

# FY 2026 Changes to Governor

## Revenue Changes

**May Revenue Estimate.** The May 2025 Revenue Estimating Conference increased the FY 2026 estimate to \$5,486.3 million based on its FY 2025 revisions and the new economic forecast. The estimate is \$19.2 million more than the November estimate and \$19.3 million more than the Governor's recommended level, adjusted for recommended changes that could not be included in the estimate.

**Vital Records Receipts - H-5349.** Current law authorizes a fee of \$20 for a vital records request. The chief of the Office of Vital Records within the Department of Health is also authorized to assess surcharges for certified records; these receipts are deposited as general revenues. The House is advancing legislation in 2025-H 5349 that would exempt incarcerated individuals set to be released from prison from the payment of these fees for a vital record request. The House Finance Committee reduces general revenues by \$8,475 to reflect the anticipated revenue loss.

**Digital Advertising Tax.** The House Finance Committee does not concur with the Governor's proposal to create a 10.0 percent tax on business gross revenue derived in Rhode Island from digital advertising for companies with at least \$1.0 billion in global revenues, effective for tax years beginning on or after January 1, 2026. The Governor's FY 2026 budget assumes \$9.5 million in revenues that would annualize to \$19.6 million for FY 2027.

**Cigarette Tax Increase.** The House Finance Committee does not concur with the Governor's proposal to increase the cigarette tax by \$0.50 to \$5.00 per pack, including a floor tax adjustment effective September 2, 2025. Currently, the rate is \$4.50 per pack of cigarettes. This rate was enacted by the 2024 Assembly as part of the FY 2025 Appropriations Act, effective September 1, 2024. The Governor's budget assumes \$4.4 million in additional revenues.

**OTP Tax on Nicotine Pouches - Oct 1.** The House Finance Committee recommends updating the definition of items subject to the tax on other tobacco products to include nicotine pouches. These small synthetic fiber pouches containing nicotine are designed to be placed between a person's gum and lip, but are not expressly included in the 80.0 percent of wholesale cost tax applied to tobacco or other tobacco products. Other states have similarly extended their taxes on this product, including Maine, Illinois, and Minnesota. This is estimated to generate \$7.5 million, assuming an effective date of October 1, 2026, which would annualize to \$12.0 million for FY 2027.

**Motion Picture Tax Credit Cap Shift (GBA).** The House Finance Committee concurs with the Governor's requested budget amendment to retroactively adjust the annual cap for the motion picture and theatrical production tax credits, correcting an error resulting from several project completions that were misaligned with initial expectations. The calendar year 2022 cap would increase from \$30.0 million to \$35.0 million, and the 2023 cap would decrease from \$40.0 million to \$35.0 million. This is estimated to result in \$3.2 million in additional redemptions affecting FY 2026 revenue.

**Real Estate Conveyance Tax Increase (Oct 1).** The Real Estate Conveyance Tax includes a first-tier rate of 0.46 percent charged on all transfers and a second-tier rate of 0.46 percent charged on the portion of residential transfers above \$800,000. The Governor recommended increasing the second-tier rate to 0.79 percent, resulting in a top-tier effective rate of 1.25 percent, effective October 1, to generate \$2.3 million for the Housing Resources and Homelessness restricted account in FY 2026. The House Finance Committee recommends increasing both rates to 0.75 percent, for a top-tier effective rate of 1.5 percent, also effective October 1, 2025. Revenue from the first tier is allocated according to a statutory formula that includes an allocation to municipalities, essentially unchanged from current law. The second-tier rate would now be split, with 0.50 percent of the 0.75 percent allocated to the Housing Production fund, up from

the current 0.46 percent, and the remaining 0.25 percent to the Housing Resources and Homelessness restricted account.

The House Finance Committee's recommendation is estimated to generate \$13.5 million for FY 2026 across all fund sources, annualizing to \$18.7 million for FY 2027. Compared to the Governor's recommendation, this adds \$8.4 million for general revenue, \$1.5 million for the Housing Resources and Homelessness account, and \$0.3 million for the Housing Production Fund. Additionally, revenues to municipalities would increase by \$10.7 million for FY 2026 and \$14.7 million for FY 2027.

**Sales Tax on Parking.** The House Finance Committee recommends expanding the application of the current 7.0 percent sales and use tax to short-term parking of up to one month. Currently, 15 states and Washington, D.C., charge either a specific parking excise tax or sales tax. This is estimated to generate \$1.6 million in FY 2026, with an annualized total of \$3.2 million for FY 2027. The House Finance Committee also recommends general revenue support in the Department of Revenue for implementation costs of new revenue initiatives.

**Fire Arms Safety Device Sales Tax Exemption.** The House Finance Committee does not concur with the Governor's proposal to exempt firearm safety devices and storage devices from the state's sales tax. His budget assumes a revenue reduction of \$85,714 for FY 2026, based on an October 1 implementation. This would annualize to \$115,437 for FY 2027.

**Health Services Funding Assessment Jan 1, 2026.** The House Finance Committee recommends legislation establishing an assessment, similar to the child and adult immunization program assessments, to generate \$30.0 million annually to support primary care and other critical healthcare programs. The current assessments are based on a per member per month fee applied to all covered lives including self-insured; this is estimated to be approximately \$4 per month per covered life. The funds would be deposited as general revenues and the FY 2026 impact is \$15.0 million for half a year.

**Low Income Housing Tax Credit Accounting (GBA).** Allocations to the restricted account to fund future state Low-Income Housing Tax Credits, first authorized in 2023, have been budgeted as a general revenue expenditure. The state controller reclassified the FY 2024 transaction as a fund transfer based on current accounting standards, but the Governor's FY 2025 revised and FY 2026 recommendations, which contain \$4.0 million in each year, retained the original treatment. The House Finance Committee concurs with the Governor's amended recommendation to correct this classification; there is no change to the funding commitment amount.

**Housing Resources and Homelessness Recapitalization.** The House Finance Committee recommends the transfer of \$2.5 million from general revenues to the Housing Resources and Homelessness restricted account. FY 2027 will be the first year of full collections for two new dedicated revenue streams. These funds are intended to bridge the gap for FY 2026 while these initiatives are implemented.

**Dental Insurance Loss Ratio.** The 2024 Assembly required the Office of the Health Insurance Commissioner to provide recommendations on dental health plans and dental premium dollars spent on patient care by October 1, 2026. It authorized the Office to levy a maximum of \$150,000 from general revenues for contractors to produce the report. Consistent with the request, the Governor recommends the full \$150,000 in each FY 2025 and FY 2026. The House Finance Committee recommends \$24,000 for FY 2025 and \$126,000 for FY 2026, based on updated estimates contained in the Office's third quarter report. This requires corresponding adjustments to revenue and expenditure assumptions.

**Dredge Fee to Restricted.** The House Finance Committee recommends authorizing borrowing \$23.0 million through Certificates of Participation for the Providence River and Harbor Shipping Channel maintenance dredging. To partially cover the debt service, the recommendation also increases the minimum

dredge fee from \$11.65 to \$35.00 and directs all fees to the Dredge Fund. Under current law, amounts up to \$11.65 are deposited as general revenues, with any fees above that going to the Dredge Fund. The House Finance Committee recommends reducing revenues by \$100,000 to reflect the impact on current revenue estimates from this change.

**HMA Fee Rebase Impact.** The House Finance Committee includes two proposals to increase resources being deposited into the Highway Maintenance Account, including establishing annual registration fees on electric vehicles and increasing the current surcharges on license and most vehicle registrations by \$10.00. These changes would take effect on January 1, 2026, and would generate \$6.7 million for FY 2026, or \$4.9 million more than the Governor's budget assumed. Currently, 5.0 percent of the receipts are retained as general revenues to offset the cost of collections, which equates to \$0.2 million and is included in the House Finance Committee recommendation.

**Traffic Fines Rebase from 2008 Eff July 1, 2025.** The 2008 Assembly revised the traffic violation schedule, increasing most fines from \$75 to \$85. Fees have not been adjusted since, although cumulative inflation over the same time period is around 50 percent. The House Finance Committee recommends revising the violation schedule, increasing most fines from \$85 to \$100, representing an approximately 18 percent increase. This is anticipated to generate \$0.5 million in new general revenues.

