DEPARTMENT OF ADMINISTRATION

OFFICE OF MANAGEMENT AND BUDGET
BUDGET OFFICE

Budget as Enacted Report
Fiscal Year 2025

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Executive Summary

This report provides an updated five-year fiscal projection for Rhode Island, incorporating key developments from the FY 2025 Enacted Budget, FY 2024 Preliminary Closing Statements, and other recent events. The forecast highlights a growing structural deficit driven by expenditure growth outpacing revenue, requiring policy actions to balance in upcoming budget cycles.

Key Updates

- **FY 2025 Enacted Budget**: The FY 2025 budget totals $5.595 billion in general revenue, $95 million more than the Governor's recommendation, driven by full funding for the implementation of the Office of the Health Insurance Commissioner (OHIC)-recommended rates for medical, social, and human service providers, increases in the education funding formula, and enhancements to pension benefits.
- **FY 2024 Preliminary Close**: Rhode Island ended FY 2024 with a $291.8 million general revenue surplus, $12.8 million above expectations.
- **State Employee COLAs**: A three-year cost of living adjustment (COLA) schedule of 5 percent in FY 2025, 4 percent in FY 2026, and 3 percent in FY 2027 has been incorporated into future expenditure projections.
- **Revenue Adjustments**: Minor changes were made to the revenue forecast, with a $35 million increase in FY 2025 due to recognition of delayed tax filings. Revenue in FY 2026 is forecast to grow by 2.1 percent or $114.6 million over the prior year.

Deficit Outlook

Despite adjustments to both revenues and expenditures, the current year (FY 2025) is projected to remain in balance. However, Rhode Island faces a projected deficit of $398.2 million in FY 2026. In recent years, the State has managed budget gaps by carrying forward prior year surplus. The surpluses generated over recent fiscal years were due in part to an economic turnaround from the pandemic that outperformed initial revenue forecasts, as well as the availability of federal stimulus funds, labor shortages, supply chain disruption, and inflation.

The primary reason for the short-term deficit outlook is the expectation that budget surpluses on the order of hundreds of millions of dollars are unlikely to continue. During this period, the operating deficit grew, but there are several mitigating factors. Of note, the State directed a significant amount of its surplus dollars (over $1.262 billion) to one-time investments that did not result in ongoing costs. These investments were a key of the FY 2021 through FY 2024 budgets but have substantially decreased in the FY 2025 budget.

Five-Year Fiscal Outlook

As the rate of expenditure growth surpasses that of revenue, the deficit is expected to reach $683.5 million by FY 2030. Revenue is expected to grow at 2.5 percent annually, while expenditures will rise at 3.7 percent. Key cost drivers include **Grants and Benefits** (5.3 percent growth) and **Local Aid** (3.2 percent growth), which together make up over two-thirds of the state budget. As with any fiscal projection, this forecast outlines a possible scenario if revenues and expenditures follow anticipated trends without policy intervention.

Conclusion

To address the growing deficit and avoid future service cuts, Rhode Island must align expenditure growth with revenue. The McKee Administration has already taken steps to control spending for the current fiscal year, including the implementation of tighter spending and hiring controls. The FY 2025 First Quarter Report, expected in November 2024, will provide further updates on the fiscal outlook. Further significant adjustments to revenues and expenditures are also expected to be recognized at the Revenue and Caseload Estimating Conferences and the release of the Annual Comprehensive Financial Report.

