



SENATE FISCAL OFFICE
REPORT

**GOVERNOR'S FY2025 AND FY2024
SUPPLEMENTAL BUDGET**

2024-H-7225 AND 2024-H-7224

ARTICLE SUMMARIES

FEBRUARY 16, 2024

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FY2024 SUPPLEMENTAL BUDGET ARTICLES

2024 – H-7224: Relating to Making Revised Appropriations in Support of FY2024

Article 1 outlines the appropriation amounts from all fund sources for the FY2024 Supplemental Budget. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds. This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Article 1 also includes the following items:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,652.8 FTE positions, reflecting a net increase of 15.9 FTE positions, as compared to the authorized level set in the FY2024 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2025. In addition, the Office of the Postsecondary Commissioner shall provide \$7.6 million be allocated to the Rhode Island Promise Scholarship program, and \$2.4 million to support the Rhode Island Hope Scholarship Program.
- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.5 million. It requires Judiciary to provide \$230,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Amends federal funds, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund pursuant to the American Rescue Plan Act of 2021.
- Extends the quarterly reporting period to October 31, 2024, for the Pandemic Recovery Office to identify programs that are at risk of significant under spending or noncompliance with federal or state requirements.
- Removes language from SFRF project descriptions within the Department of Housing for two projects determined to have components that would not fall within SFRF spending constraints.
- Allows the Governor to reallocate any State Fiscal Recovery Funds that are at risk of forfeiture from the SFRF program to the Unemployment Insurance Trust Fund.
- Requires the Department of Environmental Management to transfer \$2.0 million from the Underground Storage Tank Trust Fund to the State Controller by June 30, 2024.
- Requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$2.4 million from funds previously transferred to the RIIB for the Municipal Infrastructure Matching Grant Pool to the State Controller by June 30, 2024.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2024.

Expenditures by Source	FY2023 Final	FY2024 Enacted	FY2024 Governor	Change to Enacted
General Revenue	\$5,074.9	\$5,425.1	\$5,378.9	(\$46.2)
Federal Funds	5,251.6	5,643.0	5,793.7	150.7
Other Funds	2,218.8	2,550.6	2,793.4	242.8
Restricted Receipts	354.6	392.1	443.0	50.9
Total	\$12,899.9	\$14,010.8	\$14,409.0	\$398.2

\$ in millions. Totals may vary due to rounding.

Section 1 also provides language directing the disbursement of specific appropriations including:

- **Administration – Large Systems Initiatives Fund:** The Budget maintains that \$13.0 million in general revenue shall be transferred to the Large Systems Initiatives Fund by July 14, 2023, for the purpose of implementing and maintaining enterprise-wide software projects. The Fund would be established using \$13.0 million, of which \$8.0 million will be additional funding for the Comprehensive Child Welfare Information System (CCWIS) information technology project and \$5.0 million will be allocated to the Gateway to Government, to expand the current Digital Government pilot program to transition licensing processes to a paperless platform.
- **Commerce:** The Budget allocates \$900,000 in general revenue for the annual support for the Rhode Island Science and Technology Council (STAC).
- **Labor and Training – Direct Care Training:** The article requires \$600,000 in general revenue be used for enhanced training for direct care and support services staff to improve the resident quality of care for nursing facility residents.
- **Office of Health and Human Services:** The Article provides that \$220,000 in general revenue is for the Children's Cabinet to assist with the planning for an early childhood governance structure and \$2.5 million in general revenue is for the Graduate Medical Education programs at the hospitals.
- **BHDDH – DD Consent Decree:** Article 1 removes the specific dollar allocation of \$33.2 million in general revenue (\$75.0 million all funds) for direct support professional wage increases, and instead changes the allocation language “to an amount certified by the department.” The State has been under a Consent Decree with the United States Department of Justice since 2014, requiring the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) to foster more supportive and less isolated employment opportunities and day services for individuals with intellectual and developmental disabilities. With the Consent Decree scheduled to end in FY2024, the State has agreed to an action plan to ensure the requirements of the Consent Decree are fulfilled.
- **RIDE - Individualized Education Programs (IEPs):** The Article provides that \$450,000 and 3.0 FTE positions are allocated to support special education functions that facilitate IEPs and 504 services.
- **RIDE - Rhode Island Vision Education and Services Program and Auditory Oral Program:** The Article requires that \$684,000 from the Department of Elementary and Secondary’s administrative share of federal Individuals with Disabilities Education Act funds, be allocated to the Sherlock Center on Disabilities to support the Rhode Island Vision Services Program and that \$270,000 of the Department’s allocation of education stabilization discretionary funds be used to support the Rhode Island Auditory Oral Program.
- **RIDE - Education Aid:** The Budget provides that the criteria for the allocation of early childhood funds must prioritize prekindergarten seats and classrooms for four-year-olds with a family income at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low performing schools.

- **Public Safety - Body-worn Camera:** The article includes \$14.0 million of one-time general revenue to support the new statewide body-worn camera program for law enforcement officers. This reflects an increase of \$531,946 from reappropriated funds from the FY2024. On June 16, 2021, the State's political and law enforcement leadership announced support for a statewide program to put body-worn cameras on every frontline police officer and supervisor in Rhode Island. The statewide program is designed to equip approximately 1,700 of Rhode Island's uniformed patrol officers, across every municipal police department and the Rhode Island State Police, with body-worn cameras by December 2022. All unexpended or unencumbered balances as of June 30, 2024, shall be reappropriated to FY2025.
- **Rhode Island Public Transit Authority - Paratransit Voucher Pilot Program:** The Budget authorizes and directs RIPTA to use \$500,000 of gas tax revenue to conduct a pilot program in order to study the expansion of the Authority's paratransit services to communities that are currently underserved. The Authority will provide individuals with prepaid vouchers to cover the costs associated with their paratransit use. RIPTA must commence the program by January 1, 2024, and the Authority shall submit a report concerning the conclusions to the Speaker of the House and the Senate President no later than June 1, 2025.

FUND TRANSFERS

Article 7, Section 9 of the FY2018 Budget as Enacted (RIGL 35-3-7(a)(2)) requires that when a state budget submitted to the General Assembly includes monetary transfers to the general fund from public corporations, it must be accompanied by alternative funding proposals that may be considered in lieu of the public corporation transfers.

Analyst Note: The Governor's Budget does not contain the alternative proposal language. This typically has appeared in the budget transmittal letter in the past.

- **Department of Environmental Management - Underground Storage Tank Trust Fund:** The Budget requires the Department of Environmental Management to transfer \$2.0 million from the Underground Storage Tank Trust Fund to the State Controller by June 30, 2024.

Rhode Island has 1,787 registered and active underground storage tanks, all of which pose a potential environmental threat if leakage should occur. The Underground Storage Tank (UST) Clean-up Fund was created in 1994 to provide an effective mechanism for USTs owners to comply with financial responsibility requirements and to ensure that the environmental and public health impacts of UST leaks are addressed in an effective and timely manner. Payments from the fund are made to qualified applicants on a reimbursement basis.

While the Rhode Island Department of Environmental Management (DEM) supervises the clean-up process and insures that each project meets state requirements, the Rhode Island Underground Storage Tank Financial Responsibility Fund Review Board (Review Board) oversees the clean-up fund. The review Board consists of nine members, including the Director of DEM or a designee and eight public members appointed by the Governor with the advice and consent of the Senate. The Review Board made its first payment in 1997 and has since reimbursed over \$63.0 million to clean up contamination from 261 UST sites.

UST	Current Balance (1.23.2024)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 (as of 1.23.2024)	AVERAGE of FY2018 to FY2023
	\$7,088,797								
Expenditures		\$1,584,417	\$1,034,157	\$913,690	\$756,260	\$804,406	\$882,077	\$194,883	\$995,834
Receipts		1,974,677	2,108,431	1,830,778	1,767,545	1,838,247	1,331,015	426,726	1,808,449
<i>difference</i>		<i>\$390,260</i>	<i>\$1,074,275</i>	<i>\$917,088</i>	<i>\$1,011,285</i>	<i>\$1,033,842</i>	<i>\$448,938</i>	<i>\$231,843</i>	<i>\$812,614</i>

Source: RIDEM

- RIIB Municipal Infrastructure Matching Pool Program Transfer:** The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$2.4 million from State’s Municipal Infrastructure Grant program (MIG) to the General Fund. The MIG program provides public infrastructure grants to municipalities for design, construction, building, land acquisition, rehabilitation, repair, and other improvements to publicly owned infrastructure including sewers, utility extensions, streets, roads, curb-cuts, parking, water treatment systems, telecommunications systems, transit improvements, and pedestrian ways. The program also assists municipalities with economic development projects, housing development and rehabilitation, and other community development projects.

The FY2023 Budget as Enacted provided \$2.5 million in general revenue for the program; however, the General Assembly increased this by an additional \$5.5 million in its FY2023 Final Budget (a total of \$8.0 million) to create a “Municipal Matching Grant Pool” to assist cities and towns wanting to take advantage of federal Infrastructure Investment and Jobs Act (IIJA) competitive grant funds but lack the required matching funds. The IIJA supports a complex array of infrastructure improvements ranging from roads to climate resiliency projects and applications for the grants need to take place during FY2023.

According to the Office of Management and Budget, the \$2.4 million transfer represents the excess balance remaining in the matching pool.

INTERNAL SERVICE FUNDS

Article 1 authorizes 15 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2024 Enacted	FY2024 Governor	Change
State Assessed Fringe Benefits	\$37,390,672	\$37,381,752	(\$8,920)
Administration Central Utilities	39,364,206	32,749,880	(6,614,326)
State Central Mail	8,076,555	8,060,275	(16,280)
State Telecommunications	3,659,422	3,660,201	779
State Automotive Fleet	13,069,648	15,412,286	2,342,638
Surplus Property	44,789	44,789	-
Health Insurance	272,732,438	272,734,901	2,463
Other Post-Employment Benefits	63,858,483	63,854,008	(4,475)
Capitol Police	1,411,825	1,393,502	(18,323)
Corrections Central Distribution Center	7,534,562	7,737,966	203,404
Correctional Industries	8,339,394	8,247,522	(91,872)
Secretary of State Records Center	1,175,426	1,167,506	(7,920)
Human Resources Internal Service Fund	17,117,623	17,853,821	736,198
DCAMM Facilities Internal Service Fund	61,150,543	53,343,973	(7,806,570)
Information Technology Internal Service Fund	56,136,183	56,110,196	(25,987)
Total	\$591,061,769	\$579,752,578	(\$11,309,191)

FTE POSITIONS

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. The Budget recommends a net increase of 15.9 FTE positions as compared to the authorized level set in the FY2024 Budget as Enacted. The following table illustrates the FTE levels by government function:

FTE Positions by Function	FY2024 Enacted	FY2024 Governor	Change to Enacted
General Government	2,533.4	2,545.3	11.9
Human Services	3,795.3	3,798.5	3.2
Education	4,242.8	4,242.8	-
Public Safety	3,333.6	3,334.4	0.8
Natural Resources	457.0	457.0	-
Transportation	755.0	755.0	-
Subtotal	15,117.1	15,133.0	15.9
<i>Higher Ed. Sponsored Positions</i>	<i>519.8</i>	<i>519.8</i>	<i>-</i>
Total FTE Positions	15,636.9	15,652.8	15.9

Article 2: Relating to the Director of the Department of Health

This article amends RIGL 36-4, entitled “Merit System” and allows the Governor to set the salary of a Director of the Department of Health in Calendar Year 2024, for the 5-year term as defined in statute.

FISCAL IMPACT

The Budget does not assume a fiscal impact for the statutory changes, however, the authorization for the Governor to set the salary for the Director of the Health in the 2024 calendar year could increase personnel expenditures within RIDOH.

ANALYSIS AND BACKGROUND

According to the Office of Management and Budget, the Article 2 change is intended to help the State attract and retain a new Director of Health as it is currently headed by an interim Director, and has lacked permanent leadership since January 2022. Article 2 amends the process of determining the Director salary and enables the Governor to set the Director’s salary without a public hearing, mandated by RIGL 36-4-16, 36-4-16.2, 36-4-16.4 and 36-6-3. This strategy has been utilized in past budgets, specifically with the Director of the Department of Children, Youth, and Families (DCYF).

In September 2022 the Department of Administration (DOA) held a public hearing regarding the pay plans of unclassified employees, which included Cabinet Director positions. During this hearing, the annual compensation for the Director of the Department of Health was increased by \$10,756, from \$140,000 to \$156,765. Despite the pay plan change, the Department is still unable to recruit a Director. Comparable positions in Connecticut and New Hampshire are set at \$210,000 and \$161,791, respectively.

RIGL 42-6-10 requires the Director to be a licensed physician with at least one year of graduate education in public health administration or at least five years of experience in health administration. During the period of their appointment, the Director is prohibited from engaging in another occupation.

Under RIGL 42-6-9, the Director is appointed to a 5-year term, nominated by the Governor with advice and consent from the Senate, and is eligible for reappointment upon the end of their term. The structure of the Directors position is unusual compared to the other positions of Cabinet Directors, as Cabinet Directors, excluding the Director of Health, serves at the pleasure of the Governor. The Department of Health’s rationale behind the 5-year term is that this spans past a Governor’s single term and provides stability for not only the Department of Health, but the numerous organizations dependent on the Department’s guidance. Delinking the position from political affiliations ensures that the Departments oversight and regulating responsibilities remain effective, regardless of the Governor’s tenure.

Article 3 - Relating to Effective Date

This article provides that the Act will take effect upon passage.



FY2025 BUDGET ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2025

Article 1 outlines the appropriation amounts from all fund sources for FY2025. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; out-year appropriation changes in Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; outlines expenditures from the federal American Rescue Plan Act of 2021 and, disbursements of Lottery, Temporary Disability Insurance, and Employment Security. The article also:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,725.8 FTE positions reflecting a net increase of 88.9 FTE positions, as compared to the authorized level set in the FY2024 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2026. In addition, the Office of the Postsecondary Commissioner shall provide \$7.9 million to the Rhode Island Promise Scholarship program, \$3.4 million to the Rhode Island Hope Scholarship Program, \$355,000 to support the Rhode Island College Crusade, \$200,000 to the Rhode Island School for Progressive Education, \$151,410 to support the State's membership in the New England Board of Higher Education, and \$75,000 to Best Buddies Rhode Island.
- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.4 million.
- Requires that Rhode Island Housing and Mortgage Finance Corporation continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and on the amount of funding provided to the program.
- Clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021. Requires that all unexpended or unencumbered balances relating to the State Fiscal Recovery Fund and Capital Projects Fund be reappropriated to FY2026 and made available for the same purposes.
- Extends the quarterly reporting period to October 31, 2024, for the Pandemic Recovery Office to identify programs that are at risk of significant under spending or noncompliance with federal or state requirements. The reports are provided to the chairpersons of the House and Senate Finance Committees.
- Allows the Governor to reallocate any State Fiscal Recovery Funds that are at risk of forfeiture from the SFRF program to the Unemployment Insurance Trust Fund.
- Includes the appropriation mechanism necessary for incremental tax revenues collected from State economic activity taxes generated in Pawtucket's Downtown Redevelopment district be made available to the City. Legislation enacted in 2019 established several geographical districts within downtown Pawtucket that would constitute the City of Pawtucket's Downtown Redevelopment project. Any incremental tax revenues generated in these districts related to new economic development are to be made available to the City once an agreement is made between City and the State. This agreement was entered into in December 2020. Since the passage of the legislation, CommerceRI has been certifying

these revenues and the Division of Taxation has segregated them into their own account. The language makes the formal appropriation in the Budget to disburse the funds to the City of Pawtucket.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2025.

<u>Expenditures by Source</u>	<u>FY2023 Final</u>	<u>FY2024 Enacted</u>	<u>FY2025 Governor</u>	<u>Change to Enacted</u>
General Revenue	\$5,074.9	\$5,425.1	\$5,500.0	\$74.9
Federal Funds	5,251.6	5,643.0	4,929.2	(713.8)
Other Funds	2,218.8	2,550.6	2,795.9	245.3
Restricted Receipts	354.6	392.1	450.9	58.8
Total	\$12,899.9	\$14,010.8	\$13,676.0	(\$334.8)

\$ in millions. Totals may vary due to rounding.

In addition, Article 1 provides for the annual appropriation of the Contingency Fund; Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); CollegeBoundSaver Funds; and, Lottery Division funds for award winnings during FY2025.

Section 1 also provides language directing the disbursement of specific appropriations including:

- **Administration – Energy Resources - E-Bike Rebate Program:** The Budget allocates \$500,000 in general revenue to maintain the Erika Niedowski memorial E-Bike Rebate Program, that provides a rebate towards the purchase of e-bikes.
- **Labor and Training – Direct Care Training:** The article requires \$600,000 in general revenue be used for enhanced training for direct care and support services staff to improve the resident quality of care for nursing facility residents.
- **Labor and Training - Workers’ Compensation System Study:** The Governor recommends \$200,000 of general revenue be provided to the Department to fund a Workers’ Compensation System Study. The Study shall include an analysis of the system’s rates, benefits, and administrative costs, a comparison to systems in other states, as well as recommended improvements. The report is to be submitted to the Governor, Speaker of the House of Representatives, and the President of the Senate by March 31, 2025.
- **BHDDH – DD Consent Decree:** Article 1 removes the specific dollar allocation of \$33.2 million in general revenue (\$75.0 million all funds) for direct support professional wage increases, and instead changes the allocation language “to an amount certified by the department.” The State has been under a Consent Decree with the United States Department of Justice since 2014, requiring the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) to foster more supportive and less isolated employment opportunities and day services for individuals with intellectual and developmental disabilities. With the Consent Decree scheduled to end in FY2024, the State has agreed to an action plan to ensure the requirements of the Consent Decree are fulfilled.
- **RIDE - Rhode Island Vision Education and Services Program:** The article requires that \$684,000 from the Department of Elementary and Secondary Education’s share of federal Individuals with Disabilities Education Act funds, be allocated to the Sherlock Center on Disabilities to support the Rhode Island Vision Services Program.
- **RIDE - Education Aid:** The article prioritizes the allocation of early childhood funds for prekindergarten seats and classrooms for four-year-olds with a family income at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low performing schools.
- **Recidivism Study:** The Budget directs the Department to conduct a study evaluating recidivism trends and the outcomes of the existing correctional programs. The study shall include regional comparisons,

historical recidivism rates, significant factors impacting prison population projections, an inventory of evidence-based rehabilitative practices and programs, as well as a review of the effectiveness of Correctional Industries programming. The Department must submit a report reflecting the study's findings to the Governor, Speaker of the House of Representatives, and the President of the Senate by March 1, 2025.

