



# OFFICE OF MANAGEMENT & BUDGET

*State Budget Office*


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## MEMORANDUM

**To:** The Honorable Daniel J. McKee, Governor  
Jonathan Womer, Director of Administration

**From:** Joseph Codega Jr., Budget Officer 

**Date:** November 14, 2024

**Subject:** FY 2025 First Quarter Report

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### Executive Summary

#### Overview

The Budget Office anticipates a FY 2025 year-end general revenue fund balance of \$77.0 million, surpassing the enacted surplus of \$0.13 million by \$76.8 million. Notable developments since the approval of the FY 2025 budget include:

- The State Controller's FY 2024 Preliminary Closing Statements revealed favorable net adjustments to prior year revenue and expenditures which make available an additional \$12.8 million in FY 2025 opening surplus.
- The November 2024 Caseload and Revenue Estimating Conference revised state general revenue projections, increasing them by \$67.5 million. Concurrently, estimates for general revenue expenditures on medical and cash assistance and services for those with intellectual and developmental disabilities were lowered by \$23.3 million.
- Additional adjustments recognized in this report include a \$24.3 million net increase in projected expenditures and a \$2.4 million increase in statutory contributions to the budget reserve and cash stabilization account.

#### Budget Trends and Outlook

- The Budget Office advises a cautious fiscal outlook for FY 2026. Previous deficit projections for FY 2026 indicated a shortfall of \$398.2 million assuming continuation of current services. While the additional surplus projected in FY 2025 provides some relief, continued fiscal discipline will be crucial to balance the FY 2026 budget.

## **Budget Office FY 2025 First Quarter Report**

### **Statutory Basis for Reporting**

RIGL § 35-1-15 states that the Director of Administration shall “direct the State Budget Officer to project on a quarterly basis the anticipated year-end balance assuming current trends continue, and the typical cyclical expenditure patterns prevail over the course of the year. A consolidated quarterly report incorporating the current status and projection shall be released to the public within forty-five days of the end of each quarter.” This report demonstrates compliance with this section of the General Laws.

### **FY 2024 Preliminary Closing**

The State Controller issued the preliminary unaudited FY 2024 closing statements on September 24, 2024, reflecting a \$291.8 million general revenue surplus, which is \$12.8 million more than the enacted level of \$279.0 million.<sup>1</sup>

### **Reappropriations**

The Governor issued discretionary reappropriations to FY 2025 totaling \$16.6 million and another \$4.6 million in reappropriations authorized via stipulations in Article 13, Section 1 of the FY 2025 Appropriations Act. Pursuant to RIGL § 35-3-15 (a), non-discretionary reappropriations of unexpended and unencumbered balances for the General Assembly totaling \$9.4 million and for the Judiciary totaling \$3.9 million were also recognized.<sup>2</sup> Taken together, reappropriations of unexpended FY 2024 budget authority into FY 2025 total \$34.6 million, as displayed on Tables 1 and 2.

### **FY 2025 First Quarter**

The First Quarter Report for FY 2025 contains estimates of annual expenditures based upon analysis of agency spending through the first quarter of FY 2025 (July 1, 2024, through September 30, 2024) as compared to available general revenue resources as adopted by the November 2024 Revenue Estimating Conference. The projected FY 2025 year-end balance, based upon these assumptions, is estimated to show a \$77.0 million surplus.

As displayed in Table 1, the projected surplus of \$77.0 million for FY 2025 is the result of an opening surplus of \$291.8 million; reappropriated surplus of \$34.6 million; current year estimated general revenues of \$5,556.6 million; \$175.5 million in Budget Reserve and Cash Stabilization Account transfers; November 2024 Caseload Estimating Conference estimates at \$23.3 million below enacted levels; remaining net upward revisions to agency spending totaling \$24.3 million relative to enacted appropriations; and an increase in projected expenditures resulting from the reappropriation of \$34.6 million.