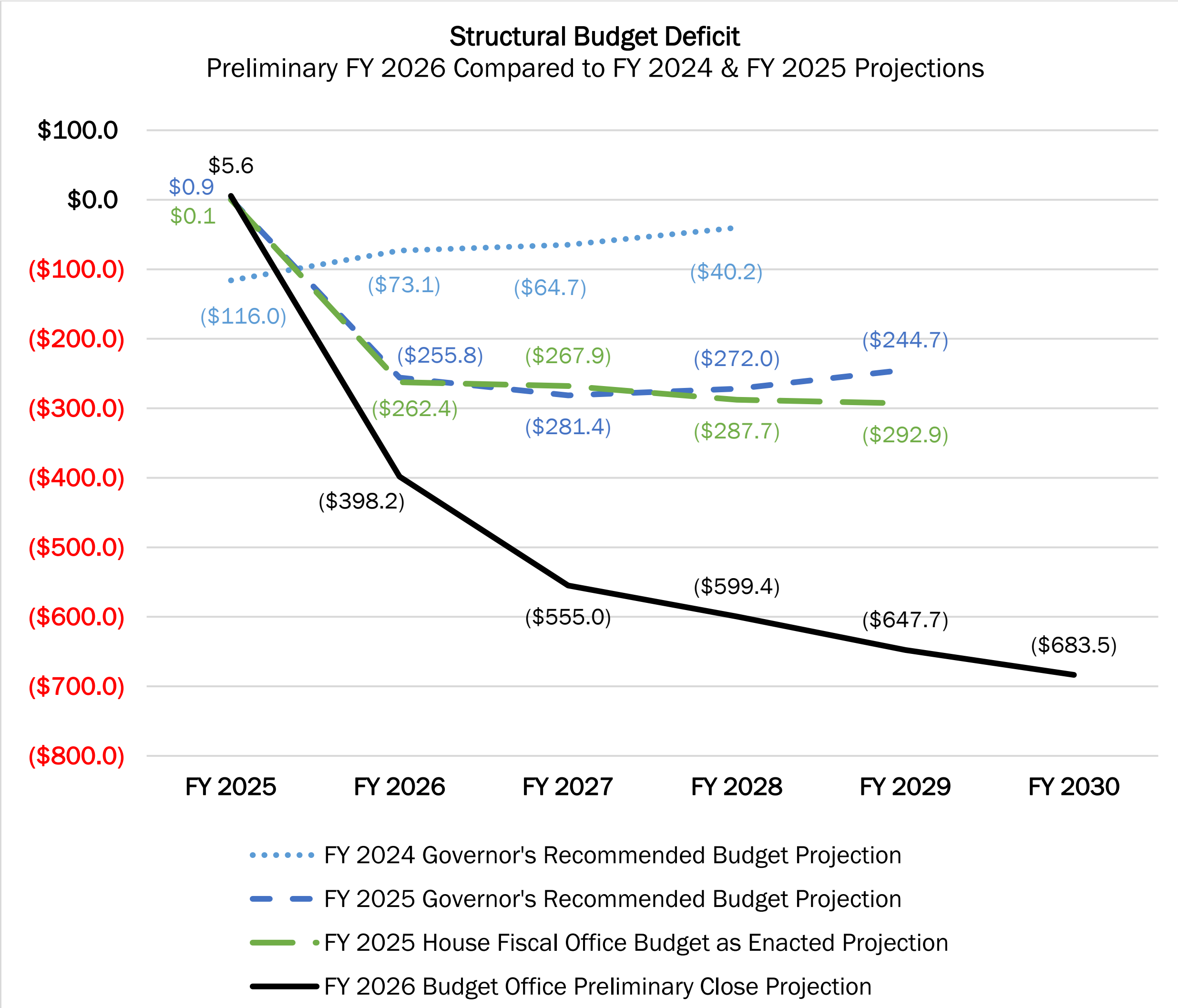
Introduction

This publication provides an updated five-year fiscal projection, incorporating information from the FY 2024 Preliminary Closing Statements and the FY 2025 Enacted Budget, as well as policy developments such as the ratification of COLAs for state employees. The forecast includes adjustments to revenue estimates based on actual budget performance but generally strives to make minimal adjustments to assumptions adopted in the May 2024 Revenue Estimating Conference and Consensus Economic Forecast. The forecast assumes that FY 2025 caseload expenditures remain at the enacted level, with these amounts projected to increase according to updated trend expectations in FY 2026. A more comprehensive review of economic, revenue, and caseload expectations for FY 2025 and FY 2026 will occur during the November 2024 Revenue and Caseload Estimating Conferences. This report focuses on general revenue expenditures unless specifically noted.

