

Governor's FY 2025 Budget

Staff Presentation to the House Finance
Committee
February 6, 2024

Governor's FY 2025 Budget

- Overview of Governor's budget
 - Uses \$195 million in one-time surplus funds mostly for ongoing commitments
 - Projects \$245 million budget gap for FY 2026
 - Some initiatives cost more in later years
 - Revises ARPA commitments
 - Uses some for budget balancing
 - Implementation challenges driving delays
 - Lead to other issues

Budget Cycle

- Preliminary FY 2023 Closing – Sept 15
- REC/CEC Q1 – Mid-November
- Governor's FY 2025 Budget – Jan 18
 - 2024 - H 7224 & 7225 introduced & referred
- Agencies Q2 – Jan 30
- FY 2023 Audited Closing – Feb ??
- Budget Office Q2 – Feb 15

Governor's FY 2025 Budget

Finance Committee Review

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

References

- Materials are online on the Assembly website - <http://www.rilegislature.gov>
 - House Fiscal Reports
 - 2024 session
 - Prior session document links
 - Links to OMB/Budget Office
 - Includes items prepared by House Fiscal Staff that may be helpful
 - Hearings available “on demand” on Assembly website

Governor's FY 2025 Budget

- ***FY 2023 Closing***
- FY 2024 Revised Budget
- FY 2025 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

FY 2023 Draft Audit

	Enacted	Draft	Diff.
Opening	\$229.1	\$229.1	\$ -
<i>Adjustments</i>	281.3	270.8	(10.6)
Other Revenues	5,199.2	5,212.7	13.5
Total Revenues	\$5,709.6	\$5,712.5	\$2.9
To Rainy Day	(162.3)	(162.7)	(0.4)
Expenditures/Transfers	(5,178.7)	(5,079.4)	99.3
Closing Surplus	\$ 368.7	\$ 470.5	\$101.8
Reappropriation	-	(45.2)	(45.2)
Retirement/Reserve	-	(13.1)	(13.1)
\$ in millions Free Surplus	\$368.7	\$412.3	\$43.6

FY 2023 Closing

- Preliminary closing issued 2 weeks late
 - Auditor General expressed concern over timeliness and effects of staff turnover
 - Draft audit changes are significant
 - Some avoidable with better process
- Audited financials are also delayed
 - Pending overdue data from Central Falls School District - chronic issue

Closing - Expenditures

- General Revenues - \$99.3 million less
 - \$45.2 million unspent & re-appropriated
 - \$44.1 million – other net underspend
 - Non recurring Medicaid caseload adjustments
 - Other caseload savings
 - DCYF/DHS staffing savings
 - Teacher retirement savings
 - Developmental Disabilities caseload overspend
 - Medical benefits fund shortfall

Closing – Revenues

- Revenues - \$13.5 million more
 - Sales tax shortfall offset by other sources
 - Excess transferred to the retirement system and the supplemental budget reserve fund
 - Requirements adopted by 2023 Assembly
- FEMA reimbursement - \$10.6 million less
 - Assumed to occur in FY 2024

Governor's FY 2025 Budget

- FY 2023 Closing
- *FY 2024 Revised Budget*
- *FY 2025 Revenue-Expenditure Gap*
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

Current Year

- The *current year* has surplus vs enacted expectations
 - FY 2023 Closing
 - REC/CEC results
 - Current spending estimates
 - Net of major DOC shortfall
- The Governor's budget preserves that for use in FY 2025

Economic Forecast

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

Economic Forecast: Nov 23

- Growth slows below trend in 2024
 - High inflation
 - Assumed to moderate towards 2% target
 - Waning federal fiscal support
- Risks to forecast
 - Credit pullback by banking sector
 - Weakness in commercial real estate sector
 - Federal government shutdown
 - Foreign conflicts

November 2023

Consensus Revenue Estimates

	FY 2023 Draft Audit	FY 2024 Rev.	Change to Enact	FY 2025 Estimate	Change to FY 24
Personal Income	\$1,813.6	\$1,853.9	\$(31.8)	\$1,910.2	\$56.3
Business Taxes	601.5	613.1	33.3	659.5	46.4
Sales & Use Taxes	1,721.7	1,776.7	24.3	1,819.7	43.0
Other Taxes	99.4	57.9	(13.4)	64.8	6.9
Total Taxes	\$4,236.3	\$4,301.6	\$12.5	\$4,454.2	\$152.6
Departmental	491.6	531.1	13.1	494.2	(36.9)
Other Misc.	32.7	30.2	6.1	26.9	(3.3)
Lottery	434.7	436.8	8.2	458.8	22.0
Unclaimed Prop.	18.5	18.7	2.2	20.1	1.4
Total	\$5,212.7	\$5,318.4	\$42.1	\$5,454.2	\$135.8

\$ in millions

November CEC

FY 2024 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg.</i>
All Funds	\$3,519.2	\$3,381.7	\$(137.5)
General Revenues	1,266.9	1,237.5	(29.4)
<i>Cash Assistance</i>			
All Funds	\$117.1	\$109.4	\$(7.7)
General Revenues	29.1	28.6	(0.5)
<i>Private DD Services</i>			
All Funds	\$419.5	\$442.8	\$23.3
General Revenues	185.9	196.3	10.4
Total	\$4,055.8	\$3,933.9	\$(121.9)

\$ in millions

November CEC

FY 2025 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg. to 24</i>
All Funds	\$3,519.2	\$3,657.4	\$275.7
General Revenues	1,266.9	1,356.3	118.8
<i>Cash Assistance</i>			
All Funds	\$117.1	\$115.5	\$6.1
General Revenues	29.1	29.0	0.4
<i>Private DD Services</i>			
All Funds	\$419.5	\$462.2	\$19.3
General Revenues	185.9	203.7	7.5
Total	\$4,055.8	\$4,235.1	\$301.1

\$ in millions

Budget Gap

- HFAS projected ~ \$125M gap for FY 2025
- Budget Office gap was ~\$200M
 - Used spending growth higher than original 5-year
 - Q1 results helped close gap

BO Current year surplus – Q1	
FY 2023 Prelim Closing	\$29.4
Nov Revenues	42.1
Nov CEC	19.6
Other Q1	6.5
Total	\$97.6

\$ in millions

Current Year - Changes

Budget Office Q1	\$97.6
Draft audit - net change from \$29.4	14.2
Supplemental reserve transfer reversal	6.5
Scoops	4.4
CCBHC Delay	4.4
Tangible Tax shift to FY 2025	28.0
ARPA for DOC budget	20.0
Debt service	6.5
Other	14.3
Total	\$195.9

Governor's Budget

	FY 2023	FY 2024	FY 2025
Opening Surplus	\$209.6	\$412.3	\$195.9
Reappropriated Surplus	19.4	45.2	-
FEMA Related Adjustment	270.8	14.7	-
Revenues	5,212.7	5,323.2	5,475.3
Rainy Day Fund	(162.7)	(172.1)	(170.1)
Available Revenues	\$5,549.8	\$5,623.3	\$5,501.0
Expenditures	\$5,074.9	\$5,378.9	\$5,500.1
Transfers	(62.7)	(48.5)	-
Total Surplus*	\$412.3	\$195.9	\$ 0.9

\$ in millions; * Includes reappropriated surplus; FY 2023 draft audit data

Governor's FY 2025 Budget

- FY 2023 Closing
- FY 2024 Revised Budget
- FY 2025 Revenue-Expenditure Gap
- ***Governor's Recommended Solution***
- Operating Budget Overview
- Capital Budget Overview
- Out-years

Governor's Solution

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

Revenues Changes

Changes to REC	FY 2024	FY 2025	FY 2026
Underground Storage Tank	\$2.0	\$ -	\$ -
Municipal Infrastructure	2.4	-	-
Corporate Minimum Tax	-	(2.3)	(4.7)
Retirement Income Exemption	-	(3.0)	(6.2)
PTE Tax Credit Reduction	-	8.1	16.5
Cigarettes/ENDS - gross	-	7.7	8.3
Enhanced Collections - gross	-	10.4	5.8
Cannabis Business & Other	0.4	0.1	(1.8)
\$ in millions Total	\$4.8	\$21.1	\$18.0

Revenues Changes

Enhanced Collections	Proactive Tax Collections	Delinquent Tax List Expansion	FY 2025 Total
Personal Income Tax	\$2.4	\$1.2	\$3.6
Business Corp	1.4	0.7	2.1
Sales and Use	0.7	0.3	1.0
<i>Taxes Subtotal</i>	\$4.5	\$2.2	\$6.7
Fines & Penalties	2.5	1.2	3.7
Revenues Total	\$7.0	\$3.4	\$10.4
Implementation Costs	(0.7)	-	(0.7)
Total Net of Expenses	\$6.3	\$3.4	\$9.7