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<sup>1</sup> [FY24 Closing Statements Preliminary Unaudited 09-24-2024.pdf \(ri.gov\)](#)

<sup>2</sup> [Recommended Reappropriations to FY25\\_FINAL MEMO.pdf](#)

### *November 2024 Revenue Estimating Conference*

Table 3 displays the FY 2026 revenue estimates adopted at the November 8, 2024, Revenue Estimating Conference (by category), as compared to those contained in the enacted budget. Consensus estimates as adopted by the Conferees total \$5,556.6 million, an increase of \$67.5 million relative to enacted general revenues.

### *November 2024 Caseload Estimating Conference*

The November 2024 Caseload Estimating Conference (CEC) convened on November 6, 2024, and adopted revised cash assistance caseloads, medical assistance, and private community developmentally disabled service expenditures for FY 2025. Compared to the enacted budget, the adopted estimates lowered net general revenue expenditures by \$23.3 million in FY 2025, impacting projected expenditures in the Executive Office of Health and Human Services, Department of Human Services, and Department of Behavioral Health, Developmental Disabilities, and Hospitals. Further detail is available in the forthcoming Caseload Estimating Conference Report.

### *Agency Expenditure Projections*

Overall, net projected general revenue spending for FY 2025, as compared to the enacted budget, is approximately \$35.6 million above appropriations. This figure consists of three major components: (1) reappropriations totaling \$34.6 million, as described above; (2) a decrease of \$23.3 million within the various programs subject to the November 2024 Caseload Estimating Conference; and (3) a net upward revision in other agency spending totaling \$24.3 million. Please refer to Table 2 for projected expenditure changes by agency/department.

Major statewide trends driving expenditure variances include the following:

- **Distribution of Employer Pension Costs:** Article 12 of the FY 2025 Appropriations Act (2024-H-7225Aaa) made several changes to pension benefits for active and retired state employees. These changes resulted in an increase in employer retirement contributions of 2.21 percentage points from 28.54 percent to 30.75 percent. The General Assembly budgeted the general revenue impact of these changes as a \$20.6 million placeholder line item within the Department of Administration. Given that the increase in employer contribution rates has been implemented, expenditure projections reflect a \$20.6 million reduction at the Department of Administration, relative to enacted, and a corresponding increase across state government agencies to reflect the distributed impact.
- **State Employee Cost-of-Living Adjustments (COLAs):** The agency expenditure projections include adjustments necessary to accommodate a 5 percent COLA in FY 2025. Subsequent to FY 2025 Budget enactment in the Summer of 2024, the Department of Administration 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 impact of the COLAs on personnel costs had not been accommodated in the FY 2025 enacted budget. This projection adds a total of \$44.9 million in “Other Projected Changes” to accommodate the anticipated cost of awarding the COLA. This cost is modestly below prior estimates after accounting for updated vacancy trends and other technical adjustments. This projection assumes that equivalent COLAs will be awarded to remaining employee groups not yet settled, but the Budget Office notes that this assumption is for fiscal planning purposes and is not meant to signal the outcome of any negotiations in process or budget decisions.

- **Personnel Vacancy and Turnover Relative to the Enacted Budget:** Agency expenditure projections include \$8.8 million in net negative adjustments to personnel costs resulting from current and anticipated turnover and vacancy savings. Some agencies with notable levels of turnover vacancy include:
  - Department of Public Safety: \$3.0 million, due to extensive rates of FTE vacancy, particularly in the Division of Sheriffs and the State Police programs, with 39.0 and 21.0 vacant FTE positions, respectively.
  - Department of Corrections: \$1.6 million, resulting from a decrease to projected (non-overtime) payroll costs of \$12.1 million, largely offset by a corresponding upward adjustment to budgeted overtime expenditures.
  - Department of Children Youth and Families: \$3.1 million, reflecting updated vacancy trends and the availability of increased federal claiming. While there is significant personnel savings relative to the budgeted level, it should be noted that the filled FTE count at the department has increased by 10.0 positions from 644.0 to 654.0 in FY 2025 to date.
  - Department of Human Services: \$1.5 million, due mainly to full-time clinical staffing shortages causing increased reliance on contracted staffing at the Rhode Island Veterans Home. While there is significant personnel savings relative to the budgeted level, it should be noted that the filled FTE count at the department has increased by 20.0 positions from 926.5 to 946.5 in FY 2025 to date.
  - Department of Environmental Management: \$1.3 million, reflecting additional allocations of federal funds to support existing FTE positions as well as updated turnover expectancy assumptions.
- **Tangible Property Tax Reimbursement (Department of Revenue):** As a result of updated expenditure projections from the Department of Revenue, this projection includes \$25.9 million, or \$2.1 million less than the enacted level of \$28.0 million. As of October 30, 2024, the Department of Revenue has distributed \$25.8 million of the appropriated \$28.0 million to participating municipalities and ten fire districts and estimates that remaining distributions will total \$100,000.

