



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

MEMORANDUM

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

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

Date: February 14, 2025

Subject: FY 2025 Second Quarter Report

Executive Summary

Overview

The Budget Office anticipates a FY 2025 year-end general revenue fund balance of \$125.8 million, surpassing the enacted surplus of \$0.13 million by \$125.6 million. While these adjustments represent a \$48.8 million increase relative to the \$77.0 million surplus previously reported in the First Quarter Report, the increase in projected fund balance has already been incorporated in the FY 2025 Recommended Revised Budget submission.

Notable developments since the publication of the Budget Office's FY 2025 First Quarter Report include:

- The State Controller's FY 2024 *Draft*¹ Audited Closing revealed favorable adjustments to prior year revenues and expenditures, which make available an additional \$47.3 million in FY 2024 opening surplus relative to the enacted level – or \$34.6 million above the First Quarter Report. These updates are already incorporated in the Governor's budget submission.
- Relative to levels estimated in the first quarter, adjustments recognized in this report include a \$15.3 million net decrease in expenditures and a \$1.0 million increase in statutory contributions to the budget reserve and cash stabilization account. The expenditure-side adjustments are largely reflective of changes recommended as part of the Governor's FY 2025 Revised Budget, which decreased overall expenditures by \$19.8 million.
- Discretionary, policy-based changes to both revenues and expenditures contained in the Governor's FY 2025 Revised Budget are excluded from projections in this Second Quarter Report.

¹ FY 2024 Final Audited Closing Statements are unpublished as of February 14, 2025. "Draft Audited" figures represent most accurate data available as of the date of second quarter report release but remain subject to further revision.

Budget Office FY 2025 Second 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 Draft Audited Closing and Adjustments to Fund Balance

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.² Prior to submittal of the Governor’s FY 2025 Revised and FY 2026 Budgets, the Budget Officer was informed by the State Controller and the Office of the Auditor General that the FY 2024 final audited closing statements, though unpublished, were substantially complete. The “draft” final FY 2024 general revenue closing revised the general revenue surplus upward to \$326.4 million, or \$47.3 million more than the enacted level of \$279.0 million.

In years when the final audited closing statements report actual revenues exceeding enacted revenues, current law (RIGL § 35-6-1(e)) requires that 50 percent of the excess revenues be transferred to the Supplemental State Budget Reserve Account and the remaining 50 percent to the Employees’ Retirement System of Rhode Island (net of the mandatory 3 percent contributions to the State Budget Reserve and Cash Stabilization Account). In FY 2024, excess revenues are primarily attributable to a change to federal and State tax filing deadlines. Following the federal disaster declaration for the floods of winter 2023-24, the Internal Revenue Service delayed tax filings in Rhode Island from April 15 to July 15, 2024, for taxpayers in Providence, Kent and Washington counties. For consistency, the State extended several RI state tax filing deadlines to July 15 as well. May 2024 revenue estimates were therefore particularly uncertain, and actual revenues in FY 2024 exceeded May estimates.

Reappropriations

Collectively, \$34.6 million in unexpended FY 2024 budget authority are reappropriated into FY 2025, as displayed on Tables 1 and 2. This amount includes Governor-issued discretionary reappropriations of \$16.6 million; \$4.6 million in statutorily required reappropriations (Article 13, Section 1 of the FY 2025 Appropriations Act); and non-discretionary reappropriations of unexpended and unencumbered balances for the General Assembly totaling \$9.4 million and for the Judiciary totaling \$3.9 million (RIGL § 35-3-15 (a)).³

FY 2025 Second Quarter

The Second Quarter Report for FY 2025 contains estimates of annual expenditures based upon analysis of agency spending through the second quarter of FY 2025 (July 1, 2024,

² [FY24 Closing Statements Preliminary Unaudited 09-24-2024.pdf \(ri.gov\)](#)

³ [Recommended Reappropriations to FY24_FINAL MEMO.pdf](#)

through December 31, 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 \$125.8 million surplus. Table 1 shows the components of the projected surplus.

November 2024 Revenue Estimating Conference

Table 3 displays the FY 2025 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.

Agency Expenditure Projections

Overall, net projected general revenue spending for FY 2025, as compared to the enacted budget, is approximately \$20.3 million above enacted 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 \$9.0 million.

Please refer to Table 2 for projected expenditure changes by agency/department.