\$ in millions

Governor's Solution

- Revenues
- Medicaid/EOHHS Agencies
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Medicaid/EOHHS Agencies

Changes to Medicaid	GR	All
Rate Increase – 1/3 OHIC Study	\$22.7	\$57.0
CCBHC Delay + Revise CEC Base	(16.0)	(42.9)
Income Verification – The Work Number	(6.4)	(25.4)
Rite Share Enrollment	(0.6)	(1.3)
GME Payment	(2.5)	(2.5)
Total	\$(2.8)	\$(15.1)

\$ in millions

Medicaid/EOHHS Agencies

Medicaid – Net of Admin Costs	GR	All
Rate Increase – 1/3 OHIC Study	\$22.8	\$57.5
CCBHC Delay + Revise CEC Base	(16.0)	(42.8)
Income Verification – The Work Number	(3.0)	(16.1)
Rlte Share Enrollment	(0.4)	(1.0)
GME Payment	(2.5)	(2.5)
Total	\$0.9	\$(4.9)

\$ in millions

Certified Community Behavioral Health Clinics

- November CEC Testimony
 - Start date of February 1, 2024
 - Previously delayed from July 1, 2023
 - \$11.4 million for FY 2024 - \$4.4M GR
 - Based on 3 cost reports for contingently certified
 - CCA, Newport Mental Health & Thrive
 - \$122.6 million for FY 2025 - \$45.1M GR
 - All providers seeking certification are participating
 - 8 other providers seeking certification
 - Assumes costs increase from FY 2024

Certified Community Behavioral Health Clinics

- Governor's budget
 - July 1, 2024 start date – 5 month delay
 - 4 sites on July 1, 2024; 4 more on January 1, 2025
 - Savings of \$18.6 million from delay and change to CEC rate estimate
 - Uses lowest cost report to set the rates
 - Assumes no rate increase from FY 2024
 - \$14.7 million in savings
 - Assumes offsetting savings from other payors
 - \$9.6M

Public Health Emergency

- Since March 2020
 - Enhanced Medicaid match until the end
 - Rate ended December 31, 2023
 - States could not terminate eligibility for those who no longer qualify
 - Redeterminations started April 1, 2023
 - Have 14 months to complete delayed renewals
 - 12 months to initiate all renewals
 - 2 months after that to *complete* them

Medical Assistance: CEC

- Nov CEC estimate assumes about 38,000 will be found ineligible
- FY 2025 enrollment 42,000 above FY 2020

Enrollment	FY 2020	FY 2023	FY 2024 Enacted	FY 2024 Nov CEC	FY 2025 Nov CEC
Managed Care	169,930	195,363	198,962	198,022	192,952
RH Partners	14,588	14,102	14,225	13,822	13,976
RH Options	14,225	13,243	13,605	13,342	13,677
Expansion	75,568	113,308	102,833	102,805	96,213
Total	274,311	336,016	329,625	327,991	316,818

Medicaid/EOHHS Agencies

DCYF	GR	All
New Provider Contract	\$15.7	\$30.3
Out-of-State Medicaid Claiming	3.9	-
Emergency Housing*	(0.8)	0.4
Higher Education Incentive Grant Expansion	-	-
Total	\$18.8	\$30.7

\$ in millions/*revised recommendation adds \$3.6 million from all funds

DCYF – Staffing/Caseloads

- 620 filled positions in January 2024
 - 585 in October 2021
 - Net gain of 35
 - 62 resignations in 2022 & 31 in 2023
 - More than 2020 (26) and 2021 (27) combined
 - Civil service exam for social caseworkers in Jan 24
- Caseloads
 - Average # per worker with full caseload
 - March 2020 –16.5
 - November 2023 -12.5

Governor's Solution

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

Education Aid

- Governor - \$46.8M above enacted
 - Caps core instruction growth at 5-yr inflation
 - 3.9% for FY 2025 -\$20M
 - Unaltered growth would be 6.2%* - \$26M more
 - Enrollment down – 1.6%
 - Increases ELL support - \$16.6 M
 - Moves per pupil weights from 15% to 25%
 - 2023 Assembly increased from 10% to 15%
 - Creates reduced price meal subsidy - \$0.8M
 - Adjusts funding for other items - \$9.3M

**corrected from prior version*

Education Aid

Categorical Funding	FY 2024 Enacted	FY 2025 Gov	Chg. to Enacted
High-Cost Special Education	\$15.0	\$15.0	\$ -
Career and Technical	4.5	4.5	-
Early Childhood	22.9	30.0	7.2
Non-Public Transportation	3.5	3.9	0.5
Regional District Transportation	7.2	7.3	0.1
English Language Learners	19.4	36.1	16.6
Total	\$72.4	\$96.8	\$24.4

\$ in millions

- Teacher retirement \$132.3 million; \$0.5M less
- School construction \$106.2 million, \$2.0M more

Education Aid Out-Years

- Governor's out-year estimates
 - Costs per student increase with average CPI
 - Population declines
- Most categories held flat in the out-years
 - No early childhood expansion after FY 2025
 - English Learners increases at same rate as formula aid

Education Aid Out-Years

	FY 2026	FY 2027	FY 2028	FY 2029
Direct Aid	3.6%	4.4%	2.7%	1.7%
Teacher Retirement	3.0%	1.7%	1.9%	0.2%
School Construction	23.0%	11.7%	6.2%	0.0%
Growth	4.7%	4.5%	2.8%	1.4%

- May be significantly understated
 - No school construction growth assumed after FY 2028

Education Aid

School Construction Out-Year Estimates					
Traditional Program	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FY 24 Enacted	\$98.7	\$106.0	\$111.0	\$116.0	n/a
FY 25 Gov	106.2	130.6	145.9	154.9	154.9
GO Bonds	18.0	26.2	32.1	34.2	34.4
Central Falls	6.9	10.5	11.0	11.0	11.0
Adjusted FY 2025 Total	\$131.1	\$167.3	\$189.0	\$200.1	\$200.3

\$ in millions

Education Aid – COVID

- Funds must be obligated by Sept 30, 2024
 - Spent by Jan 28, 2025

Federal COVID Relief	FY 2022	FY 2023	FY 2024 Rev.	FY 2025 Gov.	Total
Aid to Districts	\$88.5	\$174.5	\$231.3	\$42.5	\$536.8
Discretionary*	6.2	16.6	49.8	12.4	85.0
Total	\$94.7	\$191.1	\$281.1	\$54.9	\$621.8
Total Available					\$599.9
<i>Overstatement mostly 24 revised</i>					<i>\$21.9</i>

\$ in millions; excludes CARES Act funding

Local Aid – General Aid Programs

	FY 2024 Enacted	FY 2024 Revised	FY 2025 Governor
Dist. Communities	\$12.4	\$12.4	\$12.4
PILOT	49.2	49.2	49.2
Motor Vehicle Excise	234.7	234.7	234.7
Tangible Tax Exempt.	28.0	-	28.0
Total	\$324.3	\$296.3	\$324.3

\$ in millions

Local Aid Programs

- PILOT - \$49.2 million
 - Assumes 26.7% reimbursement
 - \$0.6 million less than full funding
- Car Phase-Out - \$234.7 million
 - Same as enacted
 - Fully funds the current law schedule
 - Future increases tied to sales tax revenue growth
 - Governor proposes to repeal growth provision

Local Aid – Restricted Aid Programs

	FY 2024 Enacted	FY 2024 Revised	FY 2025 Governor
Library Resource Aid*	\$11.5	\$11.5	\$11.5
Library Const. Aid	1.9	1.9	2.2
Property Valuation	0.9	0.9	1.9
Total	\$14.3	\$14.3	\$15.6

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

Governor's Solution

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

Commerce

- 15 programs authorized in FY 2016 budget
 - 5 tax incentive programs
 - 10 other programs, investments & initiatives
 - Partially funded from debt restructuring
- 2016 - 2023 Sessions
 - Added & made revisions
 - Extended sunsets
 - Recaptured unused funds
- Governor extends again – funds some

Commerce

Current Programs	2016 – 2023	2024 R	2025
Rebuild RI	\$148.2	\$26.4	\$10.1
Cluster Grants	2.4	-	-
Wavemaker	13.4	4.0	3.6
Innovation Initiative	9.5	2.0	1.0
Small Business Assist.	7.2	2.0	2.0
Supply RI	1.5	1.0	1.0
Site Readiness	4.0	1.0	1.0
Air Service Dev.	4.3	2.3	1.2