- **Environmental Management:** The Budget requires \$100,000 be allocated to the Wildlife Rehabilitators Association of Rhode Island to support a veterinarian at the Wildlife Clinic of Rhode Island, requires \$100,000 be allocated to the Conservation Districts, and adds a \$150,000 allocation for marine mammal response activities with matching federal funds.
- **Rhode Island Public Transit Authority Operating Grant:** The Governor recommends a one-time transfer of \$10.0 million in SFRF to the Rhode Island Public Transit Authority (RIPTA) for assistance in resolving the projected deficit in the FY2025 operating budget. RIPTA's FY2025 budget submission includes a deficit of \$18.1 million and the SFRF will address the Authority's short-term needs.
- **Rhode Island Public Transit Authority Efficiency Review:** The Budget directs RIPTA to conduct an efficiency review of its transit operations and submit a report to the Governor, Speaker of the House of Representatives, and the President of the Senate. The review's objective is to increase RIPTA's overall efficiency by ensuring the Authority is using their provided resources effectively. The review should focus on cost-effectiveness and include data such as operating expenses, ridership figures, costs per rider, and other information across all serviced regions. Additionally, the review may explore other transit service delivery models and successful transit strategies in order to produce recommendations to foster effective and sustainable transit operations. The report must be submitted by January 1, 2025.
- **Municipal Road Program:** The Governor recommends an additional \$5.0 million in SFRF for the Municipal Road Program, increasing the program's total to \$25.0 million. As of December 2023, all 39 cities and towns within the State are participating in the program. The Pandemic Recovery Office indicates that planned expenditures to date leverage \$20.0 million of SFRF into a total investment of \$74.0 million on municipal road improvements. The additional \$5.0 million will be distributed evenly with each participating municipality eligible for \$128,205.

INTERNAL SERVICE FUNDS

Article 1 authorizes 15 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2024 Enacted	FY2025 Governor	Change
State Assessed Fringe Benefits	\$37,390,672	\$36,946,270	(\$444,402)
Administration Central Utilities	39,364,206	30,029,111	(9,335,095)
State Central Mail	8,076,555	8,419,019	342,464
State Telecommunications	3,659,422	3,748,530	89,108
State Automotive Fleet	13,069,648	15,496,081	2,426,433
Surplus Property	44,789	44,789	-
Health Insurance	272,732,438	272,804,635	72,197
Other Post-Employment Benefits	63,858,483	63,854,008	(4,475)
Capitol Police	1,411,825	1,466,975	55,150
Corrections Central Distribution Center	7,506,586	7,659,339	152,753
Correctional Industries	8,220,004	8,247,332	27,328
Secretary of State Records Center	1,175,426	1,166,547	(8,879)
Human Resources Internal Service Fund	17,117,623	17,669,248	551,625
DCAMM Facilities Internal Service Fund	61,150,543	53,327,083	(7,823,460)
Information Technology Internal Service Fund	56,136,183	62,092,295	5,956,112
Total	\$590,914,403	\$582,971,262	(\$7,943,141)

FTE POSITIONS

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Budget has a net increase of 88.9 FTE positions from the FY2024 Budget as Enacted. The following table lists the FTE amounts by budget function:

FTE Positions by Function	FY2024 Enacted	FY2025 Governor	Change to Enacted
General Government	2,533.4	2,568.3	34.9
Human Services	3,795.3	3,827.5	32.2
Education	4,242.8	4,246.8	4.0
Public Safety	3,333.6	3,339.4	5.8
Natural Resources	457.0	469.0	12.0
Transportation	755.0	755.0	-
Subtotal	15,117.1	15,206.0	88.9
<i>Higher Ed. Sponsored Positions</i>	<i>519.8</i>	<i>519.8</i>	<i>-</i>
Total FTE Positions	15,636.9	15,725.8	88.9

COMMUNITY SERVICE OBJECTIVES

The FY2017 Budget as Enacted changed the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists of two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The FY2024 Budget as Enacted includes \$12.7 million in general revenue for CSO grant awards across 13 state agencies. The FY2025 Budget includes \$12.9 million in general revenue in FY2025, an increase of \$200,000 from the previously enacted budget. The Budget recommends increasing the following grant; Senior Center Support \$200,000.

The Budget shifts one CSO award; City Year – Whole School Child Program from the Department of Administration to Elementary and Secondary Education.

Agency	Grant Recipient	FY2024 Enacted	FY2025 Governor	Change
Administration	City Year - Whole School Whole Child Program	\$130,000	\$0	(\$130,000)
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	450,000	450,000	-
Executive Office of Commerce	Chafee Center at Bryant	476,200	476,200	-
Executive Office of Commerce	Urban Ventures	140,000	140,000	-
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	-
Labor and Training	Year Up	200,000	200,000	-
Secretary of State	Rhode Island Historical Society	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	-
Secretary of State	RI Council for the Humanities	100,000	100,000	-
Secretary of State	We the People Civics Challenge	50,000	50,000	-
Secretary of State	RI Black Heritage Society	25,000	25,000	-
Human Services - Healthy Aging	Diocese of Providence - Elder Services	325,000	325,000	-
Human Services - Healthy Aging	Alliance for Long Term Care Ombudsman Services	40,000	40,000	-
Human Services - Healthy Aging	Elderly Housing Security	85,000	85,000	-
Human Services - Healthy Aging	Elderly Nutrition	50,000	50,000	-
Human Services - Healthy Aging	Meals on Wheels	630,000	630,000	-
Human Services - Healthy Aging	Senior Center Support	1,200,000	1,400,000	200,000
Human Services	Coalition Against Domestic Violence	400,000	400,000	-
Human Services	Project Reach - Boys and Girls Club	450,000	450,000	-
Human Services	Day One	267,000	267,000	-
Human Services	RI Community Food Bank	550,000	550,000	-
Human Services	Crossroads Rhode Island	500,000	500,000	-
Human Services	Institute for the Study and Practice of Nonviolence	250,000	250,000	-
Human Services - Veterans Services	Operation Stand Down	50,000	50,000	-
Human Services - Veterans Services	Veterans' Organizations	200,000	200,000	-
Human Services - Veterans Services	Veterans Services Officers Program	100,000	100,000	-
Human Services	Community Action Fund	600,000	600,000	-
Human Services	Higher Ground International	75,000	75,000	-
Human Services	Refugee Dream Center	50,000	50,000	-
Human Services	Center for Southeast Asians	25,000	25,000	-
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	-
Education	City Year - Whole School Whole Child Program	-	130,000	130,000
Office of Postsecondary Commissioner	Rhode Island College Crusade	355,000	355,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	-
Office of Postsecondary Commissioner	RI School for Progressive Education	200,000	200,000	-
University of Rhode Island	Small Business Development Center	700,000	700,000	-
University of Rhode Island	Institute for Labor Studies and Research	100,000	100,000	-
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	-
Arts Council	WaterFire Providence	400,000	400,000	-
Arts Council	Other Grants	200,000	200,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	-
Historical Preservation	Rhode Island Slave History Medallions	25,000	25,000	-
Historical Preservation	Other Grants	17,000	17,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	230,000	230,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	-
Environmental Management	Wildlife Rehabilitators Association of RI	100,000	100,000	-
Environmental Management	Conservation Districts	100,000	100,000	-
Total		\$11,818,200	\$12,018,200	\$200,000

CAPITAL APPROPRIATIONS

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2026, June 30, 2027, June 30, 2028, and June 30, 2029. These amounts supersede appropriations provided for FY2025 within the FY2024 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

STATE FISCAL RECOVERY FUNDS

Sections 17, 18, and 19 of this article pertain to the authorization and appropriation of the State Fiscal Recovery Fund (SFRF) and Capital Projects Fund (CRF) federal funds.

- Section 17 clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021 for FY2025. The purpose of this language is to specify that these federal funds are not part of the generic federal fund line items and that a specific SFRF or CPF line item, by project, constitutes the authority to expend the SFRF or CPF. The Budget generally does not appropriate federal funds at an individual or specific level. This language ensures that state agencies are not expending the SFRF or CPF funds under the authority of a general federal fund line item. The section also specifies and describes the SFRF appropriations.
- Section 18 requires that all unexpended or unencumbered balances relating to the SFRF and Capital Projects Fund, be reappropriated to the ensuing fiscal year and made available for the same purposes.
- Section 19 maintains the Pandemic Recovery Office within the Department of Administration to oversee and ensure compliance with the rules, regulations, and guidance issued by the United States Department of the Treasury of expenditures from the SFRF and Capital Projects Fund. This section extends the quarterly reporting period to October 31, 2024, for the Pandemic Recovery Office to identify programs that are at risk of significant under spending or noncompliance with federal or state requirements. The reports are provided to the chairpersons of the House and Senate Finance Committees. Lastly, it allows the Governor to reallocate any State Fiscal Recovery Funds that are at risk of forfeiture from the SFRF program to the Unemployment Insurance Trust Fund.

Analyst Note: The language allowing the Governor to reallocate at-risk SFRF does not indicate when the Governor would be allowed to do so. Presumably the intent is to allow this reallocation following the final quarterly risk report, however this is not indicated in the legislation.

Article 2: Relating to State Funds

This article establishes that the Supplemental State Budget Reserve restricted receipt account will be funded solely through appropriations made by the General Assembly; exempts three new restricted receipt accounts from imposition of the 10.0 percent indirect cost recovery charge; and, authorizes the State Budget Officer to create restricted receipt sub-accounts in any State agency that receives funding as directed by the Executive Climate Change Coordinating Council. The article:

- **Supplemental State Budget Reserve Account:** Establishes that the Supplemental State Budget Reserve Account will be funded solely through appropriations made by the General Assembly and eliminates the statutory requirement that upon the issuance of the audited financial statement, the State Controller will transfer 50.0 percent of the excess general revenue, net of the transfer to the State Budget Reserve and Cash Stabilization account, to the Supplemental State Budget Reserve account.
- **Indirect Cost Recovery Exemptions:** Exempts three new restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions and changes the name of an existing restricted receipt account. The proposed exemptions would apply to the following accounts: Commodity Supplemental Food Program Claims, the Group Home Facility Improvement Fund, and the Electric Vehicles Charging Stations Operating and Maintenance Account.
- **Commodity Food Supplemental Programs:** Establishes the “Commodity Food Supplemental Programs – Claims” as a restricted receipt account within the Office of Health Aging (OHA) to account for funds collected pursuant to payments for loss of food. The USDA Food and Nutrition Service conducted an audit of the program and determined a need for the account to comply with USDA standards.
- **Group Home Facility Improvement Fund:** Establishes a new restricted receipt account, the Group Home Facility Improvement Fund (GHFIF) within the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, and amends general law to require the proceeds from the sale of State-owned group homes to be deposited into the GHFIF instead of the Information Technology Restricted Receipt account.
- **Executive Climate Change Coordinating Council (EC4):** Authorizes the State Budget Officer to create restricted receipt sub-accounts in any State agency that receives funding as directed by the Executive Climate Change Coordinating Council.
- **Electric Vehicle Charging Stations Operating and Maintenance Fund:** Establishes a new restricted receipt fund administered by the Office of Energy Resources (OER) within the Department of Administration for the purpose of installing, operating, and maintaining electric vehicle charging stations on state properties.

FISCAL IMPACT

The article eliminates the transfer of \$6.5 million in FY2024, reflecting 50.0 percent of the excess general revenue, net of the transfer to the State Budget Reserve and Cash Stabilization account, to the Supplemental State Budget Reserve account. According to the State Budget Office, the reduction in general revenue as a result of including three new restricted receipt accounts exempt from the 10.0 percent indirect cost recovery charge provisions is indeterminable at this time.

ANALYSIS AND BACKGROUND

Supplemental State Budget Reserve Account

Sections 1 and 3 amend general law pertaining to the Supplemental State Budget Reserve Account and the duties of the State Controller to deposit funds into that reserve account.

The FY2024 Budget as Enacted established the Supplemental State Budget Reserve and required that the State Controller transfer 50.0 percent of the excess general revenue, net of the transfer to the State Budget Reserve and Cash Stabilization account, to the Supplemental State Budget Reserve account. The FY2024 Budget as Enacted also transferred \$55.0 million in surplus funding into the State Supplemental Budget Reserve Account.

Section 1 amends RIGL 35-3-20.2 eliminating the statutory requirement that upon the issuance of the audited financial statement, the State Controller transfer 50.0 percent of the excess general revenue, net of the transfer to the State Budget Reserve and Cash Stabilization account, to the Supplemental State Budget Reserve account. The article eliminates the transfer of \$6.5 million in FY2024 and establishes that the Supplemental State Budget Reserve Account be funded solely through appropriations made by the General Assembly.

Section 3 amends RIGL 35-6-1(e) regarding the duties of the State Controller by eliminating the statutory requirement that the State Controller transfer 50.0 percent of the excess general revenue, net of the transfer to the State Budget Reserve and Cash Stabilization account, to the Supplemental State Budget Reserve Account.

Indirect Cost Recovery Exemptions

State law permits the assessment of a 10.0 percent indirect cost recovery charge on most state restricted receipt accounts, in order to support the administrative overhead costs associated with the collection of funds and administration of the accounts. RIGL 35-4-27 enumerates those restricted receipts exempted from this assessment.

Section 2 of this article expands the list to include three new accounts:

- **Commodity Supplemental Food Program - Claims:** The article includes the new Commodity Supplemental Food Program - Claims account to the list of restricted receipt accounts that are exempt from the 10.0 percent indirect cost recovery charge on most state restricted receipt accounts.
- **Group Home Facility Improvement Fund:** The article adds the new Group Home Facility Improvement Fund to the list of restricted receipt accounts that are exempt from the 10.0 percent indirect cost recovery charge on most state restricted receipt accounts.
- **Electric Vehicle Charging Stations Operating and Maintenance Account:** The article adds the Electric Vehicle Charging Stations Operating and Maintenance Account to the list of restricted receipt accounts that are exempt from the 10.0 percent indirect cost recovery charge on most state restricted receipt accounts.

Surplus Group Homes

Sections 4, 5, and 7 amend RIGL 37-7-13 and 37-7-15 regarding the placement of proceeds from the sale of state-owned group homes. The article shifts the deposit of the sale proceeds from the Information Technology Restricted Receipt (ITRR) account (formerly the Information Technology Infrastructure Fund), within the Department of Administration (DOA), to a new Group Home Facility Improvement Fund restricted receipt account within and administered by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), to establish a dedicated funding mechanism for the maintenance and repair of State-owned group homes.

Section 2 of this article establishes the GHFIF as exempt from the 10.0 percent indirect cost recovery charge on most state restricted receipt accounts.

Executive Climate Change Coordinating Council (EC4)

Section 6 authorizes the State Budget Officer to create restricted receipt sub-accounts in any State agency that receives funding as directed by the Executive Climate Change Coordinating Council. The FY2024 Supplemental and FY2025 Budget proposes six restricted receipt accounts in five agencies.

Executive Climate Change Coordinating Council Projects	FY2024	FY2024	Change	FY2025	Change
	Enacted	Governor		Governor	
Department of Administration - Division of Planning	\$0	\$50,000	\$50,000	\$50,000	\$50,000
Department of Environmental Management	-	110,000	110,000	110,000	110,000
Department of Health	-	40,000	40,000	40,000	40,000
Department of Labor and Training	-	75,000	75,000	75,000	75,000
Public Utilities Commission	-	75,000	75,000	75,000	75,000
Total	\$0	\$350,000	\$350,000	\$350,000	\$350,000

Commodity Food Supplemental Programs

Section 8 establishes a restricted receipt account within the Office of Health Aging (OHA) titled “Commodity Food Supplemental Programs – Claims” to account for funds collected pursuant to payments for loss of food. The program works to improve the health of low-income individuals over the age of 60 by providing nutrient dense foods provided by the United States Department of Agriculture (USDA). USDA provides both food and administrative funding to participating states to operate the program. The USDA Food and Nutrition Service conducted an audit of the program and determined a need for the account to comply with USDA standards. Expenditures from this account will be utilized to purchase the replacement of foods, payments for administrative fees, replacement for lost or improperly used funds, or to use as a salvage account in compliance with federal regulations.

Feeding America, a nationwide non-profit organization specializing in food and nutrition policy, identified food insecurity among seniors as a continuing challenge as many older adult’s experience difficulties obtaining healthy foods to maintain a healthy lifestyle. Older adults experience more chronic health conditions, transportation problems, and social isolation preventing them from obtaining nutrient dense foods. Additionally, nutrient dense foods tend to cost more and take more preparation than foods that are highly processed or pre-made. Older adults living on fixed incomes are unable to purchase healthy foods as their budget will not allow it. Food insecurity among seniors contributes to numerous chronic conditions including diabetes, anxiety, depression, and asthma.

