

# Articles of 2024-H 7225, Substitute A, as Amended

## Article 1

**Section 1. Appropriations.** This section of Article 1 contains the appropriations for FY 2025.

**Section 2. Line Item Appropriations.** This section establishes that each line in Section 1 of Article 1 constitutes an appropriation.

**Section 3. Transfer of Functions.** This section authorizes the Governor to transfer appropriations and full-time equivalent position authorizations associated with transfers of functions.

**Section 4. Contingency Fund.** This section allows for expenditures from the contingency account located within the Office of the Governor's budget for unexpected expenditures or for those departments and agencies where appropriations are insufficient. The Governor must approve all expenditures and transfers from this account.

**Section 5. Internal Service Funds.** This section authorizes the establishment of limited and specific internal service accounts to implement the cases in which state agencies provide services to other state agencies, institutions and other governmental units on a cost reimbursement basis.

**Section 6. State Fleet Operations.** This section authorizes the director of the Department of Administration to centralize state fleet operations under its purview for light and medium duty vehicles.

**Section 7. Legislative Intent.** This section authorizes the chairpersons of the finance committees of the two chambers to provide a "statement of legislative intent" for specifying the purpose of the appropriations contained in Section 1 of this article.

**Section 8. Temporary Disability Insurance Funds.** This section appropriates all funds required for benefit payments from the Temporary Disability Insurance Fund and the Temporary Disability Insurance Reserve Fund.

**Section 9. Employment Security Funds.** This section appropriates all funds required for benefit payments to unemployed individuals from the Employment Security Fund.

**Section 10. Lottery.** This section appropriates to the Lottery Division any funds required for the payment of prizes and commissions.

**Section 11. Appropriation of CollegeBound Saver Funds.** This section appropriates the funds received by the Office of the General Treasurer from the CollegeBound Saver program for transfer to the Office of Postsecondary Commissioner to support student financial aid for FY 2025. The Budget includes \$3.5 million from these sources for state grant programs.

**Section 12. Full-Time Equivalent Positions.** This section limits the maximum number of full-time equivalent positions authorized for the departments and agencies during any payroll period in FY 2025. In addition, this section provides that the Governor or designee, Speaker of the House or designee, and President of the Senate or designee, may jointly adjust the authorization. It limits appointments for state employees supported through non-state funds to the availability of those fund sources.

This section also prevents departments from employing contracted employees to work under state supervisors or replace work done by state employees without determination of need by the Director of Administration. Total staffing is 15,772.8 full-time equivalent positions, 135.9 positions more than the

enacted budget. This includes 519.8 higher education positions supported by third-party funds, consistent with the enacted budget.

**Section 13. Multi-Year Appropriations.** This section makes multi-year appropriations for a number of capital projects included in the FY 2026 through FY 2029 Capital Budget that are funded from Rhode Island Capital Plan funds. The FY 2025 and multi-year appropriations supersede appropriations made for capital projects in Section 12 of Article 1 of the FY 2024 Appropriations Act.

**Section 14. Reappropriation - RICAP.** This section provides that any unexpended and unencumbered funds for Rhode Island Capital Plan Fund projects shall be reappropriated to the next year. However, any such reappropriations are subject to final approval by the General Assembly as part of the supplemental appropriations act. Unexpended funds of less than \$500 can be reappropriated at the discretion of the State Budget Officer.

**Section 15. Rhode Island Housing and Mortgage Finance Corporation.** This section requires that the Rhode Island Housing and Mortgage Finance Corporation provide from its resources an appropriate amount to support the Neighborhood Opportunities Program. The Corporation is also required to provide to the director of the Department of Administration, the chair of the Housing Resources Commission and both chairs of the House and Senate Finance Committees a report detailing the amount of funding and information such as the number of housing units provided.

**Section 16. Pawtucket Downtown Redevelopment.** This section contains the necessary mechanism to allow for taxes collected pursuant to the tax incentive financing statute under Rhode Island General Law, Chapter 45-33.4 to be appropriated to the Downtown Pawtucket Redevelopment Economic Activity Fund to finance development projects in the existing economic development district, in accordance with the law passed in 2019.