As with any fiscal projection, this forecast outlines a possible scenario if revenues and expenditures follow anticipated trends without policy intervention. Since Rhode Island operates under a balanced budget requirement, projected outyear deficits will be addressed through the annual budget process *Note: This forecast is not expected to materialize as presented in this document for the reasons listed above. The purpose of projecting these deficits and identifying underlying trends is to preview the scale of the policy decisions and tradeoffs needed to align revenues and expenditures in the FY 2026 budget cycle.*

Overview

The updated forecast anticipates that FY 2025 will remain in balance, while a series of growing deficits will emerge in FY 2026 and beyond. The FY 2025 Enacted Budget was initially projected to close with a surplus of approximately $0.1 million, but this amount is now forecast to be $5.6 million. This net upward adjustment to the FY 2025 outlook results from positive adjustments recognized in the FY 2024 Preliminary Closing Statements along with additional upward adjustments to revenue resulting from delayed personal income tax collections due to an extended tax filing deadline. This revenue change is partially offset by increased expenditures resulting from recent labor contract negotiations, which included COLAs for state employees. Looking ahead to FY 2026 and beyond, however, a growing deficit is expected as expenditure growth surpasses revenue growth. Key areas of concern include Grants and Benefits (such as state Medicaid costs) and Local Aid (driven by Education Aid and Motor Vehicle Excise Tax Reimbursement), both of which are anticipated to grow faster than revenues in the forecast. Additional detail regarding these assumptions is described in the following sections of this document.



Updates to FY 2026 Deficit Outlook

In the short-term, the increased deficit outlook is the result of new initiatives enacted in the FY 2025 budget, prior year budget-to-actual performance, and recently finalized contractual obligations, such as state employee COLAs.

FY 2025 Enacted Budget

The Governor submitted an FY 2025 Recommended Budget to the General Assembly in January 2024 totaling $5.500 billion in General Revenue appropriations. The General Assembly enacted an FY 2025 budget totaling $5.595 billion, an increase of approximately $95 million.

Facing revenue constraints, the Governor's FY 2025 Recommended Budget contained various measures intended to balance expenditures and revenue and to curtail outyear expenditure growth. Significant initiatives included an inflation smoothing methodology to help manage growth in education aid, eliminating the outyear inflator on Motor Vehicle Excise Tax Reimbursement Aid, and phasing in the implementation of OHIC-recommended medical and social service provider rate increases over a three-year period.

The May 2024 Revenue and Caseload Estimating Conferences recognized an additional $57.4 million in revenue and a reduction of $99.2 million in caseload expenditures. With these additional funds, the General Assembly's FY 2025 Enacted Budget rejected some of the Governor's constrained proposals and took other actions, including:

- Removing the inflation smoothing mechanism in the education funding formula, and other education funding updates and enrollment adjustments (+$25.4 million relative to the Governor's recommendation in FY 2025)
- Rejecting the Governor's recommendation to level fund Motor Vehicle Excise Tax Reimbursement Aid (no impact in FY 2025; +$9.1 million in FY 2026 growing to +$40.2 million in FY 2030)
- Implementing the OHIC rate review recommendations in a single year (+$41.6 million in FY 2025).

Additionally, the General Assembly enacted changes to pension benefits which result in a recurring state obligation of $20.6 million annually beginning in FY 2025 and growing in proportion with State personnel expenditures in outyears.

FY 2024 Preliminary Close

The FY 2024 Preliminary Closing Statements issued by the State Controller on September 24, 2024, are the first comprehensive snapshot of FY 2024 expenditure and revenue performance relative to budgeted assumptions.[1] The reader should note that the preliminary closing statements remain subject to audit, and it is expected that substantial audit adjustments will be made prior to the release of the Audited Financial Statements in December 2024 or January 2025.

The net result of the variances outlined in the FY 2024 Preliminary Closing Statements is that FY 2024 is expected to end in a $291.8 million general revenue closing surplus, which is $12.8 million above the budgeted assumption of $279.0 million.