According to Meals on Wheels, there are 254,438 seniors in Rhode Island, comprising 24.0 percent of the total population. Of this population, 19.0 percent (47,834 individuals) of seniors experience marginal food insecurity, 6.0 percent (15,521 individuals) are food insecure, and 2.0 percent (6,107) experience very low food security. Feeding America estimates that the national rates of food insecurity will continue to increase, estimating that over 7.0 million seniors will experience food insecurity by 2050.

Electric Vehicle Charging Stations Operating and Maintenance Fund

Section 9 of this article establishes a new restricted receipt fund administered by the Office of Energy Resources (OER) within the Department of Administration for the purpose of installing, operating, and maintaining electric vehicle (EV) charging stations on state properties. The new account will be exempt from the indirect cost recovery requirements.

In addition, the article requires OER to establish EV charging station fees, by January 1, 2025, for use of these stations on state property. OER is required to post the proposed fees on the OER website for thirty days to solicit public comment.

The State has 52 Level II charging stations and four DC Fast Chargers (Level III), for a total of 108 ports on state property. In addition, the State is in the process of installing 28 EV charging stations, using as a source of funding, a combination of RICAP Energy Efficiency and the Electrify RI Program (OER program). Presently, the State does not charge a fee to use the EV charging stations.

OER projects that the EV charging station fees could generate between \$100,000 to \$150,000 that would flow into the new restricted receipt account for the maintenance and operation of these stations. The installation costs will continue to be supported through OER's programs.

Article 3 – Relating to Government Reform and Reorganization

Article 3 makes several changes to the organization of state government. Specifically, the article:

- **Reporting Requirement:** Amends or repeals numerous reporting requirements within the Department of Health (DOH), Department of Environmental Management (DEM), the Department of Business Regulation (DBR), the Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH), and the RI Commerce Corporation (Commerce), that the Governor or aforementioned Department's find obsolete.
- **Paint Stewardship Program:** Authorizes the creation of a reserve fund, held by the implementing organization, to maintain the paint stewardship program. This section requires competitive bidding for the management contract for the paint recycling program. The article also mandates an audit each time a new organization is selected to administer the program.
- **Office of the State Fire Marshal:** Authorizes the Office of the State Fire Marshal (OSFM) to appoint a deputy state fire marshal in municipalities that experience difficulties in filling the position. This section also provides guidance for municipalities on how to inform the OSFM of the absent position and enables the OSFM to penalize municipalities who fail to alert the Office of the open position.
- **Mattress Recycling:** Amends current language to create a more competitive mattress recycling program by enabling the resource recovery corporation to create a competitive selection process that aligns with State procurement laws. The article enables the corporation to administer the program only if it can be done at a lower cost than the selected organization, or if there is no organization interested in administering the program. The Article also enables the administering organization to establish a reserve fund sufficient to operate the program over a multi-year period.
- **Mattress Stewardship Council:** Repeals the Mattress Stewardship Council in its entirety.
- **The Rhode Island Healthcare Workforce Data Act:** Authorizes the Department of Health (DOH) to collect data related to licensed healthcare professionals to create and maintain a workforce database.
- **Unemployment Insurance Tax:** Authorizes the Director of the Department of Labor and Training (DLT) to determine the unemployment insurance tax rate between September 30 and December 31 for calendar year 2024, only.
- **Residential Landlord and Tenant Act:** Amends the Residential Landlord and Tenant Act to include properties built before 1978. The article also enables the Department of Health (DOH) to create a publicly-accessible database detailing all landlords who are non-compliant with lead hazard mitigation laws.
- **Caseload Reporting:** Changes the reporting date for BHDDH's developmentally disabled population from the 15th to the 25th of each month.
- **State Purchases and Ethics:** Establishes new ethical standards for all individuals involved in the procurement process and establishes a disciplinary process which enables the Chief Purchasing Officer to recommend the appropriate consequence and/or referral to the RI Ethics Commission.
- **State Purchases:** Establishes "public interest" as a primary goal of the public procurement system and establishes the E-procurement system as the mainframe for all state contracts and solicitation.
- **Bidder Registration Fees:** Repeals the \$25 registration fee for all potential bidders during the procurement process.

- **Micro Business Act:** Repeals the Micro Business Act in its entirety
- **DCYF Higher Education Incentive Grant:** Amends eligibility for the Higher Education Incentive Grant.

FISCAL IMPACT

Article 3 has no fiscal impact on the FY2025 Budget.

ANALYSIS AND BACKGROUND:

Reporting Requirements

The Article amends or repeals numerous reporting requirements within the Department of Health (RIDOH), Department of Environmental Management (DEM), Department of Business Regulations (DBR), Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH), and the RI Commerce Corporation (Commerce), that the Governor or the Department finds obsolete. Specific changes to reports are as follows:

- **Private Well Water Contamination Report (Department of Health):** Section 1 amends RIGL 23-1-5.5, entitled “Department of Health”, to change the date in which the Department’s annual report on well water contamination is published. The amendment changes the date from January 15 to July 1 to better align with federal EPA reporting requirements.
- **Sanitary Laws Report (Department of Health):** Section 2 repeals RIGL 23-1-9, the Department of Health’s annual reporting requirement and recommendations regarding sanitary laws. According to the Department, this is no longer a program within RIDOH, making the report obsolete.
- **Division of Occupational Health (Department of Health):** Section 3 repeals RIGL 23-1.1-3, which mandates that the Department of Health’s Division of Occupational Health submit an annual report to the Department of Labor and Training detailing workforce developments within occupational health. This report would be included in the DLT’s annual report to the General Assembly as well as U.S. Secretary of Labor. The Division of Occupational Health is defunct and its functions are now performed through voluntary programs.
- **Epinephrine Incident Report (Department of Health):** Section 4 amends language in RIGL 23-6.4 to repeal the Department of Health’s annual reporting requirement for the Epinephrine Incident Report. The Epinephrine Auto-Injectors program with RIDOH supplies authorized entities with large quantities of Epinephrine to reduce severe damage resulting from an allergic reaction. The Department has determined an authorized entity as:
 - A food business requires to register with the Department
 - A pre-school, school, College, or University
 - A family day care
 - A place of assembly
 - A state or local governmental agency
 - An organized athletic team, league, or association
 - A place of employment that provides in-house employee health services

Authorized entities receive a prescription for epinephrine from a health care professional. According to the Department, this statute has not been implemented due to a lack of funding and a lack of requests to be an authorized entity. Additionally, the Department has not received any incident reports from any entities since the statute was implemented.

- **Mammography Screening Report (Department of Health):** Section 5 amends language in RIGL 23-12.7-3(c) to amend the reporting structure of the Department's Mammography Screening Report. The Governor proposes changing the report to be due on May 15 annually instead of quarterly. According to the Department, this change will account for a lag in payment and provided services, therefore ensuring high-quality and accurate data in the report.
- **Home Visiting Report (Department of Health):** Section 6 amends language in RIGL 23-18.16-4, changing the date of the Department's annual home visiting report from October 1 to March 1 to align with federal reporting requirements. The report outlines the Department's family visiting programs, outcomes, and benefits.
- **Newspaper Recycling Report (Department of Environmental Management):** Section 7 amends language in RIGL 23-18.16-4, repealing language requiring the Department to publish an annual report regarding compliance with the State's mandate that newspaper publishers purchase 40.0 percent post-consumer materials. According to the Department, newspaper printing is not a significant portion of the waste stream, making this report obsolete.
- **Hazardous Waste Reporting (Department of Environmental Management):** Section 8 repeals RIGL 23-19.10-11, which mandated the Department to submit an annual report on the status, funding and results of all grant funded hazardous waste demonstration and research projects. This report has become obsolete as there are more recent reporting requirements for generators and manifests.
- **Cigarette Ignition Report (Department of Health):** Section 9 amends language in RIGL 23-20.11-14, repealing the requirement that the Department publishes a triennial report regarding the effectiveness of the State's tobacco and fire safety statute. According to the Department, all cigarettes that did not meet the criteria of the statute are no longer on the market.
- **WISEWOMAN Cardiovascular Screening Report (Department of Health):** Section 12 repeals the annual reporting requirement regarding the Department's report on women cardiovascular disease screening and lifestyle intervention as this program was a pilot that expired in 2014.
- **BHDDH Developmental Disability Caseload Reporting Date (Department of Behavioral Health, Developmental Disabilities, and Hospitals):** Section 18 amends language in RIGL 35-17-1(f) to change the reporting date for the Developmental Disabilities portion of the caseload reporting from the 15 to the 25 of each month. According to the Department, this change will produce more accurate and meaningful data as the Medicaid Management Information System (MMIS) will be able to be completely updated before the report is compiled. Currently, MMIS updates between the 15 and 20 of each month.
- **DOA Micro Business Act (Department of Administration):** Section 22 repeals RIGL 37-14.2, repealing the Micro Business Act in its entirety. The Act requires a report containing the number and distribution of micro businesses within Rhode Island. According to the Department, the Department of Labor and Training is restricted from sharing this data and the RI Commerce Corporation does not collect this information. Because the Department does not have the data necessary to produce the report, the Governor proposes to eliminate the requirement.
- **Boxing and Racing Report (Department of Business Regulation):** Section 23 repeals RIGL 41-5-23, ending the annual reporting mandate regarding recommendations to gaming and athletics. According to the Department, the report has become obsolete as there have not been any recommendations in three years.
- **Current Property Report (Department of Administration):** Section 24 of this article, amends RIGL 42-11-2(ii) repealing the requirement enacted in Public Law 2014, Chapter 145, Article 9, that the Department of Administration to prepare a report by October 31, 2014, of all current

property owned by the State or leased by any state agency or quasi-public agency, to include information such as a description and location of the property, information on the expiration of leases, ratios of occupancy and vacancy within each property, a strategic plan for leases commencing or expiring by June 30, 2016, a map of all state buildings that provides the cost per square footage to maintain, and a benchmark report on the operating cost by full-time employee, and the operating costs by square footage divided by the number of full-time employees.

- **Performance Based Regulations Report (Department of Environmental Management):** Section 25 amends language in RIGL 42-17.1-2, removing the mandate that the Department compile and publish a report, in conjunction with the Office of Regulatory Reform, evaluating the potential for adopting alternative approaches to performance-based regulations. This was a one-time report and published in 2014, making the statute obsolete.
- **Quarterly Incentive Report (RI Commerce Corporation):** Section 26 amends RIGL 42-64-36 by changing the due date for the Rhode Island Commerce Corporation’s quarterly economic development incentives report from 30 days after the close of each quarter to 45.

The report provides detailed information on 13 distinct incentive programs administered by the Commerce Corporation. This includes the Small Business Assistance program that helps small businesses (under 200 employees) gain access to capital by providing grants up to \$750,000. The Commerce Corporation partners with private lending institutions to administer the applications and program. According to the Executive Office of Commerce, extending the due date of the report allows for better alignment with the community lenders data collection, which in turn improves quality of the incentives report.

- **Integrated Housing Report (Executive Office of Commerce):** Section 27 amends RIGL 42-64.19 by changing requirements and timelines for the State’s annual Integrated Housing Report.

A key tool in the State’s policy response to Rhode Island’s housing crisis is the recently-established “annual integrated housing report”. The General Assembly enacted this reporting requirement in July 2021, along with numerous other housing reforms (including the creation of a new housing “czar” within the Executive Office of Commerce, the cabinet agency responsible for housing policy at the time). Under RIGL 42-64.19-3 (a)(4)(iv), the first report was due December 31, 2021 (just six months after it was mandated), and then annually thereafter. The report includes 36 distinct categories of housing data that establish baseline metrics and mark progress.

The Governor recommends several changes to the report, including:

- Changing the due date from December 31st to April 15th.
- Modifies various required data points and adds others, including information on accessibility and disabilities, household formation, population growth, income, loan disparities, and the number of affordable housing units needed by each municipality to meet the State’s 10.0 percent requirement.
- It also compels municipalities to provide the required data to the Department of Housing by February 15th.

According to the Department of Housing, the changes align the report with when data is available, including up-to-date data from the US Census’ American Community Survey and the municipal Annual Building Permit report.

Analyst Note: The integrated housing report remains statutorily within the Executive Office of Commerce, not within the Department of Housing. The Department was established in January 2023 and assumed nearly all of EOC’s authority and responsibilities related to housing. The article does not address this inconsistency.

Rhode Island Paint Recycling Program

The article would require the Department of Environmental Management (DEM) to solicit competitive bids for an organization to implement and manage the paint recycling program every five years. Currently, a third-party organization that represents paint manufacturers, known as PaintCare, is responsible for operating the paint recycling program, and can set recycling fees to fund operating expenses and a cash reserve. The article provides that should there be no respondents to the request for proposal (RFP) or if DEM determines that none of the responses are sufficient to manage the program, the Rhode Island Resource Recovery Corporation (RIRRC) will serve as the implementing organization until another solicitation is required. An RFP must be issued by June 30, 2025. The article provides that the current program will remain in effect until DEM selects an entity to administer the program.

The program was established in June 2014. Based on the FY2022 annual report, the program has 27 drop-off sites around the State, including retailers and transfer stations, which collected 82,941 gallons of paint. The program collected \$858,391 in revenue from a fee on new paint sales. The fee is \$0.35 on pint and quart containers, \$0.75 on gallon containers, and \$1.60 on five-gallon containers. The expenses, including paint transportation and processing, communication, staffing, and administration, were \$1.0 million. The fiscal year ended with net assets of \$812,969. The total program cost per gallon collected was \$12.06.

Based on the FY2021 annual report, the program has 28 drop-off sites around the State, including retailers and transfer stations, which collected 92,811 gallons of paint. The program collected \$959,460 in revenue from a fee on new paint sales. The fee is \$0.35 on pint and quart containers, \$0.75 on gallon containers, and \$1.60 on five-gallon containers. The expenses, including paint transportation and processing, communication, staffing, and administration, were \$1.1 million. The fiscal year ended with net assets of \$954,660. The total program cost per gallon collected was \$11.93.

Based on the FY2020 annual report, the program had 29 drop-off sites around the State, including retailers and transfer stations, which collected 69,069 gallons of paint. The program collected \$991,912 in revenue from a fee on new paint sales. The fee was \$0.35 on pint and quart containers, \$0.75 on gallon containers, and \$1.60 on five-gallon containers. The expenses, including paint transportation and processing, communication, staffing, and administration, were \$695,607. The fiscal year ended with net assets of \$1.1 million. The total program cost per gallon collected was \$10.06.

In the FY2023 Budget, the Governor recommended increasing DEM oversight over the program by making the size of the reserve fund and the administrative expenses associated with the program subject to DEM approval. In addition, the article would have authorized the creation of a reserve fund capped at 50.0 percent of total cost to administer the program during the previous program fiscal year. These recommendations were not included in the enacted budget.

Analyst Note: The recycling program was established as an extended producer responsibility program intended to require producers to bear significant responsibility for the environmental impacts of their products particularly in the final stage of the product's life, after consumption. The program was not intended as a profit generator. It is unclear how shifting the program to a competitive bid process with RIRRC as a safety net will impact the program.

Deputy State Fire Marshals

Article 3 authorizes the Office of the State Fire Marshal (OSFM) to appoint a deputy fire marshal in municipalities and jurisdictions that experience difficulties filling these positions. The Article mandates that each municipality with a vacant assistant deputy fire marshal position provide written notice to the Office within 10 days of the vacancy and reimburse the State for any salary and expenses associated with the assigned deputy fire marshal position. Currently, OSFM provides essential fire services to several municipalities including Charlestown, Foster, and New Shoreham.

Mattress Stewardship Plan

The article requires the RIRRC to solicit competitive bids for an organization to administer the mattress recycling program every five years and to administer the program should none of the respondents be sufficient. The program is currently administered by the Mattress Recycling Council (MRC), a nonprofit organization comprised of mattress producers. In addition to the Bye Bye Mattress program in Rhode Island, the Council administers statewide mattress recycling programs in California and Connecticut. An RFP must be issued by December 31, 2024.

The current mattress stewardship fee that is added to the price of each mattress sold in Rhode Island is \$20.50, compared to \$11.75 in Connecticut, and \$10.50 in California. The fee is used to provide consumer education and outreach, collection, and processing of recyclable mattresses. A mattress that is not considered to be recyclable does not qualify for the program and would not qualify for free disposal. According to the MRC's 2022/2023 Annual Report, in the seventh year of the program 79,898 mattresses were collected and 1,565 tons of material was diverted from the landfill. Access to the program was provided in 37 of 39 municipalities, and extended service to 230 entities including retailers, lodging establishments, healthcare facilities, educational facilities, and bulky waste haulers.

The program for the responsible recycling, reuse, and disposal of mattresses was established in 2013 to promote the development of a comprehensive strategy for the discard of mattresses. Article 3 of the FY2023 Budget as Enacted shifted determination of the reasonableness of a proposed uniform mattress stewardship fee from an independent auditor to the Rhode Island Resource Recovery Corporation.

Analyst Note: The recycling program was established as an extended producer responsibility program intended to require producers to bear significant responsibility for the environmental impacts of their products particularly in the final stage of the product's life, after consumption. The program was not intended as a profit generator. It is unclear how shifting the program to a competitive bid process with RIRRC as a safety net will impact the program.

RI Healthcare Workforce Data Collection Act

Article 3 establishes the RI Healthcare Workforce Data Collection Act, an act authorizing the Department of Health to voluntarily collect data on all licensed healthcare professionals including but not limited to: specialty, education level, practice status in Rhode Island, ethnicity, race, languages spoken, anticipated retirement year, total clinical hours per week, whether they accept Medicaid, and practice name and location. The Department will not make this data publicly available and is solely used for the Department's licensure renewal process.