\$ in millions

Commerce

Pass-Through	2021	2022	2023	2024 R	2025
Commerce Corp.	\$7.4	\$7.7	\$7.9	\$8.3	\$8.5
Airport Impact Aid	1.0	1.0	1.0	1.0	1.0
STAC	0.9	0.9	0.9	0.9	0.9
Innovative Research	1.0	0.5	1.0	1.0	1.0
Minority Business*	0.14	0.10	0.14	0.14	0.14
Chafee Center	0.5	0.4	0.5	0.5	0.5
Polaris	0.4	0.4	0.5	0.5	0.5
EP Waterfront Comm.	0.1	0.1	0.1	0.1	0.1

\$ in millions; *Urban Ventures

Governor's Solution

- Revenues
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Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$5,425.1	\$5,500.1	\$74.9
Federal	5,643.0	4,929.2	(713.8)
Restricted	392.1	450.9	58.7
Other	2,550.6	2,795.9	245.3
Total	\$14,010.8	\$13,676.1	\$(334.8)

\$ in millions

Expenditures – by Category

All Sources	Enacted	Budget	Change
Salaries/Benefits	\$2,099.9	\$2,068.3	\$(31.6)
Contracted Services	568.6	616.0	47.4
Operating	1,235.2	1,189.8	(45.4)
Local Aid	2,147.2	2,066.4	(80.8)
Assistance & Grants	6,171.6	6,284.1	112.5
Capital	762.6	927.3	164.7
Debt Service	328.6	272.0	(56.6)
Operating Transfers	697.2	252.1	(445.1)
Total	\$14,010.8	\$13,676.1	\$(334.8)

\$ in millions

Expenditures – Adjusted

All Sources	Enacted	Budget*	Change
Salaries/Benefits	\$2,099.9	\$2,164.5	\$64.6
Contracted Services	568.6	618.5	49.9
Operating	1,235.2	1,203.5	(31.7)
Local Aid	2,147.2	2,066.4	(80.8)
Assistance & Grants	6,171.6	6,171.0	(0.6)
Capital	762.6	928.0	165.4
Debt Service	328.6	272.0	(56.6)
Operating Transfers	697.2	252.1	(445.1)
Total	\$14,010.8	\$13,676.1	\$(334.8)

\$ in millions; *Adjusted for BHDDH category shift

Personnel and Operating

- Salaries and Benefits
 - Increase of 3.1% from enacted
 - General revenues increase 0.8% from enacted
 - Known settled contracts
 - RIBCO nurses recently settled
 - 88.9 new positions
- Medical benefits increase to balance fund based on audit findings ~\$23 million
 - Current and budget year rates adjusted upward to maintain balance

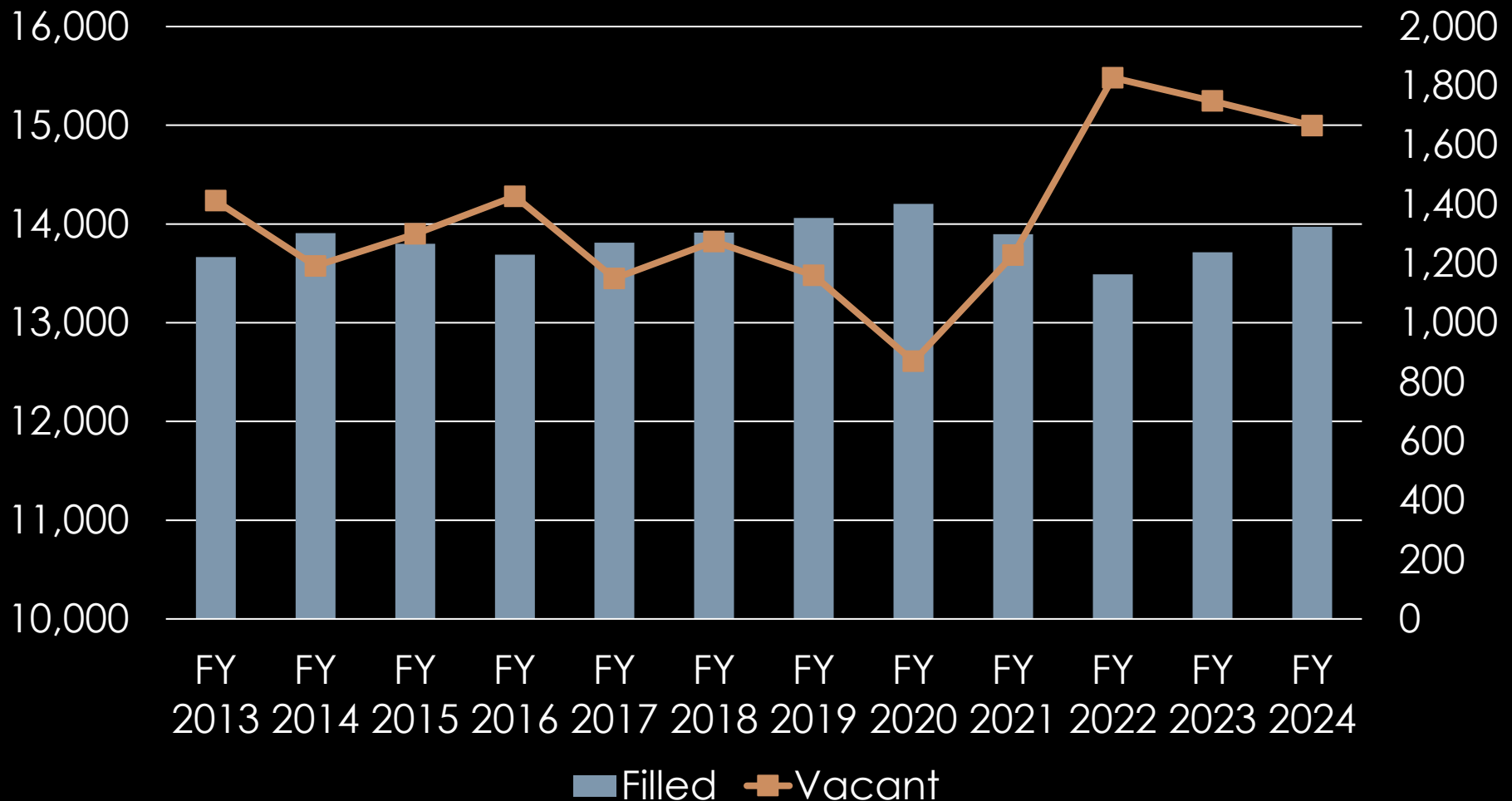
Staffing Changes

- Biggest changes
 - Revenue – 24
 - iGaming and other initiatives
 - DHS -10
 - DCYF – 10
 - EOHHS – 9
 - Environmental Management – 12
 - Replace seasonal employees
- Vacancies are a persistent problem

Full-time Equivalent Positions

	Total
FY 2021 Avg.	13,896.5
FY 2022 Avg.	13,490.8
FY 2023 Avg.	13,715.1
FY 2024 Enacted	15,636.9
FY 2025 Governor	15,725.8
Change to Enacted	88.9
Filled January 29, 2024	13,971.4
<i>Vacant</i>	<i>(1,665.5)</i>
Change From FY 2023	219.7

Full-time Equivalent Positions



Departments and Agencies

- Tort Courts Settlements
 - Governor adds \$1.5 million over two years
 - Legal costs of DOJ consent decree
 - Other settlements
- Statewide Lead Registry
 - \$1.3 million from general revenues for DOH to create mandated registry
 - Legislation to extend effective date to September 2025

Departments and Agencies

- DCAMM
 - Allocates \$2.0 million staff expenses for project managers to RICAP
 - *Project costs were not updated to reflect staffing expense*
- Senior Center new support \$200k
 - Total of \$1.4 million
- Summer SNAP Benefit
 - \$400k general revenues for Admin match
 - \$10.2 million in federal benefits

Departments and Agencies

- Housing
 - \$100 million new GO Housing Bond
 - Affordable & middle-income housing
 - Production, infrastructure, community revitalization, & home ownership – breakdown unspecified
 - \$4.0 million toward low-income housing tax credit allocation - \$32 million total
 - Continue administering \$321.5 million of SFRF

Opioid Funds

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

Agency	Pre-FY 2024	FY 2024	FY 2025	5-Year Total
EOHHS	\$3.3	\$15.1	\$25.2	\$43.6
BHDDH	3.9	11.8	6.3	22.0
Health	3.6	6.8	4.7	15.1
Corrections	3.8	2.0	1.3	7.1
Total	\$14.5	\$35.6	\$37.6	\$87.7