**Section 17. State Fiscal Recovery Funds.** This section clarifies that appropriations of federal funds in section one shall not be construed to mean State Fiscal Recovery and Capital Projects funds enacted as part of the American Rescue Plan Act unless specifically designated as such. It contains a description of each of the projects for which any appropriation is made.

**Section 18. Reappropriation - State Fiscal Recovery Funds.** This section provides that any unexpended and unencumbered funds from the State Fiscal Recovery and Capital Projects funds shall be reappropriated to the following year. However, any such reappropriations are subject to final approval by the General Assembly as part of the supplemental appropriations act. This is similar to the treatment of Rhode Island Capital Plan funds.

**Section 19. State Fiscal Recovery Funds Reporting and Compliance.** This section requires the Pandemic Recovery Office to monitor programs funded with State Fiscal Recovery and Capital Projects funds. It requires the Office to report on a quarterly basis to the Speaker of the House and Senate President, with copies to the chairpersons of the House and Senate Finance Committees, identifying programs that are at risk of significant underspending or noncompliance with federal or state requirements. The report, at a minimum, must include an assessment of how programs that are at risk can be remedied. It repeats the changes in the revised budget to make the last report due on October 31, 2026, and allows the Governor to propose to reallocate any at risk funding to the Unemployment Insurance Trust Fund. Proposed reallocations must be referred to the Assembly by November 10 and will go into effect within 30 days unless rejected by joint action of the House and Senate.

**Section 20. Transfer to the Group Home Facility Improvement Fund.** This section requires the State Controller to transfer \$100,000 from general revenues to the Group Home Facility Improvement Fund by July 15, 2024.

**Section 21. Effective Date.** This section establishes the article is effective as of July 1, 2024 except as otherwise provided within the article.

## **Article 2. State Funds**

**Section 1. Medical Debt Relief Program.** This section creates a medical debt relief program to be administered by the General Treasurer to discharge certain medical debt for eligible Rhode Islanders. To be eligible, residents would need to have outstanding medical debt that equals 5.0 percent or more of their annual income and more than \$600 or have a household income that is not more than 400 percent of federal poverty. The General Treasurer will enter into an agreement to purchase the medical debt of Rhode Island residents that have gone into collections and are being sold by the original or any subsequent creditor.

**Section 2. Indirect Cost Recovery.** This section exempts three newly created restricted receipt accounts in this article from the state's ten percent indirect cost recovery: Commodity Supplemental Food Program Claims, Group Home Facility Improvement Fund, and Electric Vehicle Charging Stations Operating and Maintenance Account. Pertaining to housing, it changes the name of an account and exempts the existing Low-Income Housing Tax Credit Fund.

**Sections 3, 4 and 6. Group Homes.** Section 3 creates the Group Home Facility Improvement Fund and transfers into the fund proceeds from the sale of state-owned group homes, or community residences, that are licensed by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals or rents collected from agencies providing services in those homes. The proceeds will be used for the ongoing upkeep and maintenance of state-owned facilities at the discretion of the Department and exempts the fund from the ten percent indirect cost recovery. Sections 4 and 6 exempt the proceeds from being transferred to the Information Technology Restricted Receipt account.

**Section 5. Executive Climate Change Coordinating Council.** This section authorizes the State Budget Officer to create restricted receipt sub-accounts in any department or agency that the Executive Climate Change Coordinating Council allocates funding to for its projects. The Budget includes expenses in the Departments of Administration, Health, Labor and Training, and Environmental Management, and the Public Utilities Commission.

**Section 7. Commodity Supplemental Food Program Claims.** This section creates a restricted receipt account in the Office of Healthy Aging to deal with a potential federal audit finding regarding claims for food losses and other related activities.

**Section 8. Electric Vehicle Charging Stations.** This section authorizes the Office of Energy Resources to charge a fee to use electric vehicle charging stations on state properties. The fee will be determined through the rules and regulations process; it would be posted on the Office's website for public comment for 30 days. The fee would take effect on January 1, 2025. The revenues would be deposited as restricted receipts and would be used to help offset the cost of electricity and maintenance of the charging stations.

There are currently 68 charging stations located on state properties and with additional federal funds authorized in the Infrastructure Investment and Jobs Act, the Office anticipates adding more charging stations. Currently, state employees and the public use these stations, and the cost to the state was \$0.1 million in FY 2022 and \$0.2 million in FY 2023.