Given the timing of this second quarter report (less than one month following the Governor's Revised Budget submission), these expenditure estimates are largely reflective of the Governor's submission of January 16, 2025, with exceptions. This report does not include recommended budgetary actions that are purely discretionary and/or policy-driven in nature, as these cannot be reasonably included prior to appropriation by the General Assembly. As such, this Second Quarter Report adjusts general revenue expenditures, relative to the Governor's Revised Budget, for the following item:

- The Governor's budget proposes using \$4.5 million of federal State Fiscal Recovery Funds (SFRF) within the Department of Human Services to offset general revenue previously appropriated for the Eat Well, Be Well pilot program. This proposal would shift one-time general revenue spending to a federal source, though the appropriation of the State Fiscal Recovery Fund is at the sole discretion of the General Assembly.

Other Changes Relative to Governor's Revised Budget

The Governor's FY 2025 Revised Budget from January 2024 contains several recommended changes to address the anticipated FY 2026 deficit that are not included in this report, including:

- The FY 2025 Revised Budget adds \$4.7 million to general revenue by transferring \$2.7 million in excess reserves from the Rhode Island Student Loan Authority and \$2.0 million in excess reserves from the Rhode Island Infrastructure Bank.
- The FY 2025 Revised Budget transfers \$3.0 million from the Underground Storage Tank Fund (UST Fund) restricted receipt account and \$0.6 million from the Marijuana Trust Fund to general revenue fund balance.
- The FY 2025 Revised Budget proposes a one-time reversal of the requirement to transfer excess FY 2024 general revenues of \$43.3 million to the state pension system and supplemental rainy-day fund. As noted above, the excess revenues resulted from revenue volatility related to the federal change in tax filing deadlines, not from an extraordinary windfall in general revenue collections, and should therefore be treated as if they had been collected at the normal deadline. (NOTE: The state continues to make the full actuarially determined employer contribution to the pension fund.)

Other Risks, Commentary, and Discussion

Risk: FEMA Reimbursement

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 emergency expenditures that qualify for reimbursement from the Federal Emergency Management Agency (FEMA). All 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 (included in the Governor's FY 2025 Revised Budget). To date, none of these contingency reserves have been expended. The Budget Office will consult with the Office of Accounts and Control related to FEMA reimbursement risk and make an appropriate recommendation as to whether it is necessary to continue holding these funds in reserve.

Risk: RI Bridges Data Breach

In December 2024, the Department of Administration was informed by its vendor of a security threat to RI Bridges, the system that manages many of the state's social services programs. In January 2025, the vendor provided \$5.0 million to support expenses associated with this data breach, including costs associated with HealthSource RI's direct enrollment program for

January and February 2025. Because the response effort is ongoing, budget projections in this report do not reflect associated fiscal impacts.

Risk: Possible Changes in Funding for Federal Programs

In January 2025, the U.S. Office of Management and Budget directed federal agencies to temporarily pause all activities related to obligation or disbursement of certain federal financial assistance as programs were reviewed for compliance with Executive Orders. That directive is now subject to litigation, though several state agencies have been informed that grant awards are being rescinded and other agencies are monitoring the situation. If the federal government rescinds any awards against which the State has already spent or obligated funds, the State may need to backfill any shortfall with general revenue or other sources of funds.

Further, Congress is preparing budget reconciliation legislation, which allows mandatory spending and tax changes to meet established fiscal targets. Public reporting and Congressional documents suggest the possibility of reductions to federal entitlement programs such as Medicaid, the Supplemental Assistance to Needy Families Program, and Temporary Assistance to Needy Families. As deliberations are ongoing, this report does not include any programmatic or spending changes that may be required in response to federal action.

Agency Fiscal Oversight

The FY 2025 closing surplus and the statewide favorable variance to enacted appropriations contained within this report demonstrate 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 Second 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