\$ in millions

Departments and Agencies

- Shepard Building
 - Primary use is Providence Campus of URI
 - Also houses RIDE
 - URI to vacate building by June 30, 2024
 - DCAMM will take over management
 - Occupants will pay for maintenance
 - Similar treatment for other state facilities costs
 - RIDE stays along with
 - Department of Housing
 - Office of Postsecondary Commissioner

Departments and Agencies

- Elementary & Secondary Education
 - \$15.0 million for math & English
 - Coaching services to some LEAs
 - One-time investment for FY 2025 only
 - \$3.0 million for out-of-school time
 - To replace ARPA funds
 - \$0.5 million more All Course Network
 - \$0.2 million for educator preparation site visits

Departments and Agencies

- Higher Education
 - 4,395.3 FTE
 - \$312.0M general revenues
 - ~2.6% more than enacted
 - Scholarships
 - Promise: \$7.9 million
 - Hope: \$3.4 million
 - Major RICAP outlays
 - Tuition/fee increases
 - URI: 2.7%
 - RIC: 2.9%
 - CCRI: 4.2%

All Funds	FY 2025 Gov	Chg to Enacted
OPC	\$51.3	\$(14.3)
URI	1,015.9	22.7
RIC	210.1	1.7
CCRI	194.4	12.0
Total	\$1,471.8	\$22.1

\$ in millions

Departments and Agencies

- Corrections – shortfalls
 - Not returning housing modules to pre-pandemic densities as assumed
 - ~\$15 million base impact
 - Staffing challenges
 - \$20 million from ARPA funds in FY 2024
 - Budget requires a recidivism study
 - Due by March 1, 2025

Population by Fiscal Year	2019	2020	2021	2022	2023	2024 Rev	2025 Gov
	2,665	2,544	2,144	2,132	2,298	2,396	2,470

Departments and Agencies

- Public Safety
 - Statewide Records Management System estimated to cost \$3.0 million for FY 2025
 - \$2.5 million from E-911 restricted receipt balances
 - \$0.2 million from federal funds for development
 - DPS pursuing other funding
 - Further review of out-year costs growth and sources needed

Departments and Agencies

- Environmental Management
 - Local Agriculture & Seafood Program
 - \$700,000 total for FY 2025
 - Continues one time \$500k increase for second year
 - Litter Removal -\$100k
 - FY 2024 initiative
 - RI Seafood Marketing - \$100k
 - New

Transportation - RIPTA

- Governor adds \$10.0 million from ARPA
 - Deficit remains
 - Requires Authority review all operations
 - Ridership and administration to identify efficiencies
 - Report due by January 1, 2025
- 1-cent elderly/disabled transportation
 - Splits penny based on current contract

Governor's FY 2025 Budget

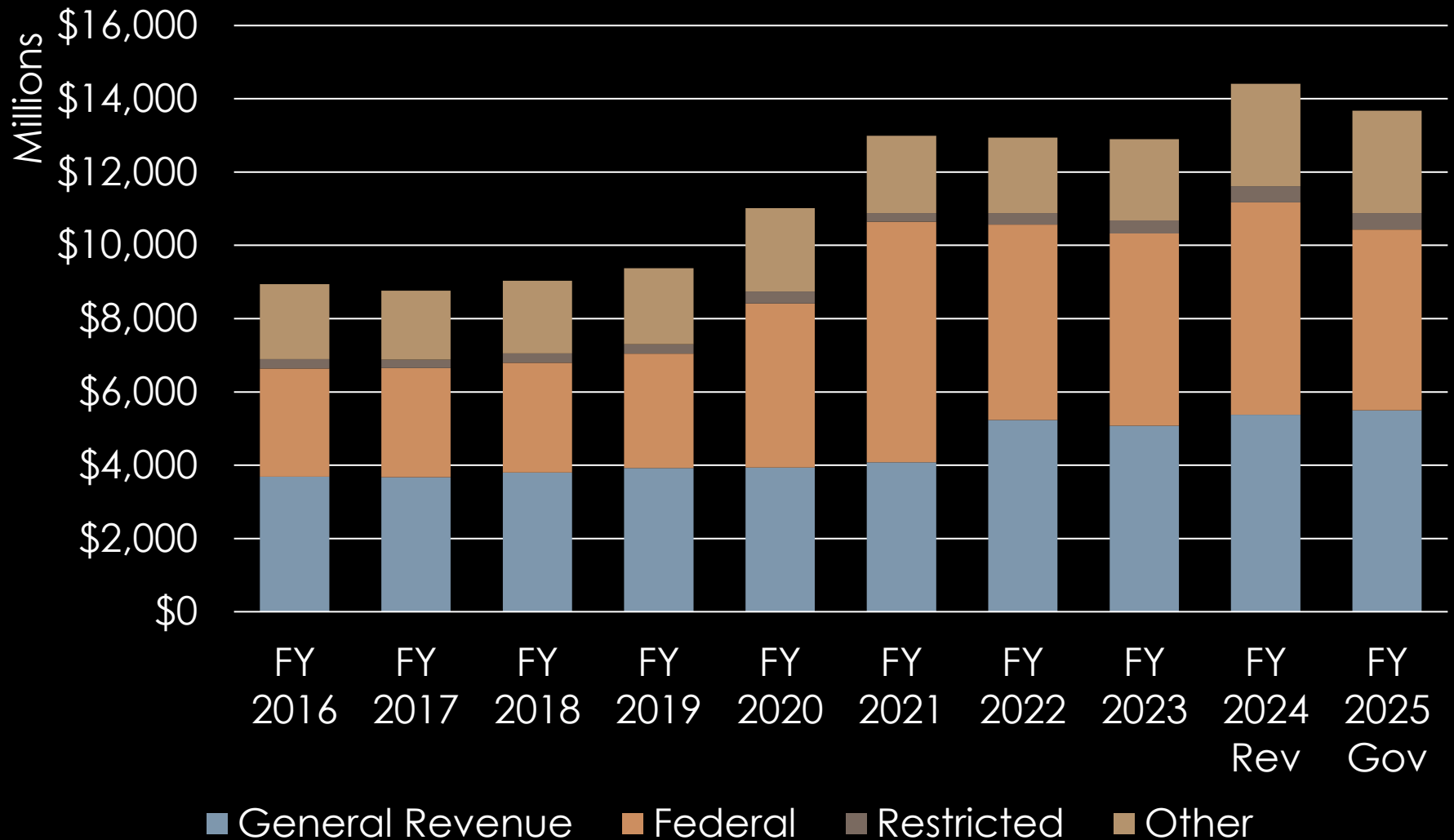
- FY 2023 Closing
- FY 2024 Revised Budget
- FY 2025 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Out-years

Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$5,425.1	\$5,500.1	\$74.9
Federal	5,643.0	4,929.2	(713.8)
Restricted	392.1	450.9	58.7
Other	2,550.6	2,795.9	245.3
Total	\$14,010.8	\$13,676.1	\$(334.8)

\$ in millions

Expenditure Shares by Source



American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - \$1.8 billion
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - \$536.8 million to locals
 - Use spans several state fiscal years
 - Must obligate by Dec. 31, 2024 - **FY 2025**
 - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**
 - 2023 Assembly advanced future funding to FY 2024 to ensure timely obligation

American Rescue Plan Act

- Pandemic Recovery Office reports 15 at risk projects
 - May miss federal deadlines
- Governor reduces funding from some
 - \$20.0 million for URI PFAS project shifted to RICAP
 - \$1.9 million for lead abatement in DCYF foster homes is eliminated

American Rescue Plan Act

PRO At Risk Projects			
Unchanged		Governor Changes	
Child Care Support	\$42.0	Ongoing Covid Response	\$41.8
South Quay Terminal	35.0	Covid Operational Support	34.9
Certified Community Behavioral Health Clinics	30.0	Small Business & Technical Assistance	32.0
Support for Survivors of Domestic Violence	10.5	URI PFAS	20.0
Butler Short Stay Unit	8.0	Auto-Enrollment	2.6
Adult Education Providers	5.0	Foster Homes Lead & Fire	1.9
Statewide Housing Plan	2.0	Minority Business Accel.*	6.0
		988 Hotline*	3.5
\$132.5		\$142.7	