## **Article 3. Government Reform and Reorganization**

**Sections 1 and 2. Correctional Industries.** These sections require any entities that place orders with correctional industries to pay 50 percent of the quoted material costs once the items have been ordered.

Currently payment is not received until the project or furniture is delivered. These sections also allow the Department of Corrections to accept orders from nonprofits.

**Sections 3, 7 and 8. Reporting Date Changes.** These sections amend the dates for three currently required reports from the Department of Health and are to align with federal and other dates: private well water contamination, free mammography screening, and home visiting.

**Sections 4 through 6, 9 through 11, 13 and 17 through 19. Reporting Repeals.** These sections delete ten reporting requirements for the Departments of Administration, Business Regulation, Health and Environmental Management. A majority of the due dates have passed and some of the programs have expired.

**Section 12. State Fire Marshal.** This section requires towns and fire districts to notify the Office of the State Fire Marshal within ten days if they lack an assistant deputy state fire marshal appointed by the Office. It permits the Office to assess fees for failure to comply and to assign deputy state fire marshals to fill vacancies temporarily; any associated costs would be reimbursed by the town or fire district.

**Section 14. Healthcare Workforce Data.** The Department of Health currently licenses approximately 150,000 healthcare professionals. This section authorizes it to collect workforce data from licensed healthcare professionals upon the licensure and/or renewal process. Healthcare professionals may voluntarily provide demographic information, such as race, ethnicity or languages spoken; additional years planning to practice or anticipated retirement year, and other data defined by the Department. The legislation prohibits the Department from making an individual's information public. The data would be used for healthcare planning and workforce analysis.

**Sections 15 and 16. State Purchases.** Current law requires that no vendor, parent corporation, or other entities, may bid on a request for proposal if the entity has or had any contractual, financial, business, or beneficial interest with the state or with any official in charge of the request or if they participated or were consulted with respect to the requirements, or any other part of the formation and promulgation of the request for proposals. Section 15 makes an exception for requests for information, feasibility studies and preliminary evaluations if the purchasing agent certifies in writing to the Director of the Department of Administration that there were no responsive bids. The Division is also required to publicly disclose prior feasibility studies or completed evaluation reports. Section 16 repeals the minimum \$25 annual bidder registration fee that the chief purchasing officer is allowed to charge.

The Assembly also adopted legislation in 2024-H 8348 clarifying the bidding prohibition for vendors and other entities to be if the entity has a conflict of interest as defined by the Code of Ethics.

#### **Article 4. Public Debt Management Act**

The Public Corporation Debt Management Act requires that all new non-general obligation debt authorizations be approved by the Assembly, except in certain circumstances. Section 2 contains a \$9.2 million authorization for the Utility Infrastructure Upgrade Phase III project at the University of Rhode Island. Annual debt service would not exceed \$0.8 million supported by general revenues and tuition and fees.

Section 3 authorizes the issuance of up to \$334.6 million through Grant Anticipation Revenue Vehicle bonds for the replacement of the Washington Bridge. The amount to be issued would be less if federal discretionary grant funds for which the Department has applied are secured. The budget provides pay-go funding for the state share, including \$45.0 million from Rhode Island Capital Plan funds, \$35.0 million from State Fiscal Recovery funds, and \$3.6 million from Department of Transportation sources. Assuming issuance of \$334.6 million, an interest rate of 5.0 percent and 15-year term, the debt service is estimated at

\$16.7 million for the first seven years, increasing to \$62.2 million in later years when older debt is defeased to have overall payment be more level.

### **Article 5. Capital Development Program**

Article 5 places \$343.5 million of new general obligation bond authorizations on the November 2024 ballot for voter approval through four separate questions as shown in the following table.

Annual debt service for the entire \$343.5 million, supported by general revenues, would be \$28.4 million assuming 5.0 percent interest and a 20-year term.