**Workers' Compensation Indirect Cost Recovery.** The House Finance Committee recommends exempting the Workers' Compensation Administration Fund from the state's indirect cost recovery charge. This would result in a loss of \$3.6 million for FY 2026 from the Governor's recommendation, which increases the assessment from 10 to 15 percent.

### **Administration**

**Capital - 560 Jefferson Boulevard.** The revised budget includes \$2.9 million from Rhode Island Capital Plan funds for FY 2025 to install a new roof; heating, ventilation, and air conditioning system; and asset protection funding for 560 Jefferson Boulevard. The facility is currently occupied by the Office of the State Fire Marshal, Office of Veterans Services, and the Cannabis Control Commission. Based on a delay in the project, which is currently in the design phase, the House Finance Committee shifts \$2.0 million from FY 2025 to FY 2026.

**Capital - Cannon Building (GBA).** The capital budget includes \$15.9 million from Rhode Island Capital Plan funds from FY 2025 through FY 2030 for repairs and renovations to the Cannon Building. The Department of Administration plans to upgrade heating, ventilation, and air conditioning and electrical systems, renovate restrooms, and address Americans with Disabilities Act compliance. The House Finance Committee concurs with the Governor's requested amendment to reduce funding by \$1.5 million, including \$0.6 million from FY 2025 and \$0.9 million from FY 2026. This reflects the Department's updated project timeline, which aligns expenses with the completion of the Capitol Hill Master Plan, for which \$1.7 million is included in the State House Renovations project.

**Capital - Chapin Health Laboratory (GBA).** Based on anticipated expenses, the Governor requested two amendments to recognize savings of \$350,000 from Rhode Island Capital Plan funds for asset protection for the Chapin Health laboratory. The recommended capital plan includes \$1.2 million for FY 2025 through FY 2027. The building houses several laboratories for the Department of Health. Construction for a new health laboratory is anticipated to be completed by the end of this year. Of the \$0.5 million recommended for FY 2025, \$0.3 million has been spent. The House Finance Committee concurs with the requested amendment and reduces \$100,000 from FY 2025 and \$250,000 from FY 2026.

**Capital - DoIT Enterprise Operations Center.** The House Finance Committee does not concur with the Governor's recommendation to acquire and renovate a new facility in East Providence, which includes a

data center. It provides a total of \$16.8 million from Rhode Island Capital Plan funds from FY 2025 through FY 2030 for the current information technology facility in Warwick. This is \$7.0 million more than recommended, with \$3.5 million for each FY 2026 and FY 2027, reflecting updated expenses for the roof replacement and the rooftop heating, ventilation, and air conditioning systems.

**Capital - State Office Property Acquisition.** The House Finance Committee does not concur with the Governor's proposal to acquire, renovate, and move various state operations to a new facility in East Providence and removes \$31.0 million from Rhode Island Capital Plan funds recommended for this expense. It does recommend providing an additional \$7.0 million to fund the updated project cost for the current information technology facility in Warwick.

**Capital - State Office Reorganization and Relocation.** The Governor's capital budget includes \$1.8 million from Rhode Island Capital Plan funds for FY 2026 for state office reorganization costs, including new expenses of \$1.5 million as part of this project for potential relocation costs primarily related to his proposal to acquire a new state office facility. The House Finance Committee does not concur with the proposal to acquire the facility and reduces relocation expenses by \$1.0 million.

**Capital - Washington County Government Center (GBA).** The Governor's capital budget includes a total of \$2.1 million from Rhode Island Capital Plan funds for the Washington County Government Center project. This includes \$1.2 million for architectural and engineering services, \$0.8 million for asset protection, and \$0.1 million for a feasibility study, which is ongoing. The Governor requested an amendment to exclude funding for the architectural and engineering services, including \$0.7 million from FY 2025 and \$0.5 million from FY 2026. The administration notes that the feasibility study will identify construction projects, and architectural and engineering services. The House Finance Committee concurs and adjusts expenses accordingly.

**Capital - Zambarano Buildings and Campus (GBA).** Following his budget submission, the Governor requested amendments to add \$10.1 million from Rhode Island Capital Plan funds, based on updated expense projections for the Zambarano Buildings and Campus project, bringing total expenses to \$29.1 million. This includes \$7.0 million total, based on bids received to replace the wastewater treatment facility, which must comply with Department of Environmental Management standards. This component is now expected to cost \$11.0 million. The amendment also revises expenses for demolition of several buildings on campus; actual costs will be known when bids are received in June. The House Finance Committee concurs and includes \$8.5 million for FY 2025 and \$1.7 million for FY 2026.

**Capital - Zambarano LTAC Hospital.** The Governor recommends \$197.1 million from all sources to construct a new 100-patient long-term care facility at the Zambarano Campus of Eleanor Slater Hospital to replace the Beazley building. This is \$90.0 million more than approved and would be funded through debt issued via Certificates of Participation. The recommendation budgets \$8.6 million of spending in FY 2025 and \$26.1 million in FY 2026 from Rhode Island Capital Plan funds and assumes that the Assembly will eventually approve the newly proposed debt, but the Governor's budget does not contain the debt proposal for approval. Testimony during agency budget hearings noted that cost estimates were still being developed, and it would be several months before a clearer picture of the project's full cost would be available. The House Finance Committee recommends shifting the FY 2026 funding to FY 2030, based on a delay in the design phase of the project, including the identification of cost estimates and financing plans, for further consideration and approval. The recommendation maintains funding in the multi-year plan, which includes \$23.8 million for FY 2027, \$24.4 million for FY 2028, \$24.2 million for FY 2029, and \$26.1 million for FY 2030.

**Contract Reserve Distribution.** Subsequent to the enactment of the FY 2025 budget, the McKee Administration reached agreements with a majority of state employee unions that included cost-of-living adjustments of 5.0 percent for FY 2025, 4.0 percent for FY 2026, and 3.0 percent for FY 2027, for a total

of 12.0 percent. The Governor's recommended budgets include a total of \$32.8 million from all sources for both FY 2025 and FY 2026 for potential costs where settlements were not yet reached. The House Finance Committee recommends distributing the funds to the Departments of Corrections, Elementary and Secondary Education, and Public Safety. Settlements were reached that exceeded the aggregate amount set aside for FY 2026 by \$11.6 million from general revenues.

**DCAMM Project Managers.** The House Finance Committee does not concur with the Governor's recommendation to allocate salary and benefit expenses for project managers and architects from general revenues to Rhode Island Capital Plan funds, and restores the budgeted savings of \$2.0 million from general revenues. The Governor's recommendation assumes these expenses could be absorbed within existing project authorizations, but did not identify how this would work. He subsequently requested an amendment to restore \$49,600 of inadvertently included administrative position expenses. The voters approved a constitutional amendment in 2006 to allow the funds to be used solely for capital projects, effective in fiscal year 2008.

**FEMA Contingency Reserve Timing.** The Governor's recommended budget excludes the enacted amount of \$5.0 million from general revenues provided as a one-time expense for contingency reserve for COVID-19 related expenses, in the event reimbursements from the Federal Emergency Management Agency differ from budgeted assumptions. The state is no longer incurring any COVID-related Federal Emergency Management reimbursable emergency expenses, and reimbursement was substantially complete as of FY 2024. In April, the Department submitted management costs to the Agency for review, which is ongoing. The House Finance Committee recommends \$1.5 million for FY 2025 and requires unspent funds to be automatically reappropriated to FY 2026, for which it also adds \$2.5 million.

**Library Aid Full Funding.** Under current law, the state supports local libraries via grants-in-aid at a level equivalent to 25.0 percent of the amount appropriated and expended from local tax revenues in the second prior fiscal year by the municipalities in which the libraries are located, subject to appropriation. The House Finance Committee recommends \$12.1 million from general revenues for full funding. This is \$0.2 million more than the Governor's recommendation, which represents a 24.5 percent reimbursement.