Unemployment Insurance (UI) Tax-Rate Calculation

The article authorizes the Director of the Department of Labor and Training to select the computation date of the unemployment insurance rate schedule in CY2024. Currently, the computation date is fixed to the 30th day of September. The article grants the Department's Director the ability to use discretion in selecting the computation date for tax year 2025 and authorizes the eligibility of all dates ranging from September 30 to December 31, 2024.

In Rhode Island, employers pay federal and state unemployment insurance taxes on wages paid to employees. Federal unemployment taxes are used by the federal government to provide administrative funds to states for their UI programs and to fund a trust that states may use for cashflow or emergency purpose while paying benefits to claimants. State UI taxes are used to pay benefits in real time and to fund a trust to pay benefits should they exceed collections. Unemployment insurance provide temporary income assistance to workers who have lost their jobs without cause and have earned sufficient wages in the base period to meet the monetary requirements.

For CY2024, the Department of Labor and Training determined that the unemployment insurance tax rates will remain at Schedule G, with rates ranging from 1.1 percent to 9.7 percent. The unemployment insurance tax schedule is calculated using a statutory formula based on the ratio of the balance of the state's

employment security fund to the total twelve-month payroll of employer's subject to the contribution provisions of the Employment Security Act. The calculation is performed on September 30 of each calendar year, known as the computation date.

In congruence with this article, Article 1 authorizes the Governor to deposit unexpended State Fiscal Recovery Funds into the Unemployment Insurance Trust Fund. If additional funds are deposited subsequent to the computation date, the Director of the Department of Labor and Training may choose to recalculate the unemployment insurance tax schedule to allow businesses to reduce payments reflective of a schedule change. The article grants the Director the ability to revisit the schedule regardless of any such deposit.

Landlord Lead Hazard Mitigation Database

The Budget amends the Residential Landlord and Tenant Act, authorizing the Department of Health to create a publicly-accessible Statewide lead registry database of all properties built before 1978. The registry will contain details of all lessors who have not provided certificates of conformance to lead hazard mitigation laws. The Article requires all lessors to comply by October 1, 2025, and prohibits penalties against lessors before the compliance date.

According to the Department of Health, 70.0 percent of Rhode Island's housing have potential lead hazards that can poison children, with the most prevalent risks in homes build before 1978. Under current law, lessors are required to disclose lead hazards to tenants and buyer and ensure units containing lead are well maintained. Lessors with rental units built before 1978 must also comply with the State Lead Mitigation Regulations; which include lead hazard awareness training, property inspections, and necessary repairs.

Purchasing Ethics

Section 19 of this article adds language codifying ethics requirements for all State Purchasing procurement personnel, including and state employee and agency directors who may become involved in the procurement process involving current or future bidders and vendors. The language affirms that all State Purchasing personnel are subject to the State's Code of Ethics.

The new language includes the disciplinary referral process through the State Purchasing Agent, Chief Purchasing Officer and the State Ethics Commission for any employee violating the provisions of this new chapter, and establishes disciplinary action for vendors who may be found in violation of these provisions. Such violation may lead to a vendor being suspended or disbarred from participation in state procurements.

The language requires all purchasing personnel to maintain good relationships with vendors, avoid conflicts of interest, prohibits purchasing personnel from accepting gifts, gratuities, goods or services from current or potential vendors, and prohibits inappropriate social interaction

All purchasing personnel will be required to file annual conflicts of interest disclosure statements

State Purchases

Section 20 of this article amends multiple areas of general law pertaining to state purchasing requirements and Chief Purchasing Officer duties. Specifically, the section:

- Adds language under RIGL 37-2-2, providing a general mission statement on the purpose of a public procurement system.
- Amends RIGL 37-2-17, 37-2-17.1, 37-2-17.2, and 37-2-25.1 replacing reference to the Rhode Island Vendor Information Program (RIVIP), which was the State's previous electronic purchasing system initiated in 1994, to reflect Rhode Island e-Procurement, the current on-line computerized bidding system being used for receiving bids for state purchases and contracts. The e-Procurement system is designed to improve workflows and performance, allow for data collection and analysis, reduce coordination and allow purchasing staff to provide more community engagement to agencies and municipalities to better address their needs.

- Amends RIGL 37-2-13.1 to include additional ethics and transparency processes with vendor participation in the development of request for proposals, and requires the Division of Purchasing to publicly disclose any prior dealing with the vendor on related RFPs for a project.
- Amends RIGL 37-2-18 regarding the competitive sealed bid opening process to recognize the e-Procurement system practices.
- Amends 37-2-18.2 to recognize the Office of the Postsecondary Commissioner instead of the Board of Governors for Higher Education as the entity promulgating the rules and regulations for the State's higher education institutions. In addition, it extends the competitive bid process exemption for research related activities, funded through federal or private third-party funds, to private institutions of higher education when the State's three public institutions are unable to perform the research. Preference will be given to in-state higher education institutions.
- Amends 37-2-19 and 37-2-20 regarding competitive negotiations and negotiations after an unsuccessful bid process to allow the State Purchasing Agent to authorize a best and final price offer process to satisfy a substantial price discrepancy, or when costs exceed the budget, or if it's determined to be in the best interest of the State.
- Amends RIGL 37-2-54 to expand the list of reasons that the Chief Purchasing Officer can exempt competitive sealed bids for the state purchase of research related activities and services provided by institutions of higher education within the State of Rhode Island.
- Amends RIGL 37-2-56 to include institutions of higher education eligible to participate in the state's master price agreement contracts, provided that the contractor is willing to extend it to those institutions.

Bidder Registration Fees

Section 21 of this article repeals the minimum \$25 annual bidder registration fee that the chief purchasing officer is allowed to charge. This fee has not been charged for the last 20 years. Therefore, there is no fiscal impact to repeal a fee that was not charged.

DCYF Higher Education Incentive Grant

The Article amends eligibility of youth in the legal custody of the Department of Children, Youth, and Families for the Higher Education Opportunity Incentive Grant program. The program was previously made available only to youth currently in the Department's legal custody or those who had been in legal custody at the time of their 18th (eighteenth) birthday. This amendment extends eligibility to youth in legal custody beginning at age 14 (fourteen) and extending until the youth exits care. The Article also clarifies funding availability and conditions, additional age and education requirements for eligibility, selection processes, and reporting requirements for the Department related to the program.

Article 4: Relating to Debt Management Act Joint Resolutions

Pursuant to RIGL 35-18, the Public Corporation Debt Management Act, any financing leases or other guarantees entered into by an elected or appointed State official must have prior approval of the General Assembly. This article authorizes the issuance of \$9.2 million in revenue bonds for the Utility Infrastructure Project Phase III at the University of Rhode Island (URI).

FISCAL IMPACT

This article authorizes the issuance of \$9.2 million in revenue bonds for one project at the University of Rhode Island (URI), titled the Utility Infrastructure Upgrade Phase III.

Proposed Debt Authorizations

Revenue Bonds	Department	Principal	Interest	Total Debt	Annual Debt Service	Term of Loan (years)
URI- Utility Infrastructure Upgrade Phase III	URI	\$9.2	\$6.9	\$16.1	\$805,000	20.0

\$ in millions. Totals may vary due to rounding.

ANALYSIS AND BACKGROUND

University of Rhode Island – Utility Infrastructure Upgrade Phase III

The article approves financing up to \$9.2 million for Phase III of the Utility Infrastructure Upgrade project. The project involves the replacement of components and reconfiguration for each of the systems to ensure necessary steam, water, sanitary, and electrical support for the University's campuses. Phase III will implement four new projects including replacement of three steam distribution systems and the replacement of electric distribution systems in multiple locations. The University's goal is to have the project completion date sometime in FY2028.

The debt service payments will be funded from University revenues, which includes tuition and fees but not auxiliary funds. Total debt service on the bond is not expected to exceed \$805,000 annually and \$16.1 million in the aggregate, assuming an average interest rate of 6.0 percent over 20 years.

During the last two decades, the University's Kingston Campus has experienced significant interruptions in service to its steam and electric distribution systems, as well as severe flooding, resulting in the need for a utility infrastructure upgrade. The project is broken into three phases. Phase I consists of engineering and construction upgrades and component replacements to the steam/condensate distribution system, water distribution system, electrical distribution system, sanitary sewer system, and the storm water management system. Phase I consisted of 16 different projects including, PFAS improvements and refurbishment of the steam distribution systems from Hammerschalg Mall to the Elephant Walk. RI Health and Educational Building Corporation (RIHEBC) bonds for Phase I were issued in 2018. Phase II continues the improvements and repairs in these projects. Phase II also began three new projects including Bay Campus natural gas upgrades, repairing a sewer main on Route 138, and implementing/upgrading PFAS treatment systems. Bonds for Phase II were issued in 2023.

Article 5: Relating to Capital Development Program

This article authorizes the issuance of and outlines terms and processes for various general obligation bonds, totaling \$345.0 million, to be placed on the ballot for voter approval in November 2024. The projects are broken down into the following four questions.

Article 5: Relating to Capital Development Program	
Higher Education Facilities	\$135.0
<i>URI Life Sciences Building</i>	80.0
<i>RIC Cybersecurity</i>	55.0
State Archive and History Center	\$60.0
Housing and Community Opportunity	\$100.0
Green Economy Bonds	\$50.0
<i>Port of Davisville Infrastructure at Quonset</i>	20.0
<i>Climate Resiliency and Public Access Projects</i>	2.0
<i>Brownfields Remediation and Economic Development</i>	5.0
<i>Local Recreation Projects</i>	5.0
<i>Municipal Resiliency</i>	10.0
<i>Newport Cliff Walk</i>	8.0
Total	\$345.0
<i>\$ in millions</i>	

FISCAL IMPACT

The article permits \$345.0 million in bond referenda to be placed on the November 2024 ballot, including \$135.0 million in bonds for higher education, \$60.0 million in bonds for a State Archive and History Center, \$100.0 million for housing and community opportunity, and \$50.0 million in Green Economy Bonds. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at \$27.7 million. Total debt service over the life of 20-year bonds would be \$553.7 million, including \$208.7 in interest payments.

ANALYSIS AND BACKGROUND

Higher Education Facilities Bond

The Budget includes \$135.0 million in general obligation bonds for capital improvements to higher education facilities to be placed on the November 2024 ballot. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at \$10.8 million. Total debt service over a 20-year term would be \$216.7 million, including \$81.7 million in interest. The bond proceeds would be allocated as follows:

- URI Biomedical Sciences Building:** The Budget includes \$80.0 million in general obligation bonds for the construction of a biomedical sciences building to bolster life science education, research, and workforce development. According to URI, the University's Kingston campus lacks sufficient wet lab space to grow their life sciences programs and construction of a new life sciences building is necessary to advance the University's programs and the State's life sciences industries, with the potential to unlock billions in funding from outside sources. In FY2022, URI received \$52.8 million in federal and foundation funds to support the University's life science research.

URI's life sciences programs house nearly 6,000 students with 1,200 graduates entering the workforce each year. Additionally, the University has established itself as a leader in pharmaceutical, health, environmental, and life sciences. Furthermore, the University houses the Rhode Island IDeA Network

of Biomedical Research Excellence, providing the State with approximately \$81.0 million in funding for research and training through the National Institute of Health.

- **RIC Cybersecurity Building:** The Budget includes \$55.0 million in general obligation bonds for the renovation of Whipple Hall to support the Institute for Cybersecurity and Emerging Technologies. The building will house office space for faculty, classroom space, a Cyber Command Center, space for the RI STEAM Center, student community spaces, and meeting space for collaboration with internal and external stakeholders. The bonds will also aid in the redesign of Whipple Hall to improve energy efficiency, ADA access, and address existing structural, air quality, electrical, mechanical, and plumbing systems issues.

In the last year, RIC has developed both a major and minor in Cybersecurity, with a major and minor in Artificial Intelligence in development. The College has made significant strides in cyber-education including creating pathways for students ranging from high school to adult learners to learn about and enter the cybersecurity workforce. RIC has also partnered with the Department of Education and Secondary Education (RIDE) to create three courses for high school students to take that transfer to the College. Additionally, RIC houses the National Security Agency (NSA) GenCyber program for high school students during the summer and several other cybersecurity events for students of all levels.

State Archives and History Center

The Governor proposes a ballot question to allow the issuance of \$60.0 million in general obligation bonds for the construction of a new \$101.7 million Rhode Island State Archives and History Center. Currently, the State Archives, consisting of millions of historically significant documents, (including several copies of the Declaration of Independence, images, and past records dating back to 1638) are currently housed in commercial leased office space at an annual cost of \$280,288, excluding utility costs.

The State Archives Center proposal utilizes the same design plan originally developed under the previous Secretary of State in 2018, but cost projections are updated to account for inflation. The Center is proposed to be a 52,000 sq. ft. facility located along Smith Street in Providence, north of the State House and directly in front of the Department of Administration building.

The bond funding represents only a portion of total project costs, with a request for \$10.0 million from Rhode Island Capital Plan funding and \$31.7 million from a combination of federal and private grant funding bringing the total project cost to \$101.7 million. Neither the Office of the Secretary of State nor the Budget Office has identified any federal or private funding sources to fund 42.0 percent of the project's construction and soft costs. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at \$4.8 million. Total debt service over a 20-year term would be \$96.3 million, including \$36.3 million in interest payments.

Housing and Community Opportunity

Approval of the Housing and Community Opportunity ballot question would allow the issuance of \$100.0 million in general obligation bonds to increase production of affordable and middle-income housing, invest in housing related infrastructure, support community revitalization projects, and promote home ownership. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at \$8.0 million. Total debt service over a 20-year term would be \$160.5 million, including \$60.5 million in interest payments.

Analyst Note: *While no additional program details or funding breakdown have been identified at this time by either the Governor's Office of Management and Budget or the Department of Housing, the Department has noted that the bonds are anticipated to be issued in multiple tranches across several years to align with the anticipated timelines for these types of projects.*

Green Economy Bonds

The Budget includes a \$50.0 million general obligation bond authorization be placed on the November 2024 ballot for environmental and recreational purposes. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at \$4.0 million. Total debt service over a 20-year term would be \$80.2 million, including \$30.2 million in interest payments. The bond proceeds would be allocated as follows:

- **Port of Davisville Infrastructure at Quonset (\$20.0 million):** Provides \$20.0 million for infrastructure projects that will support the continued growth and modernization at the Port of Davisville. According to the Quonset Development Corporation, this investment will continue to finance Port master plan projects, including:
 - Davisville Road East modification and expanded laydown (\$2.5 million)
 - Port Main Gate relocation, Terminal 6 laydown construction, and port security upgrades (\$14.0 million)
 - Frys Cove Road construction (\$3.0 million)

Completion of these access roads to Terminal 5 will provide an oversized freight corridor directly between the new Terminal 5 Pier and 40 acres of existing laydown area that is available at the Port. The roads will allow offshore wind and other large project cargo that is unloaded at the Terminal 5 Pier to be transported to the laydown area without the interference of overhead wires and other obstructions close to the right-of-way. The funding will also be used to complete an additional 33 acres of laydown area at the Port.

- **Climate Resiliency and Public Access Projects (\$2.0 million):** Provides \$2.0 million for matching grants up to 75.0 percent of project costs to public and non-profit entities for restoring or improving the resiliency of coastal habitats and for restoring river and stream floodplains. In 2018, the voters approved \$5.0 million for climate resilience. As of January 24, 2024, \$921,920 of these funds were unobligated.
- **Brownfields Remediation (\$5.0 million):** According to the Department, between 10,000 and 12,000 abandoned industrial sites lie idle across the State. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. These funds would provide matching grants for up to 80.0 percent of project costs to public, private, and/or nonprofit entities for the cleanup, reinvestment, and re-use of these sites to create and attract jobs, protect the urban environment, remove hazards, and reduce the cost of storm water flooding. The program funds will clean up blighted properties, create jobs, open valuable real estate, and promote public health. This grant program, which helps accelerate redevelopment and supports smart growth, provides critical resources to facilitate the return of these sites to productive use. Grants will provide for both site preparation and redevelopment projects and can be used to fill gaps that exist in supporting data and/or to develop and analyze potential remedial strategies necessary to clean up and develop the site.

In November 2014, voters approved \$5.0 million in general obligation bond proceeds for brownfield remediation. Another \$5.0 million was approved by voters in 2016 and an additional \$4.0 million was approved in November 2018 and 2022. As of January 24, 2024, \$5.0 million of these funds were unobligated.

- **Local Recreation Projects (\$5.0 million):** Provides funding for matching grants of up to 50.0 percent to municipalities to acquire and 80.0 percent of the costs to develop recreation areas. The grants cover the development of sports fields, tennis courts, and playgrounds. The grant applications are evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies. Funds for this program were authorized through general obligation grants including \$5.5 million in 2012, \$4.0 million in 2014, \$5.0 million in 2016 and 2018, \$4.0 million in 2020 and 2022. Since the inception of the program in 1988,

DEM has awarded 557 grants totaling \$90.0 million worth of investments in all of Rhode Island's 39 cities and towns. As of January 24, 2024, \$2.0 million of these funds were unobligated.

Municipal Resiliency (\$10.0 million): Provides funding for matching grants for up to 75.0 percent of project costs to municipalities to restore and/or improve the resiliency of infrastructure and vulnerable coastal habitats, and to restore river and stream floodplains. In November 2020 voters approved \$7.0 million and in November 2022 voters approved \$16.0 million in general obligation bond proceeds for resiliency project. Including \$2.0 million in Rhode Island Infrastructure Bank operating funds, \$25.5 million is available for this program. As of January 24, 2024, \$19.1 million of these funds have been obligated. In September 2023, the Rhode Island Infrastructure Bank (RIIB) issued an RFP for projects and received 41 proposals totaling \$52.0 million in grant requests.

