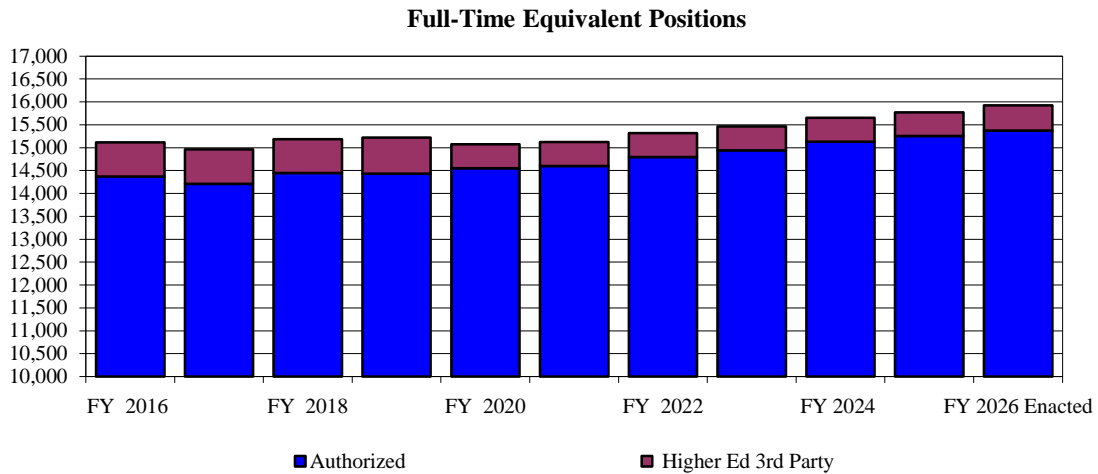


State Government Personnel and Staffing

The Governor recommended FY 2026 authorization for 15,806.8 full-time equivalent positions, which is 34.0 more than enacted and the revised recommendation. The new positions support revenue proposals, energy programs, program integrity, and other budget initiatives. The recommendations include the FY 2025 enacted amount of 519.8 higher education positions dedicated for research or supported by other third-party funds. The Governor later requested an amendment to add 15.0 full-time equivalent specialized information technology positions.

The Assembly authorized 15,921.8 full-time equivalent positions, including 544.8 higher education positions dedicated for research or supported by other third-party funds. This is 149.0 positions more than enacted, including 100.0 new positions for the University of Rhode Island, of which 25.0 are limited to third-party sources.

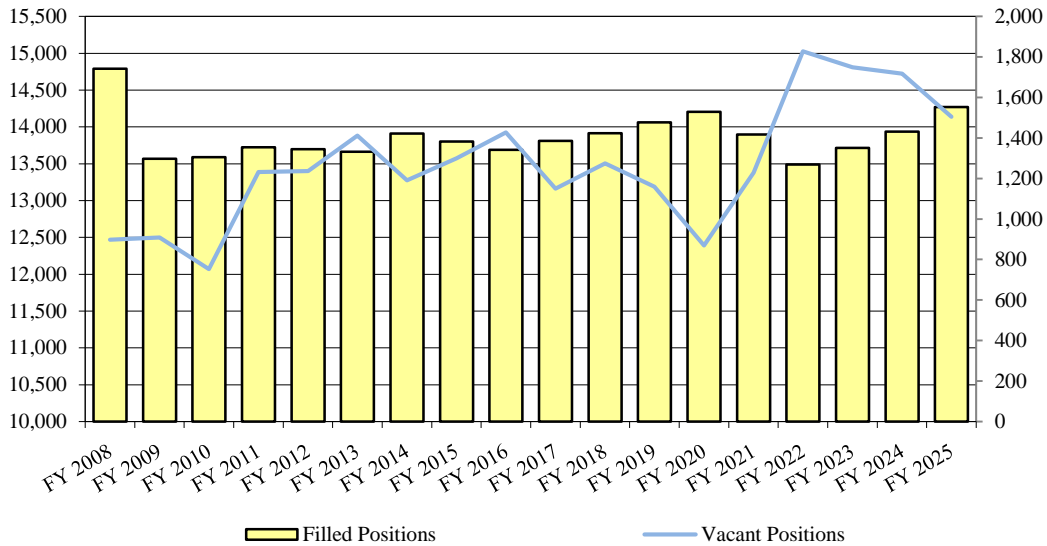


The General Assembly sets personnel limits for each agency and department defined as the maximum allowable number of full-time equivalent positions filled during any pay period. These limits are referred to as authorized levels. The authorized levels do not include temporary or seasonal employees or individuals in training requisite to employment, such as state trooper classes. Generally, agencies do not fill all authorized positions because of various reasons, such as hiring freezes or budgeted turnover savings. Turnover is budgeting less money than needed for full staffing. Turnover savings result from the gap in time from when an employee leaves state service and a new employee is hired, often at a lower cost or from when a department leaves a position vacant to achieve a certain level of savings.

For many years, the budget has also limited a certain number of higher education positions to those solely funded by third-party sources in response to requests from the higher education institutions to reduce constraints on their pursuit of outside research funding. The FY 2020 final enacted budget shifted 265.0 third-party full-time equivalent positions at the University of Rhode Island to non-third-party positions. This addressed a problem with certain auxiliary enterprise positions incorrectly reported as third-party before FY 2020.

The following graph shows average filled and authorized staffing levels from FY 2008 through FY 2025.

Full-Time Equivalent Positions



A significant reduction to both authorized and filled positions is apparent in FY 2009, FY 2010 and FY 2011 resulting from a major surge of retirements in 2008 and severe constraints on refilling the vacancies.

During FY 2007, the Governor proposed initiatives including measures to encourage eligible individuals to retire, such as ending statutory status and payment for unused sick leave and revisions to accrued vacation leave, freezing longevity payments, shutting down government operations for two days, and establishing limited service positions. The Assembly did not concur with the proposals; however, it reduced vacant general revenue funded positions, eliminating 419.4 vacant positions. Over the years, the Assembly eliminated several hundred vacancies to better align authorization and filled staffing levels.

In FY 2018, the state averaged 13,913.2 filled positions. During the second half of FY 2018, the administration implemented a voluntary retirement incentive under its own authority applicable to eligible retirees on or before December 31, 2017. Beginning on January 12, 2018, the number of filled positions declined for ten consecutive pay periods as eligible participants retired.

The 2021 Assembly authorized 15,313.2 full-time equivalent positions for FY 2022, including 523.8 higher education positions dedicated for research or supported by other third-party funds. This was 188.5 full-time equivalent positions more than the prior enacted budget with about half of the new positions being dedicated to the Department of Children, Youth and Families to proceed with the accreditation process.

The 2022 Assembly authorized 15,455.5 full-time equivalent positions for FY 2023, an increase of 142.3 positions compared to the FY 2022 enacted budget. Additional positions supported new housing functions, expanded staffing in several agencies based on new initiatives as well as conversion of functions previously filled by contractors. The 2023 Assembly further increased the authorized positions by 136 to 15,591.5 full-time equivalent positions, expanding support for housing, health and higher education initiatives among others. Despite the growth in authorized positions, vacancy rates remained high.

In FY 2024, the state averaged 13,934.7 filled full-time equivalent positions, and an average of 1,718.1 vacancies. For FY 2025, it averaged 14,268.0 filled full-time equivalent positions, an average of 1,504.8 vacancies.

Personnel Costs

Personnel costs include both salaries and benefits and contracted services. Benefits include direct benefits to employees as well as assessed statewide employee benefits. Contracted services are services state government purchases by contract. The Governor’s personnel recommendation includes \$2,240.6 million for salaries and benefits and \$569.3 million for contracted services. These expenditures represent an increase of \$82.7 million or 3.0 percent from the FY 2025 enacted budget.

It should be noted that the Governor’s FY 2025 recommended budget reclassified \$113.1 million of expenses, mostly staffing, to grants as part of a proposed change to the way Medicaid billings for the Eleanor Slater Hospital and the Rhode Island Community Living and Supports program are budgeted. The Assembly concurred with the proposal. The following table shows the adjusted personnel recommendation with the aforementioned expenses for both years.

Adjusted Excluding ISF	FY 2025 Enacted	FY 2025 Revised	Adjusted FY 2025 Final	FY 2026 Recommended	Adjusted FY 2026 Enacted
Salaries and Benefits	\$ 2,203,277,260	\$ 2,239,202,282	\$ 2,240,277,118	\$ 2,340,654,993	\$ 2,359,405,182
Contracted Services	622,543,958	663,148,032	602,469,993	573,163,602	529,715,768
Total Personnel	\$ 2,825,821,218	\$ 2,902,350,314	\$ 2,902,350,314	\$ 2,913,818,595	\$ 2,889,120,950
General Revenues	\$ 1,336,819,664	\$ 1,341,052,009	\$ 1,329,305,887	\$ 1,389,803,025	\$ 1,402,066,935

The Assembly provided \$2,259.3 million for salary and benefit expenses and authorized 15,921.8 full-time equivalent positions for FY 2026. This is \$18.8 million more than recommended, including \$11.6 million more from general revenues for settlements reached that exceeded the aggregate amount set aside for FY 2026. It also restored \$6.1 million of budgeted savings from the Governor’s facilities consolidation proposal for the Department of Corrections. Expenses for contracted services are \$43.4 million less from all sources, \$6.6 million less is from general revenues.

FY 2026 Enacted Excluding ISF	General Revenues	Federal Funds	Restricted Receipts	Other Funds	Total
Salaries and Wages	\$ 764,611,591	\$ 200,904,685	\$ 66,847,852	\$ 430,394,343	\$ 1,462,758,471
Benefits	471,394,683	117,919,407	38,548,472	168,684,352	796,546,914
Total Salaries and Benefits	\$ 1,236,006,274	\$ 318,824,092	\$ 105,396,324	\$ 599,078,695	\$ 2,259,305,385
Contracted Services	121,553,199	249,180,287	104,627,471	50,471,312	525,832,269
Total Personnel	\$ 1,357,559,473	\$ 568,004,379	\$ 210,023,795	\$ 649,550,007	\$ 2,785,137,654

These expenditures exclude internal service funds; however, the staffing levels do include them, which skews the actual cost per position. Further information and descriptions of the internal service funds are included in the last section of this report.

There are three divisions of state service: classified, unclassified, and non-classified. Classified service includes competitive and non-competitive positions. Competitive positions require employees to take civil service examinations, as opposed to non-competitive positions which include positions that require licenses, certificates, or registrations. Positions in the unclassified service are established by law and are subject to compliance with standards of the federal government and regulations set forth by the state’s Personnel Administrator. Positions in this category generally include the employees of elected officials, courts, boards and commissions, both houses of the General Assembly, department directors, and various positions of a policy-making nature. All appointments are made by the appointing authorities or the Governor in accordance with the provisions of the laws governing such appointments and the personnel rules adopted for the unclassified service. Positions within the non-classified service are covered under contract terms for the Board of Education and include positions related to a health system transformation project, as well as faculty.

