RHODE ISLAND

In-State Risk Factors and Safeguards

1. Is there a revenue source dedicated to K–12 education? If not, what legal protections exist for education funding?

Rhode Island has no revenue source dedicated to K–12 education, and all state funds are annually appropriated. There is also no state Supreme Court ruling finding a constitutional right to education in Rhode Island, unlike most other New England states.[1] This means that any lawsuits challenging the funding system as inadequate or inequitable will face an uphill battle, removing an important deterrent to cuts that may be operative in other states.[2]

Allocations are primarily driven by the state's funding formula, the calculation of which is defined in statute.[3] Education funding has been a priority area in recent years, with general revenue spending growing nearly 40 percent between 2019 and 2025.[4] In the 2026 budget, K–12 education funding makes up nearly 29 percent of general revenue. But without dedicated revenue sources, an economic downturn could mean that other expenses crowd out education funding.

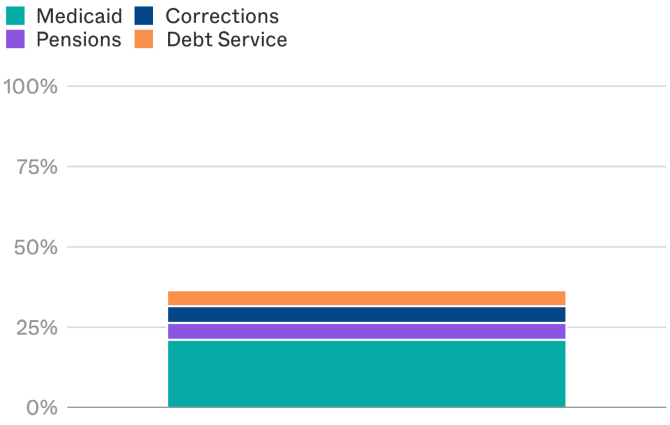
2. What budget commitments could limit spending flexibility?

A significant percentage of state spending is on autopilot—dictated by existing law and contracts—which limits states' flexibility.[5] To assess how much room policymakers have to protect education funding, we created a rough measure of how much of the General Fund is restricted.[6] We conservatively estimate that roughly 37 percent of Rhode Island's General Fund is restricted.

Because states define budget categories differently, it is hard to estimate restricted

Rhode Island General Fund Expenditures on Autopilot (2024)

General Fund fixed cost expenditures, millions of 2024 dollars



TANF & Other Cash Assist. composes <1% of total and is not visible on the chart.

Source: NASBO 2025 State Expenditure Report.

General Fund spending in a consistent way. Further, what counts as “restricted” and “discretionary” spending is partially dependent on political will and might shift under fiscal stress. These estimates should therefore not be viewed as precise measures, but as a useful indication of the limits on policymakers’ fiscal flexibility.

3. Are the state’s revenue sources vulnerable to an economic downturn?

An analysis by The Pew Charitable Trusts found that Rhode Island’s 15-year tax revenue volatility—the swings in a state’s revenues from year to year as the economy changes— was slightly below the national average, but rising in recent years.[7] Rhode Island generates over 50 percent of its revenue from general and selective sales taxes, which tend to be fairly stable revenue sources, though they are also more regressive than income taxes.[8] The other primary source of revenue (30 percent) is personal income taxes. These are generally progressive taxes, designed to ensure that contributions reflect residents’ ability to pay, but they are closely tied to unemployment rates and wages, making revenues difficult to forecast during an economic downturn.[9]

Rhode Island is one of only 10 states where quarterly revenues are higher than their 15-year average, pointing to strong revenue performance.[10] However, Rhode Island’s Department of Revenue projects a cumulative loss of $116.2 million in revenue due to federal tax code changes over the next five years, with losses of $35 million and $36 million in 2026 and 2027.[11] These single-year revenue losses are roughly equivalent to state spending on 3,500 students.

4. Is the state prepared to manage an economic downturn without making cuts to education?

Rhode Island has a projected budget deficit of $300 million in FY 2027, estimated to increase to nearly $400 million by FY 2030. While state revenues are expected to grow by 2.5 percent annually, expenditures are expected to increase by 3.7 percent. The state is using one-time surplus funds to avoid a large deficit in FY 2026, but it may face difficult choices next year.