**Primary Care Health Assessment State Cost.** The House Finance Committee recommends legislation establishing an assessment, similar to the child and adult immunization program assessments, to generate \$30.0 million annually to support primary care and other critical healthcare programs. The current assessments are based on a per member per month fee applied to all covered lives including self-insured. As an employer, the estimated cost for the state is \$1.4 million, of which \$0.8 million is from general revenues.

### **Office of Energy Resources**

**Staffing Expansion (3.0 FTE).** The Governor recommends \$0.5 million from all sources and staffing authorization for 3.0 new full-time equivalent positions. This includes \$0.2 million from restricted receipts for a senior legal counsel position, and \$0.3 million from federal funds for 2.0 programming services officers to administer the Solar for All and two home rebate programs. As of late April, the Office had one position vacant. The House Finance Committee does not recommend the staffing expansion and reduces funding and the authorization accordingly.

### **Business Regulation**

**Primary Care Rate Review (GBA).** The Governor requested a budget amendment to add \$450,000, including \$225,000 each from general revenues and federal funds, to produce a one-time report on primary care reimbursement rates due September 1, 2026. The House Finance Committee recommends \$400,000

for FY 2026, based on an updated timeline from the Office, which indicates that \$50,000 of this work will occur in FY 2027.

**Capital - Fire Academy Expansion.** The Governor's capital recommendation includes \$13.2 million from Rhode Island Capital Plan funds to expand the State Fire Academy. This is \$4.9 million more than enacted, including \$2.7 million more based on bids received and \$2.2 million for a separate evidence room. The House Finance Committee recommends adjusting the timing of the proposed funding to reflect an updated project schedule provided by the Department, including \$4.6 million less for FY 2025, \$3.6 million more for FY 2026, and \$1.0 million more for FY 2027.

**Dental Insurance Loss Ratio.** The 2024 Assembly required the Office of the Health Insurance Commissioner to provide recommendations on dental health plans and dental premium dollars spent on patient care by October 1, 2026. It authorized the Office to levy a maximum of \$150,000 from general revenues for contractors to produce the report. Consistent with the request, the Governor recommends the full \$150,000 in each FY 2025 and FY 2026. The House Finance Committee recommends \$24,000 for FY 2025 and \$126,000 for FY 2026, based on updated estimates contained in the Office's third quarter report. This requires corresponding adjustments to revenue and expenditure assumptions.

**E-Permitting Current Service.** The Governor recommends \$0.8 million from general revenues, \$0.4 million less than enacted, to support online permitting for all Rhode Island municipalities. Funding supports ongoing operating expenses, such as software licenses for all 39 municipalities, and one associated position. The reduction represents prior year spending, but current law expansion plans suggest this reduction may shift some of the compliance costs onto municipalities. The House Finance Committee recommends \$0.2 million more, for a total of \$1.0 million, which supports expanding the program to additional permit types effective October 2025, as required by the 2024 Assembly.

**Health Spending Accountability and Transparency Program.** The Governor's recommendation includes \$0.5 million from general revenues to collect insurer and claims data intended to help healthcare businesses meet voluntary cost growth targets. From FY 2018 to FY 2022 work was funded by a grant from the Peterson Center on Healthcare through Brown University. The 2022 Assembly provided the enacted level of funding, a portion of which supported one-time work to produce recommendations related to hospital global budgeting. The House Finance Committee recommends \$0.2 million less to reflect the reduced scope of ongoing work.

### **Cannabis Control Commission**

**New Positions (-2.0 FTE).** The House Finance Committee does not concur with the Governor's recommendation for \$0.3 million from cannabis restricted receipts for the Cannabis Control Commission to add an administrative officer and a legal support position. The enacted budget provides funding for 2.0 legal counsels and 4.0 administrative officers. The Commission has since repurposed an administrative officer position for a public affairs chief. As of May, the Commission has 3.0 vacancies within its existing authorization for 26.0 positions.

### **Executive Office of Commerce**

**Capital - I-195 Redevelopment District Parks.** The Governor's revised budget includes \$3.0 million from Rhode Island Capital Plan funds for FY 2025 to finance infrastructure and development projects for the I-195 Redevelopment District's parks. Work includes a food and beverage service pavilion, utility infrastructure, landscaping, and replacement of trash receptacles and benches. Based on project delays, the House Finance Committee recommends shifting \$1.0 million from FY 2025 to FY 2026.

**Wavemaker Cohorts.** The Governor's FY 2026 recommendation includes \$1.0 million from general revenues, \$3.1 million less than enacted, for the Wavemaker Fellowship program for student loan repayment tax credits. This is estimated to support current cohorts and roughly 85 additional awards; applications for an upcoming eighth cohort closed on March 28, 2025. The House Finance Committee recommends \$1.6 million more from general revenues, which is estimated to provide approximately 180 additional awards.

## **Housing**

**Analytics Capacity.** The Department's request includes \$3.1 million and 2.0 new full-time equivalent positions for several initiatives aimed at increasing its research and planning capacity. In lieu of funding any specific initiative, the Governor recommends \$250,000 from general revenues to expand planning, analytics, and research capacity. The House Finance Committee does not concur.

**Federal Grant Adjustment (GBA).** Following the Governor's budget release, the Department of Housing announced receipt of a new \$3.8 million federal grant to identify and remove barriers to affordable housing production and preservation. The House Finance Committee concurs with the Governor's amended recommendation to add \$500,000 for FY 2026 to reflect anticipated spending.

**Housing Resources and Homelessness from FY 2025.** The House Finance Committee recommends shifting \$4.0 million from Housing Resources and Homelessness restricted receipts from FY 2025 to FY 2026, consistent with the Department's third quarter report. The account is supported by a dedicated portion of the first tier of the Real Estate Conveyance Tax. The enacted budget reflects placeholder values after the 2024 Assembly provided a one-time transfer of \$10.0 million from general revenues.

**Housing Resources and Homelessness Dedicated Revenue Expansion.** The Governor recommends \$4.4 million from restricted receipts from two new dedicated revenue sources for the Housing Resources and Homelessness restricted account. The recommendation extends the 5.0 percent state hotel tax to whole unit short-term rentals effective January 1, 2026, which is assumed to generate \$2.1 million for FY 2026. It also proposes increasing the second tier of the real estate conveyance tax from 0.46 percent to 0.79 percent for the portion of a residential property's value above \$800,000, effective October 1, 2025, which is assumed to generate \$2.3 million for FY 2026.

The House Finance Committee recommends \$5.9 million, which is \$1.5 million more than recommended, including \$1.0 million less from short-term rentals and \$2.5 million more from the real estate conveyance tax. It concurs with extending the state hotel tax to whole unit short-term rentals, but alters the distribution of revenues, providing 50.0 percent for the restricted account and 25.0 percent each for the municipality and tourism district in which the rental occurs. It also recommends increasing both the first- and the second-tier real estate conveyance tax rates to 0.75 percent and making all associated funds available for FY 2026.

**Housing Production Fund Dedicated Revenue Expansion.** The House Finance Committee recommends \$0.3 million from new restricted receipts for the Housing Production Fund, resulting from increasing both the first- and the second-tier real estate conveyance tax rates to 0.75 percent, effective October 1, 2025. The Governor recommended only that the second-tier on the portion of a residential properties value above \$800,000 be increased, from 0.46 percent to 0.79 percent, and did not dedicate any resulting revenues to the fund.

**Indirect Cost Recovery Application.** Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through a negotiated indirect cost rate. Current law mandates that all state agencies apply for the rate when it is allowed. In fall 2024, the minimum federal rate was increased from 10.0 percent to 15.0 percent. The Department does not appear to charge this to its grants. The House

Finance Committee recommends authority to spend \$125,000 from new restricted receipts, assuming the Department begins applying a 15.0 percent indirect cost recovery on federal grants it receives.