Other Policy Developments and Changes in Assumptions

State Employee COLAs – Subsequent to FY 2025 Budget enactment in the summer of 2024, the Department of Administration (DOA) announced that it reached resolution on collective bargaining agreements for FY 2025 through FY 2027 with the two union groups that represent most of the state government workforce. These agreements include a three-year COLA schedule of 5 percent in FY 2025, 4 percent in FY 2026, and 3 percent in FY 2027. The Budget Office has modeled outyear expenditures assuming that identical COLAs will be offered to remaining employee groups not yet settled. *(Note: This is a Budget Office assumption for purposes of estimating outyear expenses and is not meant to signal the outcome of any negotiations in process or budget decisions.)*

[1] Preliminary Closing Statements can be accessed on via the Department of Administration, Office of Accounts and Control "Financial Reports" webpage at https://controller.admin.ri.gov/financial-reporting-and-accounting/financial-reports

Cost Estimates of FY 2025 – FY 2027 State Employee COLAs

	FY 2025	FY 2026	FY 2027
COLA	5%	4%	3%
General Revenue	$45.9	$84.5	$114.6
All Funds	$72.1	$131.8	$180.0

Note: Dollar figures presented in millions. Cost estimates are cumulative – that is, they represent the additional cost of each year's COLA applied on top of prior year COLA.

Revenue Adjustments – In general, this five-year forecast makes minimal changes to revenue, caseload, and economic assumptions in anticipation of the November 2024 Revenue and Caseload Estimating Conferences process, which will adopt a new Consensus Economic Forecast, revenue estimates, and caseload estimates. However, certain adjustments were made to accommodate the impact of the delayed personal income tax filing deadline and recent budget-to-actual performance.

The updated revenue forecast attempts to incorporate the impact of the extension of the tax year (TY) 2023 filing deadline from April 15, 2024, to July 15, 2024.[2] The forecast assumes that $42.5 million of cash received in July 2024 was attributable to TY 2023 and would have ordinarily been received by the deadline of April 15, 2024. While monthly target-to-actual revenue reporting issued by the Department of Revenue (DOR) had assumed that cash received from late filers in July would be accrued back to FY 2024, the FY 2024 Preliminary Closing Statements did not include such an adjustment.[3] This forecast therefore recognizes $42.5 million in July cash receipts as one-time revenue and makes appropriate upward adjustments to baseline revenue collections going forward. The assumptions related to the impact of the deadline extension will need to be further refined and

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[2] On April 4, 2024, the US Internal Revenue Service announced that tax deadlines were extended from April 15, 2024, to July 15, 2024 for personal income tax and business taxpayers in Kent, Providence, and Washington Counties that were impacted by severe storms in December 2023 and January 2024, which were declared eligible disaster assistance from the Federal Emergency Management Agency (FEMA). (https://content.govdelivery.com/accounts/USIRS/bulletins/3946b5e) In response to the IRS announcement, the Rhode Island Division of Taxation encouraged taxpayers not affected by severe flooding and storms to file earlier. However, due to the late notice from the IRS and the fact that the extension applied to most of the state, including businesses in the impacted areas, the Division extended the filing deadline for all Rhode Island filers to July 15, 2024. This decision was made to avoid the high costs and complications of having different deadlines for different regions of the state (https://tax.ri.gov/sites/g/files/xkgbur541/files/2024-04/ADV_2024_16_Extension.pdf).

[3] More information available in the FY 2025 July and FY 2025 August Revenue Assessment Reports available at: https://dor.ri.gov/revenue-analysis/fy-2025. Page 4, Footnote b of the July Revenue Assessment Report itemizes approximately $48 million of TY 2023 payments for personal income tax and other business tax filers which were received in July, which DOR had assumed would be accrued to FY 2024. Upon issuance of the FY 2024 Preliminary Closing Statements by the State Controller, DOR reversed the assumption that July payments would be accrued to the prior fiscal year, which resulted in unexpected surplus variance above the FY 2025 year-to-date targets. For example, page 1 of the August Revenue Assessment "Personal income tax revenue was $41.7 million more than expected, with a variance of 15.3%. This variance is primarily due to final payments being up $38.8 million compared to the estimate because of personal income tax payments that were received in July 2024 instead of April 2024 from the due date delay. Those delayed personal income tax payments totaled $43.3 million."

adjusted at the upcoming November 2024 Revenue Estimating Conference and may be further adjusted in the forthcoming Audited Financial Statements.