Employee status refers to an employee's protection during reorganizations or layoffs. When an employee is first hired, he or she may have temporary or probationary status, which provides the least protection. All employees that were hired prior to August 7, 1996 gained statutory status when reaching 20 years of state service. This means that the state is required to find a suitable position for that employee in the case of reorganizations or layoffs. For veterans, statutory status is acquired after 15 years of service. Since this protection was ended prospectively in 1996, it is applicable to a declining number of current employees. On January 21, 2025, the administration reported 1,180 employees with statutory status, including 49 employees eligible through the veterans' provision.

Governor Chafee commissioned an analysis of the state's personnel system to recommend alternatives to the current system. The study was completed in January 2013 and found that the current personnel structure, organization, and staffing of the Division of Human Resources was not sufficient to support the state's needs as the recruiting process was highly paper-based, job classification structures did not reflect qualifications to deliver the services and the compensation structures were non-competitive.

A total of 16 actions were recommended, including implementing an online application system, eliminating the public hearing process when making changes to the classification structure, and hiring a new chief of human resources dedicated to establishing strategic direction and developing policies. The 2013 Assembly provided funding for this position, which was filled in December 2013.

The FY 2016 and FY 2017 budgets included \$1.2 million for a classification and compensation study. The study was completed in the summer of 2017 and a total of \$0.8 million was spent. The following excerpts summarize the major findings from four comparisons.

1. Salary structure: Overall, the state's salary structure is different from the market in the following ways:
 - Range minimum: 7.6 percent higher than the market average minimum
 - Range midpoint: 2.5 percent lower than the market average midpoint
 - Maximum: 11.8 percent lower than the market average maximum
2. Health care insurance: On average, Rhode Island is 9.7 percent higher than the market median for employer contribution to health care plans
3. Retirement plan: On average, Rhode Island is 1.34 percentage points higher than the market for maximum employer contribution to the primary retirement plan
4. Paid leave for Rhode Island is:
 - Comparable with the market for paid holidays, personal days, and bereavement days
 - Comparable with the market for annual accrual vacation days and sick leave
 - Above the market for carry-over vacation days by 331 percent, and above market for carry-over sick leave by 711 percent

The 2021 Assembly transferred \$50.0 million to the Information Technology Investment Fund to support the Enterprise Resource Planning System, which includes human resources, information systems, payroll, and financial management. The current systems are nearing the end of their useful lives and are susceptible to security risks. The Auditor General has historically reported the inefficiencies in the various systems.

The FY 2023 final budget included \$2.0 million from general revenues to conduct another statewide compensation and job classification study. The current human resource system contains too many job classifications, and the administration noted that if job classifications are not updated, outdated data will be entered into the new human resources module of the new Enterprise Resource Planning System.

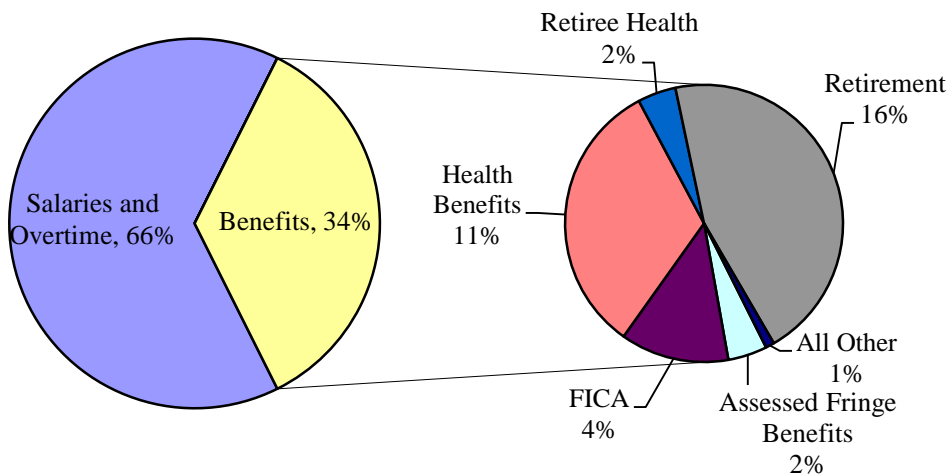
The administration requested proposals on December 22, 2022; no bids were received. Subsequently, the administration indicated that the request for proposals was over-scoped and issued another request for proposals on May 24, 2023, noting that the 2013 study "is no longer current and therefore unusable for

compensation decision-making purposes.” None of the funds included in the FY 2023 or FY 2024 budgets were spent. The 2024 Assembly required that unspent funds for the study be reappropriated. The contract with the vendor was finalized in July 2024 for a project cost not to exceed \$1.9 million. The final FY 2025 budget includes \$750,000 for the study, as the Administration reduced the scope of the study and the number of deliverables in the contract.

Salaries and benefits make up 81.1 percent of total personnel costs. The chart below represents the total cost of salaries and benefits. The larger pie chart divides salaries and wages, including overtime and benefits. The smaller pie chart breaks out the percentage of each benefit type.

Each of the items included in the graphic is described in further detail in the paragraphs that follow.

FY 2026 Enacted Salaries and Benefits



Salaries. Direct salaries refer to the wages paid to state employees. This amount may increase due to many factors. For many state employees, pay scales are determined by position grade and classification. An employee will have a base salary, and there will be increases along a five-step scale annually after the employee’s first six months. Before July 1, 2011, employees in state service for a specified number of years became eligible for longevity increases applied to the base salary. This was authorized by collective bargaining agreements for union employees, with different increases for education agencies contained in statute; it was personnel policy for non-union employees.

For most positions, collective bargaining agreements determine if an employee will receive a cost-of-living adjustment. This adjustment applies to the pay grade. For example, a 3.0 percent cost-of-living increase for a pay grade ranging from \$50,000 to \$59,000 would change that range to \$51,500 to \$60,770.

In late 2021, Governor McKee reached agreements that included cost-of-living adjustments of 2.5 percent annually from FY 2021 through FY 2024, a total of 10.0 percent over the four years. It included two \$1,500 bonuses, one payable to current union employees as of the contract’s ratification and the second for those employed on July 1, 2022. The agreement increased the number of sick leave days allowed to care for an immediate family member who is ill, provided that medical documentation is furnished. It broadened the eligibility for bereavement days and added a provision for teleworking.

In August 2024, Governor McKee reached new agreements with most state employee unions that included cost-of-living adjustments of 5.0 percent for FY 2025, 4.0 percent for FY 2026, and 3.0 percent for FY 2027, or 12.0 percent over the three years. Healthcare benefits remained essentially the same, except for changes to specialty drugs, beginning on January 1, 2025.

Agreements with the remaining unions were settled by May. The contract for the professional employees' union at the Department of Elementary and Secondary Education includes the same cost-of-living adjustments given to other state employees.

For Correctional Officers, in addition similar to those received by other state employees, the contract contains provisions increasing night shift supplemental pay and the speed at which positions achieve their maximum pay grade. The State Police contract also includes adjustments given to other state employees as well as a uniform stipend increase. It is also on a different schedule from other unions and retroactive to November 1, 2023.

The following table shows a recent history of negotiated increases.

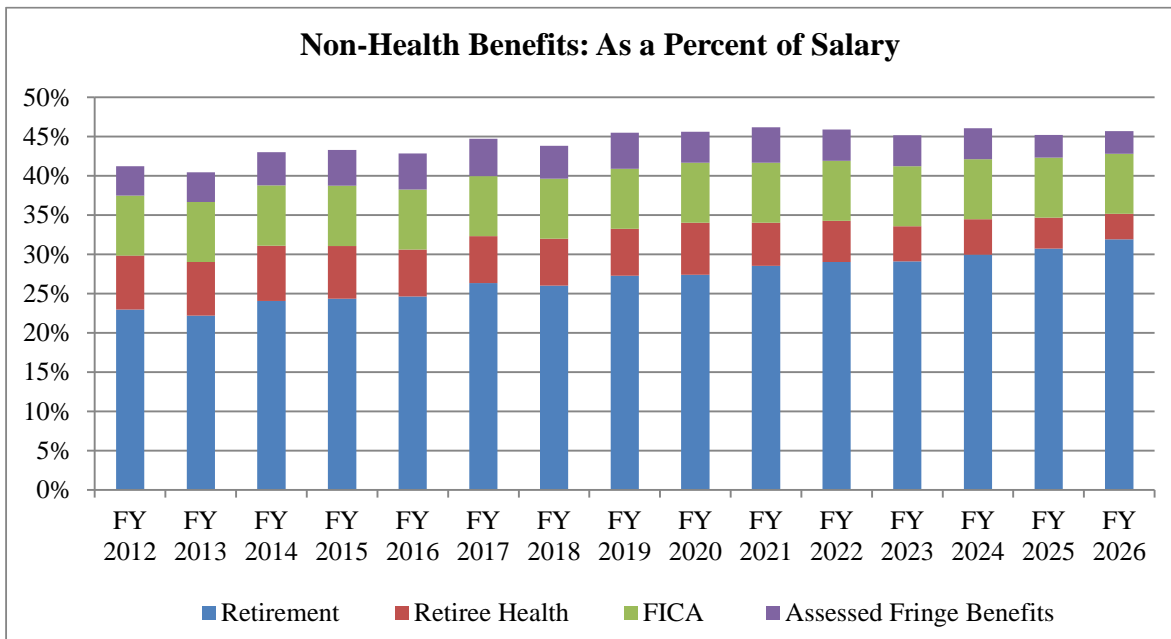
Cost-of-Living Adjustments		
Fiscal Year	Increase	Notes
2021	2.5%	Eff. July 1, 2020 - Retro paid in FY 2022
2022	2.5%	Plus \$1,500 for union members
2023	2.5%	Plus \$1,500 for union members
2024	2.5%	July 1, 2023
2025	5.0%	July 1, 2024
2026	4.0%	July 1, 2025
2027	3.0%	July 1, 2026

Excludes Troopers, RIBCO and some other smaller unions

Overtime. Overtime accounts for 4.5 percent of total salary and benefit expenses. The Department of Administration adopted a new overtime policy in 2019, requiring each agency to detail overtime authorization and approval procedures to the Division of Human Resources and the Office of Management and Budget. Beginning in FY 2020, agencies must also submit quarterly reports of overtime expenses with their quarterly financial reports to the Office of Management and Budget. As shown in the table below, most overtime expenses occur in places with 24-7 operations, including the prison and state hospitals.

