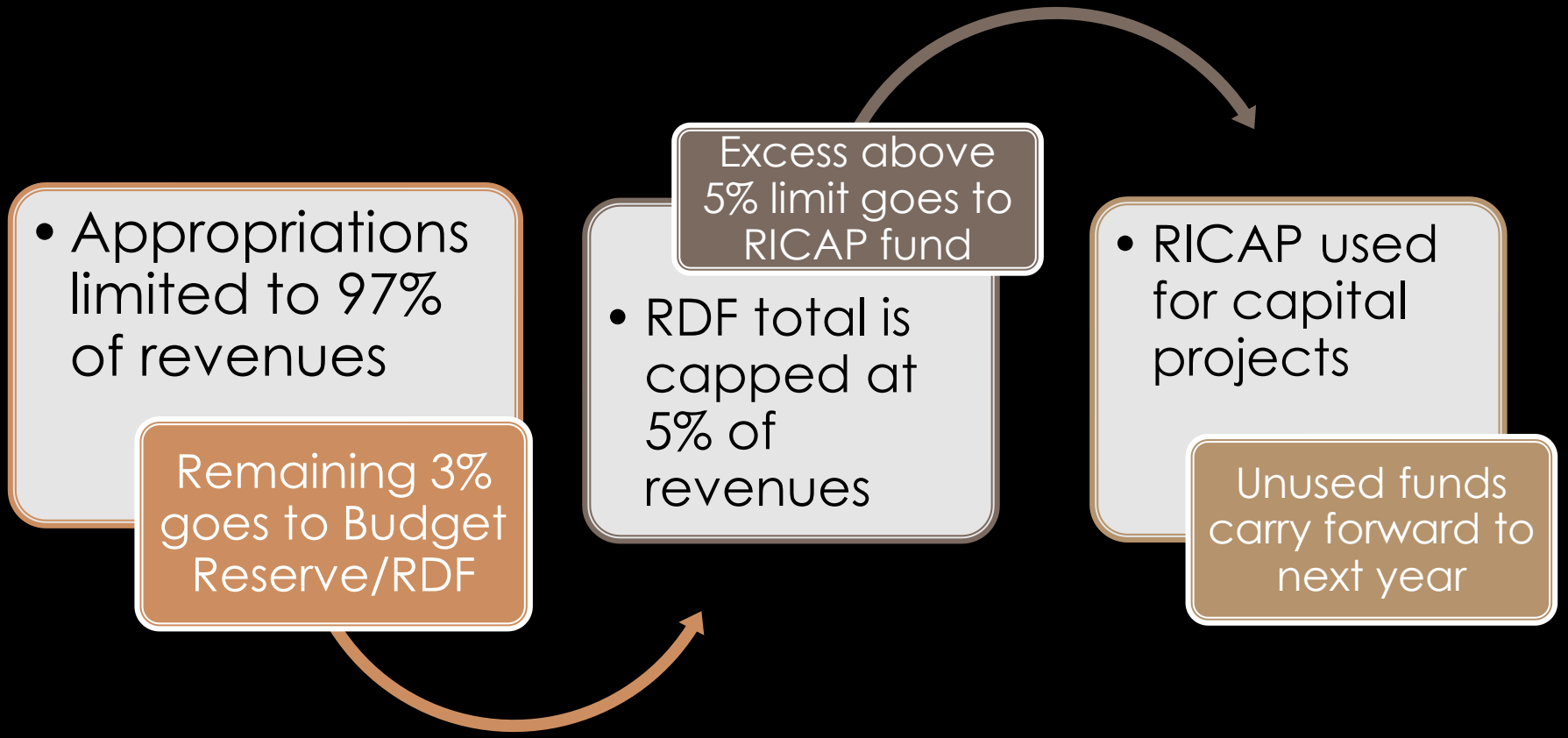
- Operating Budget Overview
- ***Capital Budget Overview***
- ***Out-years***