**Low Income Housing Tax Credit Accounting (GBA).** Allocations to the restricted account to fund future state Low-Income Housing Tax Credits, first authorized in 2023, have been budgeted as a general revenue expenditure. The state controller reclassified the FY 2024 transaction as a fund transfer based on current accounting standards, but the Governor's FY 2025 revised and FY 2026 recommendations, which contain \$4.0 million in each year, retained the original treatment. The House Finance Committee concurs with the Governor's amended recommendation to correct this classification; there is no change to the funding commitment amount.

**Relocation Expenses.** The Governor recommends \$0.4 million for FY 2025 and \$0.1 million for FY 2026 to purchase equipment associated with new staff members and transitioning office locations. The Department relocated to the Shepard Building in Providence in January 2024 and to the Powers building in March 2025. The House Finance Committee recommends excluding the FY 2026 funding.

### **Labor and Training**

**Job Development Fund Non-Profit Assessment.** The House Finance Committee does not concur with the Governor's proposal to extend the job development assessment of 0.21 percent to include non-profit, non-governmental employers of 500 or more employees. It also excludes the related \$2.6 million of restricted receipt expenditures for Real Jobs Rhode Island and core unemployment services that would have been supported by the new assessment.

**Work-Based Learning Initiative.** The House Finance Committee does not concur with the Governor's recommendation to provide a new allocation of \$2.0 million from general revenues for FY 2026 to support work-based learning opportunities for youths through existing programming through Real Skills for Youth and PrepareRI. The Governor's Workforce Board restricted receipts currently fund these initiatives. The Department indicates that the new general revenues would supplement existing funding; however, budgeted funds exceeded expenditures for both programs in FY 2024.

**Year Up Grant.** The House Finance Committee does not recommend continuing the enacted amount of \$200,000 from general revenues to support Year Up, a national nonprofit organization that provides skills and experiential support to underserved young adults. This organization no longer maintains a physical location in Rhode Island, and its mission overlaps with several existing initiatives under the Department's purview.

### **Revenue**

**Revenue Initiatives Implementation.** The House Finance Committee recommends 3.0 new positions and \$700,000 for the Division of Taxation to implement new revenue initiatives contained in the budget. This is 1.0 position and \$250,000 more than the Governor's budget that includes 2.0 new positions and \$450,000 from general revenues for staffing and implementation costs related to a new tax on digital advertising revenues that the House Finance Committee does not recommend.

**PILOT Full Funding.** The Governor recommends the enacted level of \$49.2 million from general revenues for the Payment in Lieu of Taxes program that reimburses cities and towns for property taxes that would have been due on real property exempted from taxation by state law. Municipalities may be reimbursed up to 27.0 percent of the tax that would have been collected if the property had been taxable, subject to appropriation. The enacted budget funds the program at 26.7 percent; the Governor's FY 2026 recommendation equates to 25.9 percent. The House Finance Committee recommends adding \$2.1 million to fully fund the program.



**Distressed Communities Aid.** For FY 2026, the Governor recommends the enacted level of \$12.4 million for the Distressed Communities Relief Fund. Communities' aid distribution is based on updated qualifying tax levies. The FY 2026 recommendation includes Coventry as a qualifying community. Coventry will receive a transition payment equal to 50.0 percent of the current law requirement, resulting in decreased payments to the other eligible communities. The House Finance Committee recommends adding \$2.5 million to provide a total of \$14.9 million.

**Motor Vehicle Excise Tax Reimbursement Index to 2%.** The Governor recommends funding the Motor Vehicles Excise Tax Phase-out program at \$234.9 million for FY 2026. This is \$9.7 million less than the current law estimate and assumes repealing the provision that requires increased aid proportional to the sales tax revenue change compared to the prior year. Under current law, the FY 2025 distribution increases for some and decreases for others based on rounding values as part of the indexing to the sales tax. The FY 2026 recommendation proposes providing community distributions at the greater of the FY 2025 or FY 2024 level. The tax was ended for each local government effective FY 2024, and FY 2026 is the first year the growth index would be applicable. The House Finance Committee recommends maintaining current law to allow growth, but capping the increase at 2.0 percent. It adds \$4.7 million to provide a total of \$239.5 million.

### **Secretary of State**

**Statewide Voter List Maintenance Mailing.** The Secretary of State requested \$750,000 from general revenues for FY 2026 to conduct a statewide mailing to update the state's voter registration list as the optimal way to ensure that state voter rolls are as accurate as possible for future elections. The mailing would be a one-time expense in a non-election year. The Governor did not recommend this funding. The House Finance Committee recommends \$750,000 from general revenues, consistent with the request.

### **Public Utilities Commission**

**Commission - Legal Staff (1.0 FTE).** The 2024 Assembly added \$0.2 million from restricted receipts and 1.0 full-time equivalent chief financial analyst position for the Public Utilities Commission to assist in the evaluation and analyses that support the Commissioners' review of cases. The Commission cited the rapid growth and complexity in the utility cases it reviews as the reason for requesting this specialty position, which the Governor did not recommend. The House Finance Committee recommends removing funding and the position authorization for FY 2026, as the Commission opted to fill a legal position instead.

### **Executive Office of Health and Human Services**

**AHEAD Model (GBA).** The House Finance Committee concurs with the Governor's requested amendment to recognize federal funds for the newly awarded AHEAD Model program and includes \$2.0 million. The Executive Office applied for the States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model grant in August 2024. The grant was announced in late October but not included in the FY 2026 request or the Governor's recommendation. The ten-year grant consists of a two-year pre-implementation period from January 2025 through December 2026, followed by eight years of investments starting in January 2027.

**Community Health Worker Program Integrity.** The House Finance Committee recommends decreasing the May consensus caseload expenses for the Community Health Worker Program by \$15.0 million, including \$4.4 million from general revenues. The adjustment recognizes an overstatement in the underlying projections that maintained some anomalous expenses that were found to be improper and led to a recent rule-making process to ensure the integrity of the program.

**Conflict-Free Case Management System from FY 2025 (GBA).** The House Finance Committee concurs with the Governor's requested amendments to adjust expenses to reflect the current plan for conflict-free case management by shifting \$5.2 million from the time-limited program that allows for enhanced Medicaid reimbursement on eligible home and community based services included in the American Rescue Plan Act to be reinvested in expanding services. The amendments shift \$5.2 million, including \$3.2 million from federal funds and \$2.1 million from restricted receipts, to FY 2026 from FY 2025.

**Family Medicine Residency Program.** The House Finance Committee recommends adding \$500,000 from general revenues to support Thundermist Health Center's Family Medicine Residency Program. The center also receives federal funds directly used for the retention of residency faculty and the recruitment of the new class of residents.

**Federally Qualified Health Care Center Rates.** The House Finance Committee recommends adding \$10.5 million, of which \$4.0 million is from general revenues, to increase reimbursements to the federally qualified health centers, effective July 1, 2025.

**Health System Transformation Project (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$1.1 million for the Health System Transformation Project. This includes \$0.8 million more from federal funds and \$0.3 million more from restricted receipts, providing \$3.5 million for FY 2026 and exhausting the time-limited funds.

**Home and Community Based Support - ARPA (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$2.9 million from federal funds and restricted receipts from the time-limited program that allows for the enhanced Medicaid reimbursement on eligible home and community based services. The recommendation includes a negative appropriation, and this adjustment corrects that.

**Hospitals - Long Term Care Behavioral Health Bed Rate.** The Governor requested an amendment for federal authority for a new rate reimbursement model to support a 21-bed long-term care behavioral health inpatient unit at Fatima Hospital. The House Finance Committee concurs with seeking authority for a rate model for this kind of placement, generally, and recommends adding \$7.5 million, including \$3.2 million from general revenues to support such placements in community hospitals.

**Hospitals - Outpatient Upper Payment Limit.** The House Finance Committee does not concur with the Governor's recommendation to eliminate the outpatient upper payment limit reimbursement made to the community hospitals and adds \$8.4 million, including \$3.0 million from general revenues.

**Hospitals - Inpatient Upper Payment Limit.** The House Finance Committee does not concur with the Governor's recommendation to eliminate the inpatient upper payment limit reimbursement made to the community hospitals and adds \$16.8 million, including \$5.9 million from general revenues.