Overtime - FY 2026 Enacted	
Corrections	39.7%
BHDDH	18.5%
Public Safety	11.2%
Children, Youth and Families	7.6%
Transportation	6.7%
Human Services	5.9%
Higher Education	5.5%
All Others	4.9%
Total	100%

Benefits. Benefits include direct benefits to employees such as health, workers' compensation, and unemployment, as well as unfunded liabilities for retirement and retiree health benefits. Except for health benefits, these are calculated as a percentage of salary. The following chart shows that the values have consistently been almost half of the salary. The FY 2026 value is 45.7 percent, up from 41.2 percent in FY 2012.



Each benefit is described in the paragraphs that follow.

Retirement. Participation in Rhode Island’s hybrid defined benefit/defined contribution plan is mandatory for most state employees, except for certain higher education employees who participate in a defined contribution plan. Employees must work until a combination of their years of service and age equal 95. Employees who were not eligible to retire when the 2011 changes became effective have an individualized retirement age based on their years of service, but they must be at least 59 years old to retire.

The salary basis is the three highest consecutive years. Annual cost-of-living adjustments are granted for members who retired before July 1, 2012; for all others, the annual cost-of-living adjustment will return when the pension systems’ aggregate funded ratio exceeds 75.0 percent. The formula uses both investment returns and inflation, but no more than 3.5 percent or less than zero. It is applied to the member’s first \$25,000 of pension income, indexed to grow at the same rate as the cost-of-living adjustment. Prior to full funding, intermittent cost-of-living adjustments are granted every four years for members who retired between July 1, 2012 and June 30, 2015. There have been many changes to the retirement system over the past several years. These changes are discussed later in the report.

The retirement rates are determined actuarially and under Rhode Island General Laws; they are certified annually by the State of Rhode Island Retirement Board. The Board’s current policy is that the contribution rates determined by an actuarial valuation take effect two years after the valuation date. The Retirement System conducts an experience study every three years to evaluate the appropriateness of assumptions. The actuaries use the system’s own experience where relevant and credible data is available. It uses population or general economic data such as inflation for other assumptions. The assumption changes are incorporated in future annual valuations that determine the rate required to support the defined benefit portion of the pension system. The System’s actuaries conducted an experience study during the spring of 2017. As a result of that, as well as an asset liability review conducted by the State Investment Commission, the Board approved new assumptions, including decreasing the investment return assumption from 7.5 percent to 7.0 percent and some other assumptions around inflation, wage growth and mortality. These changes were included in the actuarial valuation, effective for FY 2021 and beyond.

The rate for FY 2019 was revised upward by 2.1 percent or 0.53 percentage points based on the retirement incentive program the administration undertook in the fall of 2017, which is described later in this report.

In 2021, the administration offered the voluntary retirement incentive. The rates for FY 2026 as well as the previous seven years are shown in the table below.

Employer Contribution Rates - Regular Employees								
FY	2019	2020	2021	2022	2023	2024	2025*	2026
Rates	26.28%	26.39%	27.54%	28.01%	28.01%	28.97%	30.75%	30.91%

**Rates restated based on changes made by the 2024 Assembly; funding was provided.*

Retiree Health. The state provides health coverage to individuals who are retired from state employment, have at least 20 years of state service, and are at least 59. Eligible retirees pay a 20.0 percent cost share on the plan's actual cost. These benefits are less generous than previously provided and are discussed later in the report. The Board of Education has a separate plan for certain higher education employees.

FICA. The Federal Insurance Contributions Act tax is a United States payroll tax imposed by the federal government on both employees and employers to fund Social Security and Medicare. This applies to all state employees except State Police. This rate is applied on salaries and overtime; however, the Social Security portion has a salary limit, currently \$176,100 for 2025. The total rate is 7.65 percent, including 6.2 percent for the Social Security portion and 1.45 percent for the Medicare portion, which has no salary limit.

Assessed Fringe. The assessed fringe benefit internal service fund was established in August 1999 to comply with federal regulations and to eliminate the fluctuations in agency budgets that result from workers' compensation claims, unemployment claims, and unused leave. A biweekly assessment is applied to the amount of salaries and wages paid from all accounts and funds. This fund allows the costs to be spread out over all fund sources, as opposed to only general revenues.

The rate has varied over time based on policies that affect expenses it supports.

Assessed Fringe Benefit Rate History									
FY	2018	2019	2020	2021	2022	2023	2024	2025	2026
% of Salary	4.20	4.40	3.95	4.52	3.95	3.95	3.95	2.90	2.90

Recent fluctuations have been related to two separate voluntary retirement incentive programs and outsourcing the administration of the Workers' Compensation program. The enacted budget assumed a rate of 3.95 percent for FY 2025. Subsequently, the rate was revised to 2.90 percent for both FY 2025 and FY 2026. The current rate for certain public safety personnel is 1.65 percent because these employees receive injured on duty benefits instead of workers' compensation. The rate for higher education faculty is 2.20 percent because they do not receive severance payments.

Health Benefits. All full-time and certain part-time state employees are eligible for health benefits, including medical, dental, and vision, through Blue Cross Blue Shield and Delta Dental. The state is self-insured, but these entities administer the benefits.

For vision and dental plans, employees exclusively cover the excess cost of an enhanced plan. Employees began contributing to the cost of this health care in 2005. At that time, some employees paid a percentage of salary, depending on salary range, and some employees paid 5.0 percent of the cost of the health plans.

Currently, an employee's contribution is a percentage of plan cost, depending on his or her salary and the type of plan chosen. Before employees contributed, the state began to offer employees the option of choosing a medical benefit waiver instead of enrolling in a state health plan. The waiver had been \$2,002 through FY 2011, then reduced by half to \$1,001. More recent contracts eliminated the waiver option for two state employee spouses hired on or after June 29, 2014.

The state started offering three medical plans, called Anchor Choice, Anchor and Anchor Plus, three dental plans and two vision plans, effective on January 1, 2019. Immediately prior to that, only one plan was offered. The 2018 labor contracts increased co-pays for office visits and prescription drugs, and increased deductibles. The deductibles are based on plan selections and are now \$500 to \$1,500 for individuals and \$1,000 to \$3,000 for families. The recently negotiated agreement with the McKee Administration maintains the same deductibles, which took effect on January 1, 2025.

CY 2025 Per Employee	Below \$62,004		\$62,004 - \$119,192		Over \$119,192	
	Individual	Family	Individual	Family	Individual	Family
Total Cost of Benefits ¹	\$ 10,616	\$ 29,762	\$ 10,616	\$ 29,762	\$ 10,616	\$ 29,762
% of Premium: State	80.0%	85.0%	80.0%	80.0%	75.0%	75.0%
Annual Cost to State	\$ 8,493	\$ 25,298	\$ 8,493	\$ 23,810	\$ 7,962	\$ 22,322
% of Premium: Employee	20.0%	15.0%	20.0%	20.0%	25.0%	25.0%
Annual Cost to Employee	\$ 2,123	\$ 4,464	\$ 2,123	\$ 5,952	\$ 2,654	\$ 7,441

¹ Based on Anchor Plus Plans

The previous table shows the cost of health benefits and the employee co-shares for calendar year 2025 for both individual and family plans. For budget planning purposes, a weighted average is used to calculate the cost of medical benefits for vacant positions. The following table shows the weighted average cost per benefit type.

Weighted Average	FY 2025 Gov. Rev./ Enacted	FY 2025 Revised Planning	Chg. to Enacted	FY 2025 Revised/ Final	FY 2026 Planning	Planning to Enacted	FY 2026 Governor/ Enacted
Medical	\$ 18,627	\$ 18,481	\$ (146)	\$ 18,400	\$ 19,303	\$ 676	\$ 19,161
Dental	685	751	66	755	666	(19)	672
Vision	114	124	10	126	109	(5)	112
Total	\$ 19,426	\$ 19,356	\$ (70)	\$ 19,281	\$ 20,078	\$ 652	\$ 19,945

The Health Benefits Fund closed FY 2023 with a significant shortfall. Post-closing adjustments recommended by the Auditor General total \$15.2 million, including \$14.3 million from general revenues. The Controller made these adjustments to agency budgets in FY 2023 based on an agency's proportion of statewide employer contributions. However, because the financial statements for the Higher Education institutions were already final, their contribution toward the shortfall was not made.

The Governor's FY 2024 revised budget added \$9.0 million in general revenues to account for their share of the shortfall. The Governor's recommendations for both FY 2024 and FY 2025 increased planning values to bring the fund into balance. Values budgeted for FY 2025 were 7.5 percent higher than the previous projection. The Governor's FY 2024 revised budget included \$7.5 million from all sources, including \$4.7 million from general revenues from updating the medical benefit rates; the FY 2025 recommendation included \$9.7 million from general revenues for higher than anticipated health benefit rates. Final audit data for FY 2024 shows the fund essentially back in balance.

The State Budget Office instructions issued in August 2024 revised the FY 2025 planning values to \$19,356 or 0.4 percent less than the enacted budget assumed. The FY 2026 planning values were estimated at \$20,078, which is \$652 or 3.4 percent more than the enacted budget and 3.7 percent more than the FY 2025 revised values.

The Governor's revised budget assumes \$19,281, a \$76 decrease, and \$19,945 for FY 2026, or \$133 less than projected. His revised budget includes savings of \$0.5 million from all sources, including \$0.3 million from general revenues. The associated savings for FY 2026 is \$0.9 million from all sources, of which \$0.5 million is from general revenues.