- **Newport Cliff Walk (\$8.0 million):** Provides \$8.0 million for restoring and improving the resiliency of the Newport Cliff Walk. According to the Interim City Manager of Newport, in a letter dated December 19, 2023, the City is responsible for the upkeep and maintenance of the Newport Cliff Walk. The estimated cost of the repairs is \$14.5 million with the project expected to take 13 months to complete.

Newport applied for a \$13.4 million grant from the Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT) program, which would require a 20.0 percent match from Newport of \$2.8 million. A decision is not expected until April 2024. Newport also applied for a \$5.0 million appropriation from Congress which has been approved by the Senate but not yet considered by the House. The application for disaster aid through the U.S Department of Transportation was denied.

Article 6: Relating to Taxes and Fees

This article modifies several state taxes, credits, and repeals various fees that impact businesses. These changes include:

- **Pension Modification Increase:** Increases the maximum pension modification for personal income taxes.
- **Corporate Minimum Tax Reduction:** Reduces the minimum business corporation tax from \$400 to \$350.
- **Net Operating Loss Carryforward:** Extends current five-year net operating loss carryforward period to twenty years.
- **Cannabis Tax Changes:** Allows state-licensed cannabis businesses to make certain deductions.
- **Pass-Through Entity Tax Credit:** Reduces the State's pass-through entity tax credit from 100.0 percent to 90.0 percent.
- **Delinquent Taxpayer List:** Expands the criteria used by the Division of Taxation when identifying which delinquent taxpayers it will include on publicly posted lists.
- **E-Cigarettes Tax:** Imposes a tax on electronic nicotine delivery system (ENDS) products, also known as e-cigarettes.
- **Cigarette Tax Increase:** Increases the excise tax on cigarettes by \$0.25 per pack.
- **Motor Fuel Tax Disposition:** Amending how the Rhode Island Public Transit Authority's (RIPTA) Elderly/Disabled Transportation program administratively receives its share of the motor fuel tax.
- **Sales Tax Adjustment – Motor Vehicle Excise Tax State Aid Program:** Eliminates the annual sales tax growth adjustment that is provided to municipalities as part of the Motor Vehicle Excise Tax State Aid program.
- **Fee Changes:** Eliminates or amends various fees impacting individuals and business.

FISCAL IMPACT

The fiscal impact of Article 6's changes are summarized in the following table. For more detail see below in the analysis and background section.

Initiative	FY2025		FY2026	
	Revenues	Expenditures	Revenues	Expenditures
Pension Modification Increase	(3,048,251)	-	(6,203,539)	-
Corporate Minimum Tax Reduction	(2,283,350)	-	(4,700,650)	-
Net Operating Loss Carryforward*	-	-	-	-
Cannabis Tax Changes	(824,642)	-	(1,707,009)	-
Pass-Through Entity Tax Credit Changes	8,100,000	-	16,500,000	-
Delinquent Taxpayer List Changes	3,425,327	-	3,526,021	-
E-Cigarettes Tax	5,292,861	163,188	6,417,989	163,188
Cigarette Tax Increase	2,441,204	-	1,915,531	-
RIPTA Elderly/Disabled Transportation Changes	-	-	-	-
Sales Tax Adjustment – Car Tax State Aid Program	-	-	-	(7,700,000)
Fee Changes	(44,375)	-	(290,750)	-
Total	\$13,058,774	\$163,188	\$15,457,593	(7,536,812)

* Proposal does not have a fiscal impact until FY2032

ANALYSIS AND BACKGROUND

Pension Modification Increase

The article increases the exemption for retirement income from Social Security, pensions, and annuities of individuals who have reached full social security retirement age from \$20,000 to \$50,000. The General Assembly last changed the exemption in 2022 when it increased it from \$15,000 to \$20,000.

Background: A taxpayer's personal income tax liability in Rhode Island is based on federal Adjusted Gross Income (AGI) and is subject to three taxable income brackets with a top rate of 5.99 percent. Federal AGI includes income from pensions and annuities and these are currently subject to Rhode Island personal income tax, albeit with an offsetting exemption described below.

For Tax Year 2023

Income Between...	Is Taxed at...
\$0 and \$77,450	3.75%
\$77,450 and \$166,950	4.75%
\$166,950 and above	5.99%

- **Current Modifications:** Although there are numerous modifications (credits, exemptions, exclusions, abatements, and other modifications) that may impact personal income liability, they are available only to certain taxpayers, Rhode Island does offer more general deductions that reduce a taxpayer's federal AGI prior to determining the liability.
 - **Standard Deduction:** Rhode Island provides for a basis standard deduction from modified AGI as shown in the table.
- **Personal and Dependency:** Rhode Island provides for a deduction for each tax filer and dependent that is adjusted annually for inflation. For TY2023, the exemption amount is \$4,700 (\$4,950 in TY2024) and begins to phase out at the taxable adjusted gross income level of \$233,750 (\$246,450 in TY2024).
- **Retirement Income:** The State also provides a \$20,000 exemption for Social Security, pensions, and annuities of individuals who have reached full official Social Security retirement age. The exemption is limited to those with AGI amounts shown in the table. The exemptions are indexed to adjust annually based on changes to the Consumer Price Index for All Urban Consumers (CPI-U).
- **State Comparison:** The following table summarizes the various ways states treat pensions for purposes of state personal income tax.

Filing Status	TY2023	TY2024
Single	\$10,000	\$10,550
Married Filing Jointly	20,050	21,150
Head of Household	15,050	15,850
Married Filing Separately	10,025	10,575

Retirement Income Thresholds

Filing Status	TY 2022	TY2023
Single	\$95,800	\$101,000
Married Filing Jointly	119,750	126,250
Head of Household	95,800	101,000
Married Filing Separately	95,800	101,025

State Comparison: Treatment of Pensions (P) re: Personal Income Tax (PIT)

No PIT, P Not Taxed	PIT, P Not Taxed	PIT, P Partially Taxed
AK	AL	CA
FL	HI	CO
NV	IL	DE
NH	IA	DC
SD	MS	GA
TN	PA	ID
TX		KY
WA		MD
WY		MT
		NM
		OK
		OR
		RI
		SC
		VA
		VT

Source: AARP

Article 6 Changes: The article increases the exemption for retirement income from Social Security, pensions, and annuities of individuals who have reached full social security retirement age from \$20,000 to \$50,000. The General Assembly last changed the exemption in 2022 when it increased it from \$15,000 to \$20,000.

Fiscal Impact: The November 2023 Revenue Estimating Conference estimated that personal income taxes would generate \$1,853.9 million in FY2024 and \$1,910.2 million in FY2025. The exemption increase is estimated to decrease personal income tax revenue by \$3.0 million in FY2024 and \$6.2 million in FY2025 based on an effective date January 1, 2025. According to the Office of Management and Budget this change would also require the Division of Taxation to alter the personal income tax form and filing system, although no expenditure estimate is provided for this.

According to ORA the average resident taxpayer (as of TY2021) who would benefit from this proposal has an average AGI of \$74,000, including an average taxable pension income of \$44,000 and average Social Security income of \$19,000. The average filer would see an average tax savings of \$500.

Corporate Minimum Tax Reduction

The article reduces the corporate minimum tax by \$50, from the current \$400 down to \$350. The corporate minimum tax was last changed in 2016 when the General Assembly decreased it from \$450 to \$400.

Background: Rhode Island requires firms to remit taxes on a percent of net income at a rate of 7.0 percent or the \$400 minimum business corporation tax, whichever is greater. The latter was established at the same time the State's separate franchise tax was repealed in the FY2016. The current the corporate tax rate places Rhode Island roughly in the middle of the pack nationally, and the State currently has the lowest minimum rate in New England. The following table shows how Rhode Island compares with the other New England states.

State	Rate	Min. Tax
MA	8.00%	\$456
RI	7.00%	400
CT	7.50%	250
VT	8.50%	300-751
NH	7.50%	N/A
ME	8.93%	N/A

Article 6 Changes: The article reduces the corporate minimum tax by \$50, from the current \$400 down to \$350. The corporate minimum tax was last changed in 2016 when the General Assembly decreased it from \$450 to \$400.

Fiscal Impact: The November 2023 Revenue Estimating Conference estimated that business corporations taxes would generate \$310.9 million in FY2024 and \$314.3 million in FY2025. The changes in Article 6 result in a revenue loss of revenue loss of \$2.3 million in FY2025 and \$4.7 million in FY2026 based on a January 1, 2025, implementation date.

Net Operating Loss Carryforward

The Governor increases the number of years that a net operating loss may be carried forward from five to 20, beginning in the tax year starting January 1, 2025.

Background: Businesses are taxed on their profit income by the federal government and most states. When determining its federal taxable income, a business deducts its ordinary business expenses (like supplies, wages, and rent), asset depreciation, and other costs from its gross revenue. If the difference is positive, the firm earned a profit, and that corporate income is subject to tax. If the company has more deductions than revenue, the business operated at a loss and has no income to tax. This is known as a net operating loss (NOL) and it generally can be used to offset a business' tax payments in other tax periods. This is allowed because it can smooth business income, reduce entrepreneurial risk, and help businesses survive economic downturn. The treatment of NOLS by taxation systems does vary.

- **Federal NOL Treatment:** Under federal law, businesses may reduce future tax liability by the amount of current or past losses. This is known as a “net operating loss carryforward” and is permitted as long as it does not reduce any future year’s tax liability by more than 80.0 percent. There is no limit on how long a carryforward may be used. The purpose of the carryforward is to provide tax relief when a company experiences losses and it accounts for the cyclical nature of some companies’ business profits.

Analyst Note: Federal Internal Revenue Service (IRS) rules have changed significantly in recent years in the wake of pandemic relief legislation. NOLs previously were allowed to be applied to previous tax years and the could be used to reduce all taxable income in one year.

- **State NOL Treatment:** According to the Tax Foundation, when states determine how to treat operating losses they typically use federal taxable income as the basis. For example, 19 states conform to the federal NOL provisions. Another 13 restrict carryforwards to 20 years and do not cap the amount of tax that can be offset. A dozen states restrict carryforwards to less than 20 years, including Rhode Island which allows it for five years. Other states include limit how much of the NOL that can be carryforward.

State	# of Years
ME	No limit
MA	20
CT	20
VT	10
NH	10
RI	5

Article 6 Changes: Article 6 increases the number of years that a net operating loss may be carried forward from 5 to 20 beginning in the tax year starting January 1, 2025.

Net Operating Loss – Example

A net operating loss is when deductions exceed income. For example, say in TY 2025 a corporate taxpayer (with 100% apportionment to Rhode Island) had only \$10 million in income but \$19 million in deductible expenses like salaries. This would generate (in this extremely simplified example) Federal Taxable Income of \$(9) million, yielding a \$9 million net operating loss. This taxpayer can carry forward this TY 2025 loss indefinitely under federal law, beginning in TY 2026. However, under current state law after five years the entity could no longer claim the NOL deduction on its state taxes. The table below shows the taxpayer carrying forward annually \$1 million of this loss for 9 years on their federal taxes. In this scenario, the taxpayer’s income bounced back to \$20 million per year, their expenses remained at \$19 million, so their Federal Taxable Income was \$1 million per year. TY 2031 would be the first year this entity’s taxes differed from the status quo, under this proposal.

	Proposed New 20 year period				
	Current Five-Year State Carryforward Period		TY2027-TY2030	TY2031 – status quo	TY2031 - proposal
	TY2025	TY2026 – status quo and proposal			
Income	\$10 M	\$20 M		\$20 M	\$22 M
Deductions	\$19 M	\$19 M		\$19 M	\$19 M
Taxable Income	\$(9) M	\$1 M		\$1 M	\$3 M
Net Operating Loss	\$9 M loss generated	\$1 M loss used	\$1 M loss per year used (\$4 M total used and \$4 M forfeited due to end of period)	\$0 (NOL cannot be used)	\$3 M loss used
		\$8 M NOL remaining		\$0 NOL remaining	\$1 M NOL remaining
Rhode Island Adjusted Taxable Income					
Income	\$0	\$0	\$0	\$1 M	\$0
7% Rhode Island Tax	\$400 corporate minimum tax	\$400 corp min tax	\$400 corp min tax	\$70,000	\$400 corp min tax
Tax Savings				\$0	\$69,600

Example provided by the Office of Revenue Analysis

Fiscal Impact: Extending the number of years that a net operating loss may be carried forward to 20 does not have a near term fiscal impact. The ORA looked at data around how corporations currently spread out their net operating loss overtime for tax purposes. This was then applied to Rhode Island business corporation tax data to come up with an estimate of how corporations would behave with an extended carryforward. Based on these assumptions, the first year Rhode Island should expect to see a change in estimated revenue would be TY2031. ORA forecasts a revenue loss \$2.6 million at that time. This loss continues to grow annually until the full effect of the proposal occurs in TY2045. ORA estimates that the loss in revenue at that time will range from \$18.2 million to \$32.7 million depending on growth assumptions for future net operating losses. These losses will reoccur annually going forward.

Cannabis Tax Changes

Article 6 permits state-licensed, cannabis-related businesses to deduct ordinary business expenses from their federal adjusted gross income for purposes of determining their state tax liability.

Background: In March 2022, Rhode Island legalized the recreational use of cannabis by adults, after many years of having a medical marijuana system. The law created a new marketplace involving state-licensed commercial actors, including retailers, cultivators, and Compassion Centers. There are currently 67 licensed businesses operating in Rhode Island under the program. Another 24 retail licenses will become available in FY2025, as the governing Cannabis Control Council adopts and implements its rules around the license. According to the Office of Cannabis Regulation’s latest data report (December 2023) retail sales at the Compassion Centers total \$10.2 million.

Across the U.S. 38 states have approved cannabis for medical use and 24 have legalized its recreational use. At the federal level, however, cannabis remains illegal. It is considered a Schedule 1 substance under the federal Controlled Substances Act (high potential for abuse, no accepted medical use treatment, lack of safety). Because of this there are significant implications for businesses involved in its manufacture and sale. For example, under the U.S. Internal Revenue Code Section 280E, tax deductions and credits are not allowed for “trafficking in controlled substances which is prohibited by Federal law or the law of any State in which such trade or business is conducted.”

Typically, businesses are allowed to deduct all “ordinary and necessary” expenses that are required to operate from their federal taxable income. These expenses can include such things as employee payroll, health care, rental fees, repairs, and utilities. Most states, including Rhode Island, use a business’ federal adjusted gross income (AGI) as the basis for determining its state taxable income. Cannabis-related Rhode Island businesses’ AGI includes the value of ordinary businesses expenses that other businesses do not.

According to OMB, there are at least 12 states that have legalized the recreational use of cannabis, including Massachusetts, Connecticut, and Vermont, that have amended state law to allow for the deduction of ordinary business expenses from AGI in determining a businesses tax liability.

Article 6 Changes: Article 6 permits state-licensed, cannabis-related businesses to deduct ordinary business expenses from their federal adjusted gross income for purposes of determining their state tax liability.

Fiscal Impact: ORA estimates that allowing these deductions would result in a revenue loss of \$824,642 in FY2025 and \$1.7 million in FY2026, based on a January 1, 2025 effective date. ORA used data from Colorado, the first state to legalize cannabis and allow deductions, to calculate an average percentage that ordinary business expenses make up of retail sales. This was then adjusted to the Rhode Island market and details of the proposal to arrive at an estimate.

Pass-Through Entity Tax Credit

Background: Many businesses in the United States are not subject to the corporate income tax at the state or federal level. The business' profits flow through to owners (or members) and are taxed as part of their personal income. Examples of these "pass-through entities" include limited liability companies, S-Corporations, partnerships, and sole proprietorships.

Starting in TY2019, Rhode Island began permitting partners of pass-through entities to file returns at the entity level at the highest personal income tax rate (5.99 percent) and authorized a tax credit (worth 100.0 percent of their pro rata share of the entity tax) which partners could then claim on their individual returns. These changes were made as part of Rhode Island coming into conformity with the federal Tax Cuts and Jobs Act in 2018.

Article 6 Changes: Article 6 reduces the amount of the tax credit pass-through entity owners may use on their personal income tax filing from 100.0 percent of their pro rata share of the state tax paid at the entity level to 90.0 percent.

Elective Pass-Through Entity Tax Credit Example

This example assumes a pass-through entity with \$1.0 million in income and two equal partners. This example also simplifies to assume the rate paid by the entity is 6% (it's actually 5.99%) and assumes all of the pass-through income is taxed at the top marginal RI income tax rate (which again, is simplified from 5.99% to 6%). This example also assumes that all pass-through income would be taxed at the second-highest federal tax rate of 35%.

The first table shows the tax savings in this hypothetical from having the elective PTE tax in the first place (before considering the impact of the budget proposal).

	Before the RI Elective PTE Tax (pre-2019)	After the RI Elective PTE Tax (post-2019, not factoring in the budget proposal)
Income for Entity	\$1,000,000	\$1,000,000
RI Elective PTE Tax (6%)	n/a	60,000
Reportable Income	1,000,000	940,000
Federal K-1 to each partner, aka Federal AGI	500,000	470,000
Federal Income Tax at 35%	175,000	164,500
RI Tax (6%)	30,000	30,000
Total Federal and State Tax	205,000	194,500
Tax Savings	-	10,500

This next table shows the state tax difference for one the hypothetical partners from the above entity under the budget proposal. The reduction of the PTE credit that can be claimed by the individual from 100% to 90% does increase their state tax liability. However, this increase (\$3,000) is less than the total savings they originally realized from having the elective PTE option (\$10,500). An entity whose members didn't realize a savings from using the

elective PTE tax option could revert to the traditional method of not paying any tax at the entity level (other than the corporate minimum tax) and passing all that income to the individual members.

