



OFFICE OF MANAGEMENT & BUDGET

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MEMORANDUM

To: Directors and Chief Financial Officers
From: Brian M. Daniels
Director, Office of Management & Budget
Date: August 4, 2023
Subject: Fiscal Year 2025 Budget Process

A handwritten signature in black ink, appearing to read "Brian M. Daniels".

As we kick off the FY 2025 budget development season, I would like to thank all agency leadership for your hard work during the FY 2024 budget process. Your support throughout the budget development and legislative review processes contributed to a final product that will improve the lives of the people we serve. The enacted budget responsibly invests in initiatives that will improve our state's economy, support Rhode Island families, address long-standing needs in state infrastructure and facilities and encourage state government to be more effective and efficient.

Our primary goal now is to continue to deliver on the promises we made – implementing and administering the dozens of new programs and initiatives that were funded in the FY 2024 budget with federal and surplus dollars. At the same time, however, the state and nation still face significant economic headwinds, requiring us to take a conservative and cautious approach to budgeting in the coming years.

For these reasons, in FY 2025 we are asking agencies to focus on managing new and ongoing initiatives effectively and demonstrating their impact on the public. Any requests for additional resources and staff should be extremely limited and focused on certain objectives, discussed below. Also, while the out-year deficit forecast has improved, we still face persistent deficits, requiring agencies to submit constrained budgets. Further, unlike recent years, we do not expect substantial operating surpluses to help close the FY 2025 deficit, meaning that more constrained growth rates and spending cuts will be actively considered.

FY 2025 Development Timelines and Process – Ongoing Engagement

OMB is again using a tiered submission schedule for agency budget requests.

- Agencies with total FY 2024 enacted budgets of less than \$15.0 million (all funds) are required to submit their requests no later than September 22, 2023.
- Agencies with total FY 2024 enacted budgets of greater than \$15.0 million (all funds) are required to submit their requests no later than September 29, 2023.

We encourage agencies to work with their budget analysts throughout the FY 2025 development process. In July, budget analysts sent agencies summary memos with relevant provisions of the FY 2024 Budget as Enacted, including new programs and possible fiscal program

implementation challenges in the coming year. Ongoing consultation between agencies and analysts can help avoid technical challenges with budget submission and ensure that agency budgets are consistent with instructions.

FY 2025 Constrained and Unconstrained Budget Requests – Looking Long-Term

Given the uncertainty with respect to available resources in FY 2025, and consistent with historical practice, this year each agency will make a three-part budget request:

- A current services level base budget request;
- A constrained budget equal to a 5 percent reduction for FY 2025; and,
- An unconstrained budget request detailing how additional funding is necessary to maintain existing programs and/or why new initiatives would advance the state's strategic goals during a time of economic constraints. Again, given deficit concerns, unconstrained budget requests should be extremely limited.

Budget requests should be reasonable and realistic; constrained budget requests that propose unrealistic or unattainable savings (e.g., “selling the Washington Monument”) may be returned to the agency as incomplete. Ideally, proposals should address areas of cost growth or eliminate unnecessary, inefficient or duplicative programs. Further, if an agency proposes reasonable savings initiatives, OMB will look more favorably on reinvesting some of those savings into its unconstrained budget initiatives.

Unconstrained proposals should seek to thoroughly demonstrate how expansionary requests connect to established performance measures and data-driven outcomes. The fiscal outlook for the coming year indicates that there will be limited resources which the state can commit to expansive initiatives. Agencies should minimize the number of unconstrained requests and instead focus on developing a small number of well-developed and data-driven requests that closely align with the Governor's strategic priorities. Agencies should focus requests in the following areas:

- Addressing immediate health and safety needs or mitigating risk;
- Complying with new statutory or regulatory mandates;
- Addressing cost drivers and reducing out-year costs;
- Improving the efficiency or outcomes of agency programs, as demonstrated through performance data;
- Increasing family and/or individual incomes;
- Improving health outcomes; and/or
- Increasing educational outcomes

Agency target sheets may include areas of cost growth or program risk; we encourage agencies to address those concerns through constrained and unconstrained budget proposals. Further, agencies will need to quantify both cost and performance data impact of unconstrained proposals to assist with OMB evaluation.

FY 2024 Revised – Focus on Cost Containment and Program Implementation

Like all Rhode Islanders, state government faces inflationary pressures. We ask all agencies to contain operating costs to the greatest extent possible by managing to the FY 2024 enacted budget and limiting requests for adjustments. OMB generally will not be able to accommodate upward adjustments in the revised budget; agencies that request increases in one area should also recommend reductions elsewhere.

Performance Measures – Focusing on Outcomes

OMB maintains its focus on program performance management as part of the budget development process. As part of the FY 2025 budget process, agencies will be asked to:

- Review performance measures for consistency with agency mission and alignment with the Governor's RI 2030 plan. agencies must update actual values for FY 2023 and provide targets for FY 2025.
- Justify any unconstrained budget proposals by expected measurable improvements in program efficiency and/or outcomes.
- Report program performance data as part of the quarterly budget-to-actual reports.

We appreciate your efforts to ensure that state government provides quality services to Rhode Islanders while using taxpayer dollars efficiently and effectively. We look forward to work with you in the FY 2025 budget development process. If you have technical questions, please contact your budget analyst. If you have other thoughts, recommendations or concerns, please feel free to reach out to me (brian.daniels@omb.ri.gov) and/or State Budget Officer Joe Codega (joseph.codega@omb.ri.gov).