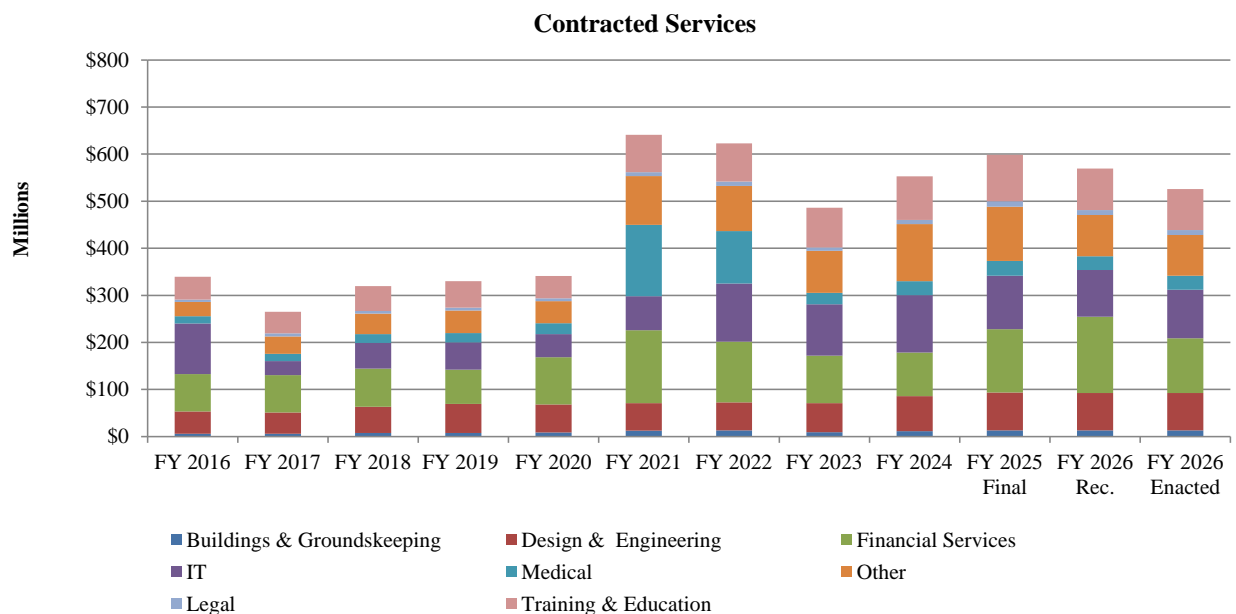
Total Costs. The following table displays the total cost examples for two employees with salaries of \$65,000 and \$115,000, respectively, and a family health plan in FY 2026.

Cost of a Position - FY 2026 Enacted					
	% of Salary/ Expense		% of Salary/ Expense		
	Plan Cost	Plan Cost	Plan Cost	Plan Cost	
Salary	\$ 65,000		\$ 115,000		
FICA	\$ 4,973	7.65%	\$ 8,798	7.65%	
Assessed Fringe	1,885	2.90%	3,335	2.90%	
Retiree Health	2,113	3.25%	3,738	3.25%	
Retirement	20,742	31.91%	36,697	31.91%	
Subtotal	\$ 29,712	45.71%	\$ 52,567	45.71%	
Health Benefits*	\$ 29,762	Family Plan	\$ 29,762	Family Plan	
Total Co-Share*	(5,952)	20.00%	(7,441)	25.00%	
Subtotal Benefits	\$ 53,521	82.3%	\$ 74,888	65.1%	
Total Cost	\$ 118,521		\$ 189,888		

*Based on Anchor Plus Plans; calendar year 2025

Contracted Services. Contracted services make up the remaining 18.9 percent of personnel costs. The recommended budget includes \$525.8 million for expenditures the state classifies as contracted services, often called consultants. These expenditures reflect the compensation paid for the services of non-employee individuals or firms and include payments to professional practitioners and other independent contractors who sell their services. These exclude expenses paid through internal service funds of \$23.9 million and \$17.1 million in FY 2025 and FY 2026, respectively.

The following graph shows the types of services provided by outside contractors from FY 2016 to the FY 2026 enacted budget. Most of the reported expenditures were previously for information technology and financial services, as the Unified Health Infrastructure Project was being implemented. They have recently been medical services, and others such as contact tracing during the pandemic. The smallest areas of spending are legal services and buildings and groundskeeping services.



The 2023 Assembly provided \$587.7 million for FY 2023 and \$568.6 million for FY 2024. Reported expenses for FY 2023 total \$486.5 million, or \$101.2 million below the appropriated amount. Nearly 60

percent of the underspending occurred in the Executive Office of Health and Human Services for direct care worker certification, analytics, and staff support and in the Department of Elementary and Secondary Education for educational support services.

The FY 2024 revised budget included \$41.4 million more from all sources than enacted initially for FY 2024, including \$15.6 million more from general revenues. This included \$4.8 million for medical services at the Rhode Island Psychiatric Hospital; turnover savings partially offset this. The 2024 Assembly provided \$591.1 million for FY 2024, and expenses of \$552.6 million were \$38.6 million less than budgeted. However, general revenue expenses were \$0.4 million more than the final budget, including \$5.9 million more in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals primarily for security services.

The Governor's FY 2025 revised budget includes \$39.1 million more from all sources than enacted for FY 2025. This includes \$4.6 million less from general revenues, mainly reflecting a reclassification of one-time expenses for instructional coaches in local education. For FY 2026, he recommended \$569.3 million, which is \$50.8 million less than enacted, primarily reflecting the removal of time-limited funds for home- and community-based services.

The Assembly provided \$598.4 million for FY 2025, which is \$60.7 million less than the Governor's revised budget. This includes \$47.9 million less in the Executive Office of Health and Human Services' budget for an updated project timeline for the Medicaid Enterprise System. The Assembly enacted \$525.8 million for FY 2026.

For the past decade, the Assembly has required state agencies to be held more accountable for contracted services they purchase. These requirements have not been well executed. The Assembly concurred with most of Governor Chafee's FY 2015 budget proposal to repeal or consolidate them to improve compliance. The following paragraphs identify these reporting requirements, any significant revisions, and current compliance.

RIGL 42-90-1. This statute, first adopted in Chapter 161 of the Public Laws of 1985, requires all departments, commissions, boards, councils and other agencies to submit to the Secretary of State the name of any person who performs legal, medical, accounting, engineering or any other professional services, and the amount of the compensation received by the consultant during the previous quarter. It further requires the Secretary of State to compile, publish and make a report available to the public.

The 2006 Assembly amended this legislation in H 6779, Substitute A, to establish a \$100,000 threshold for which services obtained are substantially similar to work performed by regular employees of the department, commission, board, council or agency. The legislation further required state agencies to list all privatization contracts as part of the budget requests, which must contain the name of the contractor, duration of the contract and costs of previous, current and upcoming years. Agencies must also include a summary of contracted private employees for each contract, reflected as full-time equivalent positions and their hourly wage rate. It appeared that only a few agencies were complying with this requirement.

The 2007 Assembly adopted legislation in Public Law 2007, Chapter 73, requiring an extensive cost comparison analysis and an appeal process before privatizing any state facility, function, or property. It required that bids for such services substantially beat the current in-house costs and meet or exceed current service quality and performance. The comparisons must consider monitoring and conversion costs. The 2008 Assembly further amended the legislation by modifying the requirements.

Governor Chafee included legislation in Article 17 of his recommended FY 2015 budget that increased the threshold from \$100,000 to \$150,000 and required the reporting to be electronically submitted to the Budget Office. The legislation requires that the Budget Office electronically post all contracts and reports online

using the state's transparency portal or an equivalent website no later than December 1 of each year. The Assembly concurred and included the legislation in Section 4 of Article 9 of 2014-H 7133, Substitute A, as amended. Despite the change, the administration was not in compliance with this requirement. At the Personnel Issues Hearing on April 4, 2018, the Director of Administration pledged to comply with this reporting requirement. Since then, FY 2015 through FY 2024 reports have been posted on the state's transparency portal.

RIGL 37-2.3-1. The 2006 Assembly adopted legislation requiring agencies to list all privatization contracts as part of the budget request when obtaining services that are substantially similar to work performed by regular employees of the department, commission, board, council or agency starting in FY 2009. The list must contain the name of the contractor, duration of the contract and costs of previous, current and upcoming years. Agencies must also include a summary of contracted private employees for each contract, reflected as full-time equivalent positions and their hourly wage rate.

The 2014 Assembly concurred with Governor Chafee's legislation to alter the requirements so that agencies provide actual information for the prior fiscal year and projected costs for the current and subsequent fiscal years. The listings must be published annually online using the state's transparency portal or an equivalent website no later than December 1 of each year. This reporting requirement has not been met since it was adopted. The staff from the Budget Office previously indicated that it had been in discussions with Council 94 to format the template for reporting. It does not appear that anything came of that.

RIGL 42-149-1. This statute, adopted in Public Law 2007, Chapter 525, requires all state departments to submit quarterly reports of all non-state employee expenditures for legal services, financial services, temporary work and other non-state employee personnel costs. The report must contain efforts made to identify qualified individuals or services within state government, factors used in choosing a non-state employee or firm, results of requests for proposals for services or bids for services, and the actual cost and the budgeted cost for the expenditure. Governor Chafee included legislation in Article 17 of 2014-H 7133 to repeal this, in conjunction with modifying a similar requirement. The Assembly concurred.

RIGL 42-149-3.1. This legislation, adopted in Public Law 2011, Chapter 409, requires an assessment of 5.5 percent on contractual costs to be paid to the retirement system on a quarterly basis when a department, commission, board, council, agency or a public corporation agrees to obtain contractual services that are substantially similar to and in lieu of services provided by regular employees. Governor Chafee proposed legislation to repeal the 5.5 percent assessment. The 2014 Assembly did not concur.

During the FY 2013 budget process, the administration indicated that it developed a mechanism within the state's accounting system to calculate this charge and \$0.4 million was collected each year from FY 2013 through FY 2018, \$0.5 million in FY 2019, \$0.3 million was collected in FY 2020 and \$196,270 in FY 2021. Collections in the last three fiscal years average \$65,034. The FY 2025 final and the FY 2026 enacted budgets include \$118,413 and \$144,017, respectively.

The House Fiscal Staff brought the sustained decline in receipts to the attention of the Administration for an explanation. It appears the process established more than a decade ago may not have been updated to ensure compliance. The Department of Administration committed to reviewing current practices and identifying which accounting mechanisms may need updates, as well as including information about this assessment in the Budget Instructions to educate agencies and promote compliance.

P.L. 2007, Chapter 073. The 2007 Assembly adopted legislation to correct a situation concerning contract employees who were doing the same work as state employees under state employee supervisors. Departments and agencies could convert those positions to state employee positions within available funding. The law also required that an agency or department may not employ contracted employees or employee services where the contracted employees would work under state employee supervisors after

October 1, 2007, without determination of need by the Director of Administration acting upon the positive recommendations of the Budget Officer and the Personnel Administrator and 15 days after a public hearing. This language was included in budgets until FY 2016. The Assembly restored the provision in the FY 2020 budget and has maintained it since.

Recent Compensation and Benefit Revisions

Recent budgets have included initiatives affecting personnel costs, including savings from reducing retirement benefits and compensation and implementing pay reductions for state employees. The paragraphs that follow describe these, along with the Assembly's action on those items.

- **Retirement Benefits.** The 2011 Assembly enacted legislation to address pension funding as part of a special session. The law moved most employees into a hybrid pension plan with a defined contribution component, raised the retirement age for those not already eligible, and adjusted benefit accruals to 1.0 percent per year of service starting July 1, 2012. The vesting period was reduced from ten to five years, but accrued benefits through June 30, 2012, were preserved. For teachers and state employees, the minimum retirement age was set to the Social Security Normal Retirement Age, up to 67, with adjustments based on years of service but no less than age 59. It suspended new cost-of-living adjustments for retirees until the system reached 80.0 percent funding, allowing intermittent cost-of-living adjustments every five years.