\$ in millions; *Governor increases funding

American Rescue Plan Act

Governor's Proposed Changes			
DOC Budget Shortfall	\$20.0	COVID Response	\$(23.3)
RIPTA Budget Shortfall	10.0	URI PFAS*	(20.0)
Health Care Facilities	10.0	Administration	(3.5)
Municipal Roads	5.0	Small Business Assist.*	(2.0)
Impacted Industries Assist.	2.0	Foster Home Lead & Fire*	(1.9)
Out-of-School Education	2.0	Auto-Enrollment*	(1.0)
988 Hotline*	1.9		
Public Health Warehouse	0.8		
\$51.7		\$(51.7)	

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

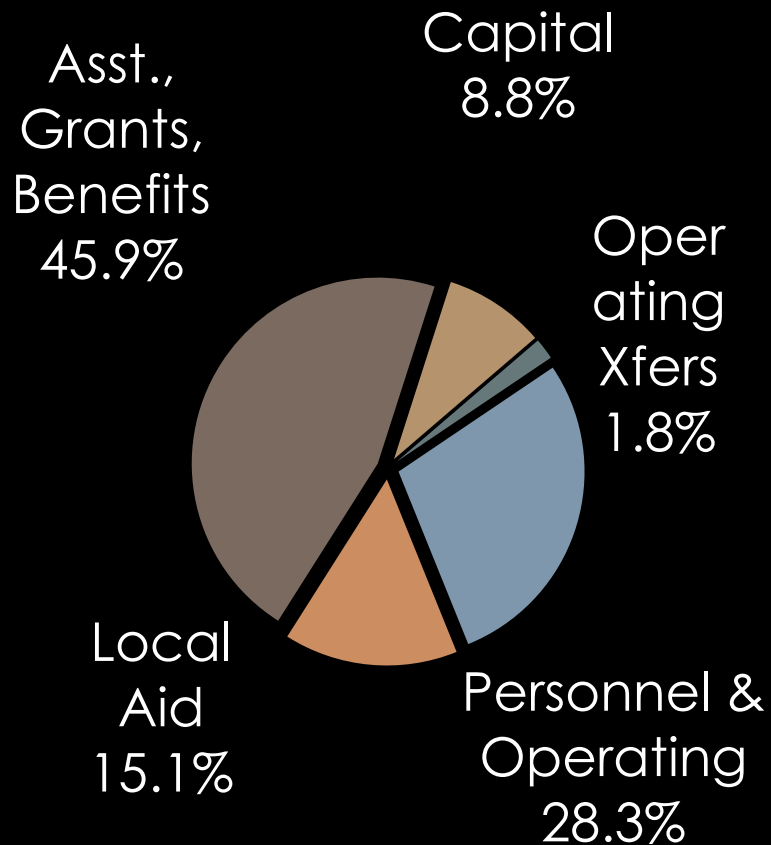
American Rescue Plan Act

Programs with new GR	Enacted SFRF	Governor	
		SFRF	Gen. Rev.
Out-of-School Time Education	\$4.0	\$6.0	\$3.0
Destination Marketing	3.0	3.0	1.4
Minority Business Accelerator*	6.0	6.0	0.5
Public Health Warehouse	3.4	4.2	0.5
Total	\$16.4	\$19.2	\$5.4

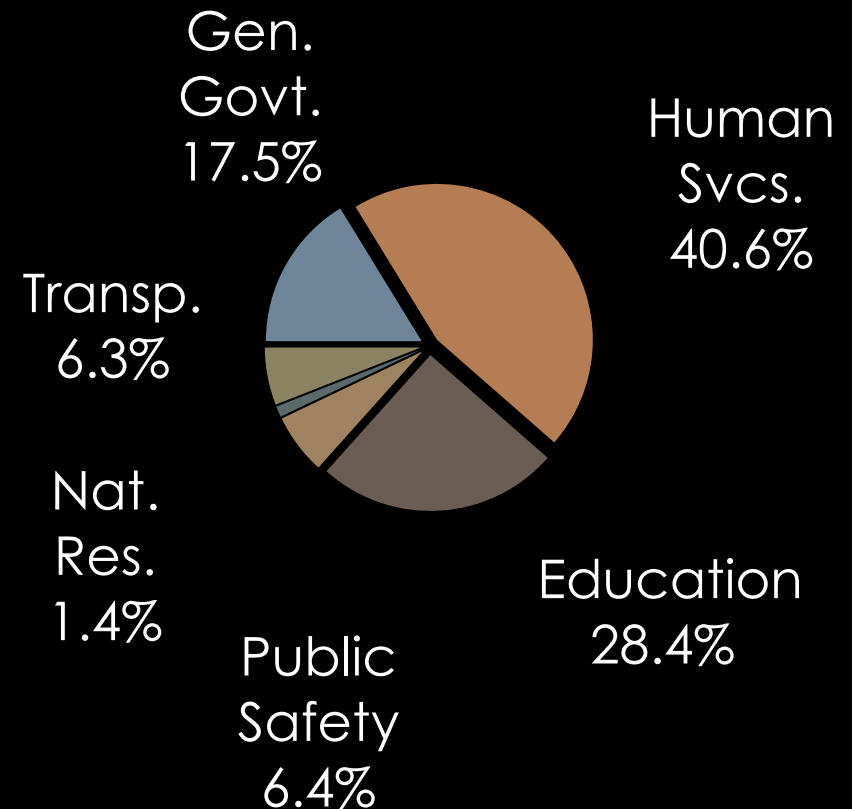
\$ in millions; *flagged as at-risk by PRO