On net, the adjustments to revenues included in the forecast result in an additional $35.3 million in FY 2025 relative to the enacted budget. Revenue in FY 2026 is forecast to grow by 2.1 percent or $114.6 million over the prior year.

Structural Balance in the FY 2026 Budget

Rhode Island's balanced budget requirement mandates that State lawmakers enact a budget which is projected to close the upcoming fiscal year with a positive general revenue fund balance. This balance can be achieved by using a combination of current year revenues and drawing down accumulated surpluses from prior years. In recent years, state budgets have become increasingly reliant upon prior year surplus. The primary reason for the stark growth in the projected deficit between FY 2025 and FY 2026 is the assumption that the $291.8 million surplus will not recur in FY 2026 to balance future budgets.

The following chart illustrates the extent to which state budgets since 2011 have utilized prior year surplus to remain in balance. While a moderate amount of prior year surplus may reflect conservative revenue estimates and provide a prudent financial cushion, reliance on non-recurring surplus balances may be indicative of an unsustainable operating deficit. From FY 2011 to FY 2021, State budgets assumed an average of 1.1 percent of general revenue expenditures would be financed with prior year surplus. However, from FY 2022 through FY 2025, the portion of the budget financed with prior year surplus increased significantly to 5.9 percent of general revenue expenditures.

State Budget Operating Deficit History
FY 2011 - FY 2025

The State Budget Operating Deficit is a measure of the extent to which the state budget relies upon prior year surplus to remain in balance. It is calculated simply as current year appropriations minus current year revenues. It generally represents the amount of prior year surplus used to balance the budget.

Fiscal Year	Enacted General Revenue Appropriations	Operating Surplus/ Deficit	Operating Surplus/Deficit as Percent of General Revenue Appropriations	
FY 2025	$ 5,594.86	$ (278.79)	5.0%	Average FY 2022 - FY 2025 5.9%
FY 2024	5,064.10	(318.20)	6.3%	
FY 2023	4,569.01	(288.06)	6.3%	
FY 2022	4,534.73	(280.84)	6.2%	
FY 2021	4,247.81	(23.95)	0.6%	Average FY 2022 - FY 2025 1.1%
FY 2020	4,107.59	(24.99)	0.6%	
FY 2019	3,829.28	0.62	0.0%	
FY 2018	3,822.58	(49.53)	1.3%	
FY 2017	3,676.76	(122.91)	3.3%	
FY 2016	3,491.63	(2.51)	0.1%	
FY 2015	3,512.54	(68.48)	1.9%	
FY 2014	3,399.15	(77.94)	2.3%	
FY 2013	3,269.15	(4.62)	0.1%	
FY 2012	3,327.18	(57.00)	1.7%	
FY 2011	3,286.06	(0.01)	0.0%	
		Average:	2.4%	

Note: All dollar figures in millions.

The recent trend of significant operating deficits balanced by prior year surplus emerged when revenue forecasts were sharply reduced early in the pandemic, based on bleak economic expectations, only to rebound due to a quick economic recovery, federal stimulus, and inflation. At the same time, surpluses were further bolstered by expenditure trends. Factors such as labor shortages, supply chain disruptions, and the availability of federal stimulus funds led to underspending. Economic indicators suggest that this cycle is unlikely to continue, and therefore, continued reliance on the availability of hundreds of millions of dollars of surplus to balance future budgets is unsustainable.

While the increase in operating deficits since FY 2022 is certainly striking, there are several mitigating factors to consider. The state has directed much of the surplus dollars available to one-time investments, assuming that a large portion of the surplus would be non-recurring. The table below itemizes over $1.262 billion in one-time investments during this period.