After the 2011 pension law was enacted, public labor unions challenged its constitutionality. To avoid a lengthy trial, the state and unions entered federal mediation. In February 2014, a settlement was proposed that kept most pension changes but reduced the retirement age from 67 to 65. It allowed employees with over 20 years of service to keep their defined benefit pensions. Retirees received a one-time 2.0 percent cost-of-living increase, and intermittent cost-of-living increases would occur every four years instead of five. The settlement required approval from retirees, state employees, and the General Assembly. Although most employees and retirees supported it, most police officers voted against it, rejecting the settlement. The trial, initially set for September 2014, was rescheduled for April 2015.

In March 2015, a proposed settlement was reached, and the Assembly passed legislation to formalize it in May 2015. The agreement preserved over 90 percent of the 2011 pension reform savings. Key changes included providing cost-of-living increases every four years instead of five, two one-time \$500 payments to retirees, and a new formula for cost-of-living adjustments based on both investment returns and the consumer price index, with a 3.5 percent cap. The calculation base for current retirees was raised from \$25,000 to \$30,000. State employees, teachers, and Municipal Employees Retirement System (MERS) employees with at least 20 years of service as of June 2012 returned to a defined benefit plan with a 2.0 percent annual accrual rate and higher employee contributions. The state's contribution to the defined contribution plan was increased for those with between 10 and 20 years of service.

The 2023 Assembly enacted three measures related to the pension system. First, it altered the intermittent cost-of-living adjustments by replacing that provision with a requirement for 25.0 percent of what the cost-of-living calculation would produce if the system were 80.0 percent funded, effective beginning in calendar year 2024. This provision will be in effect until the reinstatement of the current cost-of-living adjustment, which was projected to reach 80.0 percent funded status in FY 2031.

Second, it required the controller to transfer 50.0 percent of all general revenues received in the completed fiscal year net of transfer to the state budget reserve and stabilization account above adopted estimates for that year upon issuance of the audited financial statement to the Employees' Retirement System. The excess funds transferred at the close of FY 2023 was \$6.5 million. The Governor's FY 2025 budget proposal eliminated this law, but the Assembly did not concur. The Assembly did authorize separate legislation in

2024-H 7927, Substitute A, eliminating the transfer to the reserve account for FY 2023 only allowing for the recapture of the \$6.5 million as general revenues.

The 2023 Assembly also required the General Treasurer to establish and convene a working group to review and analyze the impacts of the Rhode Island Retirement Security Act of 2011 on the retirement systems and their current and retired members. The analysis would assist in determining if the stated goals are being met, as well as inform any changes that may be needed to improve the pension programs and address any unintended consequences of the Act and any impacts on the ability of the state to attract and retain a stable workforce. A report of the findings, recommendations, and any proposed options for consideration was due to the Governor, Speaker of the House, and President of the Senate no later than March 1, 2024.

The required report was submitted on February 26; it did not include any recommendations but did provide cost estimates for options that witnesses proposed during the six meetings of the working group. Several of the options were incorporated into standalone legislation. Some were included in the FY 2025 Appropriations Act as described below.

COLA

- Repeals 80% funding target for COLA return for members that retired before July 1, 2012
- Decreases threshold to 75% for all others

Active Members

- Changes benefits calculation from highest 5 consecutive years of compensation to highest 3
- Converts state public safety employees benefits to same retirement benefits as local public safety employees

Post Retirement Employment

- Increases maximum earnings for retired teachers from \$18,000 to \$25,000
- One year extension for working more than 90 days at LEA; requires employer contribution for extra days

These changes were expected to increase the unfunded liability by approximately \$400 million, which required annual employer contributions to increase by \$42.6 million. Of that, \$27.5 million was included in the state budget for FY 2025, with \$20.6 million from general revenues. The remaining \$15.1 million would be borne by local governments, primarily for teachers. The rate for most state employees was updated from 28.54 percent to 30.75 percent for FY 2025.

The Governor proposed not making the transfer of excess FY 2024 revenues to the State Employees' Retirement System, instead recapturing those funds for use in FY 2025. The Assembly did not concur and maintained the current law transfer of \$21.6 million to the system.

The Assembly adopted legislation in Article 3 of 2025-H 5076, Substitute A, as amended, changing the calculation for State Police pension benefits to be based on the highest three consecutive years, rather than five, which would make it consistent with other state employees. This aligns with the change made by the 2024 Assembly that applied to state employees, teachers, and general municipal employees.

- **Retiree Health Benefits.** The 2008 Assembly enacted legislation to change its provision of retiree health benefits from a pay-as-you-go system along with significant benefit reductions to future retirees effective October 1, 2008. Based on a recommendation in the Governor's FY 2009 revised budget, the 2009 Assembly enacted legislation to delay the move to a trust fund for two years. The trust fund was set up in FY 2011, and the state is now funding it on an actuarial basis.

The 2012 Assembly adopted legislation establishing a Medicare exchange for eligible retirees that offers a wider array of health benefit choices at a lower cost through competition. The state sets up a Health Reimbursement Arrangement for each retiree and deposits the state subsidy into the account each month. It is the same percent subsidy that the retiree previously received. The maximum state contribution is set equal to the lowest cost plan, adjusted for age that is comparable to the highest former plan. A retiree can

choose a lower cost plan and use the balance of funds for any approved expense including: purchasing a plan for a spouse, dental or vision plan, and payment of Medicare Part B premiums and Part D coverage.

As part of her FY 2016 recommended budget, Governor Raimondo proposed changing the requirements for what benefits must be included in early retiree health benefit plans. The Assembly did not concur.

It should be noted that the federal “Cadillac” tax was scheduled to take effect in 2018 for plans deemed high cost. The tax would be 40.0 percent of the cost above federally established thresholds. While final regulations had not been issued, it was widely assumed that the threshold would be \$10,200 for an individual plan and \$27,500 for a family plan. The pre-65 rate plan costs were \$11,300 for an individual plan and \$31,500 for a family plan. In January 2018, Congress delayed the start of the tax to 2022. In December 2019, Congress repealed the tax.

- **Longevity.** The 2011 Assembly ended new longevity payments for all state employees effective July 1, 2011, or upon the expiration of any current collectively bargained contract. Employees continue to receive the same longevity percentage they have already earned; however, no new longevity will be granted. Provisions for these payments are generally a matter of collective bargaining agreements for union employees or personnel policy for non-union staff. Non-classified employees of the former Board of Governors, Board of Regents and Public Telecommunications Authority received longevity payments of five percent after 10 years and ten percent after 20 years, pursuant to three different sections of the General Laws. Out-year estimates had projected \$4.0 million in annual costs from this provision.

In her FY 2016 budget, Governor Raimondo proposed to freeze longevity payments at a fixed dollar amount rather than a percent. She later rescinded her proposal. The Assembly retained the current law.

- **Voluntary Retirement Incentive.** In 2017, the Raimondo Administration implemented a voluntary retirement incentive under its own authority as part of an effort to achieve the \$25.0 million of undistributed savings in the FY 2018 enacted budget. State employees eligible to retire on or before December 31, 2017, were eligible for the incentive, which was two times the employee’s longevity capped at \$40,000. The administration indicated that there were 941 eligible state employees and it assumed savings of \$6.5 million based on the assumption that 45 percent of eligible employees would retire by January 31 for five months of savings. Payouts would be made from the Assessed Fringe Benefit Fund, which is generated from all fund sources. The savings also assumed that only 60 percent of those vacated positions are filled for one month in FY 2018 and at 70 percent of the incumbent’s cost in the first year.

The incentive program was implemented in stages based on the amount of longevity to allow the Retirement System time to process the applications. The most senior employees had until February 15 and the least senior had until April 15. The Governor’s revised budget included savings of \$4.6 million from vacancies, but no comprehensive information was provided on how much savings was assumed to offset added costs. Much of the vacancy savings assumed in FY 2018 did not appear to repeat in FY 2019. Based on updated program participation data, the Assembly assumed additional savings in both FY 2018 and FY 2019. It appears that 364 employees received the payment. The total impact was unclear as a high level of the vacated positions appear to have been refilled.

The administration again offered this incentive during FY 2021; it was implemented in stages. Employees with longevity of 20.0 percent must have retired by April 15, 2021, employees with longevity of 15.0 percent or 17.5 percent no later than May 15, 2021, and employees with longevity of 5.0 percent or 10.0 percent must have retired by no later than June 15, 2021. Eligible employees, with approval of the State Personnel Administrator were able to extend up to September 30, 2021.

The administration indicated that there were 900 eligible state employees and the recommended budget included \$8.2 million of undistributed savings. Based on the impact to the Assessed Fringe Benefit Fund,

being used to pay the incentive, the Governor's FY 2021 revised budget added \$2.2 million from general revenues in associated benefit rate increases. The net general revenue savings was \$6.0 million. This assumed a delay in refilling the positions and that they are filled without paying the longevity bonus or otherwise upgraded from the current classification. A total of 372 individuals opted to receive the payment. The 2021 Assembly included the savings in agencies with participating employees.

- **Workshare.** The Department of Administration instituted a program to allow non-essential state employees to participate in a program, whereby they work 60 percent of their regular weekly hours from June 14, 2020 through September 5, 2020 and claim federal WorkShare benefits for the remaining time. Benefits for such programs are fully paid with federal funds. Because of the extra \$600 weekly payment that accompanied all unemployment claims through the end of July, participants earning less than \$69,500 were not adversely impacted and likely experienced increased compensation. Statewide, this program produced savings of \$7.7 million in FY 2020 and \$9.0 million in FY 2021, including \$4.6 million from general revenues; more than 1,300 employees opted to participate in the program.

- **COVID Related Personnel Expenses.** The federal CARES Act adopted in response to the pandemic provided Rhode Island \$1,250.0 million for related expenditures incurred between March 1, 2020 and December 30, 2020, including responding directly to the emergency. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency are allowable expenses as are those to facilitate compliance with COVID-19 related public health measures. Revised federal guidance issued in September 2020 further clarified and broadened eligible costs. The state realized savings of approximately \$120 million for FY 2020 and \$230 million for FY 2021.