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

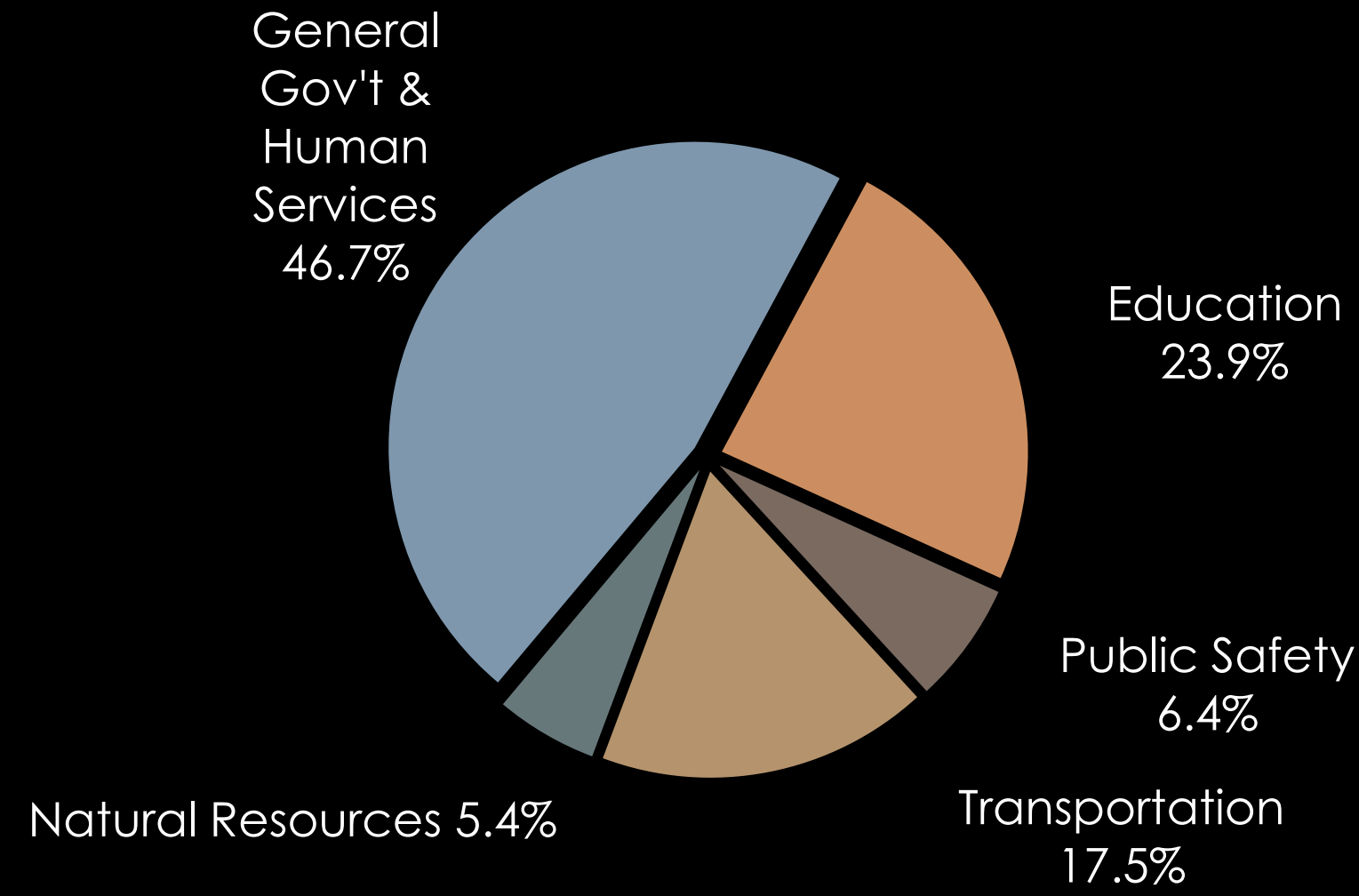
Rhode Island Capital Plan Funds



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 2027 – FY 2031



RICAP Fund

FY 2027 Governor	FY 22	FY 23	FY 24	FY 25	FY 26
Balance	$149.8	$699.2	$998.5	$938.3	$807.5
Over 5% cap	116.4	170.5	154.5	172.7	176.7
Premiums & Int.	5.1	24.3	54.4	52.1	19.7
Transfers	563.0	257.4	-	-	-
Total	**$834.3**	**$1,151.4**	**$1,207.3**	**$1,163.0**	**$1,003.9**
Projects	(135.0)	(152.9)	(269.0)	(355.5)	(632.5)
Balance	**$699.2**	**$998.5**	**$938.3**	**$807.5**	**$371.4**