**Hospital - Rates at Current Law.** The House Finance Committee does not concur with the Governor's recommendation to limit the FY 2026 hospital rate increase to 2.3 percent and adds \$5.1 million, including \$1.6 million from general revenues, to bring the increase to the current law rates ranging from 2.9 percent for payments through managed care plans to 3.4 percent for fee-for-service reimbursements.

**Infrastructure for School Based Services Grant (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$145,215 from a new federal grant for FY 2025 and \$1.0 million for FY 2026. The Executive Office was awarded a \$2.5 million, three-year grant on June 25, 2024, to expand School-Based Medicaid Services. The consultants will conduct a needs assessment and engage with community stakeholders.

**May Caseload Conference - Medicaid.** The House Finance Committee recommends decreasing medical assistance expenses by \$31.2 million for FY 2026 to reflect the May Caseload Estimating Conference estimate. This includes updated expenses that reflect rate increases and projected utilization. Accounting for the remaining changes already assumed in the Governor's budget, FY 2026 spending is estimated to be \$4.4 million less from federal funds, \$3.5 million less from general revenues, and \$1.0 million less from restricted receipts.

**Medicaid Enterprise System Delay.** The House Finance Committee recommends reducing expenses for the Medicaid Enterprise System by \$48.0 million, including \$4.3 million from general revenues, to reflect an updated project schedule for the new system. The budget includes \$14.2 million, of which \$1.9 million is from general revenues, for FY 2026. A similar reduction was taken in FY 2025 based on the Executive Office's third quarter report.

**Medicaid Primary Care Rates - October 1, 2025.** The House Finance Committee recommends adding \$26.4 million, of which \$8.3 million is from general revenues, to raise primary care rates to 100 percent of Medicare rates, effective October 1, 2025.

**Medicare Savings Program Expansion.** The House Finance Committee recommends adding \$7.1 million, including \$0.7 million from general revenues, to expand the Medicare Savings Program. A similar proposal was included by the 2024 Assembly to expand the benefit from 138 percent to 185 percent for Qualified Individuals and added only federal funds, but because of the limitation to one group, it could not be implemented. This expansion increases eligibility to 125 percent of poverty for the Qualified Medicare Beneficiary group and up to 168 percent for the Qualified Individuals group.

**Mobile Response Stabilization System.** The House Finance Committee recommends adding \$900,000 from general revenues to provide additional funding for Mobile Response and Stabilization Services for FY 2026. This will support uninsured and underinsured and cover costs not reimbursed by Medicaid and other commercial insurers.

**Nursing Home Minimum Staffing Enhanced Rate.** The House Finance Committee concurs with the Governor's recommendation for a 2.3 percent increase for the FY 2026 annual inflator and also adds \$12.0 million, including \$5.0 million from all general revenues, to increase base payments to nursing facilities by three percent. This brings the FY 2026 increase to \$21.3 million, including \$8.8 million from general revenues, with 100 percent of the \$12.0 million base adjustment passed along to the direct care worker.

**Pathways to Removing Obstacles Housing Award (GBA).** Subsequent to submission of the Governor's recommendation, the Department of Housing announced receipt of a new \$3.8 million federal grant to identify and remove barriers to affordable housing production and preservation. The House Finance Committee concurs with the Governor's amended recommendation to add \$600,000 for FY 2026 to reflect anticipated spending in the Executive Office of Health and Human Services.

**Primary Care Health Assessment Impact.** The House Finance Committee recommends legislation establishing an assessment, similar to the child and adult immunization program assessments, to generate \$30.0 million annually to support primary care and other critical healthcare programs. The current assessments are based on a per member per month fee applied to all covered lives including self-insured. For the Executive Office of Health and Human Services, the estimated cost on behalf of its Medicaid enrollees is \$7.0 million, of which \$2.1 million is from general revenues.

**RIBridges System Enhancement Delay from FY 2025 (GBA).** The House Finance Committee concurs with the Governor's requested amendment to increase expenses related to the Unified Health Infrastructure Project, known as RIBridges, by \$4.2 million, including shifting \$0.9 million from general revenues from FY 2025 to reflect a delay in system enhancements resulting from the data breach.

**RIPIN - Dual Ombudsman Program.** The Governor's recommendation includes \$118,442, including \$59,211 from general revenues, for six months of funding for the Dual Ombudsman Program through the Rhode Island Parent Information Network. The House Finance Committee adds a like amount to continue funding for the full year.

**The Work Number.** The Governor recommends \$9.9 million, including \$2.5 million from general revenues, for payments made to Equifax for its income verification product, The Work Number. This allows the state access to another data source to determine eligibility for medical assistance benefits and programs through the Department of Human Services. The House Finance Committee recommends \$0.9 million less, including \$0.2 million from general revenues based on the value of the contract for FY 2026, which is not to exceed \$8.9 million, of which \$2.2 million is general revenues for the required percent match.

### **Children, Youth and Families**

**Capital - Residential Treatment Facilities (GBA).** The House Finance Committee concurs with the Governor's requested budget amendment to shift \$4.0 million from Rhode Island Capital Plan funds from FY 2026 to FY 2027, reflecting anticipated savings at the Exeter Female Youth Facility and an expansion of the project's scope to include an additional facility to address in-state capacity for youth. The amended plan assumes that \$2.0 million of the \$11.0 million will be used in FY 2026 for planning costs or a feasibility study, and the \$4.0 million in FY 2027 is a placeholder for future renovation or construction expenses.

**Consent Decree Consultant (GBA).** The Governor's recommendation included \$500,000 in FY 2025 and \$750,000 in FY 2026 for a consultant to support the Department of Children, Youth and Families' implementation of the Department of Justice consent decree. He subsequently requested an amendment to shift \$210,000 from general revenues to restricted receipts to reflect a new commitment of funding from the Annie E. Casey Foundation to support work related to the consent decree. The House Finance Committee concurs with the amended recommendation.

**Adoption and Legal Guardianship Incentive Grant (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$1.1 million from federal funds to reflect a newly awarded Adoption and Legal Guardianship Incentive grant. This funding is performance-based and recognizes improved performance in helping children and youth in foster care find permanent homes. Funding will be used to support adoption and kinship services through community-based providers.

**Juvenile Justice Grant (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$0.4 million from federal funds, reflecting a newly awarded juvenile justice grant. The grant program supports planning in developing a community-based continuum of prevention and intervention services aimed at helping prevent youth from entering the juvenile justice system or moving deeper into it. The Department will partner with nonprofits to evaluate the current services and interventions for at-risk youth and design evidence-based interventions to strengthen the system.

**Staffing Allocation Correction (GBA).** The Governor requested an amendment to shift \$0.9 million from general revenues and 8.0 Juvenile Program worker positions back to Youth Development Services funding to correct a position allocation error in his original recommendation and reduce federal funds by \$0.3 million to reflect the accurate level of federal matching funds. The House Finance Committee concurs.

### **Health**

**New Health Lab - Operational Costs.** In 2021, the state was awarded an \$81.7 million federal grant for the construction of a new health laboratory facility. The total estimated project cost is \$97.7 million; construction is ongoing, and the Department will occupy the facility in the fall. As part of its revisions to

the FY 2025 budget, the House Finance Committee recommends shifting \$4.3 million of capital expenses from indirect cost restricted receipts to Rhode Island Capital Plan funds to preserve these receipts for other uses. The House Finance Committee also concurs with a requested amendment to use \$0.7 million of these restricted receipts for operational costs of the new health laboratory.

**Primary Care Training Sites Program Shift from FY 2025.** The 2024 Assembly adopted legislation establishing a Primary Care Training Sites Program. It provided \$2.7 million from general revenues for the program; each site would be awarded no more than \$90,000. The program aims to expand training opportunities for medical students, residents, nurse practitioners, and physician assistants, with a particular focus on primary care. Based on anticipated expenses, the House Finance Committee recommends \$0.7 million for FY 2025 and shifts \$2.0 million to FY 2026. It maintains the requirement that any unexpended funds automatically be reappropriated.