A robust rainy day fund can provide a buffer against budget cuts during a recession.[12] Rhode Island’s constitution caps the rainy day fund at 5 percent of general fund revenues. In 2025, the state created a supplementary budget reserve fund to capture additional surplus revenue in an acknowledgement that 5 percent is an inadequate level of reserves.[13] With the supplement, Rhode Island has $353 million in rainy day funds, which is only enough to cover 23 days of state operations, far below the national median reserve of 47.8 days.[14]

Notes

1. ACLU Rhode Island, “Right to an Education (H 7396, S 2147),” March 15, 2024, https://www.riaclu.org/legislation/right-education-h-7396-s-2147/.
2. Daniel Morton-Bentley, “Rhode Island’s School Funding Challenges in Historical Context,” *Roger Williams University Law Review* 24, no. 2 (2019), https://doi.org/10.2139/ssrn.3483272.
3. Angélica Infante-Green, *Funding Formula Reference Guide* (Rhode Island Department of Education, 2018), https://ride.ri.gov/sites/g/files/xkgbur806/files/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/Funding-Sources/State-Education-Aid-Funding-Formula/Guide-with-flow-charts-4.13.2018_updated-11.5.2021.pdf.
4. *Rhode Island’s FY 2026 Enacted Budget* (Rhode Island Public Expenditure Council, August 2025), https://ripec.org/wp-content/uploads/2025/08/2025_FY2026_Budget.pdf.
5. Tracy Gordon, Megan Randall, Eugene Steuerle, and Aravind Boddupalli, *Fiscal Democracy in the States: How Much Spending Is on Autopilot?* (Urban Institute, July 2019; updated August 2019), https://taxpolicycenter.org/sites/default/files/publication/157519/fiscal_democracy_in_the_states_how_much_spending_is_on_autopilot_16.pdf.
6. Due to data limitations, we do not include spending on other post-employment benefits (OPEB), which are obligatory and often paid partly through the General Fund. We exclude capital expenditures to estimate annual operating expenditures. All data are sourced from the National Association of State Budget Officers (NASBO), with the exception of pension data, which were compiled on a per-state basis using state budget documents and data from Equable.
7. John Hamman, Gayathri Venu, and Justin Theal, “State Tax Revenue Is Becoming More Volatile,” The Pew Charitable Trusts, March 27, 2025, https://pewtrsts.org/4j9waFm.
8. Melissa Maynard and Riley Judd, “How States Raise Their Tax Dollars, FY 2024,” data visualization, The Pew Charitable Trusts, June 2, 2025, https://www.pew.org/en/research-and-analysis/data-visualizations/2025/06/how-states-raise-their-tax-dollars-fy-2024.
9. Kim Rueben and Megan Randall, “Revenue Volatility: How States Manage Uncertainty,” Urban Institute, November 2017, https://www.urban.org/sites/default/files/publication/94916/revenue-volatility_4.pdf.
10. Justin Theal and Alexandre Fall, “Most States’ Tax Revenue Falls Below Long-Term Trends Amid Federal Uncertainties,” The Pew Charitable Trusts, June 16, 2025, https://pewtrsts.org/4jCwVGH.
11. Rhode Island Department of Revenue, *Analysis of H.R.1 Tax Provisions* (DOR, October 30, 2025), https://rhodeislandcurrent.com/wp-content/uploads/2025/10/RI-DOR-HR-1-Report_0.pdf.
12. Hamman, Venu, and Theal, “State Tax Revenue Is Becoming More Volatile,” https://pewtrsts.org/4j9waFm; and Bernie Gallagher, “Strong Rainy Day Funds Can Help Mitigate Damage From Economic Downturns,” *Off the Charts* (blog), Center on Budget and Policy Priorities, February 16, 2023, https://www.cbpp.org/blog/strong-rainy-day-funds-can-help-mitigate-damage-from-economic-downturns.
13. Senate Fiscal Office, *Governor’s FY2024 and FY2023 Supplemental Budget: Budget Analysis* (Rhode Island Senate, April 7, 2023), 4, https://www.rilegislature.gov/sfiscal/Budget%20Analyses/FY2024%20SFO%20Governor%27s%20Budget%20Analysis.pdf.
14. Page Forrest and Justin Theal, “Strength of State Rainy Day Funds Declines as Budgets Tighten,” The Pew Charitable Trusts, March 24, 2026, https://www.pew.org/en/research-and-analysis/articles/2026/03/24/strength-of-state-rainy-day-funds-declines-as-budgets-tighten.