<u>Selected Significant Non-recurring General Revenue Investments</u>
FY 2021 – FY 2025

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Contribution to Large IT Projects (LSIF/ITRR)	$67.0M	$75.0M		$13.0M		$155.0M
Historic Structures Tax Credit Contribution	$20.0M		$28.0M			$48.0M
Clean Water/Drinking Water State Match		$21.9M	$28.5M			$50.4M
Supplemental Contribution to Employees Retirement System of Rhode Island (ERSRI)		$61.9M				$61.9M
Supplemental Contribution to RICAP for capital and transportation		$563.0M	$257.4M			$820.4M
Appropriation to Supplemental Rainy Day Fund			$55.0M			$55.0M
Pre-fund RI Low-Income Housing Tax Credit				$28.0M		$28.0M
Pay down existing debt				$35.0M		$35.0M
Education Coaching (assumed non-recurring)					$5.0M	$5.0M
Establish Primary Care Training Sites Program					$2.7M	$2.7M
Medical Debt Relief					$1.0M	$1.0M
Total of Selected Investments	**$87.0M**	**$721.8M**	**$368.9M**	**$76.0M**	**$8.7M**	**$1,262.4M**

While this summary is not an exhaustive accounting of all one-time investments, it covers the largest and most significant items. These one-time investments, funded by prior-year surplus dollars, were a significant feature of the FY 2021 through FY 2024 budgets but have substantially decreased in the FY 2025 budget. Instead, the significant investments in the FY 2025 budget are generally recurring, such as the implementation of OHIC rate review recommendations for medical and social service providers, pension benefit enhancements, increased education aid, and increased personnel costs due to COLAs.

Updated Five-Year Fiscal Outlook

Beyond FY 2026, the deficit outlook is driven by projected expenditures growing faster than anticipated revenues. The Budget Office forecasts a general revenue deficit of $398.2 million for FY 2026, increasing to approximately $683.5 million by FY 2030. While revenues are expected to grow modestly — at an average annual rate of 2.5 percent from FY 2025 to FY 2030 — expenditures are projected to rise more quickly, with an average annual growth rate of 3.7 percent. This disparity between revenue and expenditure growth means the outyear deficit is expected to widen unless steps are taken to constrain expenditure growth or increase revenue collections.

An analysis of projected expenditure growth by category highlights the key cost drivers in upcoming budget cycles. The outyear structural imbalance is primarily driven by Grants and Benefits and Local Aid, which together account for more than two-thirds of the state budget and are projected to grow faster than revenues. In contrast, State Operations and Capital Expenditures are expected to grow at a more moderate pace during this period.

Five-Year Growth Projected Expenditures and Average Annual Growth Rates by Category

(millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Avg. Ann. Growth
Grants and Benefits	$1,956.0	$2,052.7	$2,155.6	$2,275.9	$2,400.3	$2,527.7	5.3%
Local Aid	1,881.6	1,955.9	2,065.7	2,129.3	2,168.1	2,206.4	3.2%
State Operations	1,558.4	1,606.9	1,655.3	1,687.5	1,736.9	1,774.7	2.6%
Capital	240.1	258.0	260.2	243.0	234.4	250.0	1.0%
Total Expenditures	**$5,636.1**	**$5,873.5**	**$6,136.7**	**$6,335.7**	**$6,539.7**	**$6,758.7**	**3.7%**
General Revenues	$5,524.4	$5,639.0	$5,754.4	$5,913.7	$6,074.2	$6,263.1	**2.5%**

Grants and Benefits, which primarily fund medical and social assistance services such as Medicaid, Department of Children, Youth and Families (DCYF) services, and private developmental disability services, are projected to grow by 5.3 percent annually. The Budget Office generally aligns its projections for these expenditures with the National Health Expenditure Accounts forecast, published by the Office of the Actuary at the Centers for Medicare & Medicaid Services (CMS). [4] This forecast indicates that, absent any policy or demographic changes, national medical assistance expenditures will likely grow faster than inflation and general economic growth. While national trends may or may

[4] https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/projected

not translate directly to Rhode Island Medicaid expenditures, the Budget Office assumes this to be a reasonable and consistent proxy for outyear expectations.