	TY 2024 (status quo)	TY 2025 (budget proposal)
RI AGI	\$470,000	\$470,000
Modification Increasing (to add back the tax paid at the entity level)	30,000	30,000
RI Modified AGI	500,000	500,000
RI Tax (6%)	30,000	30,000
Less Credit for Entity Tax	\$30,000 (100% credit)	\$27,000 (90% credit)
Balance Due to RI	-	3,000

Fiscal Impact: The reduction in the tax credit is estimated to result in an increase in revenue of \$8.1 million in FY2025 and \$16.5 million in FY2026 based on a January 1, 2025, implementation date. ORA used past pass-through entity behavior in Rhode Island to determine a credit usage estimate and then used this assumption along November 2023 Revenue Estimating Conference estimates to arrive at a fiscal impact estimate.

Delinquent Taxpayer List

Article 6 permits the Tax Administrator to publicly publish a list of all delinquent taxpayers that owe amounts of \$50,000 and over.

Background: Current law permits the State's Tax Administrator to publicly identify up to 100 taxpayers with the largest outstanding state business tax liabilities and whose cases are not on appeal. The Tax Administrator is also permitted to do the same for delinquent personal income taxes. The lists are permitted to include the name and address of the taxpayer, the type of tax owed, the amount of the delinquency, including interest and penalty, as of the end of the most recent quarter. Thirty days prior to publicly posting the delinquency, the Tax Administrator is required to send the taxpayer a formal notice by certified mail. If the taxpayer makes satisfactory arrangements to for payment within the thirty days, the name is not published.

The lists are required to be made available to the public, including via the Division of Taxation's website. The outstanding amounts on the current lists ([top-100-business-tax-delinquents](#); [top-100-income-tax-delinquents](#)) range from \$195,727 to \$6.3 million for business taxes and \$110,659 to \$3.1 million for personal income taxes. The Division of Taxation collects an average of \$2.5 million per year from those on the list.

Nineteen states publicly publish lists of delinquent taxpayers with various amount thresholds and types of data (CT, MA, VT, and RI in New England). The size of the tax debt involved varies from state to state, but is typically limited to higher amounts. Massachusetts' threshold amount for appearing on its list is \$25,000. Connecticut's list is available upon request only.

Article 6 Changes: Article 6 permits the Tax Administrator to publicly publish a list of all delinquent taxpayers that owe amounts of \$50,000 and over. The existing actions and procedures required of the Tax Administrator related to the lists remain unchanged and apply to the expanded delinquencies. According to the Office of Management and Budget, this change is part of a package of budget initiatives recommended by the Governor to enhance collections of outstanding tax debt. In addition to the expanded lists, the Budget includes increased spending on staffing dedicated to collection, new technology, and out-of-state legal services.

Fiscal Impact: The expansion of the delinquent taxpayer lists is estimated by ORA to generate \$3.4 million in FY2025 and \$3.5 million in FY2026 based on the July 1, 2024, implementation date.

Vaping Regulation and Taxation

Article 6 provides for a new regulatory and taxation regime related to Electronic Nicotine Delivery System (ENDS) products and shifts authority from the Department of Health (DOH) to the Department of Revenue (DOR).

Vaping is a smoking substitute that uses battery-powered devices that create an aerosol vapor containing nicotine, other chemicals, and sometimes flavorings. The regulation of vaping is primarily administered within the DOH.

Definitions

For regulatory and law enforcement purposes, ***vaping devices and their related products*** are formally defined in the State’s criminal offense statutes related to the sale tobacco products to individuals under 21. (RIGL 11-9-13 through 11-9-13.20). These include:

- **Electronic Nicotine Delivery Systems (ENDS):** An electronic device that “may be used to simulate smoking in the delivery of nicotine or other substance to a person inhaling from the device, and includes, but not limited to, an electronic cigarette, cigars, cigarillos, little cigars, pipes, hookahs, ‘heat-not-burn products’ e-liquids, e-liquid products, or any related device and any cartridge or other component of such a device”.
- **E-Liquids and E-Liquid Products:** Any liquid or substance placed in or sold for use in an ENDS which generally utilizes a heating element that aerosolizes, vaporizes, or combusts a liquid or other substance containing nicotine or nicotine derivative”. This includes whether it is sold separately as a liquid or substance, or in combination with a personal vaporizer, ENDS, or an electronic inhaler.
- **ENDS Product:** A combination of ENDS and/or e-liquids and/or derivatives thereof, and/or any container”. The statute specifically states that ENDS products *do not include* hemp-derived consumable CBD products.

Licensing

The Department of Health is responsible for licensing the commercial actors involved in selling ENDS products in the state. RIGL 23-1-55 through 58 provide the statutory authority to DOH to regulate and license the sale of ENDS products. This authority includes the promulgation of rules and regulations related to licensing applications and administration, setting initial and annual-renewal license fees, and maintaining a license registry website. DOH is prohibited from issuing a license to an applicant that is delinquent in tax filings or has had a license revoked in the previous two years. RIGL 23-1-56 also outlines other limitations on applicants related to the license disposition and behavior of previous license experience. Under its authority DOH issues licenses for the following classifications:

- (1) **Dealer:** A dealer is any person, whether located within or outside of the state, who sells or distributes electronic nicotine-delivery system products to a consumer in the state. Dealers may only obtain ENDS products from a licensed distributor. There are two classes of dealer licenses – retail or vending machine. A separate license is required for each location and machine. Dealer license fees are \$25 per license.
- (2) **Distributor:** A distributor is any person (other than a dealer), in state or out, who sells or distributes ENDS products in the state. There are three classes of distributor licenses – wholesaler, manufacturer, and importer. Distributor license fees are \$25 per license.

Transaction Limitations: The licensing statutes place important limits on licensees. A manufacturer or importer may only sell or distribute ENDS products in the state to a licensed distributor. An importer

may only obtain products from a licensed manufacturer. A distributor may only sell or distribute ENDS products in the state to a licensed distributor or dealer. A distributor may only ENDS products from licensed manufacturers, importers, or distributors. Lastly, a dealer may only get ENDS products from a licensed distributor.

Analyst Note: These transaction limitations are also in effect for manufacturers, importers, distributors, and dealers of cigarettes. According to Taxation, these requirements provide an audit trail for the products, that helps enforcement. RIGL 44-20-13.2(b), however, allows dealers of tobacco products other than cigarettes (OTP), such as cigars, to purchase from unlicensed manufacturers, importers, distributors, and dealers. Taxation indicates that this creates enforcement gaps.

Product Limitations (flavored vapes): Since 2020, DOH regulations (216-RICR-50-15-6.10) have prohibited the sale of flavored ENDS products in the state. The regulations, however, exempt products sold by licensed cannabis Compassion Centers and cultivators. Licensed dealers and distributors self-certify that none of the products they sell have a characterizing flavor. There are five states, including Massachusetts and Rhode Island, and 360 localities that also ban flavored-vaping products. The sale of flavored ENDS products is technically against federal law; however, enforcement is difficult, particularly with online sales.

Analyst Note: In March, 2021 Congress enacted the Preventing all Cigarette Trafficking Act (PACT), which created new rules for the delivery and sale of ENDS products. The PACT Act, among other things, bans the sale of flavored vapes and requires individuals that sell, ship, transfer or otherwise profit from ENDS products to register with the federal Bureau of Alcohol, Tobacco, and Firearms and any state that they ship to.

Penalties

Individuals or businesses found in violation of licensing requirements are given a citation and must appear in district court for a hearing. Convicted violators must pay a \$500 fine, plus court costs.

11-9-13.13 outlines the extensive, and progressive penalties to be imposed on licensees who are found in violation of the selling tobacco and ENDS products to individuals under the age of 21.

Taxation

The taxation of ENDS products varies across the country. Methods include levying taxes based on manufacturer, wholesale, or retail price, volume, or with a bifurcated system that has different rates for open and closed tank systems. According to the Tax Foundation, of those that tax wholesale values, the rate ranges from 10.0 percent in Connecticut to 95.0 percent in Minnesota. In states that tax volume, the rates range per milliliter (mL) range from \$0.05 per 00mL (DL, KA, NC, WI) to \$0.15 per mL (LA).

Rhode Island, along with nineteen other states, do not levy an excise tax on ENDS products (RI is the only state in New England without one). Sales of ENDS products are subject to the State's 7.0 percent sales tax.

Article 6 Changes

Article 6 provides for a new regulatory and taxation regime related to ENDS products and shifts authority from DOH to the Department of Revenue (DOR).

Regulatory Changes

Article 6 makes the numerous technical amendments to necessary to incorporate the regulation of dealers and distributors of ENDS products into statutes governing the sales and distribution of cigarettes and other tobacco products (OTP) in the state. These include:

- **Definitions**
 - Reiterates within 44-20, the ENDS and E-liquid definitions as codified in RIGL 11-9-13.4.

- Amends the definition of ENDS products in both statutes to now *include* hemp-derived CBD products (as defined in RIGL 2-26-3).
 - Amends definitions related to ENDS products within RIGL 11-9.12-20 “Criminal Statutes – Underage Sale of Tobacco Products” including removing references to DOH-issued licenses and holders.
 - Codifies the prohibition of the sale of flavored ENDS product, its related definitions, penalties, an enforcement authority. The exemption for Compassion Centers and licensed cultivators is retained.
- **Licensing**
 - Repeals the statutes (RIGL 23-1-55 through 58) that provide the DOH with the authority to regulate and license the sale of ENDS products.
 - Charges the Division of Taxation with licensing distributors and dealers of ENDS products. It does this by expanding existing definitions of dealer, distributor, importer, manufacturer, place of business, and “sale or sell under RIGL 44-20 “Cigarette and Other Tobacco Products Tax”, to include ENDS products.
 - The Division of Taxation will consolidate the distinct licenses for cigarettes, other tobacco products, and ENDS products so that a person does not have to get a separate license for each.
 - In addition to ENDS products commercial actors, *requires manufacturers, distributors, importers, engaged in selling tobacco products other than cigarettes* in the state to obtain and annual renew a license from the Division of Taxation. The article also clarifies that when it referring to licensed dealers and distributors, this includes manufacturers and importers.

Class	Fee
Manufacturer	\$1,000
Importer	1,000
Distributor	1,000
Non-Stamp Distributor	100
Dealer	25

 - Provides for existing ENDS products-related licensees in good standing to be considered properly licensed under the new law until existing renewal date.
 - Requires Taxation to implement a consolidated license and renewal application and set fees.
 - Incorporate ENDS products licensees with existing cigarettes and other tobacco product transaction limitations. These limitations require that transactions take place between properly licensed entities.
- **Penalties:** Article 6 amends the penalty references in RIGL 11-9 (underage sale of tobacco products) and 44-20 (taxation of cigarettes and OTP) to reflect the shift of regulatory authority from DOH to DOR.

Taxation Changes

- **Excise Tax:** Article 6 subjects ENDS products to an excise tax at the rate 80.0 percent of the wholesale cost of the product. This is the same rate and mechanism for tobacco products other than cigarettes. It also imposes a tax on existing inventory of ENDS products held by dealers, distributors, manufacturers, and importers. The floor tax rate is set at 80.0 percent of the wholesale cost and the article provides for a floor tax filing and collection process. All of these changes take effect on October 1, 2024. With these changes, RI would have the fourth highest rate in the country and the second highest in New England.

Tax Comparison w/ Article 6 Δ		
State	% of WS Cost	Volume
VT	92.0%	N/A
RI	80.0%	N/A
MA	75.0%	N/A
ME	43.0%	N/A
CT	10.0%	\$0.40/mL
NH	8.0%	\$0.30/mL

- **Enforcement and Penalties:** The article incorporate ENDS products into its current cigarettes and other tobacco product tax enforcement regime. This includes how contraband product is treated, investigatory powers of the Division of Taxation, inspections, and hearings. Tax violations related to ENDS products are similarly incorporated into the existing penalty structure for cigarettes and other tobacco products.

Fiscal Impact: ORA estimates that the regulatory, licensing, and taxation changes in Article 6 will result in a \$5.3 million increase in excise tax revenue, including \$486,814 from floor stock, in FY2025 and \$6.4 million in FY2026. ORA based its estimates on an October 1, 2025, start date and collections data from Massachusetts, which approaches ENDS products similar to the proposed changes, with a ban of flavored vapes and a wholesale cost-based excise tax.

The proposed changes will require new tax forms and changes to the tax filing system. The Governor recommends 2.0 new enforcement FTE positions in the DOR budget – 1.0 Tax Investigator and 1.0 Taxpayer Assistance Representative. The Budget includes \$163,188 in additional personnel and operating expenses in FY2025 for this work.

Cigarette Tax Increase

The Budget increases the excise tax levied on cigarettes by \$0.25 per-pack of cigarettes, raising the total tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette.

Background: Rhode Island levies taxes on cigarettes sold or held in the State. Cigarettes are taxed at \$4.25 per pack of twenty, or the equivalent of \$0.21 per cigarette. Dealers and distributors are required to purchase cigarette stamps which are then affixed to packages of cigarettes and provide proof of payment. Stamp rolls are discounted for bulk purchases as a means of compensating dealers for the costs associated with affixing the tax stamps.

When tax increases occur, existing stocks of cigarettes that remain unsold in stores may be assessed a floor stock tax. Taxes are due upon purchase of the tax stamps. Sales and use taxes are also assessed upon tobacco products, and are applied after inclusion of the tobacco taxes into the price.

At \$4.25 per pack, Rhode Island had the fourth highest state cigarette excise tax rate in the nation. However, the total cost of a pack of cigarettes can vary based upon minimum markup and other pricing provisions. A comparison of per-pack costs is included in the minimum markup section below.

Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island		Massachusetts		Connecticut		
	Previous	Proposed					
Base Price per Pack in \$	\$6.05	\$6.05	\$4.82		\$5.22		
Excise Tax in \$	3.75	4.50	3.51		4.35		
<i>Subtotal base price + Excise</i>	10.30	10.55	8.33		9.57		
Wholesale Markup	2.0%	0.21	0.21	2.0%	0.17	6.5%	0.62
Wholesale Cartage	0.75%	0.08	0.08	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.64	0.65	25.0%	2.14	8.0%	0.82
<i>Total Base Cost</i>	11.22	11.49	10.70		11.01		
Sales Tax	7.0%	0.79	0.80	6.25%	0.67	6.4%	0.70
Total Price per Pack	\$12.01	\$12.30	\$11.37		\$11.71		

Note: The Office of Revenue Analysis used data from the Campaign for Tobacco-Free Kids to estimate a status quo average final retail price for cigarettes in each state.

Article 6 Changes: This article increases the excise tax levied on cigarettes by \$0.25 per-pack of cigarettes, raising the total tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette.

Fiscal Impact: The November 2023 Revenue Estimating Conference estimated that cigarette taxes would generate \$125.6 million in FY2024 and \$114.9 million in FY2025. ORA estimates that the tax increase in Article 6 will generate \$2.4 million in FY2025 and \$1.9 million in FY2026 based on a September 1, 2025, implementation date. The 20.8 percent reduction from FY2025 to FY2026 is the result of two

Cigarette Tax Revenue Impact	
Revenue Item	FY2025
Cigarette Excise Tax	\$1.9
Cigarette Floor Tax	0.7
Sales and Use Tax	(0.2)
Total	\$2.4

\$ in millions

Source: Office of Revenue Analysis

factor. The FY2025 revenue estimate includes \$748,375 in floor tax revenue that does not occur again in FY2026. ORA also uses a -7.3 percent year-over-year growth rate in calculating FY2026 to account for normal decline in smoking behavior.

According to ORA, total retail price will increase by \$0.29, from \$12.01 to \$12.30 per individual pack. This amount is \$0.93 more than the total retail price in Massachusetts, and \$0.59 per pack above Connecticut. Floor stock tax is assessed at the same rate per pack of cigarettes. The fiscal impact includes estimates for the additional excise, floor, and associated sales taxes from the change in Article 6. In addition, ORA considers the elasticity of the price of cigarettes when making the estimates. The \$0.25 excise tax increase amounts to a 5.9 percent price increase. Applying elasticity from decreased demand as calculated from previous tax increases results in a net estimated revenue increase of 2.2 percent

Motor Fuel Tax Disposition

Background: Under current law, \$0.01 per gallon of gas purchased in the State is transferred to the Department of Human Services' Office of Healthy Aging (OHA), of which, \$0.0079 is then transferred to RIPTA, to provide support for the Authority's elderly and disabled transportation program. This program subsidizes a reduced fare rate for eligible low-income seniors and individuals with disabilities.

Article 7 Changes: Article 6 adjusts the distribution procedure of motor fuel tax revenue as it relates to the Department of Human Services and RIPTA by rescinding the \$0.01 per gallon transfer to OHA and authorizing a direct transfer of \$0.0079 to RIPTA, with the remaining \$0.0021 remaining with OHA for their elderly and disabled transportation programs.

Fiscal Impact: The article does not have a fiscal impact as the adjustment is strictly administrative. RIPTA and OHA would continue to receive the same distribution of motor fuel tax proceeds. According to the Office of Management and Budget, the article changes would increase efficiency by reducing the lag time of OHA transferring the \$0.0079 to RIPTA. The following table illustrates the disposition of motor fuel tax.