$ in millions

RICAP Fund

FY 2027 Governor	FY 27	FY 28	FY 29	FY 30	FY 31
Balance	$371.4	$166.4	$74.5	$39.5	$40.2
Over 5% cap	180.4	183.4	183.0	186.1	190.1
Premiums & Int.	11.6	4.6	2.2	1.8	1.8
Transfers	-	-	-	-	-
Total	**$563.5**	**$354.5**	**$259.7**	**$223.8**	**$232.1**
Projects*	(397.0)	(280.0)	(223.8)	(183.5)	(175.2)
Balance	**$166.4**	**$74.5**	**$35.9**	**$40.2**	**$56.9**

$ in millions; *omits ~$13M carry forward for DPS project in error

Rhode Island Capital Plan Funds

Major New Investments from Approved Plan			
Pastore Infrastructure	$40.0	St. Mary's Residential Treatment Facility	$28.1
Pastore Buildings	$21.4	Davies Renovations	$3.5
State House	$27.6	School for the Deaf AP	$2.7
Group Homes	$15.1	EMA Mobile Command	$3.2
RIPTA Bus Match	$17.5	Licht Courthouse	$2.6
DOT Train Stations	$6.3	Recreational Facilities	$6.2
Galilee Piers	$8.3	Housing Facilities AP	$2.9
CCRI Renovations	$4.7	Marine Piers	$2.0

$ in millions

New Requested Debt – GO November 2026

Ballot #	Project	Amount	Annual Debt
1	Higher Education Facilities	$215.0	$17.8
2	Housing & Homeownership	120.0	9.9
3	Economic Development	115.0	9.5
4	Career & Technical Education	50.0	4.1
5	Green Economy & Clean Energy	50.0	4.1
6	Cultural Economy	50.0	4.1
	Total	**$600.0**	**$49.6**

$ in millions; annual debt assumes 5% rate and 20-year term

New Requested Debt - GO

- Average ballot over past 5 elections is $347.7M
  - 2026 bond is ~ 75% more than 2024
- Four questions have multiple sections

Q1 – Higher Education Facilities	Amount
URI Integrated Health Building	$105.0
RIC Adams Library	50.0
CCRI Workforce Innovation Center	60.0
Total	**$215.0**

$ in millions

New Requested Debt - GO

Q3 – Economic Development	Amount
Site Development	$70.0
Growth Industry Infrastructure	45.0
Total	**$115.0**

Q6 – Cultural Economy	Amount
State History Center*	$45.0
State Preservation Grants Program	5.0
Total	**$50.0**

$ in millions

*Budget assumes multiple funding sources to reach full project costs

New Requested Debt - GO

Q5 – Green Economy & Clean Energy	Amount
Brownfields Remediation & Econ Development	$3.0
Facility Improvements	8.0
Local Recreation Projects	1.0
Marine Infrastructure Development	1.0
Resilient Rhody Infrastructure Fund	20.0
Narragansett Bay Watershed Restoration	7.0
Energy Efficiency*	10.0
Total	**$50.0**

$ in millions

*Budget assumes multiple funding sources to reach full project costs

New Requested Debt – Revenue Bonds

Project	Amount	Annual Debt	Source
Rhode Island College			
Residential Life Renovations	$20.6	$1.8	Student Housing Fees
University of Rhode Island			
Repaving & Hardscape	20.0	1.7	Gen. Rev., Tuition, & Parking Fees
Auto & Admin Services	14.4	1.3	Gen. Rev., Tuition & Fees
Total	$55.0	$4.8	

$ in millions; annual debt assumes 6% rate and 20-year term

Funding Considerations

- State's overall debt structure
  - Net tax supported debt would increase by $341.4 million to $2,383.1 million
  - Debt as % of personal income would increase from 2.3% in FY 2025 to 2.4% in FY 2031
  - Past practice indicates it will likely change with new projects and revised economic data