According to the CMS Office of the Actuary's most recent forecast, "over 2023-32, average [National Healthcare Expenditure] growth (5.6%) is projected to outpace average [United States] GDP growth (4.3%), increasing healthcare's share of GDP from 17.3 percent in 2022 to 19.7 percent in 2032."[5] While Rhode Island's Medicaid rates have historically been slow to adjust to inflation, the implementation of the OHIC's rate review process now provides a mechanism to review rates more regularly to assess if they are in line with market trends.

Local Aid is projected to grow at 3.2 percent annually, driven primarily by increases in Education Aid and Motor Vehicle Excise Tax Reimbursement Aid. Education Aid, which alone comprises approximately $1.541 billion, or 27.5 percent, of the FY 2025 Enacted Budget, is the largest driver of local aid growth. Inflation inputs that are used to calculate to the Core Instructional Amount (CIA), which is the per-pupil cost that drives the state's education funding formula, lag by several years. This means the calculation is slow to respond to recent changes in inflation.

Although national economic forecasts predict that inflation will moderate in FY 2026 and 2027, annual growth in Education Aid is expected to remain elevated at 4.3 percent and 6.5 percent, respectively. These projections are calculated using actual, known funding formula inputs and largely reflect past years' inflation. Starting in FY 2028, the Budget Office assumes that Education Aid growth will taper to the Budget Office planning value, which is based on a lagged measure of CPI and projected changes in the school-age population. However, given that education inflation has outpaced these projections in recent years, it is possible that Education Aid growth could exceed the outyear forecast.

The remaining expenditure categories, including State Operations (which includes personnel, contract expenses, and other operations) and capital expenses, are expected to grow more slowly than revenues. **State Operations** are projected to increase by 2.6 percent annually. Personnel expenditures, a subcategory of state operations, have risen recently due to state employee COLAs, which have increased the wage base. However, going forward, personnel costs are expected to grow at an average annual rate of 2.8 percent from FY 2026 through FY 2030.

General revenue **Capital Expenditures**, which primarily consist of debt service, are projected to increase at an average annual rate of 1.0 percent over the forecast period. This forecast assumes that debt issuance continues following historical patterns, with General Obligation Debt service growing at 5.3 percent annually. The modest overall growth rate is driven by the full repayment of several large debt obligations over the next five years, including portions of the Historic Structures Tax Credit debt service and debt issued to support the Rhode Island Convention Center Authority (RICCA).

Conclusion and Commentary on Budget Outlook

Looking ahead to the FY 2026 budget development cycle, budget makers will face the challenge of reconciling anticipated 3.7 percent annual growth in expenditures with 2.5 percent anticipated growth in revenues. The revenue forecast calls for revenue growth roughly in line with inflation. While nominal cuts — actual reductions in year-over-year spending — are unlikely to be needed, it will be crucial to ensure that expenditure growth is aligned with available revenues.

[5] https://www.cms.gov/files/document/national-health-expenditure-projections-results-presentation.pdf

The McKee Administration has already taken steps to control spending for the current fiscal year, including the implementation of tighter spending and hiring controls. The Budget Office's First Quarter Report, expected in mid-November, will provide an updated fiscal outlook for FY 2025, incorporating the effects of these expenditure controls and the updated estimates from the November 2024 Revenue and Caseload Estimating Conferences.