**PRN Network Funding.** After enacting the FY 2025 budget, the 2024 Assembly adopted separate legislation authorizing the Department to use \$850,000 each from available childhood and adult immunization resources for the existing Pediatric Psychiatry Resource Network and Rhode Island Maternal Psychiatry Resource Network information lines. The programs provide specialized clinical consultation and referral services related to mental health. The Department subsequently obtained \$0.9 million from a federal grant to support the PediPRN information line. The recommended budget does not include funding for the MomsPRN information line for which ongoing operating expenses have been updated to \$750,000. The House Finance Committee recommends \$750,000 from general revenues.

### **Human Services**

**Assisted Living State-Only Stipend.** The House Finance Committee recommends \$16,430 from general revenues for the additional \$206 monthly state supplemental payments provided to an average of seven individuals who receive the state supplemental security income payment and live in a state-licensed assisted living facility that is not eligible to receive Medicaid. This is \$90,277 less than the Governor's recommendation to reflect testimony at the May Caseload Conference regarding expenses for FY 2026.

**Child Care - Separate Infant Rate.** The House Finance Committee recommends providing an infant rate for center-based child care providers that is 20 percent higher than the toddler rate, which would be unchanged. The recommendation adds \$3.0 million from federal funds to account for the change. All current caseload reporting includes these age groups in a single category.

**Child Care for Educators Extension.** The House Finance Committee recommends \$2.7 million from federal funds to extend the child care for childcare workers pilot program for another three years to July 31, 2028. The required report on the pilot is due in November.

**May Caseload Conference - Cash Assistance.** The House Finance Committee recommends increasing expenditures for cash assistance caseloads by \$2.1 million, including \$31,980 from general revenues, to reflect the May Caseload Estimating Conference estimates for Rhode Island Works, subsidized child care, supplemental security income, and general public assistance bridge programs.

**Meals on Wheels.** The House Finance Committee recommends adding \$50,000 from general revenues to bring FY 2026 funding to support Meals on Wheels to \$680,000.

**RI Community Food Bank.** The House Finance Committee recommends adding \$400,000 from general revenues to bring funding to \$950,000 for food collection and distribution through the community food bank. This extends the one-time funding included in the enacted budget and adds another \$150,000.

**Substance Use and Mental Health Leadership Council.** The House Finance Committee recommends adding \$50,000 from general revenues to bring funding to \$150,000 for the Substance Use and Mental Health Leadership Council.

## **BHDDH**

**ARPA - 988 Hotline from FY 2025.** The House Finance Committee recommends adding \$1.8 million in FY 2026 from unused State Fiscal Recovery funds in FY 2025 for the 988 hotline. The Governor recommended \$3.5 million for FY 2025 of which \$1.7 million is projected to be spent.

**CCBHC Contracted Services.** The Governor's recommendation includes \$338,801, of which \$208,363 is from general revenues, for contracted services to support the Department's work with the Certified Community Behavioral Health Clinics. This replaces State Fiscal Recovery funds included in the Executive Office of Health and Human Services budget. The Department had requested a new position to support this activity, but it was not recommended. However, the Department repurposed a vacant position to fill this role, and the House Finance Committee recommends reducing funding for contracted services accordingly.

**May Caseload Conference - Private Services for Individuals with Developmental Disabilities.** The House Finance Committee recommends increasing expenses for community-based services for individuals with developmental disabilities by \$11.9 million for FY 2026 to reflect the results of the May Caseload Estimating Conference estimate and adjusted for utilization.

**Technology Expenses.** The Governor's recommendation includes \$0.9 million, of which \$0.2 million is from general revenues, for technology expenses that are not needed. The House Finance Committee recommends reducing funding accordingly. The Committee does concur with the recommendation to fund the two case management systems operated by Therap and WellSky.

**Third-Party Billings Rebase.** The House Finance Committee recommends increasing third-party billing receipts for Eleanor Slater Hospital by \$1.6 million to reflect rebasing the collections for FY 2026, consistent with the Department's third quarter projections for FY 2025. This includes Medicare billings from re-enrolling physicians for certification and increasing Part D pharmacy receipts. There is a like amount of general revenue savings for FY 2026.

## **Governor's Commission on Disabilities**

**Indirect Cost Initiative Reversal.** The FY 2026 recommendation assumes that general revenue savings of \$38,258 can be achieved by applying a 15.0 percent indirect cost recovery rate on the federal grant that the Commission receives for the Statewide Independent Living Program; a like amount of expenses was included from restricted receipts. Federal regulations exempt this grant from the indirect cost allowance and limits administrative costs to 5.0 percent. The Governor requested an amendment to acknowledge this requirement and adjust the restricted receipts, but assumes the difference in general revenue savings can be achieved within the existing budget. The House Finance Committee recommends restoring the \$25,505 of general revenues.

**Livable Home Modification - Current Service.** The Livable Home Modification Grant Program provides funding to support home modifications and accessibility enhancements to allow individuals to remain in community settings. It was initially funded at \$250,000 from general revenues; the 2018 Assembly increased funding to \$0.5 million. The 2022 Assembly provided a total of \$1.0 million, with \$0.5 million intended as a one-time allocation to address a surge in applications. The FY 2024 budget lowered expenses by \$250,000. The House Finance Committee recommends \$0.5 million, or \$250,000 less than

recommended, to reflect current service expectations. The FY 2025 final budget includes \$1.4 million because of prior underspending; unspent funds will reappropriate to FY 2026.

### **Elementary and Secondary Education**

**Capital - Davies School Health Care Classroom Improvements.** Based on an updated project schedule, the House Finance Committee recommends shifting \$6.9 million from Rhode Island Capital Plan funds for the health career classrooms renovation project at Davies Career and Technical School from FY 2025 to FY 2026. This work is being coordinated with the wing renovation project, and the school anticipates that the majority of spending will occur in FY 2026.

**Capital - Davies School Wing Renovation (GBA).** The House Finance Committee concurs with the Governor's requested amendment to increase Rhode Island Capital Plan funds by \$4.5 million in FY 2026 for the Davies School Wing Renovation project. This increase reflects the cost of a new roof for the 1970s wing and maintains the original project scope and updated schedule. The initial plan assumed that minor roof repairs would be covered through annual asset protection, but the condition of the roof had deteriorated and needed to be addressed to complete the project. This would provide \$34.5 million for FY 2026 and increase the total cost to \$39.5 million.

**Contract Reserve Distribution (GBA).** The McKee Administration reached agreements with a majority of state employee unions that included cost-of-living adjustments of 5.0 percent for FY 2025, 4.0 percent for FY 2026, and 3.0 percent for FY 2027, for a total of 12.0 percent. The FY 2026 recommended budget includes \$20.6 million from all sources, including \$19.0 million from general revenues in the Department of Administration's budget for potential costs where settlements were not yet reached, including Local 2012 and non-union professional staff in the Department of Elementary and Secondary Education. The House Finance Committee recommends the distribution of the funds, including \$1.5 million from general revenues, for the staff who are subject to the agreement.

**Davies Staffing Allocation Correction (GBA).** The Governor includes \$0.2 million from general revenues for two new arts teachers to meet the school's updated graduation requirements. He subsequently requested an amendment to shift the funding for the positions from general revenues to local share of education restricted receipts. The House Finance Committee concurs with the amended recommendation.

**Education Aid - CRAFT Bed Revision.** The House Finance Committee recommends changing the treatment of the Children's Residential and Family Treatment Program, known as CRAFT beds, for the purposes of group home aid. Currently, these beds are in the group home aid count, but differ from other group homes because these youth are not placed by the Department of Children, Youth and Families. The House Finance Committee recommends reducing group home aid by \$0.5 million to reflect the removal of these beds from the statute and language clarifying educational and financial responsibility for children in this program.

**Education Aid - Group Home Funding.** The House Finance Committee recommends increasing group home funding by \$2.1 million by removing the statutory provision that allows for group home beds to be deducted from enrollment data for the purpose of determining average daily membership. Growth in the core instruction amount has contributed to declining home aid for districts, especially those with higher state share ratios. This change would ensure that the full \$17,000 per bed would be provided to support all communities that host group home beds.