- **Deferred Pension Liability.** In 1991 and 1992, the state deferred payments into the retirement system as one of the many measures taken to address the financial crisis. That deferral is part of the unfunded liability being paid down in annual pension contributions and is calculated separately in each actuarial valuation. As of the most recent valuation, setting the retirement rates for FY 2024, the value of this liability is \$61.8 million. This includes \$26.9 million related to state employees and \$34.9 million related to teachers. It represents approximately \$6 million of the state's combined annual payments of \$541.7 million into both systems. The 2022 Assembly concurred with the Governor's recommendation to make a \$61.8 million appropriation in FY 2022 to the retirement system to pay off this debt specifically. His out-year forecast assumed annual savings to the state would begin in FY 2025 when those rates are set with this liability removed. The Employees' Retirement System adopted the FY 2025 rates in December 2022 based on the June 30, 2022 valuations.

- **Statewide Cost-of-Living Adjustments.** After enactment of the FY 2025 budget, the McKee Administration reached agreements with a majority of state employee unions that included cost-of-living adjustments of 5.0 percent for FY 2025, 4.0 percent for FY 2026, and 3.0 percent for FY 2027, for a total of 12.0 percent. His budgets include \$70.1 million from all sources for FY 2025, including \$45.6 million from general revenues, and \$128.0 million from all sources, including \$82.8 million for FY 2026 to account for these agreements and assuming the pay increases also apply to non-union state employees. These expenses include \$32.8 million from all sources for FY 2025 and FY 2026 for potential costs where settlements have not yet been reached. The general revenue share is \$11.2 million for FY 2025 and \$19.0 million for FY 2026. The following table shows the reserves and expenses included in agency budgets.

	General Revenues	All Funds
FY 2025 Governor Revised	\$ 34,372,061	\$ 57,950,088
FY 2025 Reserve	11,234,778	12,152,587
Requested Amendment	4,101,811	3,753,331
Total FY 2025 Final	\$ 49,708,650	\$ 73,856,006
FY 2026 Recommended	\$ 63,809,303	\$ 107,374,049
FY 2026 Reserve	18,959,345	20,642,448
Requested Amendment	11,628,391	10,712,449
Total FY 2026 Enacted	\$ 94,397,039	\$ 138,728,946
Total	\$ 144,105,689	\$ 212,584,952

The Assembly concurred with the Governor’s requested amendments to distribute the funds to the Departments of Corrections, Elementary and Secondary Education, and Public Safety. Settlements were reached that exceeded the aggregate amount set aside by \$15.7 million from general revenues, including \$4.1 million for FY 2025 and \$11.6 million for FY 2026.

- **Transfer of State Employees.** The practice of cost allocation may skew the distribution of positions by function. In this case, cost allocation refers to the practice of charging an agency for a portion of the costs for a position that is working in a different agency. There are also cases in which the entire cost of a position is being charged to one agency while the authorization for that position is in another agency.

The 2017 Assembly adopted legislation in Section 6 of Article 5 of 2017-H 5175, Substitute A, as amended, requiring the Personnel Administrator or any director of a department file a written report with the Speaker of the House, the President of the Senate and the chairpersons of the House and Senate Finance Committees when transferring or extending the duration of a transferred employee. This report must be filed within seven days of making or extending the transfer. Since the adoption of this requirement, nine reports identifying a total of eight transfers have been received. The 2019 Assembly adopted legislation in Section 11 of Article 4 of 2019-H 5151, Substitute A, as amended, to clarify that reports be made on the transfer of all state employees, including those who are members of labor unions.

Distribution of Positions

The number of full-time equivalent positions authorized for each agency and department is contained in Article 1 of the annual appropriations act. The departments and agencies may not exceed the number of full-time equivalent positions authorized in any pay period. Full-time equivalent positions do not include seasonal or intermittent positions for which scheduled periods of employment do not exceed 26 consecutive weeks or for which scheduled hours do not exceed 925, excluding overtime, in a one-year period. Nor do they include individuals engaged in training, the completion of which is a prerequisite of employment.

For many years, the budget has also limited state employees whose funding is from non-state funds that are time-limited to receive appointments limited to the availability of the non-state funding source.

The following table summarizes the distribution of positions by function.

Changes to Enacted	Gen. Gov't.	Human Services	Education	Public Safety	Natural Resources	Transp.	Total
<i>FY 2025 Enacted</i>	2,570.3	3,848.5	4,789.6	3,338.4	471.0	755.0	15,772.8
New Positions	27.0	11.0	104.0	9.0	-	-	151.0
Transfers	(2.0)	2.0	-	-	-	-	-
Program/Vacancy Reduction	-	(2.0)	-	-	-	-	(2.0)
<i>Total Change to Enacted</i>	25.0	11.0	104.0	9.0	-	-	149.0
FY 2026 Enacted	2,595.3	3,859.5	4,893.6	3,347.4	471.0	755.0	15,921.8
Percent by Function	16.3%	24.2%	30.7%	21.0%	3.0%	4.7%	100%

A description of changes from the FY 2025 enacted budget follows. Education and human services functions together account for over half of all positions. Changes are concentrated in general government and human services.

Program Changes to FY 2025 Enacted Staffing Levels

Administration. The Governor recommended FY 2025 revised staffing of 667.6 full-time equivalent positions, which is 16.0 fewer than enacted, reflecting the Office of Energy Resources as a standalone agency. To the revised recommendation, he added 2.0 positions for a statewide integrated data system, 2.0 positions related to program integrity, and transferred 2.0 positions to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals for FY 2026 staffing of 669.6 full-time equivalent positions. He subsequently requested an amendment to add 15.0 full-time equivalent specialized information technology positions within the Division of Enterprise Technology Strategy and Services, an internal service fund program. The Assembly concurred with the amended recommendation.

Office of Energy Resources. The Governor's budget reflects the Office of Energy Resources as a standalone agency. He recommended FY 2025 revised staffing of 16.0 full-time equivalent positions; this aligns with the current Department of Administration staffing allocation. For FY 2026, he recommended 20.0 full-time equivalent positions, 4.0 more than the revised budget. The Assembly provided FY 2026 staffing of 17.0 full-time equivalent positions, 1.0 more than the FY 2025 final budget.

Business Regulation. The Governor recommended FY 2026 staffing of 155.0 full-time equivalent positions, which is 26.0 fewer than enacted to reflect the Cannabis Control Commission as a standalone agency. The Assembly concurred.

Cannabis Control Commission. The Governor's budget reflects the Cannabis Control Commission as a standalone agency. He recommended FY 2026 staffing of 28.0 full-time equivalent positions, 2.0 positions more than the enacted allocation for associated work within the Department of Business Regulation to reflect a new administrative officer and a legal support position. The Assembly did not concur with the new positions and provided a total of 26.0 positions.

Revenue. The Governor recommended 604.5 full-time equivalent positions for FY 2026, which is 5.0 positions more than the enacted amount, including 3.0 positions to oversee the administration of the whole-home short-term rental tax and 2.0 positions for the digital advertising tax initiative. The Assembly did not enact the digital advertising tax proposal but did adopt other new revenue initiatives. It added 1.0 position and \$250,000 to the recommendation, providing a total of \$0.7 million for the implementation costs of new revenues.

Office of the General Treasurer. The Governor recommended 92.0 full-time equivalent positions for FY 2026, 1.0 more than authorized to reflect a new cybersecurity manager position. The Assembly concurred.

Executive Office of Health and Human Services. The Governor recommended 243.0 full-time equivalent positions for FY 2026, 10.0 more than enacted. This includes 4.0 positions to support the Medicaid

program's oversight of pharmacy claims, 4.0 positions related to fraud, waste, and abuse; and 2.0 positions to support a statewide integrated data systems initiative. The Assembly concurred.

Children, Youth and Families. The Governor recommended 713.5 full-time equivalent positions for FY 2026, 1.0 fewer than enacted. This reflects a transfer of a position to the Office of Childcare in the Department of Human Services to facilitate coordination between agencies and ensure access to high quality early learning and developmental services. The Assembly concurred.

Health. The Governor recommended the authorized level of 572.6 full-time equivalent positions for both years. However, the FY 2026 recommendation includes a new data analyst position to increase cannabis product testing, and eliminates a currently filled position. The Assembly concurred.

Human Services. The Governor recommended 1,079.0 full-time equivalent positions for FY 2026, which reflects the transfer of an Early Childhood Systems Coordinator position to the Office of Childcare and the elimination of a position. The Assembly concurred.

Behavioral Healthcare, Developmental Disabilities and Hospitals. The Governor recommended 1,223.4 full-time equivalent positions for FY 2026, 2.0 more than enacted. This reflects the transfer of two positions from the Department of Administration's Division of Capital Asset Management and Maintenance, to oversee maintenance and operations of the state-owned group homes. The Assembly concurred.

Elementary and Secondary Education. The Governor recommended 342.1 full-time equivalent positions for FY 2026, 2.0 more than enacted to reflect two new art teachers for the Davies Career and Technical School to meet updated student graduation requirements. The Assembly concurred.

Public Higher Education. The Governor recommended 4,417.3 full-time equivalent positions for FY 2026, 2.0 more than enacted for the Office of Postsecondary Commissioner associated with his proposal to create a statewide integrated data system. As of mid-January, the University exceeded its staffing cap by 24.9 positions. The Assembly concurred and also added authorization for 100.0 new full-time equivalent positions for the University of Rhode Island, of which 25.0 are limited to third-party sources. This will enable the University to stay within its cap while also allowing for growth.

Attorney General. The Governor recommended 264.1 full-time equivalent positions for FY 2026, consistent with the enacted authorization. The Assembly authorized 268.1 full-time equivalent positions; it added 4.0 civil attorney positions based on an updated request from the Office.

Judiciary. The Governor recommended 749.3 full-time equivalent positions for FY 2026, 4.0 more than enacted. This includes 2.0 positions to support the Office of Court Interpreters, 1.0 deputy clerk for the Traffic Tribunal, and 1.0 administrative clerk for the Workers' Compensation Court. The Assembly concurred.

Public Safety. The Governor recommended 634.0 full-time equivalent positions for FY 2026, 1.0 more than enacted for an additional Capitol Police screener position. The Assembly concurred.

Internal Service Funds

The state uses internal service funds to reimburse one agency for services provided to another. For example, the Central Utilities account within the Department of Administration charges agencies for utilities expenses, such as electricity costs. In other cases, the service provided is more administrative such as human resources support. The funds to cover these expenditures are budgeted as an operating expenditure in the agency receiving the services. No funds are appropriated to the internal service fund.

Internal service funds lack the transparency of direct appropriations. Billings to agencies support them since no money is appropriated to the funds, and the services appear as operating costs even though they often fund personnel expenses. This makes it difficult to exercise the same level of scrutiny as direct appropriations. The 2017 Assembly adopted legislation authorizing internal service funds for centralized services, including information technology, facilities management, and human resources. It also requires that the Department of Administration report the fund activities quarterly, starting with October 15, 2017, including a breakdown by each department and agency. The report must be submitted to the Speaker of the House and President of the Senate with copies to the House and Senate Finance Committee chairpersons. The following table shows the dates the reports were submitted.

