Executive Summary

After a period of extraordinary growth in state revenues and expenditures, Rhode Island continues to expand spending at a relatively high rate despite slowing general revenues and the uncertainty of future federal funding. Much of the increased spending in the FY 2026 budget is supported by one-time surplus funds—resulting in large and growing projected future deficits. The General Assembly also enacted several new taxes and fees, as well as increases to existing ones. This report analyzes the Assembly's taxing and spending decisions, highlighting challenges in key areas: health and human services, K–12 education, transportation, and personnel. It also outlines new tools to assess the effectiveness of state programs and the potential for improvements in this area. Finally, the report describes the budget implications of the One Big Beautiful Bill Act (OBBBA), enacted shortly after the state budget became law.

Key Findings

- Total spending in the FY26 budget is $14.34B and **general revenue spending** is $5.81B, **an increase of 3.8% over FY25 enacted** (and 10.9% over FY24). This increase exceeds projections for inflation (3.5%) and general revenue growth (1.5%) for FY26.
- The Assembly relied on **several revenue initiatives to fund increased spending**, including a health services assessment, a gas tax increase, a real estate conveyance tax increase, and new fees on electric and hybrid vehicles.
- The Assembly also relied on a **one-time general revenue surplus of $230.2M to fund continuing expenses**, contributing to a structural budget **deficit projected at $304.3M in FY27** and growing to $462.1M by FY30.
- Health and Human Services (HHS)—particularly Medicaid—drive FY26 spending increases. Despite large enrollment declines, **total Medicaid expenditures increased by $377.9M (8.4%)** over FY25.
- General revenue **spending on K-12 education grew by 4.4%, and by 5.3% on a per-pupil basis**, in FY26, outpacing total general revenue growth. Enrollment has fallen by 5.4% since FY19.
- Despite increased taxes and fees to fund transportation, the **state still relies heavily on the gas tax, projected to decline by 4.7% by FY30**. Funding shortfalls remain for RIPTA and the Washington Bridge.
- **Personnel spending jumped by $65.3M (4.9%)** in FY26 due to new collective bargaining agreements and continued growth in authorized and filled state employees.
- The budget adds new tools to improve program integrity and tax collections, but a **lack of public transparency on program evaluations** makes it hard to assess how effectively state funds are used.
- OBBBA extends the Tax Cuts and Jobs Act, makes major tax changes, and significantly revises Medicaid and SNAP. Rhode Island has the **13th highest reliance on federal funding nationwide.**

Recommendations

Bring spending growth in line with available resources

Pursue K-12 funding reform for equity, sustainability, and stronger local support

Avoid tax increases that would undermine economic competitiveness

Constrain growth in personnel spending

Control HHS costs, including the cost of Medicaid

Focus on more transparent and accountable program evaluation