General Revenue Outyear Expenditure Estimates

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Avg. Annual Growth
State Operations						
Personnel and Contract Services	1,371,430,000	1,412,160,000	1,446,130,000	1,485,420,000	1,521,750,000	*2.9%*
Other State Operations/Capital	235,490,000	243,090,000	241,400,000	251,490,000	252,920,000	*1.2%*
Subtotal	1,606,920,000	1,655,250,000	1,687,530,000	1,736,910,000	1,774,670,000	*2.6%*
% Growth	*3.1%*	*3.0%*	*2.0%*	*2.9%*	*2.2%*	
Grants and Benefits						
Medicaid - EOHHS & DHS	1,451,980,000	1,517,630,000	1,598,860,000	1,682,530,000	1,767,780,000	*4.9%*
Medicaid - DCYF	176,700,000	188,870,000	201,900,000	215,470,000	229,940,000	*6.8%*
Medicaid - BHDDH	264,450,000	286,050,000	308,800,000	332,130,000	356,090,000	*7.8%*
Higher Education Scholarships	19,720,000	19,970,000	20,200,000	20,480,000	20,760,000	*1.3%*
Other Grants and Benefits	139,900,000	143,120,000	146,130,000	149,640,000	153,080,000	*2.3%*
Subtotal	2,052,750,000	2,155,640,000	2,275,890,000	2,400,250,000	2,527,650,000	*5.3%*
% Growth	*4.9%*	*5.0%*	*5.6%*	*5.5%*	*5.3%*	
Local Aid						
Education Aid	1,607,560,000	1,712,750,000	1,767,400,000	1,798,020,000	1,826,910,000	*3.5%*
Motor Vehicle Tax Reimbursements	243,800,000	248,340,000	256,680,000	265,450,000	274,890,000	*3.2%*
PILOT & Other Local Aid	104,490,000	104,600,000	105,180,000	104,670,000	104,560,000	*-0.2%*
Subtotal	1,955,850,000	2,065,690,000	2,129,260,000	2,168,140,000	2,206,360,000	*3.2%*
% Growth	*3.9%*	*5.6%*	*3.1%*	*1.8%*	*1.8%*	
Capital						
General Obligation	202,980,000	207,050,000	207,940,000	209,210,000	227,270,000	*5.3%*
Other Debt Service	312,960,000	313,270,000	278,040,000	259,550,000	272,690,000	*-1.9%*
Subtotal	515,940,000	520,320,000	485,980,000	468,760,000	499,960,000	*1.0%*
% Growth	*7.4%*	*0.8%*	*-6.6%*	*-3.5%*	*6.7%*	
Expenditures	**$5,873,480,000**	**$6,136,730,000**	**$6,335,670,000**	**$6,539,680,000**	**$6,758,650,000**	*3.7%*
% Growth	*4.2%*	*4.5%*	*3.2%*	*3.2%*	*3.3%*	

General Revenue Outyear Expenditure Estimates - Planning Values

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Average
Personnel & Operational Inflators						
Forecasted CPI Inflation (A)	2.4%	2.3%	2.1%	2.4%	2.3%	*2.3%*
Personnel Cost Growth (B)	4.0%	3.0%	2.1%	2.4%	2.3%	*2.8%*
ERSRI Employer Retirement Contributions (% of covered payroll) (C)	30.9%	30.6%	30.5%	30.4%	29.9%	*30.5%*
Projected Medical/Rx, Dental, and Vision Growth Rates (D)	6.5%	5.3%	5.5%	5.5%	5.4%	*5.7%*
Education Aid Growth (E)	4.6%	6.3%	1.7%	1.7%	1.5%	*3.2%*
NHE Medicaid Expenditure Inflators (F)						
Managed Care & Other Medicaid	3.1%	3.0%	4.2%	4.2%	4.2%	*3.8%*
Hospital Care	4.8%	6.0%	7.5%	6.6%	4.9%	*6.0%*
Home Health Care	8.8%	8.7%	8.1%	7.8%	7.7%	*8.2%*
Pharmacy	7.7%	6.6%	6.7%	6.7%	6.5%	*6.8%*
Nursing Home Care	5.9%	6.7%	6.6%	6.4%	6.1%	*6.3%*

A. Source: S&P Global Market Intelligence August 2024 U.S. Macro Forecast
B. Source: Adopted COLAs through FY 2027, CPI in FY 2028 through FY 2030
C. Source: ERSRI Actuarial Valuation as of June 30, 2023 and modified by supplemental valuation to reflect legislative changes
D. Source: Segal, State Employee Health Benefits Actuarial Consultant
E. Source: FY 2026 and FY 2027, preliminary Budget Office calculations; FY 2028 - FY 2030, product of lagged CPI and school-aged population growth.
F. Source: Center for Medicare and Medicaid Services, Office of the Actuary, National Healthcare Expenditures Report prepared for State of Rhode Island