## **Other Risks, Commentary, and Discussion**

### *Trend: FY 2025 Full Time Equivalent (FTE) Positions*

The count of statewide filled FTE positions has returned to the pre-pandemic level. From a pre-pandemic peak of 14,253.2 FTE positions filled on the pay period ending January 18, 2020, the position count fell as low as 13,422.2 on the pay period ending November 6, 2021. In the most recent pay period, ending November 2, 2024, the filled FTE count reached 14,270.5.

The Budget Office continues to work with the Governor's Office to review all hiring requests and fill vacancies, prioritized by need, as much as possible in the constrained environment. While 135.9 positions were authorized in the FY 2025 enacted budget over the prior year enacted level, the filled FTE count increased by 125.3 positions in FY 2025 to date. The Budget Office anticipates that the growth will taper during the remainder of the fiscal year as new positions continued to be reviewed for necessity.

Growth in filled FTE positions is primarily driven by higher education, public safety, and essential customer/client/patient facing positions. The growth in filled FTE count includes an additional 67.5 FTE positions in higher education, 20.0 FTE positions in the Department of Human Services, 19.0 FTE in the Department of Corrections which graduated an academy class of 41 correctional officers, and 10.0 FTE in the Department of Children, Youth and Families.

The Budget Office will continue to monitor personnel trends so that expenditure savings may be recognized in the Governor's revised budget submission if appropriate.

### *Risk: FEMA Reimbursement*

The incident period for the Stafford Act emergency declaration related to the COVID-19 pandemic closed in FY 2023, so the state is no longer incurring any COVID-related FEMA-reimbursable emergency expenditures. Pending FEMA reimbursement was substantially complete as of FY 2024. The Budget Office will remain in consultation with the Office of Accounts and Control in the event that any further reimbursements are processed, but any potential amounts are expected to be immaterial.

While the state has had a strong track record to date with respect to securing reimbursement for emergency expenses, there remains risk that federal authorities may reject or reverse reimbursement approvals as a result of audit findings or other adjustments. In recognition of this risk, the FY 2025 enacted budget contained \$5 million in FEMA contingency reserve. To date, none of these contingency reserves have been expended. The Budget Office will consult with the Office of Accounts and Control as to the ongoing risk related to FEMA reimbursement and make an appropriate recommendation as to whether it is necessary to continue holding these funds in reserve in the Governor's upcoming budget recommendation.

### **Agency Fiscal Oversight**

The projected FY 2025 closing surplus contained within this report demonstrates the importance of continued fiscal discipline and oversight. The Office of Management and Budget will continue to vigilantly monitor discretionary spending and hiring at those agencies projecting a closing deficit in this report, pursuant to RIGL §35-3-24 and the Department of Administration's OMB Budgetary Control Policy.

If you have any questions concerning this First Quarter Report, please feel free to contact me.

cc: The Honorable Marvin L. Abney, Chairman, House Finance Committee  
The Honorable Louis P. DiPalma, Chairman, Senate Finance Committee  
Sharon Reynolds Ferland, House Fiscal Advisor  
Stephen Whitney, Senate Fiscal Advisor