<b>November 2024 Bond Referenda</b>	<b>Amount</b>
<b>Question 1</b>	
URI Biomedical Sciences Building	\$ 87,500,000
RIC Cybersecurity Building (Whipple Hall)	73,000,000
<b>Higher Education Subtotal</b>	<b>\$ 160,500,000</b>
<b>Question 2</b>	
Affordable Housing	\$ 80,000,000
Acquisition and Revitalization	10,000,000
Homeownership	20,000,000
Site Acquisition	5,000,000
Housing Related Infrastructure	4,000,000
Municipal Planning	1,000,000
<b>Housing and Community Opportunity Subtotal</b>	<b>\$ 120,000,000</b>
<b>Question 3</b>	
Port of Davisville Infrastructure at Quonset	\$ 15,000,000
Climate Resiliency	2,000,000
Brownfields Remediation & Economic Development	5,000,000
Local Recreation Matching Grants	5,000,000
Municipal Resiliency	10,000,000
Newport Cliff Walk	3,000,000
Agriculture Land Preservation	5,000,000
State Open Space	3,000,000
Forests and Habitat Management	5,000,000
<b>Green Economy Subtotal</b>	<b>\$ 53,000,000</b>
<b>Question 4</b>	
Tomaquag Museum	\$ 2,000,000
Newport Contemporary Ballet	2,000,000
Trinity Repertory Company	2,000,000
RISCA Cultural Arts and Economy Grant Program	4,000,000
<b>Cultural Economy Initiatives Subtotal</b>	<b>\$ 10,000,000</b>
<b>Total New Referenda</b>	<b>\$ 343,500,000</b>

### **Article 6. Taxes**

**Section 1. Liquor Manufacturer Duplicate Fee.** This section eliminates the license fee for a currently licensed liquor manufacturer to obtain an additional type of manufacturing license to expand operations at its existing location. The Budget assumes a revenue loss of \$6,000 from this change.

**Section 2. Real Estate Transfer Fee.** This section eliminates the \$25 fee for a real estate agent or broker to transfer to another brokerage. The Budget assumes a revenue loss of \$20,000 from this change.

**Sections 3 through 5 and 15 through 19. Electronic Nicotine-Delivery System Products.** These sections effectuate the transfer of statutory and regulatory authority of electronic nicotine delivery systems from the Department of Health to the Department of Revenue. These products would now be regulated similar to cigarettes and other tobacco products. These sections prohibit engaging in business with unlicensed firms, including manufacturers and importers, consistent with other tobacco and nicotine product requirements, and require firms to file initial returns by October 16, 2024. There is a provision that excludes cigars from this requirement. The Tax Administrator must establish a single application and renewal process for all tobacco and nicotine product entities. Section 17 codifies most of the current regulations prohibiting flavored products, excluding menthol and cannabis products without nicotine. Section 19 clarifies that purchasers of electronic nicotine delivery systems must at least be 21 years old.

A safe harbor provision is established for currently licensed entities, through the expiration of the Department of Health-issued licenses and electronic nicotine delivery systems become subject to a tax system that uses volume or price depending on the product and assumes a start date of January 1, 2025. Closed systems that cannot be refilled would be subject to a \$0.50 per milliliter tax, and all other products would be taxed at 10.0 percent of the wholesale cost. This is expected to yield \$2.2 million in FY 2025 and \$3.9 million in FY 2026.

**Section 6. Vital Records.** The chief of the Office of Vital Records in the Department of Health is authorized to assess surcharges for certified records, with the receipts being deposited into the Information Technology Restricted Receipt account to support the Vital Records system. The project is complete and now entering the maintenance phase to be funded from general revenues and requires the surcharges to be deposited as general revenues; annually \$0.4 million was collected.

**Sections 7 and 8. Tent Fees.** These sections exempt tents and similar structures from recurring state construction permitting fees and instead require an annual certification to be administered by the State Building Code Commissioner and the State Fire Marshal. The Budget assumes a related revenue loss of \$9,375.

**Section 9. Tax Delinquent Public Disclosure.** This section expands the current public disclosure of the top 100 delinquent individual and business taxpayers to include those taxpayers with at least \$50,000 of outstanding liabilities. The Budget assumes \$3.4 million of new revenues for FY 2025.

**Section 10. Tangible Tax Exemption.** Section 10 amends the exemption adopted in the 2023 session to ensure that municipalities are reimbursed for the actual exemption loss, not just the net loss that produces a lower levy than 2022. It also provides alternate certification for those municipalities that did not collect data to redo the levy.