Fiscal Year	1st 10/15	2nd 1/15	3rd 4/15	4th 7/15
2025	10/15	1/15	4/23	
2024	10/16	1/31	4/19	9/19
2023	10/17	1/20	4/14	8/11
2022	10/27	1/15	4/15	7/15
2021	10/30	2/22	5/14	
2020	10/31	1/17	5/20	8/24
2019		2/19	5/21	9/13
2018	10/13	2/21		11/24

Previous personnel costs discussed exclude internal service funds expenses; however, the staffing levels do include them, which skews the actual cost per position. The following table shows them included.

FY 2026 Enacted Including ISF	General Revenues	Federal Funds	Restricted Receipts	Other Funds	Total
Salaries and Wages	\$ 764,611,591	\$ 200,904,685	\$ 66,847,852	\$ 477,185,662	\$ 1,509,549,790
Benefits	471,394,683	117,919,407	38,548,472	196,834,853	824,697,415
Total Salaries and Benefits	\$ 1,236,006,274	\$ 318,824,092	\$ 105,396,324	\$ 674,020,515	\$ 2,334,247,205
Contracted Services	121,553,199	249,180,287	104,627,471	67,607,786	542,968,743
Total Personnel	\$ 1,357,559,473	\$ 568,004,379	\$ 210,023,795	\$ 741,628,301	\$ 2,877,215,948

The associated staffing costs of \$74.9 million support 478.2 full-time equivalent positions statewide, including 434.1 positions in the Department of Administration. There are also 12.0 positions in the Department of Public Safety, 4.2 in the Secretary of State, and 28.0 in the Department of Corrections.

This table shows the budgets for the most recently created internal service funds; they have the largest staffing costs. The bottom part of the table shows resources that are budgeted in agencies to support them.

ISF Budgets	FY 2025 Enacted	FY 2025 Revised	FY 2025 Final	FY 2026 Recommended	FY 2026 Enacted
Human Resources	\$ 17,669,248	\$ 18,075,166	\$ 18,075,166	\$ 18,711,878	\$ 18,711,878
Facilities Management	53,327,083	53,946,171	53,946,171	40,492,965	40,492,965
Information Technology	62,092,295	63,523,776	63,523,776	70,587,805	70,587,805
Total	\$ 133,088,626	\$ 135,545,113	\$ 135,545,113	\$ 129,792,648	\$ 129,792,648
Agency Budgets					
Human Resources	\$ 18,794,624	\$ 18,942,615	\$ 18,892,615	\$ 16,178,487	\$ 16,178,487
Facilities Management	51,950,609	52,898,101	52,748,101	44,086,317	44,086,317
Information Technology	51,397,301	51,833,229	51,822,271	57,571,743	57,571,743
Total	\$ 122,142,534	\$ 123,673,945	\$ 123,462,987	\$ 117,836,547	\$ 117,836,547
Difference	\$ 10,946,092	\$ 11,871,168	\$ 12,082,126	\$ 11,956,101	\$ 11,956,101

Human Resources. The Division provides human resources services to nearly all state departments. Services include employee benefits, payroll, and labor relations. Agencies are billed based on a cost per filled position. At the end of FY 2024, the fund balance was \$2.4 million. Through the first quarter of FY 2025, expenses totaled \$3.4 million. The Department billed \$2.8 million for services for only two months because the year-end fund balance was higher than expected. This results in a current-year surplus of \$1.8 million. As of mid-December 2024, 14,267.3 full-time equivalent positions are filled; this is 351.0 and 520.6 positions more, respectively, than December 2023 and 2022.

Human Resources	FY 2024 Reported	FY 2025 Enacted	FY 2025 Final	FY 2026 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 13,119,869	\$ 14,739,435	\$ 13,072,779	\$ 15,738,424
Contracted Services	150,614	204,200	1,960,305	204,200
Other State Operations	2,220,891	2,696,113	3,012,582	2,739,754
Capital	117,343	29,500	29,500	29,500
Total	\$ 15,608,717	\$ 17,669,248	\$ 18,075,166	\$ 18,711,878
Ending Fund Balance	\$ 2,377,490			
FTE Authorization	97.0	100.0	104.0	104.0

The FY 2025 revised request includes expenditures of \$17.7 million, essentially as enacted. However, this includes \$1.9 million less than enacted for salaries and benefits, reflecting updated staffing costs and allocations. The revised request repurposed the turnover savings, primarily for contracted information technology support and other services for implementation of the Enterprise Resource Planning System.

At the time of the budget submission there were 11 vacancies. Based on a payroll analysis through the first pay period in January, the revised request of \$12.9 million is \$0.3 million above projected expenses. Subsequently, the administration indicated that it is analyzing staff time currently being allocated to the Large Systems Initiatives Fund and preliminary information shows a possible over allocation to the Fund. As a result, salary and benefit expenses for Human Resources will be higher than the revised request assumes. It should be noted that the request reflects savings of \$172,792 from a reduction to the enacted assessed fringe benefit rate equal to 1.7 percent of salaries; however, the correct rate is only 1.1 percent lower, a difference of \$46,364.

The FY 2026 request of \$18.1 million is \$0.4 million more than enacted. It includes \$15.0 million for salary and benefit expenses of 104.0 full-time equivalent positions, \$0.3 million and 4.0 positions more than enacted, which are repurposed authorizations from Facilities Management. Salary and benefit expenses for FY 2026 are \$2.1 million more than the revised request. All remaining expenses of \$3.1 million are \$140,000 more than enacted and consistent with the revised request for employee training initiatives.

The constrained request proposes savings of \$0.4 million, including \$0.3 million from office supplies and \$0.1 million from advertising. These areas are where underspending primarily occurred in FY 2024.

*The Governor recommended \$18.1 million for FY 2025 revised expenses, which is \$0.4 million more than requested to account for statewide adjustments consistent with his recent labor agreements and adjustments to centralized service billings based on a revision to anticipated expenses. He recommended \$18.7 million and staffing as requested for FY 2026. This is \$0.7 million more than requested, including \$1.0 million for statewide adjustments, partially offset by \$0.4 million from the proposed savings initiatives. **The Assembly concurred.***

Facilities Management. Facilities Management provides services, including property management, grounds keeping and janitorial services for state departments and agencies. It is responsible for 140 state buildings and six court buildings. Expenditures are based on projected costs for utilities, janitorial services, snow removal, repairs and personnel. For billing purposes, each building is assigned a rate, which reflects the cost per square foot for occupancy and agencies are charged based on the square footage they occupy in a facility.

At the end of FY 2020, the fund had an accumulated deficit of \$1.9 million. In FY 2021, a total of \$43.5 million for services were billed to agencies and expenditures were \$41.0 million, resulting in a surplus balance of \$2.5 million, effectively eliminating the prior fund deficit. The fund ended with negative balances of \$0.2 million, \$0.4 million and \$0.5 million, respectively for FY 2022, FY 2023 and FY 2024. Through the first quarter of FY 2025, expenses total \$12.8 million, while the Department billed \$13.3 million for services; a current surplus of \$0.1 million. It should be noted that facilities management expenses are generally higher during winter months.

Facilities Management	FY 2024 Reported	FY 2025 Enacted	FY 2025 Final	FY 2026 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 13,227,271	\$ 14,535,985	\$ 14,811,501	\$ 15,339,025
Contracted Services	7,492,204	9,180,748	9,385,748	8,572,334
Other State Operations	34,353,292	29,595,350	29,733,922	16,517,106
Capital	212,972	15,000	15,000	64,500
Total	\$ 34,566,264	\$ 53,327,083	\$ 53,946,171	\$ 40,492,965
Ending Fund Balance	\$ (470,546)			
FTE Authorization	110.0	111.0	103.0	101.0

The FY 2025 revised request includes \$53.3 million, consistent with the enacted budget. This includes \$0.3 million less for salaries and benefits, reflecting turnover savings not assumed in the enacted budget. Based on a payroll analysis through the first pay period in January, the revised request of \$14.3 million is \$0.9 million above projected expenses. There were 22 vacancies as of mid-December 2024; the request reduces staffing authorization by 8.0 to 103.0 full-time equivalent positions. Staffing levels for both Human Resources and Information Technology increased by four positions each. It should be noted that the request reflects savings of \$137,964 from a reduction to the enacted assessed fringe benefit rate equal to 1.7 percent of salaries; however, the correct rate is only 1.1 percent lower, a difference of \$48,677.

The revised request repurposed the savings to other expenses, including security services which increase by \$205,000 to \$2.3 million and FY 2024 expenses were \$1.8 million. It also adds \$47,101 for snow removal; expenses were \$2.2 million in FY 2024 and the enacted budget includes \$1.6 million.

For FY 2026, the request includes expenditures of \$40.4 million for facilities management, which is \$12.9 million less than enacted. This reflects the Department’s proposal to remove \$13.9 million of utility expenses from centralized services and budget them directly. The Department noted that these expenses tend to fluctuate and it does not have means to control consumption. It further noted that this is one area that has caused the fund to have negative balances. The request includes \$14.6 million for salaries and benefits. This is \$0.1 million more than enacted, and \$0.2 million less than current service estimates. It assumes turnover savings of \$0.4 million, equivalent to approximately three vacancies. The request reflects benefit rates consistent with FY 2026 planning values.

The request also includes \$25.8 million for operating expenses. This includes \$11.4 million or 44.0 percent for the Pastore Center, and \$5.0 million for the Capital Center, which includes the following buildings:

State House, William Powers, Cranston Armory, Cannon, Chapin, State Office Building, Old State House, and Arrigan. Requested expenditures include \$8.6 million for various maintenance including snow removal; elevators; heating, ventilation and air conditioning systems repairs; and waste disposal. It includes \$3.9 million for the Central Power Plant at the Pastore Center. The contract with NORESCO has two components; the direct labor paid, which is a fixed amount, and consumables, which depend on repair costs. It also includes \$2.6 million for security services, and \$5.2 million for utilities, including sewer, water, and oil. These expenses are \$0.5 million more than enacted, including new expenses of \$0.3 million for the Office of State Medical Examiners' new facility in Cumberland. Waste disposal expenses are \$0.5 million more than enacted and consistent with FY 2024 spending. These increases are partially offset by adjustments to insurance, janitorial services, groundskeeping, and various supplies.