Table 1 - FY 2025 General Revenue Budget Surplus

	FY 2023 Audited	FY 2024 Final Enacted	FY 2024 Draft Audited	FY 2025 Enacted	FY 2025 Second Quarter
Surplus					
Opening Surplus	\$209,649,745	\$412,262,973	\$412,262,973	\$279,019,055	\$326,355,052
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	\$499,854,286	\$472,132,256	\$481,226,578	\$279,019,055	\$360,924,475
General Taxes	\$4,235,156,196	\$4,328,400,000	\$4,377,950,240	\$4,474,226,640	\$4,474,226,640
REC Changes to the Enacted Estimates					68,173,360
Subtotal	\$4,235,156,196	\$4,328,400,000	\$4,377,950,240	\$4,474,226,640	\$4,542,400,000
Departmental Revenues	\$491,637,590	\$551,800,000	\$552,303,254	\$517,617,468	\$517,617,468
REC Changes to the Enacted Estimates					25,882,532
Subtotal	\$491,637,590	\$551,800,000	\$552,303,254	\$517,617,468	\$543,500,000
Other Sources					
Other Miscellaneous	\$32,701,548	\$39,962,738	\$38,212,761	\$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	\$23,591,279	\$20,600,000	\$20,600,000
REC Changes to the Enacted Estimates					700,000
Subtotal	\$485,871,149	\$493,662,738	\$488,223,595	\$497,273,253	\$470,700,000
Total Revenues	\$5,212,664,935	\$5,373,862,738	\$5,418,477,089	\$5,489,117,361	\$5,556,600,000
Transfer to Budget Reserve and Cash Stabilization					
Account	(\$162,669,440)	(\$173,583,771)	(\$174,922,202)	(\$173,044,092)	(\$176,488,652)
Total Available	\$5,549,849,781	\$5,672,411,223	\$5,724,781,465	\$5,595,092,324	\$5,741,035,823
Actual/Enacted Expenditures	\$5,074,929,246	\$5,334,922,662	\$5,236,111,564	\$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					9,033,672
Total Expenditures	\$5,074,929,246	\$5,334,922,662	\$5,236,111,564	\$5,594,861,257	\$5,615,170,520
Intrafund Transfers from/to Restricted Accounts	(4,444,444)	(10,000,000)	(91,000,000)	(100,000)	(100,000)
Transfer to Supplemental State Budget Reserve	(6,530,494)	(55,000,000)	(21,637,960)	-	-
Transfer to Employees' Retirement System	(6,530,494)	-	(21,637,960)	-	-
One-time Pause of RIGL 35-6-1(e)	-	6,530,494	6,530,494	-	-
Total Ending Balances	\$457,415,103	\$279,019,055	\$360,924,475	\$131,067	\$125,765,303
Reappropriations (to following year)	(45,152,130)	-	(34,569,423)	-	-
Free Surplus	\$412,262,973	\$279,019,055	\$326,355,052	\$131,067	\$125,765,303