**Section 11. Pass-Through Entity Tax Credit.** This section reduces the tax credit given to members in pass-through entities who pay taxes under the state's elective pass-through entity tax from 100 percent to 90 percent of the taxes paid. The Budget includes \$8.6 million in additional revenues for FY 2025 that would annualize to \$17.1 million for FY 2026.

**Section 11. Net Operating Loss Carryforward.** This section extends the time period that net operating losses may be carried forward to 20 years, effective January 1, 2025. Businesses are allowed to use prior operating losses to offset future profits and reduce tax liabilities; current Rhode Island law limits the carry-forward period to five years. There is no fiscal impact until tax year 2031.

**Sections 11 and 21. Cannabis Business Deductions.** These sections permit cannabis businesses to claim ordinary income deductions consistent with those of other businesses, effective January 1, 2025. Current

law follows federal rules, which prohibit businesses that deal in controlled substances from claiming these deductions. Several other states, including Connecticut and Massachusetts, permit these deductions. The Budget assumes a revenue loss of \$0.8 million for FY 2025, which annualizes to \$1.7 million beginning in FY 2026.

**Section 12. Sales and Use Tax Exemption Filing Fee.** This section eliminates the \$25 filing fee for a certificate of exemption from sale and use taxes, as of January 1, 2025. The Budget assumes a revenue loss of \$7,000 for FY 2025, which annualizes to \$14,000 beginning FY 2026. The application and four-year expiration date provisions remain unchanged.

**Sections 13 and 14. Cigarette Tax.** These sections increase the cigarette tax by \$0.25 to \$4.50 per pack, including a floor tax adjustment effective September 1, 2024. The Budget assumes \$2.3 million in additional revenues.

**Section 20. Estate Tax Filing Fee.** This section eliminates the \$50 estate tax filing fee for decedents on or after January 1, 2025. Based on the effective date and a nine month filing window, the Budget assumes no revenue loss for FY 2025. The estimated loss is \$230,000 for FY 2026.

**Section 21. Retirement Exemption.** This section increases the existing retirement income exemption from \$20,000 to \$50,000, which doubles for joint filers. Eligibility is the same as the social security exemption which is limited to filers who have reached full retirement age and have incomes below a certain threshold. This is estimated to reduce revenues by \$3.0 million for FY 2025; that loss would annualize to \$6.2 million for FY 2026.

**Section 22. Vessel Discharge Decals.** This section eliminates the requirement for vessels to obtain a “no discharge certificate” decal effective January 1, 2025. Instead it requires that owners be provided with educational materials at the time of registration that describe their responsibility to secure marine sanitation devices and prevent overboard discharges. The Budget accounts for the estimated loss of \$2,000 in revenues from decal and associated inspection fees.

## **Article 7. Economic Development and Housing**

**Section 1. Employment Security Contribution.** This section proposes to extend the deadline to establish the tax year 2025 unemployment insurance rate schedule from September 30, 2024 to December 31, 2024, subject to the Labor and Training Director’s discretion. This is intended to provide flexibility for determining the rate in the event a deposit of excess State Fiscal Recovery funds as authorized in Article 1 occurs and would alter the tax schedule.

**Section 2. Commerce Report.** This section extends the deadline for the Commerce Corporation’s program accountability report from 30 days after the close of each quarter to 45 days.

**Section 3. Small Business Innovation Research.** This section makes several changes to a grant program to support early-stage, high-risk technology research and development administered by the Science and Technology Advisory Council, a subsidiary of the Commerce Corporation. Grants are awarded to business receiving Phase I and II federal grants for three activities: to offset application costs, match federal awards, and support internships. This section expands allowable uses to include awards of up to \$500,000 for businesses receiving Phase III federal grants for commercialization. For Phase I and II grants, it increases the value of matching awards from \$150,000 to \$300,000. This section also increases the value of internship grants from \$3,000 to \$6,500 per intern and increases reimbursement rates from \$12.00 per hour to instead match the state’s minimum wage. The Budget includes the FY 2024 enacted amount of \$1.0 million to support this program.