## FY 2025 General Revenue Budget Surplus

	FY 2023 Audited	FY 2024 Final Enacted	FY 2024 Preliminary Unaudited	FY 2025 Enacted	FY 2025 First Quarter
<b>Surplus</b>					
Opening Surplus	\$209,649,745	\$412,262,973	\$412,262,973	\$279,019,055	\$291,792,261
Adjustment to Opening Surplus- FEMA	270,762,495	14,717,153	23,811,475	-	-
Adjustment to Opening Surplus- Other	-	-	-	-	-
Reappropriated Surplus	19,442,046	45,152,130	45,152,130	-	34,569,423
Subtotal	<b>\$499,854,286</b>	<b>\$472,132,256</b>	<b>\$481,226,578</b>	<b>\$279,019,055</b>	<b>\$326,361,684</b>
<b>General Taxes</b>	\$4,235,156,196	\$4,328,400,000	\$4,323,639,785	\$4,474,226,640	\$4,474,226,640
REC Changes to the Enacted Estimates					68,173,360
Subtotal	<b>\$4,235,156,196</b>	<b>\$4,328,400,000</b>	<b>\$4,323,639,785</b>	<b>\$4,474,226,640</b>	<b>\$4,542,400,000</b>
<b>Departmental Revenues</b>	\$491,637,590	551,800,000	558,592,654	517,617,468	517,617,468
REC Changes to the Enacted Estimates					25,882,532
Subtotal	<b>\$491,637,590</b>	<b>551,800,000</b>	<b>558,592,654</b>	<b>517,617,468</b>	<b>543,500,000</b>
<b>Other Sources</b>					
Other Miscellaneous	\$32,701,548	\$39,962,738	\$37,858,389	\$27,273,253	\$27,273,253
REC Changes to the Enacted Estimates					(1,873,253)
Lottery	\$434,666,769	\$428,800,000	\$426,419,555	\$449,400,000	\$449,400,000
REC Changes to the Enacted Estimates					(25,400,000)
Unclaimed Property	\$18,502,832	\$24,900,000	\$22,292,320	\$20,600,000	\$20,600,000
REC Changes to the Enacted Estimates					700,000
Subtotal	<b>\$485,871,149</b>	<b>\$493,662,738</b>	<b>\$486,570,264</b>	<b>\$497,273,253</b>	<b>\$470,700,000</b>
<b>Total Revenues</b>	<b>\$5,212,664,935</b>	<b>\$5,373,862,738</b>	<b>\$5,368,802,703</b>	<b>\$5,489,117,361</b>	<b>\$5,556,600,000</b>
<b>Transfer to Budget Reserve and Cash Stabilization Account</b>	<b>(\$162,669,440)</b>	<b>(\$173,583,771)</b>	<b>(\$173,431,970)</b>	<b>(\$173,044,092)</b>	<b>(\$175,451,768)</b>
<b>Total Available</b>	<b>\$5,549,849,781</b>	<b>\$5,672,411,223</b>	<b>\$5,676,597,311</b>	<b>\$5,595,092,324</b>	<b>\$5,707,509,916</b>
Actual/Enacted Expenditures	\$5,074,929,246	\$5,334,922,662	\$5,265,766,121	5,594,861,257	5,594,861,257
Reappropriations (from prior year)					34,569,423
Caseload Est. Conference Changes					(23,293,832)
Other Changes in Expenditures					\$24,295,402
<b>Total Expenditures</b>	<b>\$5,074,929,246</b>	<b>\$5,334,922,662</b>	<b>\$5,265,766,121</b>	<b>\$5,594,861,257</b>	<b>\$5,630,432,250</b>
Intrafund Transfers from/to Restricted Accounts	(4,444,444)	(10,000,000)	(36,000,000)	(100,000)	(100,000)
Transfer to Supplemental State Budget Reserve	(6,530,494)	(\$55,000,000)	(55,000,000)	-	-
Transfer to Employees' Retirement System	(6,530,494)	-	-	-	-
One-time Pause of RIGL 35-6-1(e)	-	6,530,494	6,530,494	-	-
<b>Total Ending Balances</b>	<b>\$457,415,103</b>	<b>\$279,019,055</b>	<b>\$326,361,684</b>	<b>\$131,067</b>	<b>\$76,977,666</b>
Reappropriations (to following year)	(45,152,130)	-	(34,569,423)	-	-
<b>Free Surplus</b>	<b>\$412,262,973</b>	<b>\$279,019,055</b>	<b>\$291,792,261</b>	<b>\$131,067</b>	<b>\$76,977,666</b>