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

	FY 2025 Enacted Budget	Reappropriation	Caseload Estimating Conference Changes	Other Projected Changes	Total Projected Changes	FY 2025 Projected Expenditures	Change From Enacted (Surplus)/Deficit	Governor's Supplemental Budget	Balance to Governor's Supplemental (Surplus)/Deficit
General Government									
Administration	255,026,334	2,056,413	-	(17,198,603)	(15,142,190)	239,884,144	(17,198,603)	239,884,144	-
Business Regulation	24,091,628	-	-	630,864	630,864	24,722,492	630,864	24,722,492	-
Labor and Training	17,790,653	3,893,027	-	(1,235,487)	2,657,540	20,448,193	(1,235,487)	20,448,193	-
Department of Revenue	400,471,730	1,707,971	-	108,891	1,816,862	402,288,592	108,891	402,288,592	-
Legislature	53,358,280	9,375,757	-	1,412,827	10,788,584	64,146,864	1,412,827	64,146,864	-
Lieutenant Governor	1,447,015	-	-	(76,912)	(76,912)	1,370,103	(76,912)	1,370,103	-
Secretary of State	12,462,241	-	-	344,943	344,943	12,807,184	344,943	12,807,184	-
General Treasurer	4,915,333	-	-	185,384	185,384	5,100,717	185,384	5,100,717	-
Board of Elections	5,682,615	-	-	44,023	44,023	5,726,638	44,023	5,726,638	-
Rhode Island Ethics Commission	2,234,502	48,904	-	42,763	91,667	2,326,169	42,763	2,326,169	-
Governor's Office	8,471,265	-	-	502,554	502,554	8,973,819	502,554	8,973,819	-
Commission for Human Rights	2,055,616	-	-	88,186	88,186	2,143,802	88,186	2,143,802	-
Executive Office of Commerce	40,380,983	-	-	50,640	50,640	40,431,623	50,640	40,431,623	-
Department of Housing	9,840,596	-	-	(672,883)	(672,883)	9,167,713	(672,883)	9,167,713	-
Public Utilities Commission	-	-	-	-	-	-	-	-	-
Subtotal - General Government	838,228,791	17,082,072	-	(15,772,810)	1,309,262	839,538,053	(15,772,810)	839,538,053	-
Human Services									
Office of Health & Human Services	1,416,418,232	-	(26,876,017)	1,390,796	(25,485,221)	1,390,933,011	(25,485,221)	1,390,933,011	-
Children, Youth, and Families	261,358,200	-	-	(5,744)	(5,744)	261,352,456	(5,744)	261,352,456	-
Health	40,053,947	-	-	479,410	479,410	40,533,357	479,410	40,533,357	-
Human Services	142,790,800	9,848,365	(164,348)	(646,473)	9,037,544	151,828,344	(810,821)	147,328,344	4,500,000
Behavioral Healthcare, Developmental Disabilities & Hosp	305,694,995	-	3,746,533	8,197,165	11,943,698	317,638,693	11,943,698	317,638,693	-
Office of the Child Advocate	1,891,426	-	-	22,314	22,314	1,913,740	22,314	1,913,740	-
Comm. on Deaf & Hard of Hearing	782,651	-	-	(19,971)	(19,971)	762,680	(19,971)	762,680	-
Governor's Commission on Disabilities	1,530,392	730,565	-	70,707	801,272	2,331,664	70,707	2,331,664	-
Office of the Mental Health Advocate	981,608	-	-	(105,935)	(105,935)	875,673	(105,935)	875,673	-
Subtotal - Human Services	2,171,502,251	10,578,930	(23,293,832)	9,382,269	(3,332,633)	2,168,169,618	(13,911,563)	2,163,669,618	4,500,000
Education									
Elementary and Secondary	1,588,830,390	-	-	6,492,871	6,492,871	1,595,323,261	6,492,871	1,595,323,261	-
Office of the Postsecondary Commissioner	30,122,180	-	-	659,173	659,173	30,781,353	659,173	30,781,353	-
University of Rhode Island	144,224,440	-	-	177,145	177,145	144,401,585	177,145	144,401,585	-
Rhode Island College	77,881,228	-	-	272,475	272,475	78,153,703	272,475	78,153,703	-
Community College of Rhode Island	62,286,538	-	-	247,881	247,881	62,534,419	247,881	62,534,419	-
RI Council on the Arts	2,395,211	-	-	17,281	17,281	2,412,492	17,281	2,412,492	-
RI Atomic Energy Commission	1,180,419	-	-	51,220	51,220	1,231,639	51,220	1,231,639	-
Historical Preservation & Heritage Comm	1,898,100	-	-	(150,889)	(150,889)	1,747,211	(150,889)	1,747,211	-
Subtotal - Education	1,908,818,506	-	-	7,767,157	7,767,157	1,916,585,663	7,767,157	1,916,585,663	-
Public Safety									
Attorney General	35,103,418	11,813	-	1,562,048	1,573,861	36,677,279	1,562,048	36,677,279	-
Corrections	293,746,087	1,298,220	-	692,128	1,990,348	295,736,435	692,128	295,736,435	-
Judicial	124,336,261	3,949,659	-	4,676,315	8,625,974	132,962,235	4,676,315	132,962,235	-
Military Staff	3,276,320	-	-	(80,602)	(80,602)	3,195,718	(80,602)	3,195,718	-
Emergency Management	7,007,474	25,855	-	29,267	55,122	7,062,596	29,267	7,062,596	-
Public Safety	135,410,334	1,622,874	-	1,060,942	2,683,816	138,094,150	1,060,942	138,094,150	-
Office Of Public Defender	16,585,559	-	-	591,377	591,377	17,176,936	591,377	17,176,936	-
Subtotal - Public Safety	615,465,453	6,908,421	-	8,531,475	15,439,896	630,905,349	8,531,475	630,905,349	-
Natural Resources									
Environmental Management	57,238,872	-	-	(1,224,462)	(1,224,462)	56,014,410	(1,224,462)	56,014,410	-
Coastal Resources Management Council	3,607,384	-	-	350,043	350,043	3,957,427	350,043	3,957,427	-
Subtotal - Natural Resources	60,846,256	-	-	(874,419)	(874,419)	59,971,837	(874,419)	59,971,837	-
Total	5,594,861,257	34,569,423	(23,293,832)	9,033,672	20,309,263	5,615,170,520	(14,260,160)	5,610,670,520	4,500,000

Table 3 - November 2024 Revenue Estimating Conference Results

	FY 2025 Enacted	FY 2025 Nov 2024 Consensus	FY 2025 Consensus vs. FY 2025 Enacted	Growth From FY 2025 Consensus vs. FY 2025 Enacted
Personal Income Tax	\$ 1,865,528,793	\$ 1,913,500,000	\$ 47,971,207	2.6%
General Business Taxes				
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%
Sales and Use Taxes				
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%
Other Taxes				
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%
Total Taxes	4,474,226,640	4,542,400,000	68,173,360	1.5%
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%
Total General Revenues	5,489,117,361	5,556,600,000	67,482,639	1.2%