**Sections 4 and 18. Housing Reports.** These sections delay the due date of the annual Integrated Housing Report from December 31 to April 15 to provide time for the Department of Housing to include applicable federal data typically published in December. They change several measures to provide greater clarity and align more closely with available data, including requiring a study in 2026 and every three years thereafter to determine the accessibility of the state housing stock and the number of units required to meet estimated growth. Municipalities will be required to provide relevant data requested by the Department on or before February 15. Additionally, on December 31, 2024, the Department is required to provide a new version of the housing organizational plan previously submitted in November 2022, including proposed statutory revisions. These sections also relocate housing statutory language from chapters related to commerce.

**Section 5. Rebuild Rhode Island.** This section provides that all interest earned on funds appropriated to the Rebuild Rhode Island Tax Credit Fund be allocated to the program. This is expected to amount to \$7.1 million through FY 2025. It also extends the sunset provision one year to December 31, 2025.

**Sections 6 through 10, 12, 14, 15 and 24. Sunset Extensions.** These sections extend the sunset provisions for the Tax Increment Financing, Tax Stabilization Incentive, First Wave Closing Fund, I-195 Redevelopment Fund, Small Business Assistance Program, Main Street Streetscape, High School, College, and Employer Partnerships, and the Qualified Jobs Tax Credit from December 31, 2024 to December 31, 2025. They also extend the Air Service Development sunset provision from December 31, 2024 to December 31, 2027.

**Section 11. Wavemaker.** This section adds a definition for primary care services to the Wavemaker Fellowship program and extends the sunset from December 31, 2024 to December 31, 2025. The Budget includes \$4.1 million for future awards, including \$0.5 million for primary care medical doctors, nurse practitioners, and physician assistants.

**Section 13. Innovation Initiative.** This section expands network matching grant eligibility to employee-owned or transitioning businesses and establishes a new \$5,000 grant program to defray patent application costs. Network matching grants are available for specified industries for technical assistance or access to capital. This section also extends the sunset date by one year to December 31, 2025. The Budget includes \$1.0 million from general revenues to support this and the Innovation Voucher Program, which makes awards out of the same fund.

**Sections 16 and 17. Small Business Development Fund.** These sections reduce the maximum allowable certifiable capital investment amount from \$65.0 million to \$40.0 million and establish a June 30, 2024 sunset provision, effectively ending the program's ability to certify new funds.

**Sections 19 and 20. Housing Restricted Funds.** These sections transfer authority over the Housing Resources Commission restricted account from the Commission to the Department of Housing and rename it the Housing Resources and Homelessness account. The Commission will retain a consultative role. This change will become effective on December 31, 2024 or after submission of the new housing organizational plan, whichever comes later.

**Sections 21 and 22. Motion Picture and Theatrical Production Tax Credits.** These sections extend the Motion Picture and Theatrical Production sunset provisions from July 1, 2027 to July 1, 2029.

**Section 23. Historical Preservation Tax Credit.** This section extends the sunset provision for the Historical Preservation Tax Credits 2013 program from June 30, 2024 to June 30, 2026.

## **Article 8. Education**

**Section 1. Funding Formula Aid.** This section changes the weight for the English language learner categorical from 15 percent of the per-pupil core instruction amount to 20 percent and shifts this category



of aid from categorical funding into the initial funding formula calculation. The FY 2024 enacted budget increased this weight from 10 percent to 15 percent and required full funding. It also changes the name from English learner to multilingual learner and clarifies that the funding applies to students in the lowest three proficiency levels, consistent with current practice. The Budget includes \$7.4 million more than current law for this change.

**Section 2. East Providence Education Aid Payments.** This section makes the payment of the state's share of education aid to the City of East Providence 12 monthly installments to make it consistent with all other communities. It is currently paid in two installments in April and October.

**Section 3. CRAFT Beds.** The law requires that the number of group home beds be deducted from enrollment data for the purpose of determining average daily membership. Instead of showing the impact of group home beds on education funding formula aid, the impact is shown in group home aid. The Assembly removed the enrollment deduction for beds associated with Bradley Hospital's residential CRAFT program starting in FY 2025 and included \$0.2 million for this change.

**Section 4. Reduced-Price Meals.** This section would make reimbursable breakfast and lunch meals free to students from families that qualify for free or reduced-price meals. It also requires the state to provide funds to public schools equal to the difference between the federal reimbursement rate for free breakfast and lunch meals and the reimbursement received for students eligible for reduced-price meals. The Budget adds \$0.8 million to account for this change.