**Table 2 - Summary of Changes to FY 2025 Enacted General Revenue Expenditure Budget**

	FY 2025 Enacted Budget	Reappropriation	Other Projected Changes	Total Projected Changes	FY 2025 Projected Expenditures	Change From Enacted (Surplus)/Deficit
<b>General Government</b>						
Administration	255,026,334	2,056,413	(20,158,752)	(18,102,339)	236,923,995	(20,158,752)
Business Regulation	24,091,628	-	762,197	762,197	24,853,825	762,197
Labor and Training	17,790,653	3,893,027	268,456	4,161,483	21,952,136	268,456
Department of Revenue	400,471,730	1,707,971	(48,270)	1,659,701	402,131,431	(48,270)
Legislature	53,358,280	9,375,757	1,615,714	10,991,471	64,349,751	1,615,714
Lieutenant Governor	1,447,015	-	62,535	62,535	1,509,550	62,535
Secretary of State	12,462,241	-	389,229	389,229	12,851,470	389,229
General Treasurer	4,915,333	-	129,303	129,303	5,044,636	129,303
Board of Elections	5,682,615	-	56,767	56,767	5,739,382	56,767
Rhode Island Ethics Commission	2,234,502	48,904	131,180	180,084	2,414,586	131,180
Governor's Office	8,471,265	-	504,493	504,493	8,975,758	504,493
Commission for Human Rights	2,055,616	-	80,352	80,352	2,135,968	80,352
Executive Office of Commerce	40,380,983	-	53,393	53,393	40,434,376	53,393
Department of Housing	9,840,596	-	(238,910)	(238,910)	9,601,686	(238,910)
Public Utilities Commission	-	-	-	-	-	-
<b>Subtotal - General Government</b>	<b>838,228,791</b>	<b>17,082,072</b>	<b>(16,392,313)</b>	<b>689,759</b>	<b>838,918,550</b>	<b>(16,392,313)</b>
<b>Human Services</b>						
Office of Health & Human Services	1,416,418,232	-	(27,360,131)	(27,360,131)	1,389,058,101	(27,360,131)
Children, Youth, and Families	261,358,200	-	2,588,115	2,588,115	263,946,315	2,588,115
Health	40,053,947	-	1,091,567	1,091,567	41,145,514	1,091,567
Human Services	142,790,800	9,848,365	3,473,360	13,321,725	156,112,525	3,473,360
Behavioral Healthcare, Developmental Disabilities & Hosp	305,694,995	-	9,540,257	9,540,257	315,235,252	9,540,257
Office of the Child Advocate	1,891,426	-	8,184	8,184	1,899,610	8,184
Comm. on Deaf & Hard of Hearing	782,651	-	25,216	25,216	807,867	25,216
Governor's Commission on Disabilities	1,530,392	730,565	24,264	754,829	2,285,221	24,264
Office of the Mental Health Advocate	981,608	-	42,709	42,709	1,024,317	42,709
<b>Subtotal - Human Services</b>	<b>2,171,502,251</b>	<b>10,578,930</b>	<b>(10,566,459)</b>	<b>12,471</b>	<b>2,171,514,722</b>	<b>(10,566,459)</b>
<b>Education</b>						
Elementary and Secondary	1,588,830,390	-	4,410,129	4,410,129	1,593,240,519	4,410,129
Office of the Postsecondary Commissioner	30,122,180	-	300,202	300,202	30,422,382	300,202
University of Rhode Island	144,224,440	-	-	-	144,224,440	-
Rhode Island College	77,881,228	-	-	-	77,881,228	-
Community College of Rhode Island	62,286,538	-	-	-	62,286,538	-
RI Council on the Arts	2,395,211	-	10,256	10,256	2,405,467	10,256
RI Atomic Energy Commission	1,180,419	-	52,527	52,527	1,232,946	52,527
Historical Preservation & Heritage Comm	1,898,100	-	(181,136)	(181,136)	1,716,964	(181,136)
<b>Subtotal - Education</b>	<b>1,908,818,506</b>	<b>-</b>	<b>4,591,978</b>	<b>4,591,978</b>	<b>1,913,410,484</b>	<b>4,591,978</b>
<b>Public Safety</b>						
Attorney General	35,103,418	11,813	1,545,424	1,557,237	36,660,655	1,545,424
Corrections	293,746,087	1,298,220	9,396,926	10,695,146	304,441,233	9,396,926
Judicial	124,336,261	3,949,659	5,862,329	9,811,988	134,148,249	5,862,329
Military Staff	3,276,320	-	(37,625)	(37,625)	3,238,695	(37,625)
Emergency Management	7,007,474	25,855	14,031	39,886	7,047,360	14,031
Public Safety	135,410,334	1,622,874	3,905,826	5,528,700	140,939,034	3,905,826
Office Of Public Defender	16,585,559	-	624,515	624,515	17,210,074	624,515
<b>Subtotal - Public Safety</b>	<b>615,465,453</b>	<b>6,908,421</b>	<b>21,311,426</b>	<b>28,219,847</b>	<b>643,685,300</b>	<b>21,311,426</b>
<b>Natural Resources</b>						
Environmental Management	57,238,872	-	1,882,387	1,882,387	59,121,259	1,882,387
Coastal Resources Management Council	3,607,384	-	174,551	174,551	3,781,935	174,551
<b>Subtotal - Natural Resources</b>	<b>60,846,256</b>	<b>-</b>	<b>2,056,938</b>	<b>2,056,938</b>	<b>62,903,194</b>	<b>2,056,938</b>
<b>Total</b>	<b>5,594,861,257</b>	<b>34,569,423</b>	<b>1,001,570</b>	<b>35,570,993</b>	<b>5,630,432,250</b>	<b>1,001,570</b>