All Sources Governor FY 2025

BY CATEGORY

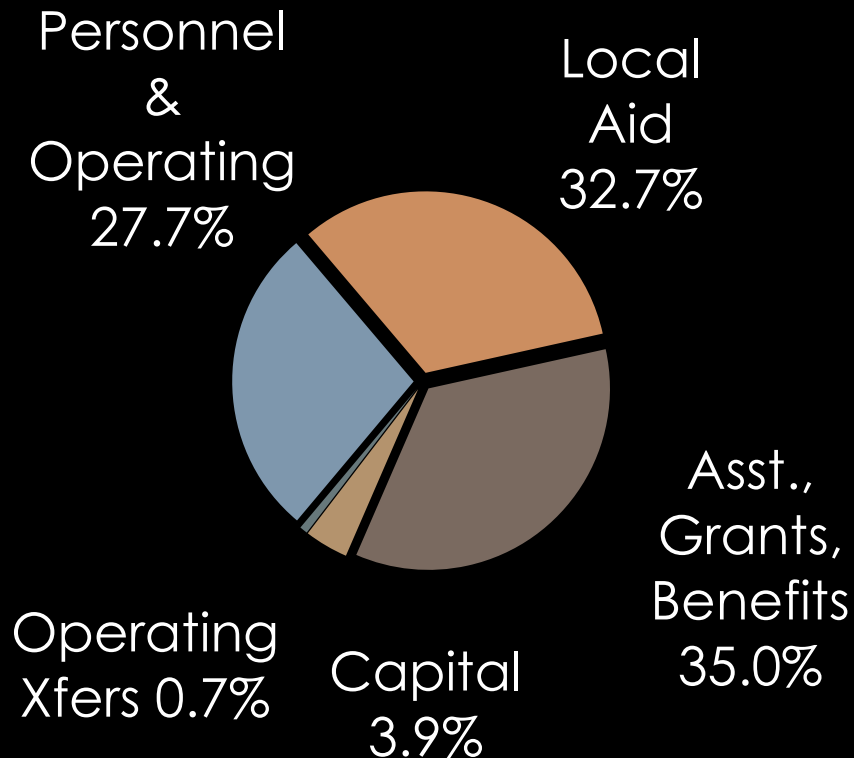


BY FUNCTION

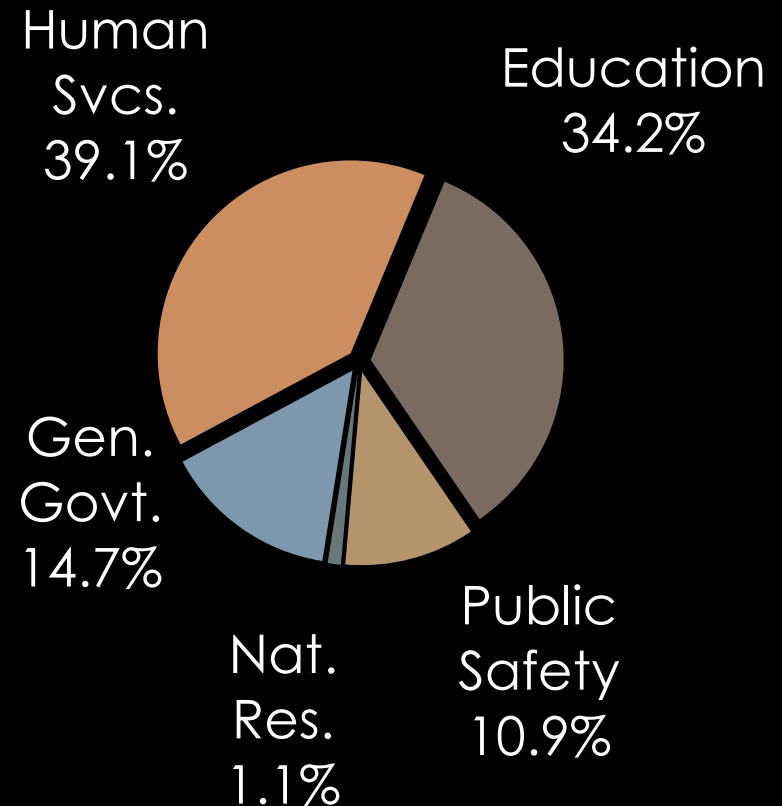


General Revenues Governor FY 2025

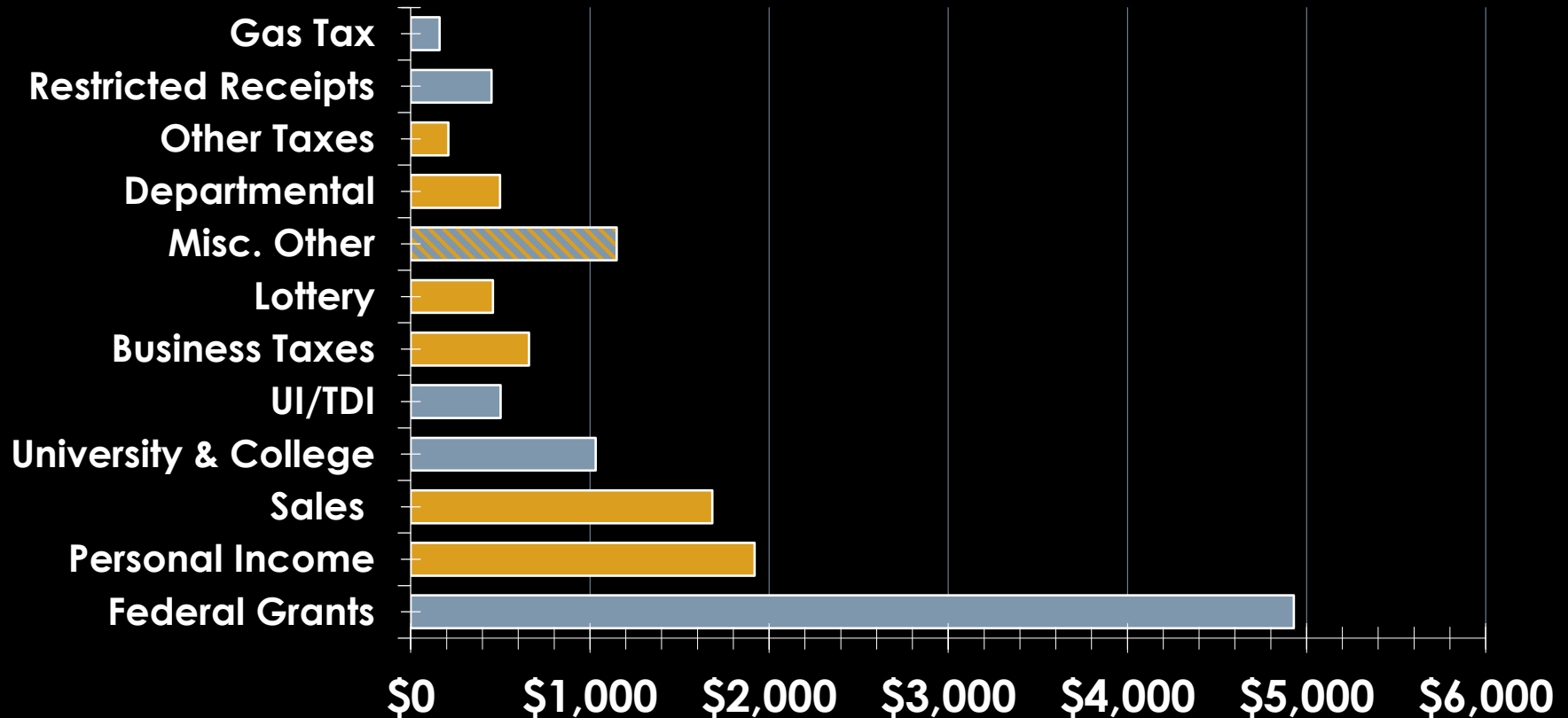
BY CATEGORY



BY FUNCTION

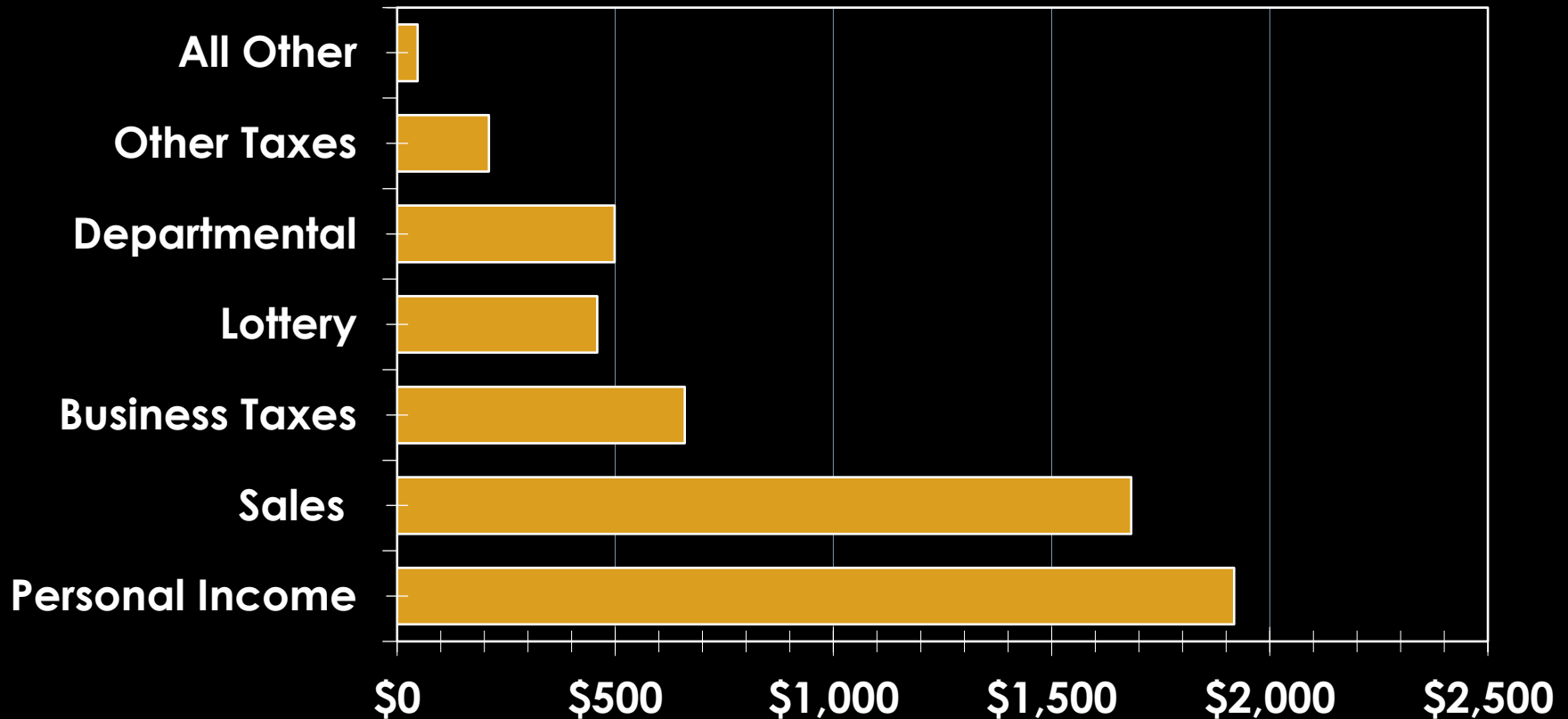


All Sources (\$ millions)



General Revenue Sources

(\$ millions)