Motor Fuel Tax Transfers	Current Disposition	Article Disposition
RIPTA Transfer	9.25¢	10.04¢
UST to RIPTA	0.50	0.50
DEA Transfer	1.00	0.21
DOT share	21.25	21.25
Garvee Motor Fuel Tax Bonds	2.00	2.00
RITBA	3.50	3.50
Total	37.5¢	37.5¢

Sales Tax Adjustment – Motor Vehicle Excise Tax State Aid Program

The Governor proposes to repeal the law that grows the motor vehicle excise tax reimbursement by the growth of state sales tax collections.

Background: In FY2023, the General Assembly eliminated local motor vehicle excise taxes (“car taxes”) throughout the State. This was the culmination of an extended phase-out period that began with the Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 (MVET Act), was paused for seven years, was reinstated in FY2018, and then finally completed in FY2023, a year earlier than originally contemplated. Throughout the phase-out, the State has provided municipalities with general revenue-funded formula aid that increasingly offset losses in local revenue. The final annual aid distribution amounts by municipality total \$234.7 million (equal to the FY2024 levy) and are codified in RIGL 44-34.1-2.

Current law (RIGL 44-34.1-2 (c)) also provides that beginning in FY2026, the car tax reimbursement provided to municipalities will include an annual adjustment indexed to growth in the state sales tax. This adjustment was originally enacted to mitigate potential foregone revenue loss subsequent to the elimination of the car tax due to changes in the economy. As sales tax revenue grows (or decreases), the State reimbursement to municipalities grows (or decreases), proportionately. The calculation for the adjustment is provided in RIGL 44-34.1-2 (c) and the table to the right illustrates how the reimbursement would grow given the November 2023 Revenue Estimating Conference estimates for FY2024 and FY2025 sales tax estimates. Each municipality would receive a portion of the growth proportional to their total excise tax reimbursement in FY2024.

Illustrative Example of Sales Tax Growth Applied to MVET Reimbursement

Variable	Value	Growth
FY2024 Sales Tax	\$1,628,600,000	
FY2025 Sales Tax	1,681,800,000	3.27%
MV Excise Tax Levy	234,712,307	
Value 1/10 Cent	23,265,714	
Tenths/cent in \$234.7M	10	
FY2025 value 15 tenths/cent	242,379,441	
Change	\$7,667,134	

Note: Sales tax values are November 2023 REC estimates

Article 6 Changes: Article 6 repeals the section of law (RIGL 44-34.1-2 (c)) that provides for the calculation and distribution of the annual sales tax growth adjustment to the car tax reimbursement.

Fiscal Impact: The annual sales tax growth adjustment does not have a fiscal impact until FY2026. The out-year impact is summarized in the following table, estimated using the sales tax collections estimates included in the five-year forecast in the Governor’s FY2025 Budget recommendation.

Scenario	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Five-Year Sales and Use Tax Growth Forecast*	-	3.3%	2.6%	3.3%	3.6%	3.7%
Five-Year Motor Vehicle Aid Forecast w/Adjustment	\$234.7	\$234.7	\$242.4	\$248.9	\$257.1	\$266.2
Motor Vehicle Aid Under Article 6	234.7	234.7	234.7	234.7	234.7	234.7
Change	-	(0.0)	(\$7.7)	(\$14.2)	(\$22.4)	(\$31.5)

\$ in millions

* Estimate includes out-year impact of Governor's proposed revenue initiatives impacting the sales tax.

Source: Office of Revenue Analysis

Fee Changes

Article 6 makes the following changes to various fees:

Real Estate Duplicate License Fee: Real estate salespersons are state-licensed professionals that assist clients in buying, selling, or renting properties. Licensed salespersons are prohibited from working independently. They are required to be employed by or be an independent contractor formally associated with a licensed real estate broker. The licensure of these professionals is administered by the Department of Business Regulation (DBR) and the affiliated fees are proscribed by statute.

To ensure licensing compliance, DBR requires salespersons to notify the Department of their broker affiliation and any time it changes. This process is facilitated by DBR's online licensing system. RIGL 5-20.5-11(a)(5) requires DBR to charge \$25 each time a salesperson changes broker.

Article 6 repeals RIGL 5-20.5-11(a)(5), thereby eliminating the fee. According to DBR the fee is unnecessary and an undue burden on realtors. According to DBR and ORA, the determining a precise fiscal impact of this change is not feasible; however, an estimate of a \$20,000 loss of revenue beginning in FY2025 is provided.

Tent Inspection Fee: The use of outdoor event tents on state-controlled property such as state parks, beaches, campgrounds, etc. are subject to the State Building Code. In particular, users of these large temporary tent installations must pull a State building permit and pay a \$50 fee each time the tent is used. The tents are also required to be certified by the State Fire Marshal for safety each time they are used and are subject to a \$75 inspection fee.

Article 6 eliminates these fee requirements and streamlines the Fire Marshal review process, by establishing an annual inspection and certification process for each tent as opposed to requiring it to take place each time the tent is used. According to DBR 135 tent permits were pulled in 2023. Based on this and a January 1, 2025, start date, ORA estimates a \$9,375 revenue loss in FY2025 and \$18,750 loss in FY2026.

Sales Tax Exemption Fee: Charitable, educational, and religious organizations may be exempt from the sales and use taxes in Rhode Island. Qualified exempt organizations must to apply to the Division of Taxation for a Sales Tax Exemption Certificate. According to Taxation, this certificate enables these organizations to make purchases without paying sales tax as long as the certificate is presented prior to the sale. Certificates are valid for four years and require a \$25 application fee.

Article 6 eliminates the application for the Sales Tax Exemption Certificate. Application requirements and deadlines remain unchanged. ORA estimates a \$7,000 revenue loss in FY2025 and a \$14,000 loss in FY2026 based on a January 1, 2025, implementation date for this change.

Liquor Manufacture Duplicate License Fee: Firms operating a brewery, distillery, or winery must obtain liquor manufacturing license from the DBR. A distinct license is required for each place of operation and for each type of manufacture. In addition, the manufacture the alcoholic beverage, the license also authorizes the holder to sell the product at

License	Manufacture License Fees	
	≤ 50K Gal.	> 50K Gal.
Brewery	\$500	\$500
Winery	500	1,500
Distillery	500	3,000

wholesale, limited retail, and limited onsite consumption. The license fee structure is summarized in the table.

Article 6 eliminates the fee requirement for an additional manufacturing license type when a holder of one type expands production to include another type on same premises (a licensed distillery wishes to brew beer as well). The ORA estimates that this change will result in a \$6,000 revenue loss in FY2025 based on a July 1, 2025, effective date.

Vessel Discharge Decal Elimination: Vessels with a permanent marine toilet that operate in Rhode Island waters for more 30 days are required to obtain an inspection from a Department of Environmental Management (DEM) authorized Certified Agent and a No Discharge Certificate Decal. A fee of \$10 to be collected by the certified agent and forwarded to DEM is required. The agent is also permitted to charge up to \$25 for the inspection.

Article 6 eliminates the decal, inspection, and fee requirements. It requires that vessel owners be provided with educational material regarding the requirement that permanent marine toilets be properly secured in a manner that prevents overboard discharges. The ORA estimates that these changes would result in a revenue loss of \$2,000 in FY2025.

Estate Tax Filing Fee: Rhode Island levies a tax, subject to various credits and applied rates, on the transfer of a decedent's estate. Executors, administrators, and heirs-at-law are required to file a statement with the Division of Taxation within nine months after the death that shows the full and fair cash value of the estate, the amounts paid out from the estate for claims, expenses, charges, and fees. Names and addresses of all persons entitled to take any share or interest of the estate must also be provided. A \$50 fee is required when filing the statement.

Article 6 eliminates the \$50 filing fee for deaths that occur on or after January 1, 2025. The ORA estimates that this change will reduce revenue in FY2026 by \$230,000.

Vital Records Revenue: Fees and surcharges collected by the Department of Health (RIDOH) for processing vital records requests are required by statute to be deposited into the Information Technology Initiatives Fund. This requirement is similar to ones for other agencies that utilize major IT systems to conduct business. The original intent for this requirement is that surcharges related to services supported by these systems would be used to maintain and upgrade them over time.

Article 6 shifts the surcharge revenue from the ITIF to the general fund.

Analyst Note: Budget documents suggest that the reason for this shift is to allow the RIDOH to retain the surcharge revenue and not have it diverted to other IT systems across state government. Depositing the funds into the general fund, however, does not accomplish this. Furthermore, the Budget documents do not provide a fiscal impact for this initiative. This shift would necessarily reduce restricted receipts and increase general revenue.

Traffic Violation Penalty Fees to Support Substance Abuse Prevention

The Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) is responsible for public programming and funding for the treatment and prevention of substance abuse disorders.

Two important pieces of state legislation that provide BHDDH with its framework for substance abuse prevention are the Rhode Island Substance Abuse Prevention Act (RISAPA) (RIGL 16-21.2) and the Rhode Island Student Assistance Junior High/Middle School Student Assistance Act (RISAS) (RIGL 6-21.3). RISAPA promotes prevention programming at the community level through regional task forces. RISAS is a school-based alcohol, tobacco, and other drug abuse early intervention program. Their authorizing legislation provides each of the programs with a mechanism to receive funding from a portion of the traffic violation penalties assessed by the Judiciary.

Regardless of the traffic violation penalty revenue; this work is, and has been, primarily federally-funded. The bulk of the money for substance abuse treatment and prevention, including these two programs, comes

in the form of block grants from the federal Substance Abuse Mental Health Services Administration (SAMHSA). Of the \$32.3 million total appropriation in FY2024, 77.2 percent comes from federal funds and 22.8 percent from restricted receipts. No general revenue is budgeted in FY2024.

Analyst Note: According to OMB, the Judiciary indicated that revenue from traffic violation penalties has never been used to fund substance abuse prevention programs. Furthermore, the statutory funding mechanism for the RISAPA program refers to a section of law listing traffic violation penalties that was repealed in 1999. Funds for RISAPA were to be deposited into the general fund. The RISAS statute appears to properly reference a current list of penalties and requires the associated portion of revenue to be deposited into a restricted receipt account. The two programs were first authorized in the late 1980's.

The Governor's FY2025 Budget includes \$60,000 in restricted receipts for RISAS and \$161,000 in the FY2024 Supplemental.

Article 6 Changes: The article repeals the RISAPA (RIGL 16-21.2-5) and the RISAS (RIGL 16-21.3-3) funding mechanisms. According to the OMB the repeal is “only intended to clean up the statutes and will not impact agency operations.” The OMB does not indicate a fiscal impact from these changes.

Article 7: Relating to Economic Development

This article expands or adjusts various economic development incentives managed by the Rhode Island Commerce Corporation. Specifically, the article:

- **Reauthorization of Incentive Programs:** Reauthorizes the Executive Office of Commerce's (EOC's) incentive programs for an additional year by extending the statutory sunset provisions placed on them from December 31, 2024, to December 31, 2025.
- **Innovate RI Small Business Fund:** Amends the Innovate Rhode Island Small Business Program by increasing various matching grants managed by the State's Science and Technology Advisory Council (STAC).
- **Innovation Initiative:** Expands the Innovation Initiative incentive program by extending eligibility for matching grants to employee-owned (or transitioning to employee-owned) businesses and establishing a new "invention incentive" program.

FISCAL IMPACT

There is no direct quantifiable impact in terms of expenditures or revenue related to the initiatives and amendments contained within Article 7. The Governor's recommended FY2025 Budget does, however, include additional expenditures that support the existing incentives that are modified by the article. These are summarized in the following table.

Incentive	FY2025	FY2025 v. FY2024
	Governor	Enacted
Rebuild RI	\$10.1	(\$16.3)
Wavemaker Fellowship	3.6	(0.4)
Small Business Assistance	2.0	-
Air Service Development Fund	1.2	(1.1)
Innovation Initiative	1.0	(1.0)
Main Streets Revitalization	1.0	-
Innovate RI	1.0	-
First Wave Closing Fund	-	(10.0)
I-195 Redevelopment Fund	-	(2.0)
P-tech	-	-
Total	\$19.9	(\$30.8)

\$ in millions

ANALYSIS AND BACKGROUND

As noted above Article 7 modifies various economic development incentives. The modifications are explained in this section.

Reauthorization of Incentive Programs

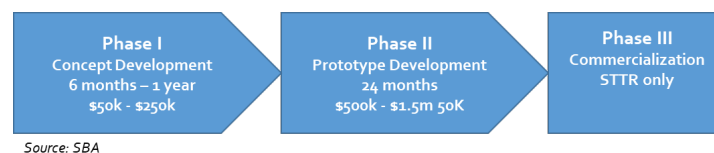
Background: The General Assembly enacted a suite of economic development incentives in its 2015 session. To ensure its prerogative of overseeing the effectiveness of these incentives, the General Assembly originally authorized them for only two years by establishing a sunset date of December 31, 2018. Since then several incentives have not been reauthorize, but the majority have been extended five times, most recently by the FY2023 Budget as Enacted. The remaining incentive programs are currently set to expire on December 31, 2024.

Article 7 Changes: Article 7 reauthorizes the following incentives through December 31, 2025.

- Stay Invested in RI Wavemaker Fellowship
- Rebuild RI
- Rhode Island Tax Increment Financing
- Tax Stabilization Incentive
- First Wave Closing Fund
- I-195 Redevelopment Project Fund
- Small Business Assistance Fund
- Main Street Rhode Island Streetscape Improvement Fund
- Innovation Initiative
- High School, College, and Employer Partnerships (P-Tech)
- Air Service Development Fund
- Rhode Island Qualified Jobs Incentive

Innovate RI Small Business Fund

Background: The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are a pair of federal initiatives whose purpose is to encourage American small businesses to engage in federal research and development activity that has the potential for commercialization. These initiatives involve 12 federal agencies and are coordinated by the US Small Business Administration (SBA). The programs have similar requirements, differing primarily in that STTR funded projects require partnership with a not-for-profit research institution. SBIR/STTR funding is made available in stages – concept development, prototype development, and commercialization.



Rhode Island’s Innovate RI Small Business Fund (Innovate RI) was established in 2013 to assist entrepreneurs and small businesses in participating in the SBIR/STTR programs. The goals of the fund include the leveraging of state funds to increase federal research dollars in RI, sustaining companies through early stage product development, encouraging the establishment of high potential ventures in the state, and supporting the development of the talent pipeline. Innovate RI is administered by the Rhode Island Science and Technology Advisory Council (STAC).

According to the STAC, Innovate RI Fund awards are used to defray the costs of applying for SBIR/STTR funds, provide required matching funds for Phases I and II, and hiring interns. Under current law, Innovate RI does not have a Phase III commercialization matching grant component. Innovate RI funding for interns is deployed through STAC’s bioscience and engineering internship program (interns are required to be RI residents and go to college in state). Firms receive reimbursements for intern compensation up to \$12 per hour, with a \$3,000 limit.

Article 7 Changes: Article 7 modifies the Innovate RI Fund program as follows:

- Authorizes the STAC, in consultation with the Rhode Island Commerce Corporation, to make awards (called Phase III Commercialization Grants) of up to \$550,000 to eligible businesses to support the commercialization of the results achieved through SBIR/STTR Phase I and II funding.
- Stipulates that 25.0 percent of a Phase III grant will be provided upon award and execution of a grant agreement; 65.0 percent will be made available on a reimbursement basis for eligible expenses; and 10.0 percent will be paid five years after the initial award date, provided that the grantee has stayed in Rhode Island.
- Provides for an application process for a Phase III grant.
- Requires applicants for a Phase III grant to:
 - Have completed their Phase I and Phase II SBIR/STTR awards and reports.
 - Certify that at least 51.0 percent of the research described in the Phase III application and any other SBIR/STTR proposals and commercialization will be conducted in the state and that the business will remain Rhode Island-based for five years after the award is made.
- Amends the STAC's bioscience and engineering internship program to allow reimbursements of pay rates up to the Rhode Island minimum wage, with a \$6,500 total limit.

Fiscal Impact: The changes in Article 7 do not have a direct fiscal impact. The Governor does recommend \$1.0 million in FY2025 for Innovate RI, level with FY2024 and FY2023.

Innovation Initiative

Background: The Innovation Initiative is a multi-pronged economic development incentive program administered by the RI Commerce Corporation. The program seeks to both build capacity among innovation business support organizations in the State and provide direct assistance to businesses, enabling them to better conduct research and development or procure technical assistance.

The Innovation Initiative is structured into two components:

- **Innovation Network Program:** The Innovation Network program provides grants to organizations, including non-profits and for-profits, universities, and co-working space operators that offer technical assistance, operations space on flexible terms, and access to capital to businesses in advanced or targeted industries (as identified by the State's long economic development strategic plan.) To receive an award, organizations must demonstrate a match from a private sector partner or a not-for-profit. An example of an Innovation Network grant is the January 2023, award to Social Enterprise Greenhouse (SEG) of \$100,000. SEG is using these funds to expand its microgrant funds that support small businesses with entity formation, technology needs, legal support, and space.
- **Voucher Program:** The Voucher program provides financing to small businesses, in amounts ranging from \$5,000 to \$75,000, that may be used to pay for: research and technological development; product development; commercialization; market development; technology exploration; and improved business practices/strategies that grow business and create operational efficiencies. Jaia Robotics, a recent voucher recipient for example, is using its \$74,535 award to access Roger Williams University Aquatic Diagnostic Lab in an effort to automate a "pathogen detection process" for aquaculture and fisheries.

A total of 160 companies have received approval from the Commerce Corporation for Innovation Vouchers or Network Matching grants totaling \$10.4 million.

Article 7 Changes: The article makes several changes to the Innovation Initiative incentive program.

- The article expands the types of organizations eligible for the Innovation Network program to include businesses that are "evaluating a transition to become employee-owned businesses." This category is not restricted to advanced or targeted industries.

