



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0038

Date of State Budget Office Approval: Tuesday, February 25, 2025

Date Requested: Thursday, January 23, 2025

Date Due: Saturday, February 15, 2025

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2025	\$0	FY 2025	N/A
FY 2026	\$5.0 to \$8.2 million	FY 2026	Indeterminate
FY 2027	\$5.0 to \$8.2 million	FY 2027	Indeterminate

Explanation by State Budget Office:

The proposed legislation would establish the Office of Inspector General (“Office”) as an independent administrative agency to detect and prevent fraud, waste, abuse, and mismanagement in the expenditure of federal, state, or local public funds. The Office would oversee all state agencies, courts, cities, and towns, as well as districts, authorities, or political subdivisions created by the General Assembly or Governor.

Summary of Facts and Assumptions:

The bill takes effect upon passing, which is assumed to be July 1, 2025. For this reason, no fiscal impact is estimated in FY 2025.

Although the bill authorizes the appointment of an Inspector General with authority to appoint a staff, no staffing level is specified. Existing offices with auditing functions in the state can be used as a source of comparison for potential operating costs and staffing levels. State offices with similar responsibilities are the Office of the Auditor General, a unit within the General Assembly, and the Office of Internal Audit, a unit within the Department of Administration’s Office of Management and Budget. The Office of the Auditor General’s all funds budget totals \$8.2 million, including \$5.5 million in general revenue in the Governor’s Recommended FY 2026 budget. The recommendation includes funding for 45.6 full-time equivalent positions. The Office of Internal Audit all funds budget totals \$5.0 million, including \$3.4 million in general revenue, in the Governor’s Recommended FY 2026 budget. The recommendation includes funding for 24.0 full-time equivalent positions.

This analysis assumes that the scope of work for an Office of Inspector General would be comparable to the scope of the existing State auditing offices, and therefore the budget would be comparable to the total budgets of the existing offices. Therefore, the budget necessitated by the creation of the Office of Inspector General is estimated to be between \$5.0 million and \$8.2 million, with a staffing level of 24.0 to 45.6 FTEs. This information is provided for informational purposes, as the bill does not specify staff size.



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0038

On May 22, 2024, the Massachusetts Inspector General Jeffrey Shapiro testified in front of the Rhode Island House Finance Committee on the topic of a similar bill introduced in that year's legislative session. Per Mr. Shapiro's testimony, the organization of the proposed Rhode Island Office of Inspector General largely reflected the organization of his office in the MA government. Mr. Shapiro further testified that his office's annual budget is "about \$10 million" with a staff count of 90.0 FTEs, and that actions led by his office had led to the state of MA recouping \$1.7 million in state revenues in the previous year. According to FY 2024 budget documents published online by the state of MA, the FY 2024 operational budget for the MA Office of Inspector General totaled to \$9.2 million.

Given that the total state budget of Rhode Island is approximately one tenth the magnitude of the Massachusetts state budget, it is unlikely that the RI Office of Inspector General will necessitate a budget the size of the MA Office to run a comparable level of operations. However, given the likely returns from economies of scale involved in running an operation like the Office, it is also unlikely that the RI Office would only require a tenth of the budget of the MA Office. Therefore, the Budget Office believes the estimated annual cost range of \$5.0 million to \$8.2 million related to the passage of this bill is appropriate, especially when considering there may be higher costs in the first years of Office operation necessary systems and IT infrastructure are established.

The bill requires that the legislature appropriate funds for the Office, but no funding source is specified. Since there is no authority provided for revenue generation (e.g. a fee or assessment) and uncertainty as to the availability of federal funds, this fiscal note assumes general revenue funding would be required.

The passage of this bill may lead to an increased workload at the Department of the Judiciary, but the Department has attested they do not expect their costs to increase in a material way. This analysis therefore assumes the passage of this bill will not have a fiscal impact at DOJ.

It is likely that the establishment of an Office of Inspector General in RI will lead to increased state revenues as the result of the Office's investigations. However, given the myriad factors involved, the Budget Office is unable to estimate what level of revenue may be received. It is likely that any investigations initiated by the Office do not result in any revenue receipt to the state before the end of FY 2027, though conceivably in later years receipts could reach material levels. The Budget Office concludes the revenue impact of this bill's passage to be indeterminate for FY 2026 and FY 2027.

Comments on Sources of Funds:

The Budget Office assumes that Office operations would be funded with general revenue because the bill makes no reference to a specific funding source. The bill states that the General Assembly shall appropriate funds for the Office.



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0038

Summary of Fiscal Impact:

Expenditures:

FY 2025: No fiscal impact due to assumed timing of passage.

FY 2026: \$5.0 to \$8.2 million

FY 2027: \$5.0 to \$8.2 million

Revenues:

FY 2025: No fiscal impact due to assumed timing of passage.

FY 2026: Indeterminate

FY 2027: Indeterminate

Budget Office Signature: _____

 Digitally signed by
Joseph Codega
Date: 2025.02.26 15:00:16
-05'00'

Fiscal Advisor Signature: _____


(see attached comments)

SENATE FISCAL OFFICE COMMENTS

2025-S-0038: An Act Relating to State Affairs and Government – Inspector General

This proposed legislation amends R.I.G.L. Title 42 to create an Office of Inspector General as a separate administrative agency charged with the responsibility to investigate, detect, and prevent fraud, waste, abuse, and mismanagement in the expenditure of public funds.

The Fiscal Note prepared by the State Budget Office highlights the general responsibilities to investigate, detect, and prevent fraud, waste, abuse, and mismanagement in the expenditure of public funds. However, the fiscal note does not highlight that the legislation would also allow the Office of Inspector General to investigate expenditures of nongovernmental agencies of federal, state, and local public funds. This would presume to include all grant recipients, contractors, and vendors who received some form of public funds.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned in the center of the page.