**Sections 5 and 6. Onward We Learn.** These sections make revisions to state law to change the name of College Crusade to Onward We Learn.

**Section 7. Hope Scholarship Pilot Program.** The 2023 Assembly established a new Rhode Island Hope Scholarship program to provide the final two years of free tuition and mandatory fees at Rhode Island College for qualifying Rhode Island students, implemented for four cohorts of students beginning in the fall of 2023. This section extends the program two years to include the last cohort entering in the fall of 2029 to allow for better evaluation of the program's impact on enrollment and timely graduation. It also modifies the reporting requirements to be like those for the Promise Scholarship program at the Community College.

**Sections 8 through 10. Higher Education Incentive Grants.** The current law Higher Education Incentive Grant is provided to former foster care youth who choose to attend the University of Rhode Island, Rhode Island College, or the Community College of Rhode Island. In order to qualify for these grants, a youth must have been in foster care on or after their 16th birthday, spent at least two years in foster care, and retain eligibility through the academic year in which they turn 23 years old.

These sections modify several aspects of the program including requiring earlier notifications to eligible children and qualifying more children by reducing the threshold for time spent in care to six months on or after their 14th birthday. They also extend coverage to part-time attendance and specified workforce development programs and adds a requirement to fill out applicable financial aid forms. They establish reporting requirements for the Department of Children, Youth and Families. Current law requires an annual appropriation of \$200,000 from general revenues which the Budget includes.

## **Article 9. Medical and Health**

**Section 1. Hospital License Fee.** This section extends the FY 2025 hospital license fee for Eleanor Slater Hospital at a 5.25 percent rate based on 2023 revenues. The Budget assumes \$4.0 million in revenues with \$1.8 million of that paid from general revenues. The FY 2024 fee was applicable for one year and also 5.25 percent but based on 2022 hospital revenues.

**Section 2. Caseload Monthly Reporting.** This section changes the reporting date requirement for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' caseload information from the 15<sup>th</sup> to the 25<sup>th</sup> of each month.

**Section 3. Nursing Facilities.** This section adds that the reimbursement review process to revise the nursing home rates will include other direct care costs in addition to direct care rates adjusted for acuity and an indirect care rate comprised of a base per diem for all facilities.

**Section 4. Hospital Uncompensated Care Payments.** This section includes uncompensated care payments to the community hospitals for FY 2025 that does not exceed \$34.7 million. This is \$20.0 million more than enacted to allow for Eleanor Slater Hospital to access some of these funds. It also delays the deadline for the state payment for FY 2024 from June 15 to June 30, and establishes a FY 2025 payment deadline of June 30, 2025. The FY 2025 budget includes \$21.7 million, of which \$9.4 million is from general revenues, for the \$14.7 million payment to community hospitals and assumes a \$7.0 million payment for Eleanor Slater Hospital. The limit exceeds the payments estimates to allow the state flexibility. The section also clarifies that the calculation of uncompensated care costs is offset by state directed payments.

**Section 5. Medicaid Resolution.** This section includes the resolution language for Assembly approval for the Executive Office to apply for certain changes to the Medicaid program. This includes increasing provider reimbursement rates consistent with the results of the rate review as recommended by the Office of the Health Insurance Commissioner effective October 1, 2024, and adjusted for the expanded applicability identified by the Executive Office in its budget submission. The FY 2025 budget includes a total of \$163.4 million, of which \$64.3 million is from general revenues, to fund the rate increases.

The resolution also authorizes the Executive Office and HealthSource RI to automatically enroll qualified individuals who are transitioning off Medicaid into a qualified health plan, effective July 1, 2024. It authorizes HealthSource RI to pay for an eligible individual's first month of premium expenses using available funds.

The resolution also includes the necessary language to increase rates for skilled professional services provided by home care agencies effective October 1, 2024, chiropractic services, and ambulatory dental care effective July 1, 2024. It also moves adult dental services into the managed care plans effective January 1, 2025, and increases eligibility for three Medicaid programs in the Department of Human Services' Office of Rehabilitation Services. The resolution also empowers the Executive Office to seek a state plan amendment to negotiate reimbursements for the Program of All Inclusive Care for the Elderly during the three-year contract period, seek federal approval for a Medicaid match for the Hospital Care Transitions Initiative and increase eligibility for the Medicare Savings Program up to 185 percent of federal poverty effective January 1, 2025. Finally, the Executive Office shall also seek the necessary changes to implement federally required coverage for eligible individuals formerly under the care of the Department of Children, Youth and Families who are incarcerated 30 days prior to release. This section also includes the necessary language to make technical corrections affecting nursing home rate reimbursement calculations and uncompensated care payments.