**Education Aid - Current Law Funding Formula March Update.** Based on updated March 2025 enrollment data, the House Finance Committee recommends adding \$12.0 million from general revenues for education aid to districts, charter schools, and state schools to maintain the current law funding formula. The updated information also corrects a data error in the original October count of students in poverty.

While the updated funding reflects 308 fewer students than the October 2024 enrollment data used in the Governor's recommendation, including 20 fewer in charter and state schools, there are 5,900 more students in poverty, 713 more in charter and state schools.

**Education Aid - Special Education.** The House Finance Committee recommends adding \$2.5 million from general revenues for high-cost special education categorical funding. This would provide \$17.5 million and represents 56.0 percent of eligible expenses, an increase from 48.0 percent in the Governor's recommendation. The 2023 Assembly lowered the reimbursement threshold and increased this aid category to \$15.0 million from the \$4.5 million allocated for FY 2017 through FY 2023.

**Out of School Time Education.** The FY 2024 enacted budget included \$4.0 million from State Fiscal Recovery funds to be distributed to community organizations to expand access to out of school time educational programs. This funding has been obligated to districts, but through May 2025, only \$1.0 million has been spent. The 2024 Assembly concurred with the Governor's recommendation to make a new commitment of \$3.0 million from general revenues for FY 2025 and \$2.0 million from State Fiscal Recovery funds in the Department of Administration's budget to be distributed directly to municipalities through Community Learning Center Programming Support grants. Through May 2025, no spending has occurred from the Community Learning Center Programming Support grants, and approximately \$5,000 of the general revenues has been expended. The Governor recommends continuing this in FY 2026 with \$2.5 million from general revenues, and his budget includes language requiring unspent funds to be reappropriated for both FY 2025 and FY 2026. The House Finance Committee concurs with reappropriating unspent funding from FY 2025, but does not recommend general revenues in FY 2026

### Higher Education

**Capital - CCRI Data Cabling and Power Infrastructure.** Based on updated spending plans, the House Finance Committee recommends removing \$4.2 million from Rhode Island Capital Plan funds from FY 2025 and moving it to the out-years. This includes \$600,000 more for FY 2026, \$356,000 for FY 2027, \$850,000 for FY 2028, and \$2.4 million for FY 2029.

**Capital - CCRI Renovation and Modernization - Phase I.** The House Finance Committee recommends revising the programming of Rhode Island Capital Plan funds for the Community College's renovation and modernization phase I project based on updated plans. This includes removing \$10.5 million from FY 2025 and adding \$2.0 million to FY 2026, \$2.7 million to FY 2027, \$3.0 million to FY 2028, and \$2.8 million to FY 2029.

**Capital - URI Building Envelope.** The University requested \$53.0 million from Rhode Island Capital Plan funds for a new project to address repairs to building envelope systems across the University's campuses. Roofs, windows, and exterior cladding would be repaired and improved to provide better interior air quality, enhanced energy efficiency, and improved appearance of the University's campuses, which the University noted is a key marketing tool for achieving success. This project has similar elements to asset protection. The University currently controls 322 buildings, fifteen of which have active roof leaks. The University would like to separate building envelope repairs from its asset protection project so that roof repairs would have a dedicated and sufficient source. Currently, asset protection only supports one roof replacement per year, which does not meet the rate at which the roofs decline. The Governor did not recommend funding, but the House Finance Committee recommends \$15.0 million from Rhode Island Capital Plan funds by providing \$3.0 million annually from FY 2026 through FY 2030.

**College Visions.** The House Finance Committee does not concur with the Governor's proposal for a new general revenue appropriation of \$50,000 for College Visions. The Office of Postsecondary Commissioner is currently conducting a higher education affordability study, part of which involves examining and making recommendations on the best way for the state to support college affordability and attainment.



**Promise May Update (GBA).** Based on the May Promise report, the House Finance Committee recommends \$6.9 million from general revenues to support the Promise Scholarship program in FY 2026. This is \$1.0 million less than the Governor recommended and reflects declining enrollment.

**Ready to Build RI New Initiative.** In November, the Community College launched a new Apprenticeship Readiness program for recent high school graduates and young adults in partnership with Building Futures. It received a \$250,000 workforce investment grant from the Department of Labor and Training to begin the program. The Governor recommends a new investment of \$800,000 from general revenues to continue the program. The House Finance Committee does not recommend new general revenue appropriations and adjusts funding accordingly.

### **Historical Preservation and Heritage Commission**

**Current Service Correction.** Subsequent to the submission of its request, the Commission indicated that it had overstated general revenue spending on conferences by \$17,000. The Governor's recommendation retains these funds in error. The House Finance Committee recommends excluding these funds consistent with the agency's intent.

### **Attorney General**

**Enhanced Staffing (4.0 FTE).** The Office of the Attorney General requested \$1.7 million from general revenues and 13.0 new full-time equivalent positions for FY 2026; the Governor's recommended budget did not include any new positions. Following its budget hearing in the House Finance Committee, the Office provided an updated request to fund some of the additional positions from the Office's non-multi-state initiative restricted receipts. The House Finance Committee recommends \$0.8 million from restricted receipts and 4.0 new positions.

### **Corrections**

**Accreditation.** The Governor's budget includes \$0.4 million from general revenues associated with the reallocation of 4.0 existing full-time equivalent positions for a new initiative to achieve American Correctional Association accreditation. The House Finance Committee does not concur with the allocation and assumes turnover savings equivalent to the redundant positions.

**Capital - Asset Protection.** The Governor's capital recommendation includes \$9.7 million for FY 2025, \$5.1 million for FY 2026, and \$4.1 million annually thereafter for asset protection projects at the Department of Corrections. Compared to the approved plan, it delays \$5.7 million of unspent FY 2024 funds to FY 2025 and adds \$1.0 million for FY 2026 associated with his facilities consolidation proposal. The House Finance Committee recommends shifting \$4.2 million from FY 2025 to FY 2026 based on an updated spending timeline, and excludes the funding associated with the facilities consolidation proposal.

**Capital - Facilities Renovations.** The Governor recommends the approved amount of \$10.8 million from Rhode Island Capital Plan funds for a behavioral management unit at the Maximum Security facility, including \$3.4 million for FY 2025 and \$7.4 million for FY 2026. The House Finance Committee recommends retaining only \$250,000 for a feasibility study for FY 2025 and delaying all other funding one year, based on an updated timeline provided by the Department. Compared to the Governor's recommendation, this is \$3.2 million less for FY 2025, \$4.2 million less for FY 2026, and \$7.4 million more for FY 2027.

**Capital - HVAC Replacement.** The Governor's capital recommendation includes the approved amount of \$41.1 million from Rhode Island Capital Plan funds to replace the heating, ventilation, and air conditioning systems at the Intake Service Center. The recommendation includes \$30.9 million for FY

2025 and \$10.3 million for FY 2026, which delays \$6.9 million of unspent FY 2024 funds to FY 2025. The House Finance Committee recommends \$22.5 million less for FY 2025, \$17.5 million more for FY 2026, and \$5.0 million more for FY 2027 based on an updated project timeline provided by the Department.

**Contract Reserve Distribution (GBA).** The McKee Administration reached agreements with a majority of state employee unions that included cost-of-living adjustments of 5.0 percent for FY 2025, 4.0 percent for FY 2026, and 3.0 percent for FY 2027, for a total of 12.0 percent. The FY 2026 recommended budget includes \$20.6 million from all sources, including \$19.0 million from general revenues in the Department of Administration's budget for potential costs where settlements were not yet reached. The House Finance Committee recommends \$23.3 million from general revenues for the FY 2026 cost of the Brotherhood of Correctional Officers settlement. This amount was significantly larger than budgeted as a result of additional provisions related to night shift supplemental pay and the speed at which positions achieve their maximum pay grade.