**Table 3 - November 2024 Revenue Estimating Conference Results**

	<b>FY 2025 Enacted</b>	<b>FY 2025 Nov 2024 Consensus</b>	<b>FY 2025 Consensus vs. FY 2025 Enacted</b>	<b>Growth From FY 2025 Consensus vs. FY 2025 Enacted</b>
<b>Personal Income Tax</b>	\$ 1,865,528,793	\$ 1,913,500,000	\$ 47,971,207	2.6%
<b>General Business Taxes</b>				
Business Corporations	346,570,968	342,600,000	(3,970,968)	-1.1%
Public Utilities Gross	105,800,000	105,300,000	(500,000)	-0.5%
Financial Institutions	29,048,050	39,500,000	10,451,950	36.0%
Insurance Companies	170,107,978	167,500,000	(2,607,978)	-1.5%
Bank Deposits	5,100,000	5,700,000	600,000	11.8%
Health Care Provider	41,900,000	44,400,000	2,500,000	6.0%
<b>Sales and Use Taxes</b>				
Sales and Use	1,701,970,187	1,704,000,000	2,029,813	0.1%
Cigarettes	116,000,664	115,300,000	(700,664)	-0.6%
Alcohol	21,200,000	21,200,000	-	0.0%
<b>Other Taxes</b>				
Estate and Transfer	53,700,000	65,500,000	11,800,000	22.0%
Racing and Athletics	600,000	700,000	100,000	16.7%
Realty Transfer	16,700,000	17,200,000	500,000	3.0%
<b>Total Taxes</b>	<b>4,474,226,640</b>	<b>4,542,400,000</b>	<b>68,173,360</b>	<b>1.5%</b>
Departmental Receipts	517,617,468	543,500,000	25,882,532	5.0%
Other Miscellaneous	27,273,253	25,400,000	(1,873,253)	-6.9%
Lottery	449,400,000	424,000,000	(25,400,000)	-5.7%
Unclaimed Property	20,600,000	21,300,000	700,000	3.4%
<b>Total General Revenues</b>	<b>5,489,117,361</b>	<b>5,556,600,000</b>	<b>67,482,639</b>	<b>1.2%</b>