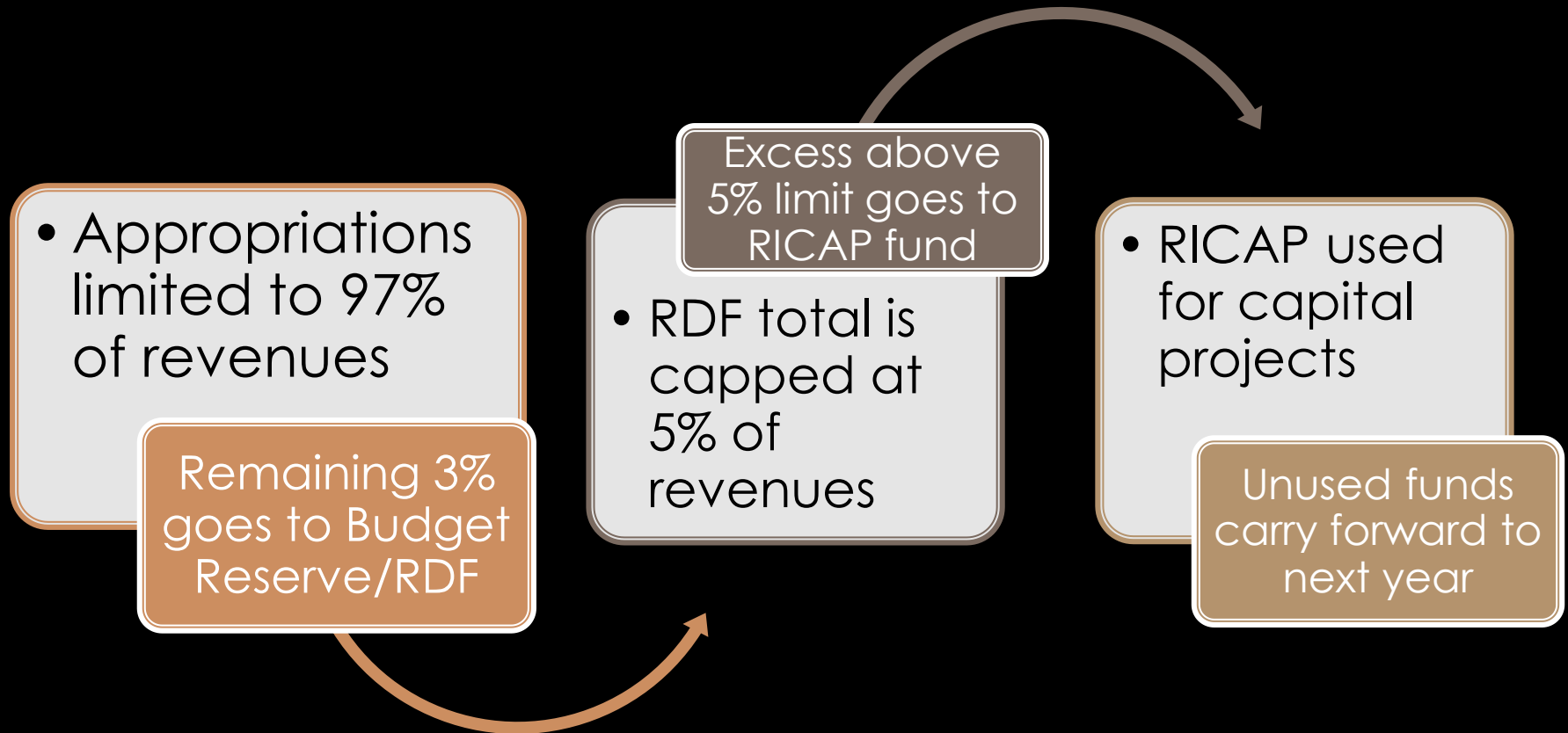
Governor's FY 2025 Budget

- FY 2023 Closing
- FY 2024 Revised Budget
- FY 2025 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- **Capital Budget Overview**
- **Out-years**

Assembly Role

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

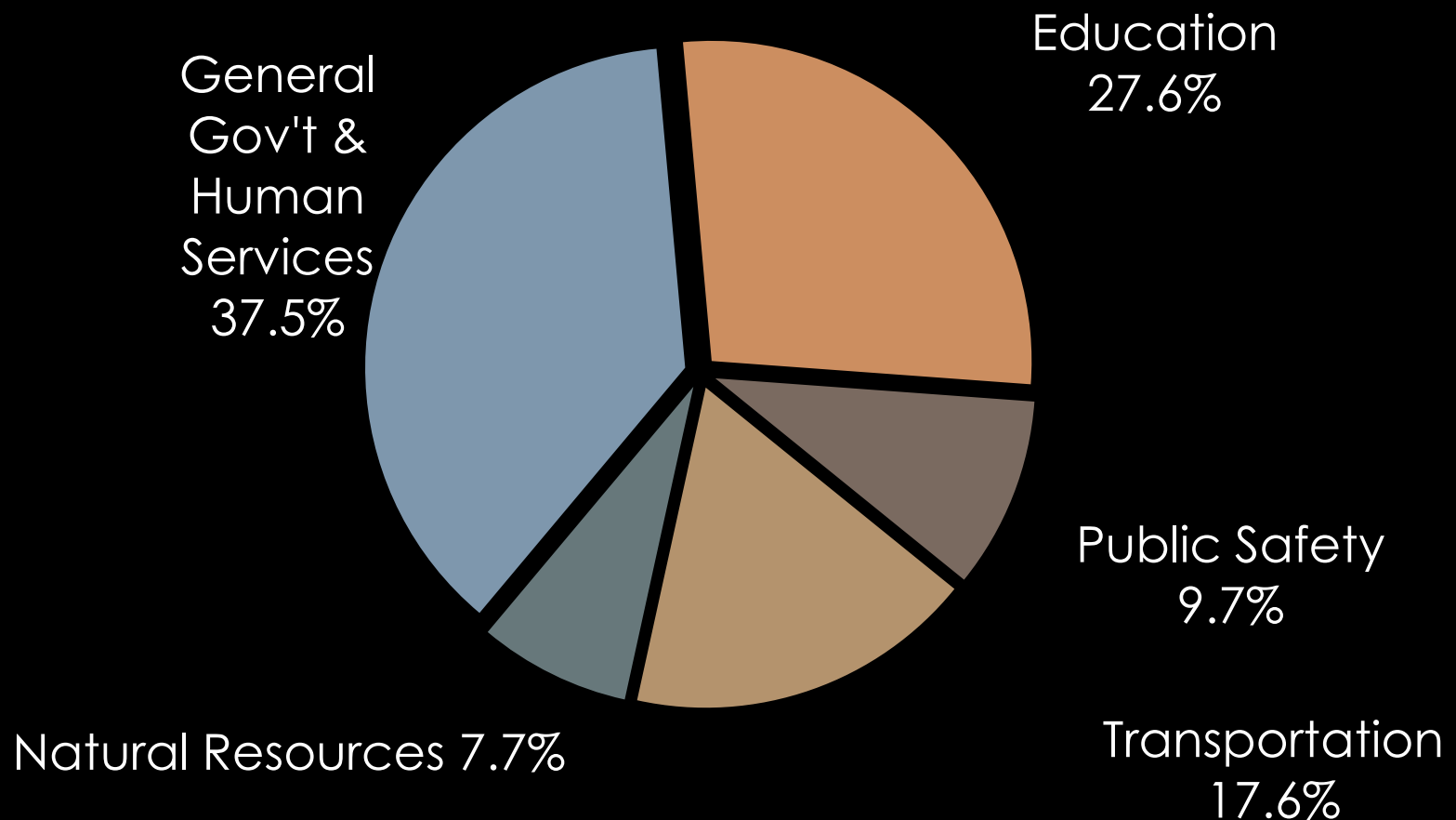
Rhode Island Capital Plan Funds



Rhode Island Capital Plan Funds

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

RICAP – Governor FY 2025 – FY 2029



RICAP Fund

FY 2025 Governor	FY 21	FY 22	FY 23	FY 24	FY 25
Balance	\$62.2	\$149.8	\$699.2	\$999.1	\$684.3
Over 5% cap	-	116.4	170.5	156.4	173.4
Premiums & Int.	6.1	5.1	24.3	29.4	20.6
Transfers	120.0	563.0	257.4	-	-
Total	\$188.3	\$834.3	\$1,151.4	\$1,184.9	\$878.3
Projects	(38.4)	(135.0)	(152.3)	(500.5)	(537.5)
Balance	\$149.8	\$699.2	\$999.1	\$684.3	\$340.8

\$ in millions

RICAP Fund

FY 2025 Governor	FY 26	FY 27	FY 28	FY 29
Balance	\$340.8	\$104.6	\$12.5	\$4.1
Over 5% cap	171.6	165.1	168.7	174.1
Premiums & Int.	6.5	1.6	0.4	0.2
Transfers	-	-	-	-
Total	\$518.8	\$271.2	\$181.5	\$178.5
Projects	(414.2)	(258.7)	(177.4)	(176.0)
Balance	\$104.6	\$12.5	\$4.1	\$2.5