The constrained budget proposes savings of \$3.5 million, including \$0.4 million from eliminating second and third shift maintenance staff at the Veterans' Home. The Department noted that the Veterans' Home would need to hire contracted staff to maintain the facility off hours. It proposed that contracted janitorial services be reduced to three days per week for savings of \$1.3 million. It also proposed to shift \$1.8 million of general maintenance expenses to Rhode Island Capital Plan funds. It should be noted that Department of Administration's request includes another proposal to shift \$1.8 million from salary and benefit expenses for 10.5 full-time equivalent positions, including project managers and architects, from general revenues to Rhode Island Capital Plan funds. The 2024 Assembly had rejected this proposal. Rhode Island Capital Plan funds have been limited to use on physical assets. The funds were used nearly exclusively for debt service in the early 1990s. The voters approved a constitutional amendment in 2006 to allow the funds to be used solely for capital projects beginning in FY 2008.

*The Governor recommended \$53.9 million for FY 2025, which is \$0.6 million more than requested to account for statewide adjustments consistent with his recent labor agreements, and adjustments to centralized service billings based on a revision to anticipated expenses. He recommended \$40.5 million and staffing of 101.0 full-time equivalent positions for FY 2026. This is \$0.1 million more and 2.0 fewer positions than requested, reflecting the transfer of positions to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. The recommendation includes \$0.7 million to account for statewide adjustments consistent with his recent labor agreements. He concurred with the proposal to decrease contracted janitorial services, but only by one day or 20 percent per week for savings of \$0.6 million. He also concurred with the proposal to allocate salary and benefit expenses for project managers to Rhode Island Capital Plan funds. **The Assembly concurred, with the exception of maintaining general revenue funding for project managers and restored \$2.0 million of budgeted savings.***

Enterprise Technology Strategy and Services. The Division of Enterprise Technology Strategy and Services provides centralized information technology services to state agencies. According to the Department of Administration, expenditures are broken into service categories to calculate a cost of service; from that, rates are developed. Some services include printing, storage, system support, server charges and disaster recovery. At the end of FY 2022, the fund had a balance of \$2.4 million, which increased to \$6.2 million at the end of FY 2023, and to \$7.1 million at the end of FY 2024. Through the first quarter of FY 2025, expenses total \$9.8 million, while the Department billed \$11.1 million for services; resulting in a current surplus of \$1.4 million, totaling \$8.5 million with prior year balance. The administration noted that the rates for FY 2025 will be adjusted to reflect available resources.

Enterprise Technology Strategy and Services	FY 2024 Reported	FY 2025 Enacted	FY 2025 Final	FY 2026 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 27,066,191	\$ 28,570,388	\$ 30,756,655	\$ 34,451,003
Contracted Services	3,303,018	4,695,269	5,447,093	5,719,985
Other State Operations	20,872,538	28,802,145	27,295,535	30,392,324
Capital	162,320	24,493	24,493	24,493
Total	\$ 51,404,067	\$ 62,092,295	\$ 63,523,776	\$ 70,587,805
Ending Fund Balance	\$ 7,092,178			
FTE Authorization	174.0	175.0	179.0	196.0

The revised request includes \$62.1 million for FY 2025, essentially consistent with the enacted budget. However, it adds \$0.7 million for salaries and benefits, including restoration of \$0.1 million of the enacted \$1.3 million from turnover savings and updated staffing costs and allocations. Based on a payroll analysis through the first pay period in January, it appears the requested amount of \$29.3 million is \$0.8 million less than projected expenses. At the time of the budget submission there were 11 vacancies; the requested turnover savings are equivalent to 6.5 full-time equivalent positions. It should be noted that the request reflects savings of \$270,897 from a reduction to the enacted assessed fringe benefit rate equal to 1.7 percent of salaries; however, the correct rate is only 1.1 percent lower, a difference of \$106,531. Expenditures for contracted information technology support are \$0.8 million more. These increases are offset by \$1.5 million less for computer repairs.

The request includes \$67.9 million for FY 2026, which is \$5.8 million more than enacted. It includes \$31.3 million for salary and benefit expenses for 179.0 full-time equivalent positions. This is \$2.7 million and 4.0 positions more than enacted. This also reflects the transfer of 2.0 positions, one each from the Office of Accounts and Control and Human Resources relating to the implementation of the Enterprise Resource Planning System. In lieu of decreasing staffing authorization to reflect current vacancies in Facilities Management, they were reallocated to Information Technology and elsewhere.

The request assumes \$1.6 million in turnover savings, equivalent to approximately nine vacancies. Consistent with the enacted budget, the request includes \$0.5 million for overtime, \$0.2 million more than spent in FY 2024, and \$0.1 million more than the revised request. The request is \$2.4 million more than the current service estimate, including \$1.4 million for staffing costs and allocations for the Enterprise Resource Planning System, and \$0.7 million for the associated positions and transfers.

Operating expenses of \$36.6 million are \$3.1 million more than enacted, including \$2.1 million to implement the new systems management software. Total annual expenses, including salaries and benefits, are estimated at \$7.5 million for FY 2026; this amount will be billed to agencies.

The enacted budget includes a total of \$3.5 million, including \$2.7 million from general revenues for the state's share assuming that the human resources and payroll systems would be implemented in January 2025; implementation has been delayed to March.

The Division's constrained request reduces software maintenance expenses by \$750,000; however, the funding would be retained in agency budgets for Microsoft Copilot 360, which is Microsoft's Artificial Intelligence Productivity tool for the government tenant, or other tools.

The Governor recommended \$1.5 million more than requested for FY 2025 to account for statewide adjustments consistent with his recent labor agreements.

He recommended \$70.6 million and 181.0 full-time equivalent positions for FY 2026; this is \$3.4 million and 2.0 positions more than the constrained request. He proposed legislation, establishing an integrated data system and includes a total of 6.0 new full-time equivalent positions for the system. This includes 2.0 positions in the Department of Administration; the recommendation includes \$0.4 million for salary and benefit expenses, offset by a like amount of savings from operating. It adds \$2.7 million to account for statewide adjustments consistent with his recent labor agreements and adjustments to centralized service billings based on a revision to anticipated expenses. His recommendation assumes the expense for artificial intelligence tools within the Division's budget.

*The Governor subsequently requested an amendment, creating a designation for specialized information technology positions in state service, to be capped at 15.0 full-time equivalent positions in any fiscal year. It authorized the personnel administrator to change classifications and pay grades for any new or existing specialized information technology positions. This excludes positions that are part of a collective bargaining agreement. It further requires that the job specifications be reviewed annually. He later suggested changes to align with agreements with the union. **The Assembly concurred with the amended recommendation; the authorization granted to the personnel administrator under this section will sunset on December 31, 2026.***

Assessed Fringe Benefits. The Assessed Fringe Benefit Fund provides funding for the state employee workers' compensation, severance pay, unemployment pay, and employee assistance programs. The Fund is supported from a biweekly assessment that is applied to the amount of salaries and wages paid from all accounts and funds. At the end of FY 2023, the balance was \$6.7 million, and it appears to be \$5.9 million for FY 2024; audited data is not available.

The enacted budget assumes an assessment of 3.95 percent, it was reduced to 2.90 percent for both FY 2025 and FY 2026. It appears that agency budget requests used 2.3 percent for FY 2025 and the correct rate for FY 2026. Through the first half of the fiscal year, \$17.3 million has been assessed.

The Department projected FY 2025 revised expenses of \$37.2 million, \$0.2 million more than enacted. This includes \$0.1 million in turnover savings and \$0.4 million more for insurance. The request is \$5.7 million more than spent in FY 2024, including \$1.3 million less for severance payments and \$7.2 million more for workers' compensation expenses. The FY 2026 request is essentially consistent with the revised request.

*The Governor concurred and added \$19,445 and \$61,316 for FY 2025 and FY 2026, respectively, to account for statewide adjustments consistent with his recent labor agreements, and adjustments to centralized service billings based on a revision to anticipated expenses. **The Assembly concurred.***

Central Mailroom. The central mail services program provides for inter-agency mail delivery and processing of mail for most state agencies. Agencies are billed based on mail processed on their behalf. The revised request includes funding essentially as enacted and the authorized level of 9.0 full-time equivalent positions for FY 2025.

For FY 2026, the Department projected expenditures of \$8.9 million, which is \$0.5 million more than enacted. It includes \$1.5 million or \$31,719 less for salaries and benefits, reflecting turnover savings, and is essentially consistent with the revised request. Operating expenses of \$7.4 million are \$0.5 million more, including \$0.3 million less for equipment maintenance based on recent experience. This is offset by \$0.8 million more for postage, for total expenses of \$7.0 million based on an anticipated January 2026 rate increase. *The Governor concurred and added \$68,509 and \$116,680 for FY 2025 and FY 2026, respectively, to account for statewide adjustments consistent with his recent labor agreements and adjustments to centralized service billings based on a revision to anticipated expenses. **The Assembly concurred.***

State Fleet. State Fleet provides charges for the administration and fiscal management of state-owned vehicles and operates several fuel depots throughout the state. The FY 2025 revised and the FY 2026 requests assume staffing of 7.0 full-time equivalent positions, consistent with the enacted level. As of late December, there were no vacancies.

The revised request includes expenses of \$20.9 million, or \$5.4 million more than enacted, to align maintenance and insurance expenses more closely with prior year spending. Salary and benefit expenses are essentially consistent with the enacted budget. The request of \$21.6 million for FY 2026 is \$0.6 million more than the revised request to account for a 4 percent increase for maintenance expenses.

*The Governor concurred and added \$11,177 and \$58,796 for FY 2025 and FY 2026, respectively, to account for statewide adjustments consistent with his recent labor agreements, and adjustments to centralized service billings based on a revision to anticipated expenses. **The Assembly concurred.***

Telecommunications. The Division of Enterprise Technology Strategy and Services' telecommunications program manages all voice telephone line installations, service changes and billings statewide. It also provides direct services both internally to government and to the public. Agencies are billed based on their number of lines as well as requested maintenance. The revised and FY 2026 requests are essentially consistent with FY 2025 enacted expenses of \$3.7 million. Salary and benefit expenses of \$0.9 million for 7.0 full-time equivalent positions are \$99,300 less, reflecting turnover savings. Operating expenses increase by a like amount, primarily for telecommunications.

The Division proposes disconnecting approximately 40 percent of desk phones utilized by agencies for a savings of \$750,000. This would apply to employees who also have cellphones.

The Governor's revised recommendation for FY 2025 is \$47,149 more than requested to account for statewide adjustments consistent with his recent labor agreements and the correct assessed fringe benefit rate. It also includes adjustments to centralized service billings based on a revision to anticipated expenses.

*His recommendation of \$3.4 million for FY 2026 is \$0.3 million less than requested, including \$0.1 million to account for statewide adjustments consistent with his recent labor agreements. He concurred with the constrained proposal; however, he assumes half of the savings as there might be legitimate business reasons to retain desk phones for some employees with cell phones. **The Assembly concurred.***