



OFFICE OF MANAGEMENT & BUDGET

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To: Directors and Chief Financial Officers

From: Brian M. Daniels
Director, Office of Management and Budget

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

Date: August 6, 2024

Subject: FY 2026 Budget Process

Our main goal for the FY 2026 budget is to control spending growth by using the investments we have made in the last few years – in information technology, the state’s workforce, and our health and human services system, among others – to make government more modern, efficient and cost-effective. We must also prioritize delivering core services to the people of Rhode Island and review any outdated or low-performing programs for improvement or elimination.

Recent budgets have been marked by substantial federal investments and record surpluses, and the state has shown discipline by investing the vast majority of those funds into one-time initiatives that will improve outcomes for Rhode Islanders in education, workforce and economic development and infrastructure.

In the absence of those one-time federal funds, however, the FY 2026 budget represents a return to a more typical outlook. While the state still enjoys steady revenue growth, we continue to face substantial outyear deficits. It is important to note that since the pandemic, the state’s general revenue spending has grown by \$1.7 billion – an annual growth rate of 6.1% – which is not sustainable in the long term.

For these reasons, in FY 2026 we are strongly discouraging any expansionary budget proposals and are instead asking agencies to determine how to operate more efficiently within budget constraints. In some cases, this may mean consolidating, downsizing or eliminating outdated or lower-priority programs. Agencies should also examine their budgetary cost drivers to determine whether programs can be delivered more cost-effectively. This review is important, as every dollar not saved through reductions or efficiencies must be raised in revenue from our residents or businesses.

FY 2026 Development Timelines and Process – Ongoing Engagement

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

- Agencies with total FY 2025 enacted budgets of less than \$15.0 million (all funds) are required to submit their requests no later than September 24, 2024.
- Agencies with total FY 2025 enacted budgets of greater than \$15.0 million (all funds) are required to submit their requests no later than October 1, 2024.

We encourage agencies to work with their budget analysts throughout the FY 2026 development process. In July, budget analysts sent agencies summary memos with relevant provisions of the FY 2025 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 2026 Budget Requests – Encouraging Efficiency and Cost-Effectiveness

In light of recent budget growth and the state’s outyear deficits, OMB is strongly discouraging any discretionary unconstrained requests from agencies. Instead, this year each agency will make a two-part budget request:

- A current services level base budget request; and
- A constrained budget equal to a 7.5 percent reduction for FY 2026.

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 should reform or eliminate unnecessary, inefficient or duplicative programs. Agencies should propose only constrained initiatives that they are willing to implement.

Agency target sheets from OMB may include areas of cost growth or program risk; we encourage agencies to address those concerns through the constrained budget requests.

FY 2025 Revised – Containing Costs

Like all Rhode Islanders, state government faces inflationary pressures. OMB has initiated additional review of discretionary spending and hiring in FY 2025, and we ask all agencies to contain operating costs to the greatest extent possible and avoid 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

As always, OMB uses program performance management as part of the budget development process to determine the impacts of state investments. Nearly all agencies have revised their performance measures to align with the Governor’s RI 2030 plan. Further, we have made great progress in collecting quarterly data and developing leading indicators to track

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performance on a more regular basis. We appreciate agencies' cooperation in this important effort and encourage you to use performance data as you evaluate your programs in the FY 2026 budget development process.

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 working with you in the FY 2026 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).