- The article establishes a new invention incentive program that provides grants up to \$5,000 to small businesses and individuals to reduce barriers to filing a patent application. Grant funds under the program will be disbursed as reimbursements for allowable expenses incurred and related to a submission of an application to the US Patent and Trademark Office.

Fiscal Impact: The changes in Article 7 do not have a direct fiscal impact. The Governor recommends \$1.0 million in FY2025 and \$2.0 million in FY2024. There has been \$15.5 million appropriated since 2016 for this program.

Article 8: Relating to Education

This article modifies the education aid funding formula by limiting the annual growth in the core-instruction amount to the average five-year annual percentage change in the consumer price index and increasing the weight for the English Learners (EL) categorical program from 15.0 percent to 25.0 percent. Taken together, the cap in the core-instruction amount net the increase in the EL weight reduces education aid funding by \$11.9 million relative to the current law calculation. However, the Governor includes \$15.0 million in general revenue for the Department of Elementary and Secondary Education to develop state plans for English Language Arts (ELA) and mathematics.

The article amends the mandatory school lunch and breakfast programs to require the State to reimburse districts for the difference between the federal reimbursement rate for a free lunch or breakfast versus a reduced-price meal. The Budget includes \$812,952 for this purpose.

FISCAL IMPACT

The following table shows the impact by district of the Governor's cap on the core-instruction amount and the increased EL weight relative to current law. The current law calculation includes the October 2023 data used in the Governor's recommendation, the higher core-instruction amount of \$12,617, a 15.0 percent weight for EL, and a freeze on stabilization funds at the FY2024 enacted level.

Governor minus		Governor minus	
District	Current Law	District	Current Law
Barrington	(\$242,509)	Portsmouth	(66,113)
Burrillville	(294,329)	Providence	937,099
Charlestown	(34,142)	Richmond	(136,946)
Coventry	(595,039)	Scituate	(75,597)
Cranston	(1,176,159)	Smithfield	(212,083)
Cumberland	(501,840)	South Kingstown	(120,868)
East Greenwich	(130,370)	Tiverton	(124,897)
East Providence	(714,589)	Warwick	(905,743)
Foster	(25,429)	Westerly	(168,191)
Glocester	(68,045)	West Warwick	(791,964)
Hopkinton	(149,577)	Woonsocket	(970,343)
Jamestown	(17,285)	Bristol-Warren	(246,708)
Johnston	(397,115)	Exeter-West Greenwich	(118,985)
Lincoln	(387,131)	Chariho	(6,477)
Little Compton	(7,261)	Foster-Glocester	655,758
Middletown	(121,867)	Central Falls	(327,992)
Narragansett	(41,036)	District Total	(\$9,680,339)
Newport	(140,347)	Charter School Total	(1,853,630)
New Shoreham	(1,294)	Davies	(207,585)
North Kingstown	(269,722)	Met School	(129,677)
North Providence	(440,675)	Urban Collaborative	(9,822)
North Smithfield	(171,240)	Youth Build Academy	(42,825)
Pawtucket	(1,073,290)		
		Total	(\$11,923,877)

ANALYSIS AND BACKGROUND

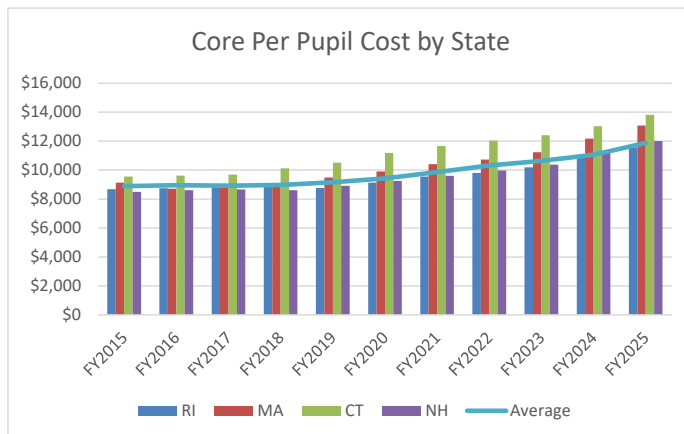
The article makes the following changes to education aid and the school lunch and breakfast programs:

Core-Instruction Amount

The core instruction amount provides a base level of funding per pupil when calculating education aid to school districts. Under current law, it is derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES). Based on the time needed to collect data and develop the budget, the data used in the FY2025 Budget is based on FY2023 expenditures.

The core amount is used to calculate the funding formula distribution, the enrollment transition fund, the poverty stabilization fund, the threshold for High-Cost Special Education reimbursement, the funding formula adjustment for Group Home Aid, and the English Learners fund.

In the Governor's FY2025 Budget, the increase in the core-instructional amount is capped at the average five-year annual percentage change in the consumer price index, for FY2025 that is 3.9 percent or \$459, providing a per-pupil amount of \$12,335. Under current law, the core amount would be \$12,617, an increase of 6.2 percent.



English Learners (EL)

When established through Article 11 of the FY2017 Budget as Enacted, the English Learners (EL) categorical fund provided a 10.0 percent weight and was often not fully funded to meet the qualified reimbursements. The FY2024 Budget as Enacted increased the weight to 15.0 percent and eliminated the ratable reduction clause, requiring the category to be fully funded; consequently, the fund currently provides additional aid of 15.0 percent of the per-pupil core instruction amount for each qualified EL student multiplied by the state share ratio. The WIDA (World-Class Instructional Design and Assessment) Kindergarten-MODEL and the WIDA Screener 1-12 grade are used to identify EL students. The WIDA ACCESS (Assessing Comprehension and Communication in English State to State) is used for monitoring and growth in grade K-12. WIDA is a consortium of state departments of education that developed the ACCESS test that is administered annually to English Learners to monitor the student's language development. The models classify student into six proficiency categories. The categorical aid is used for the three lowest categories: emerging, emerging, and developing.

The current law formula is provided below.

$$(\text{Per-pupil core instruction amount} \times \text{number of EL students}) \times 15.0 \text{ percent} \times \text{state share ratio} = \text{additional state support per EL student}$$

The Governor recommends increasing the weight from 15.0 percent to 25.0 percent of the core amount. The Budget provides \$36.1 million in FY2025 to fully fund this category with a core amount of \$12,335 and a 25.0 percent weight, an increase of \$16.6 million relative to the previous fiscal year. Under current law, with a core amount of \$12,617 and a 15.0 percent weight, the increase would be \$2.7 million relative to the FY2024 Budget as Enacted, \$13.9 million less than the Governor's recommendation for EL.

School Lunch and Breakfast

The Governor fully funds the State's share of administrative costs for the school breakfast program (\$270,000). These administrative costs include hiring servers needed to effectively run the program and

encourage participation. In addition, the Budget includes \$812,952 in general revenue to provide free school meals to all students in public schools eligible for reduced-price meals. The article requires the State to provide funding to districts to cover the difference between the federal reimbursement for free meals and the reimbursement for reduced-price meals; however, schools are only required to provide the meals for free to the extent that federal, state, and other funds are available.

Pursuant to the national school lunch program, students from families with an income up to 130.0 percent of poverty level (\$39,000 for a family of four) qualify for a free meal, and students from families with an income up to 185.0 percent (\$55,500 for a family of four) qualify for a reduced-price meal (\$0.40 or less). According to the Rhode Island Department of Education, 69.0 percent of the lunches served in the State are free or reduced-price meals. According to the Department of Education, 16.6 million meals were served in FY2023.

The cost is estimated based on the number of students eligible, 2.3 million meals, not the number of reduced meals served, which was 969,897 in FY2023. Eligibility was used to ensure adequate funding in the first program year.

	FY2023 School Meals Served			
	Full Price	Reduced Price	Free	Total
Breakfast	1,164,594	264,161	3,649,058	5,077,813
Lunch	4,447,842	705,736	6,403,739	11,557,317
Total	5,612,436	969,897	10,052,797	16,635,130

Source: Rhode Island Department of Education

Article 9: Relating to Health and Human Services

This article modifies current laws governing the Hospital Licensing Fee (HLF), nursing home payments, Disproportionate Share Hospitals (DSH), the implementation date of the Certified Community Behavioral Health Clinics (CCBHCs), and the annual Medicaid Resolution.

FISCAL IMPACT

The article aligns the Hospital Licensing Fee (HLF) for state-owned hospitals with that of non-government owned hospitals imposing the fee in FY2025 and using the same base year of FY2022 when determining the revenues. This change increases the revenue estimate for both FY2024 and FY2025 by \$493,834.

The delay of Certified Community Behavioral Health Clinic (CCHBC) initiative results in a general revenue decrease of \$4.4 million (\$11.4 million all funds) in FY2024, and \$16.0 million in general revenue (\$42.8 million all funds) in FY2025.

ANALYSIS AND BACKGROUND

Hospital Licensing Fee (HLF)

The article includes technical amendments to remove outdated language and continue the HLF fee into FY2025. The base year for the licensing fees levied in FY2024 and FY2025 is FY2022. In addition, the article aligns the HLF for state-owned hospitals with that of non-government owned hospitals imposing the fee in FY2025 and uses the same base year of FY2022 when determining the revenues. This change increases the revenue estimate for both FY2024 and FY2025 by \$493,834. The HLF is estimated to generate \$212.4 million in FY2024 and \$212.9 million in FY2025.

The federal government allows states to assess taxes on health care provided the taxes are broad-based, uniformly imposed throughout a jurisdiction, and do not violate the hold harmless provisions specified in federal regulation. These taxes include revenue from patient care activity but exclude non-patient enterprises such as research, academic activity, or investment earnings. Rhode Island assesses a number of provider taxes, including a hospital licensing fee (HLF) authorized by RIGL 23-17-38.1. The HLF must be authorized annually.

The FY2024 Budget as Enacted amended the HLF to bring the fee into compliance with federal Centers for Medicare and Medicaid Services (CMS) requirements. The new calculation separates inpatient and outpatient hospital license fees, providing a three-tier structure within each class. The total state share raised from each tax will not exceed 6.0 percent of the net patient revenue for each applicable class. The percentages are applied to a hospital's inpatient/outpatient net patient-services revenue for the first hospital fiscal year ending on or after January 1, 2022.

Article 9 Relating to Medical Assistance			
Hospital Tax Tiers			
	Inpatient	Outpatient	
Tier	Tax Rate	Tax Rate	Hospital Types Included in Tier
I	13.12%	13.30%	Hospitals that do not meet the description of Tiers II or III, including Bradley, Butler, Kent, Newport
II	2.63%	2.66%	<ul style="list-style-type: none"> Acute care hospitals with high Medicaid/Uninsured costs, including Landmark, OLF, RIH, RWMC, and W&I Independent Hospitals not part of a multi-hospital system, such as South County Hospital
III	1.31%	1.33%	Medicaid designate "low volume" hospitals, such as Westerly, Rehabilitative Hospitals, and the Rehabilitative Hospital of RI

Nursing Facilities

The article clarifies current practice by specifying that the methodology for providing annual inflationary increases for certain per-diem components in Medicaid payments includes "other-direct care". This component has been adjusted annually for inflation since the implementation of the Resource Utilization Group (RUG) based payment.

Disproportionate Share Hospitals (DSH)

The Disproportionate Share Hospitals (DSH) payments are required under federal statute and intended to offset uncompensated care costs for hospitals in order to improve access for Medicaid and uninsured patients, as well as improving the financial stability of safety-net hospitals. The article allows for the deduction of the estimated state-directed payment when calculating uncompensated-care costs. If the payment is not deducted, the DHS payment will be distributed in amounts that exceed the specific uncompensated care limits, recouped as an overpayment pursuant to the annual audit, and redistributed to qualifying hospitals.

Technical amendments are made to identify the DSH aggregate limit for FFY2024 and FFY2025 at \$14.7 million, consistent with the November 2023 Caseload Estimating Conference (CEC), and require payment on or before June 30, 2024, instead of June 15, to allow for the passage of the budget.

Certified Community Behavioral Health Clinic (CCBHC)

The article moves the statutory deadline for establishing a Certified Community Behavioral Health Clinic (CCBHC) model from February 1, 2024, to July 1, 2024, to reflect the updated project timeline, and provides that changes in federal guidance or requirements may delay the implementation of certified clinics. The delay results in a general revenue decrease of \$4.4 million (\$11.4 million all funds) in FY2024, and \$16.0 million in general revenue (\$42.8 million all funds) in FY2025. The reduction is due to the following:

- **Delayed CCBHC site implementation:** The Budget includes funding to support 4 CCBHCs beginning operations on July 1, 2024, and another 4 CCBHCs coming on line on January 1, 2025; instead of, three sites billing on February 1, 2024, with the remaining 5 starting in FY2025.
- **Prospective Payment System (PPS) Rates:** The PPS rates reflect the per-member cost utilized for the cost estimate. The rate used for the FY2024 Budget as Enacted was derived from three cost reports applied to the February 1, 2024, timeline. The estimate used for the Governor’s recommendation applies the lowest of the three cost reports to the updated timeline. The Department is currently working with providers to clarify the costs, but recent data indicates a lower PPS rate.
- **Third Party Liability (TPL):** The estimate includes an assumption of cost avoidance for fee-for-service (FFS) and managed-care organization (MCO) spending due to TPL. The Budget includes 1.0 new FTE position to focused on TPL recovery for dual-eligible members. Medicaid is a payer of last resort, consequently, third party payers such as private insurance, Medicare, or employer-sponsored insurance should be exhausted before Medicaid is billed. Dual-eligible members are enrolled in both Medicaid and Medicare.
- **Inflation:** The current estimate does not include an inflation adjustment for the first year of implementation.

The CCBHC model is designed to ensure access to coordinated comprehensive behavioral health care through specially-designated clinics that provide a comprehensive range of mental health and substance-use-disorder services. In 2017, the Substance Abuse and Mental Health Services Agency (SAMHSA) selected eight states to participate in the demonstration program including New York and Minnesota. Case studies in both of these states found cost savings and reduction in utilization of emergency department and inpatient hospitalization of more than 50.0 percent, as a result of the program. Currently, 10 states are participating in the CCBHC federal demonstration program. EOHHS projects that full implementation of the program will result in improved access to behavioral health services and a reduction in emergency department and inpatient utilization.

Amendments to the Rhode Island Medicaid Reform Act Resolution

The article establishes the legal authority for the Secretary of the Executive Office of Health and Human Services (EOHHS) to review and coordinate amendments to the Medicaid State plan and category II and III changes in the demonstration “with potential to affect the scope, amount, or duration of publicly-funded

health care services, provider payments or reimbursement, or access to or the availability of benefits and services provided by Rhode Island general and public laws". In FY2025, the article provides the EOHHS will seek federal approval for the following changes:

- **Nursing Facility Payment:** Clarification that the "other-direct care" component of the nursing facility per diem may be revised as necessary;
- **Disproportionate Share Hospitals (DSH) Care Calculation:** To factor in the State-directed payment to hospitals in the base-year uncompensated care used for the DSH payments;
- **Provider Reimbursement Rates:** Implement the rate increases recommended in the Social and Human Service Programs Review Final Report from the Office of the Health Insurance Commissioner (OHIC) over three years, except for the increase for the Early Intervention services which will be fully implemented in FY2025; and,
- **Federal Financing Opportunities:** Empower EOHHS to pursue any changes to the Medicaid program that "promote, increase and enhance service quality, access and cost-effectiveness".

Article 10: Relating to Leases

This article authorizes a single lease agreement for the renewal of office and operating space for the Department of Corrections as required by RIGL 37-6- 2(d), which requires approval of the General Assembly for any new or extended lease agreements meeting certain conditions.

FISCAL IMPACT

Specifically, the article authorizes one lease agreement.

State Agency	Renewal or New Lease	Location	Sq. Ft.	Lease Term	Aggregate Rent	Max. Annualized	Current Lease Expires
Corrections	Renewal	249 Roosevelt Avenue, Pawtucket	4,700	5-years	\$533,580	\$106,716	July 31, 2024

ANALYSIS AND BACKGROUND

The article authorizes one lease agreement pursuant to RIGL 37-6-2(d), which requires that the approval of the General Assembly for any new or extended lease or rental agreements with a term of five (5) years or longer, where the State is the tenant, and the aggregate rent during the proposed term is more than five hundred thousand dollars (\$500,000).

For agreements meeting these specifications, the law states that the State Properties Committee must submit a resolution including the following information: the purpose of the lease or rental agreement, the agency's current lease or rental costs, the expiration date of the present lease or rental agreement when applicable, the total range of costs of a new lease or rental agreement, the proposed term length of a new agreement, and the location and current owner of the property.

The article authorizes the following lease renewal agreement.

Department of Corrections – 249 Roosevelt Avenue, Pawtucket

The article authorizes the Department of Corrections (DOC) to renew a lease agreement with PUI O Inc. for 4,700 square feet of office space located at 249 Roosevelt Avenue in Pawtucket. The DOC uses the property as a regional Adult Probation and Parole location, providing services to Pawtucket and the surrounding communities. The anticipated annual base rent of the lease is not to exceed \$106,716, an increase of \$6,982 from the current lease of \$99,734. Furthermore, the lease's aggregate base rent is not to exceed \$533,580, and the renewal term is expected to be five years, but may not exceed five years.

Article 11 - Relating to Effective Date

This article provides that the Act will take effect on July 1, 2024, except as otherwise provided herein.

Senate Fiscal Office

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Administration
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Commission on Disabilities
Convention Center Authority
General Treasurer
Governor
Historic Preservation and Heritage Commission
Human Rights Commission
I-195 Redevelopment Commission
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Public Utilities Commission
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Judiciary
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Business Regulation
Commission on Deaf and Hard of Hearing
Ethics Commission
Health
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