




OFFICE OF MANAGEMENT & BUDGET

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MEMORANDUM

To: Executive Branch Agency Directors & Chief Financial Officers
From: Brian M. Daniels, Director 
Date: July 18, 2024
Subject: Discretionary Spending and Hiring

Though Fiscal Year 2025 has just begun, the Office of Management and Budget is planning for a substantial deficit in FY 2026, despite steady revenue growth. House Fiscal Advisory Staff's [Budget as Enacted summary for FY 2025](#) projects a FY 2026 deficit of \$262.4 million, though that figure does not include the impacts of the state employee collective bargaining agreement currently under negotiation. While revenues continue to grow modestly, we cannot expect year-end surpluses of hundreds of millions of dollars as in recent years. To avoid the need for broad-based tax increases or major programmatic cuts in FY 2026, we must take steps now to control agency spending.

For this reason, OMB is implementing enhanced controls on all discretionary spending for Executive Branch state agencies, as described in Section 4b (ii) of the [Enterprise Budgetary Control Policy](#), until further notice. Each agency Director and Chief Financial Officer should instruct all program staff to refrain from discretionary spending that does not directly meet the critical needs for the continued operation of the respective program.

OMB will be rejecting any procurement requests that do not address immediate health and safety needs; do not support federal- or state-mandated programs; and/or are not critical to agency operations. Every effort should be made to maximize federal and restricted receipts, wherever allowable, to achieve general revenue savings.

Further, OMB is implementing an additional review of all hires through the Personnel Action Request (PAR) System. OMB senior staff will meet regularly with the Governor's Office to review all Executive Branch agency hiring requests. For this reason, we ask agencies to provide a thorough explanation of the need for the position, including the impact of leaving the position vacant.

Additionally, to improve the efficiency of government operations and to help address the projected structural deficit in the outyears, OMB encourages agencies to conduct Lean process improvement activities in partnership with their staff and stakeholders. The Division of Purchases recently updated [Master Price Agreement 486](#), under which agencies may request external support to review existing government processes and procedures for improvements to efficiency and customer engagement.

Thank you in advance for your efforts to constrain spending and improve efficiency in FY 2025, which will reduce the likelihood of difficult and disruptive budget decisions in FY 2026.