Funding Considerations

- State's overall debt structure
  - Net tax supported debt would increase by $341.4 million to $2,383.1 million
  - Debt as % of personal income would increase from 2.3% in FY 2025 to 2.4% in FY 2031
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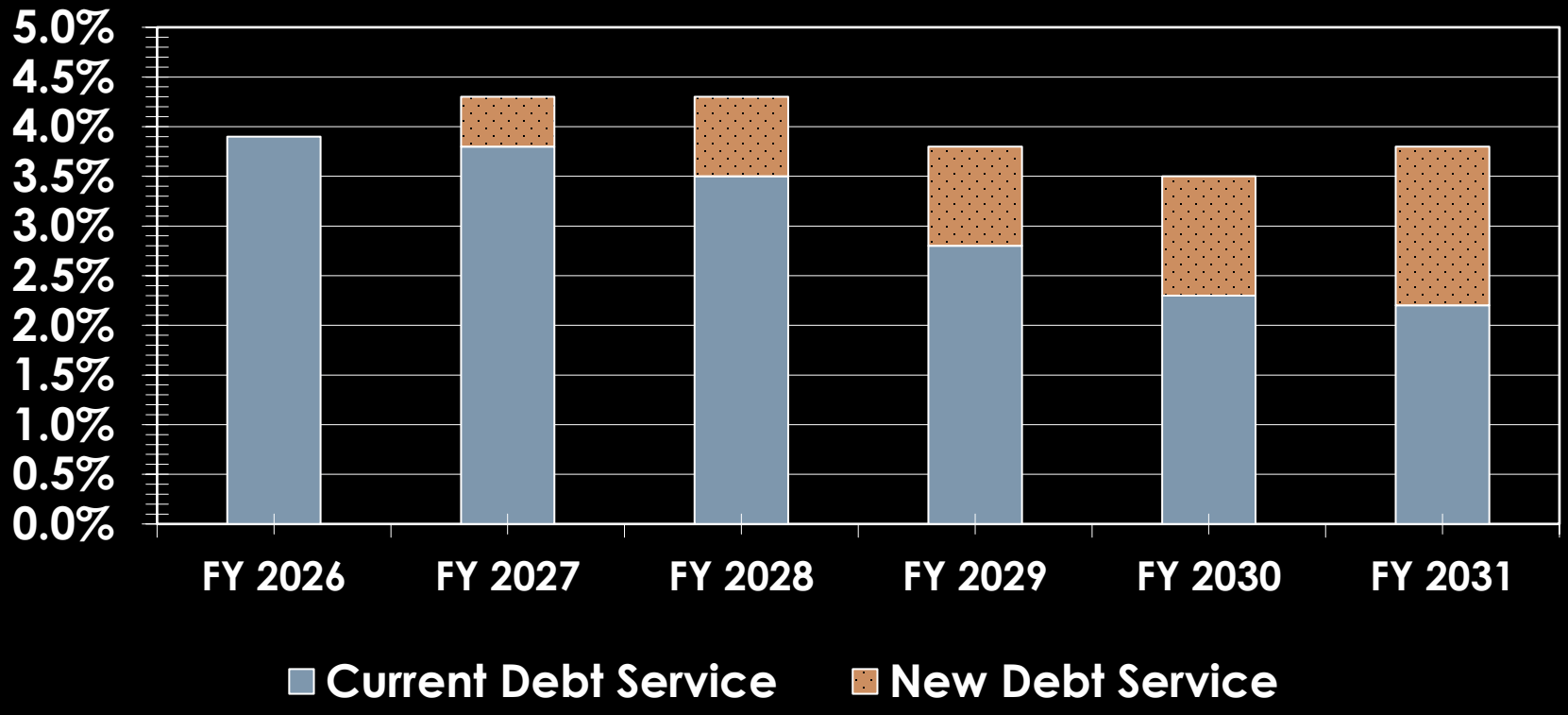
Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service	Pct. of Revenues
2026	$239.2	3.9%
2027	$258.4	4.3%
2028	$260.0	4.3%
2029	$243.1	3.9%
2030	$234.6	3.7%
2031	$250.4	3.8%

$ in millions

Debt Service as Percent of Useable Revenues



Out-Years

- As submitted the budget has out year deficit of $237 million for FY 2028
  - Grows to over $500 million by FY 2031
  - Use of surplus in current budget
  - Other program growth
- Annual expenditures outpace revenues

Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	3.3%
Nonfarm Employment	0.1%
Taxes	3.2%
Total Revenues	2.4%
Total Expenditures	3.8%
Salaries & Benefits – 21% of total	2.8%
Medicaid 31% of total	4.2%

Budget Cycle

- Preliminary FY 2025 Closing – **Oct 14**
- REC/CEC Q1 – Mid-November
- Governor's FY 2027 Budget – Jan 15
  - 2026 - H 7126 & 7127 introduced & referred
- Agencies Q2 – Jan 30
- FY 2025 Audited Closing – Feb ??
- Budget Office Q2 – Feb 15
- REC/CEC Q3 – Mid-May
- New Fiscal Year July -1

Governor's FY 2027 Budget

Staff Presentation to the House Finance Committee
January 29, 2026