\$ in millions

Rhode Island Capital Plan Funds

Recent Budgets: Major New Investments			
Zambarano	\$108.0	URI Bay Campus	\$37.0
ESH Reorganization	\$25.0	URI Athletic Fields	\$65.8
Pastore Campus	\$114.0	Other Higher Ed	\$52.2
DCYF Girls Facility	\$45.0	Group Homes	\$10.0
State House	\$42.5	URI Bay Campus	\$37.0
Davies School	\$35.0	URI Athletic Fields	\$65.8
Southern Barracks	\$28.1	Galilee Piers	\$46.0
RIPTA Match	\$24.7	CCA/Civic Center	\$32.0
DOT Match	\$70.0	CAD Cells	\$20.6

\$ in millions

Rhode Island Capital Plan Funds – Governor FY 2025

- Project shortfalls
 - State Health Lab - \$11.6M
 - Counter Drug facility - \$3.0M
 - Zambarano Infrastructure - \$11.4M
 - Pastore – \$7.8 million
- New
 - Shepard Building - \$16.9 million
 - Quonset (2) \$9.8 million

Rhode Island Capital Plan Funds – Governor FY 2025

- State Archives: \$101.7 million
 - \$10.0 million from RICAP
 - \$60.0 million from new GO bonds & \$31.7 million from private funding
- RIC Cybersecurity Building: \$73.5 million
 - \$55.0 million from new GO bonds
 - \$18.5 million from RICAP
- Dam Repairs: \$21.3M in 5-year
 - Adds \$11.5 million

New Requested Debt – GO

November 2024

Ballot #	Project	Amount	Annual Debt
1	Higher Education Total	\$135.0	\$11.2
	<i>URI Biomedical Sciences Building*</i>	80.0	6.6
	<i>RIC Cybersecurity Building*</i>	55.0	4.6
2	State Archives & History Center*	60.0	5.0
3	Housing & Community Opportunity	100.0	8.3
4	Green Economy	50.0	4.1
	Total	\$345.0	\$28.5

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

*Budget assumes multiple funding sources to reach full project costs

New Requested Debt - GO

Q4 - Environment and Recreation	Amount
Port of Davisville Infrastructure at Quonset	\$20.0
Climate Resiliency & Public Access	2.0
Brownfields Remediation & Econ Development	5.0
Local Rec. Development Matching Grants	5.0
Municipal Resiliency	10.0
Newport Cliff Walk	8.0
Total	\$50.0

\$ in millions

New Requested Debt – Revenue Bonds

Project	Amount	Annual Debt	Source
URI Utility Infrastructure Upgrade Phase III	\$9.2	\$0.8	General revenues, tuition, fees

\$ in millions

Funding Considerations

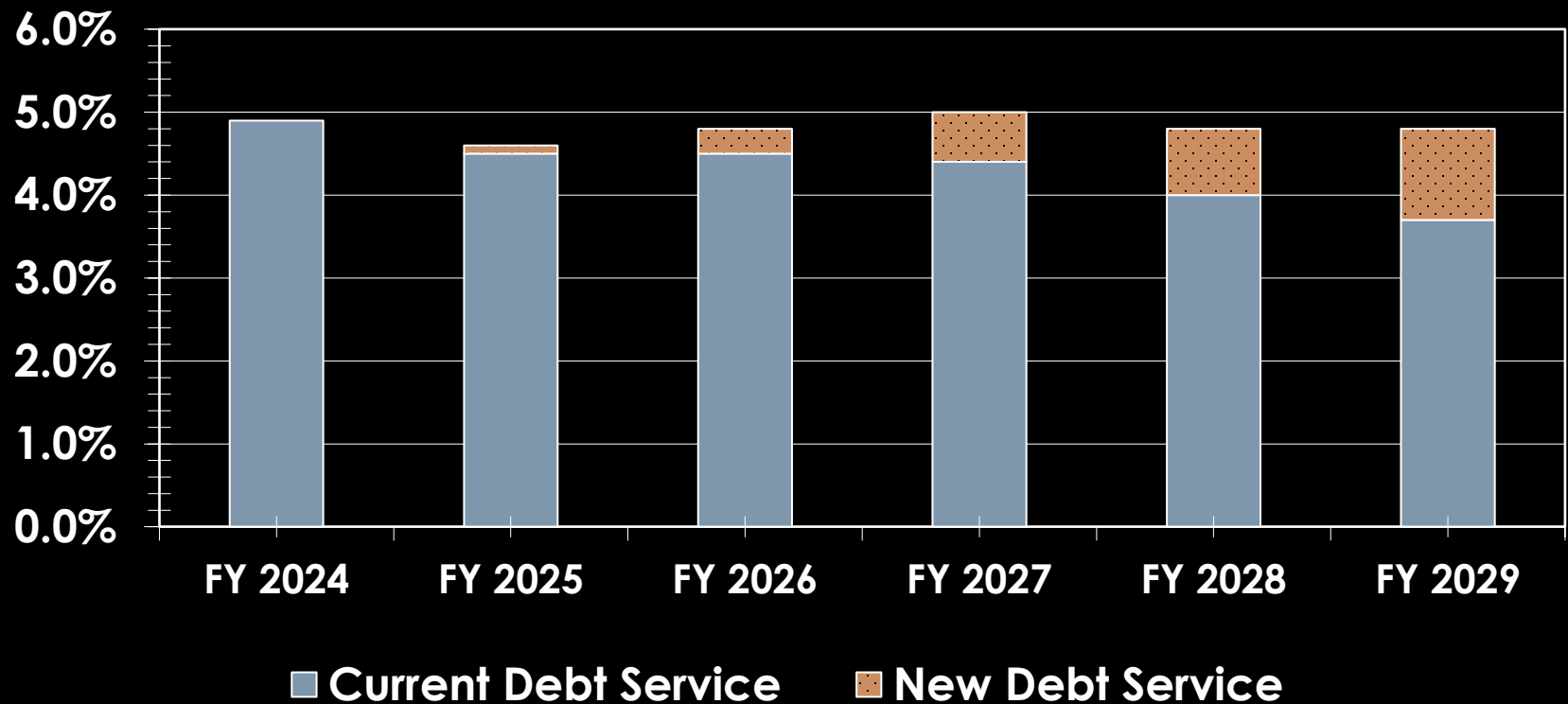
- State's overall debt structure
 - Net tax supported debt would increase by \$137.2 million to \$2,059.8 million
 - Debt as % of personal income would drop from 2.5% in FY 2022 to 2.4% into FY 2028
 - Past practice indicates it will be higher as more projects are added

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2024	\$258.3	4.9%
2025	\$244.0	4.5%
2026	251.0	4.5%
2027	249.6	4.4%
2028	\$231.8	4.0%
2029	\$221.2	3.7%

\$ in millions

Debt Service as Percent of Useable Revenues



Out-Years

- As submitted the budget has out year deficit of \$245 million for FY 2026
 - Use of surplus in current budget
 - Other program growth
- Annual expenditures outpace revenues
- May not capture all expenses
 - School Construction & Pre-K growth
 - Rate reform cycle
 - Unsettled employee contracts

Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	4.4%
Nonfarm Employment	0.3%
Taxes	3.2%
Total Revenues	2.7%
Total Expenditures	2.7%
Salaries & Benefits – 15% of total	2.9%
Medicaid 32% of total	3.9%

Governor's FY 2025 Budget

- Risks and Opportunities
 - Economic downturn severity
 - Capacity to implement current initiatives
 - PHE unwinding and new programs
 - System changes
 - Staffing challenges
 - Capital project pricing
 - Washington Bridge solution?

Governor's FY 2025 Budget

- Risks and Opportunities
 - Both cyclical and structural
 - Demographics -limited population growth
 - Shifts among age groups
 - Growth in older populations
 - Decline in working age populations
 - Ages 5 -19 declining annually since 2002 high of 220.5K
 - Projected to continue to decline through 2032 to 175.5k
 - Widespread implications for policy choices

Governor's FY 2025 Budget

- Upcoming article hearings
 - Thursday, February 9 at the Rise
 - Department of Health
 - Director Salary
 - Reporting requirements
 - State Funds and Supplemental Budget Reserve
 - Tuesday, February 13 at the Rise
 - State Archives Bond
 - New state leases
 - State purchasing issues

Governor's FY 2025 Budget

Staff Presentation to the House Finance
Committee
February 6, 2024