**Efficiencies.** In testimony before the House Finance Subcommittee on Public Safety, the Department of Corrections testified that it would identify savings in lieu of the Governor's facilities consolidation proposal, which assumes \$6.2 million in general revenue savings for FY 2026. A March feasibility study on the proposal indicated a minimum cost of \$67.1 million for requisite capital upgrades. The House Finance Committee recommends \$1.6 million in general revenue savings to be achieved through operational efficiencies identified by the Department.

**Facility Consolidation.** The Governor recommends closing the Minimum Security facility and transferring all inmates to the Medium Security facility effective January 1, 2026. He assumes general revenue savings of \$6.2 million for FY 2026, expected to annualize at \$12.7 million for FY 2027. The House Finance Committee does not concur and restores \$6.2 million based on Department testimony on a March feasibility study indicating a minimum cost of \$67.1 million for requisite capital upgrades.

**Travel.** The Governor recommends \$133,313 more than enacted for the Department of Corrections for out-of-state travel, primarily by agency leadership. The House Finance Committee does not concur and maintains the enacted amount of \$64,119.

### **Military Staff**

**Capital - Aviation Readiness Center (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$4.3 million from Rhode Island Capital Plan funds for FY 2026 and \$7.6 million for FY 2027 to construct a National Guard Readiness Center that supports training, administrative and logistical requirements of the 1-126 Aviation Unit of the Rhode Island Army National Guard. The amendment reflects updated costs and state share requirements from the National Guard Bureau for a total cost of \$67.4 million, a majority of which is federal funds.

### **Public Safety**

**Contract Reserve Distribution (GBA).** The FY 2026 recommended budget includes \$20.6 million from all sources, including \$19.0 million from general revenues in the Department of Administration's budget for potential costs for settlements with state employee unions that had not yet been reached, including the State Police. The House Finance Committee concurs with the Governor's requested amendment to add \$6.1 million to account for the settlement of the State Police contract. This reflects the same cost-of-living adjustments given to other state employees and a uniform stipend increase. It is also retroactive to November 1, 2023, eight months earlier than other contracts. The increase includes \$5.8 million from general revenues and \$0.3 million from federal funds for FY 2026.

**Pension Final Average Compensation Consistency** The 2024 Assembly made changes to the pension plan affecting retirees and active members including the cost-of-living adjustment, pension benefit calculation, public safety pensions, and post-retirement employment. This includes changing the calculation for pension benefits from the highest five consecutive years of compensation to the highest three consecutive years. This provision applied to state employees, teachers, and general municipal employees. The House Finance Committee recommends adding \$480,000, including \$455,191 from general revenues, to extend this provision to the State Police.

### **Environmental Management**

**Capital - Galilee Piers.** The House Finance Committee recommends revising the programming of Rhode Island Capital Plan funds for the Galilee Piers project based on an updated schedule. This includes removing \$7.3 million from FY 2025, adding \$4.0 million to FY 2026, and \$3.3 million to FY 2027.

### **Coastal Resources Management Council**

**Capital - South Coast Restoration Project (GBA).** The House Finance Committee concurs with the Governor's requested amendment to add \$5.0 million from Rhode Island Capital Plan funds to FY 2026 for the South Coast Restoration project based on updated project cost estimates for repairs to the Charlestown Breachway, which was damaged in the 2023-2024 storms.

**Storm Tools.** The House Finance Committee recommends adding \$200,000 from general revenues to support technology applications that are used to help Rhode Island prepare for, respond to, and recover from coastal hazards. This includes STORMTOOLS, an interactive mapping tool used to assess current and future flooding. It also includes MYCoast Rhode Island, a public-facing platform that collects and shares geo-tagged photos of coastal flooding, storm damage, and erosion, as well as RI-CHAMP, which enables real-time forecasting and was developed for emergency response.

### **Transportation**

**Capital - Highway Improvement Program.** The 2024 Assembly provided pay-go funding for the state share of the Washington Bridge project, including \$35.0 million from State Fiscal Recovery funds, \$3.6 million from Department of Transportation sources, and \$45.0 million from Rhode Island Capital Plan funds, of which \$20.0 million is for FY 2025 and \$25.0 million is for FY 2026. The contract will be awarded in June, with construction starting in July. Based on this updated timeline, the House Finance Committee recommends shifting \$20.0 million from Rhode Island Capital Plan funds from FY 2025 to FY 2026.

**DOT - HMA and Gas Tax DOT Yield.** Based on an upward revision to the gas tax yield and updated estimates to highway maintenance funds, the Department will receive \$4.5 million less compared to the Governor's FY 2026 recommended budget. The transfer of \$5.5 million to the general fund for collection costs is also \$0.4 million less. The House Finance Committee reduces expenses by \$4.9 million, reflecting anticipated resources.

**GARVEE Debt - Gas Tax Yield and Federal Funds Correction.** The FY 2026 recommended budget includes \$77.4 million from all sources, including \$68.9 million from federal funds for existing GARVEE bonds debt service. Subsequently, the Budget Office noted that federal fund expenses are overstated by \$0.3 million. The House Finance Committee corrects for the overstatement and adds \$0.2 million from other funds to reflect an upward revision of the gasoline tax yield estimate.

**Gas Tax - Turnpike and Bridge Authority Yield.** The House Finance Committee recommends adjusting available gasoline tax in the Department of Transportation based on an increased transfer to the Rhode

Island Turnpike and Bridge Authority of \$0.4 million to reflect an upward revision to the gasoline tax yield estimate. The FY 2026 enacted budget would include \$15.3 million to the Authority.

**RI Public Transit Authority - Bus Match - Technical Correction.** The recommended budget inadvertently included \$4.8 million from the Department's share of the Highway Maintenance Account for the Authority's match to purchase buses for FY 2026. This contradicts the Governor's capital budget, which assumes \$6.4 million from Authority sources. Subsequently, the Budget Office noted that the recommendation in the capital budget prevails. The House Finance Committee corrects for this and includes a like amount of expenses for the Department.

**RIPTA - Gas Tax Yield and HMA.** The House Finance Committee recommends a transfer of \$52.8 million from gasoline tax proceeds and highway maintenance funds to the Rhode Island Public Transit Authority. This is \$0.7 million more than the recommended budget, including \$1.1 million more to reflect an upward revision to the gasoline tax yield estimate, partially offset by \$0.4 million less for the Authority's share of the highway maintenance account based on updated estimates. The two-year increase to the Authority totals \$1.5 million.

**RIPTA - 2-Cents Gas Tax and Increased HMA Share.** The House Finance Committee recommends establishment of two proposals to add resources being deposited into the Highway Maintenance Account, including annual registration fees on electric vehicles, and increases to the current license and most vehicle registration surcharges by \$10.00. These changes would take effect on January 1, 2026, and would generate \$6.7 million for FY 2026 to be deposited into the Account. It also amends the Rhode Island Public Transit Authority's share of annual receipts from the Account from 5.0 percent to 10.0 percent, or \$5.9 million more than estimated.

The House Finance Committee also recommends increasing the motor fuel tax from the estimated current law amount of \$0.38 to \$0.40 and dedicates the additional two cents to the Authority. Based on the estimated \$4.359 million per penny yield, \$8.7 million in additional gas tax receipts would be generated for FY 2026. Combined, the additional \$14.6 million in resources is intended to assist the Authority with its projected operating deficit.

**Highway Maintenance Account Rebase.** The Governor's budget proposes to impose an annual registration fee of \$150.00 for battery electric vehicles and \$75.00 for plug-in hybrid electric vehicles as a proxy for transportation support that other cars contribute through the gas tax. His budget assumes revenues of \$1.8 million in FY 2026. The House Finance Committee recommends extending the concept to more hybrid vehicles and includes legislation to impose annual registration fees of \$200.00 for battery electric vehicles, \$100.00 for plug-in hybrid electric vehicles, and \$50.00 for hybrid electric vehicles.

It also proposes to increase the current license and most vehicle registration surcharges from \$30.00 to \$40.00. The surcharges have not changed since 2016. These changes would take effect on January 1, 2026, and would generate \$6.7 million for FY 2026 and \$16.0 million for FY 2027, and would be deposited into the Highway Maintenance Account. The House Finance Committee adds \$0.8 million to account for the additional funds, including the state's share.