## **Article 10. State Leases**

This article authorizes a long-term lease renewal for the Department of Corrections' Pawtucket community corrections office. The FY 2025 enacted budget includes \$0.1 million from general revenues to fund the cost of the lease. Legislative approval is required for lease agreements for terms of five years or longer and exceeding \$500,000 in value.

The article also repeals an obsolete report that had required the Department of Administration to prepare a report by October 31, 2014, to include all current property owned or leased by state or quasi agencies. The 2021 Assembly adopted legislation requiring an annual state properties and leases report; the article maintains this report to also include master facility plans, and changes the date from December 15 to February 15.

## **Article 11. Human Services**

**Section 1. Primary Care Training Sites Program.** This section establishes the Primary Care Training Sites Program within the Department of Health, to provide training for physicians, nurse practitioners and physician assistants; each site would be awarded no more than \$90,000. It also establishes an office, which is tasked with providing oversight of grant recipients and to establish evidence-based standards to measure the success. The Budget includes \$2.7 million from general revenues for support; unspent funds will automatically be reappropriated.

**Section 2. Rhode Island Works.** This section increases the monthly cash assistance payments for Rhode Island Works participants, eliminates the full family sanction and increases the income disregard from \$300 to \$525, effective July 1, 2024. The Budget includes \$5.6 million from federal funds for all three changes, along with the necessary system changes.

**Section 3. Child Care Assistance Eligibility.** This section increases eligibility from 200 percent to 261 percent of poverty starting January 1, 2025, and extends the sunset date for the child care for childcare workers pilot program for one year through July 31, 2025. The FY 2025 budget includes federal funds of \$3.3 million for the eligibility increase and \$2.5 million for the pilot program along with \$0.1 million for necessary system changes.

**Section 4. Child Care Rates.** This section increases subsidized child care rates for licensed child care centers by five percent starting July 1, 2024. The FY 2025 budget includes \$3.3 million from federal funds to account for the change.

**Section 5. Ladder to Licensure.** The section authorizes the Ladder to Licensure program which is a public-private partnership grant program to increase the number of licensed health professionals, provide support to working adults to obtain degrees and licenses, and establish necessary policies to reduce barriers to participation. The Executive Office of Health and Human Services will collaborate with the Department of Labor and Training and the Office of the Postsecondary Commissioner with the development, implementation, and oversight of the program. The FY 2025 budget includes \$750,000 to support the partnerships and requires quarterly reporting from the Executive Office to the Speaker of the House and President of the Senate on the progress of program.

## **Article 12. Pensions**

This article makes 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.

It repeals the 80 percent funding target for the return of cost-of-living adjustments for members that retired before July 1, 2012 and decreases the threshold to 75 percent for all others. It changes the calculation for pension benefits from the highest five consecutive years of compensation to the highest three consecutive years. It also converts benefits for state public safety employees to the same retirement benefits as local public safety employees and increase their employee contribution from 8.75 percent to 10.0 percent. All of these changes are expected to increase the unfunded liability by approximately \$400 million. This requires an increase to annual employer contributions of \$42.6 million. Of that, \$27.5 million is included

in the state budget for FY 2025 with \$20.6 million from general revenues. The remaining \$15.1 million would be borne at the local level, primarily for teachers.

Additionally, Article 12 increases the pay that a retired teacher is able to earn without suspension of benefits from \$18,000 to \$25,000 and extends for one year to June 20, 2025 the allowance for retirees to work more than 90 days at a local educational agency without forfeiting retirement benefits. The extension of this provision does come with the requirement that the employer make contributions to the retirement system as if the retiree exceeding this limit had been hired as a new employee.

### **Article 13. Revised Appropriations**

**Section 1. Appropriations.** This section contains the revised appropriations for FY 2024.

**Section 2. Line Item Appropriations.** This section establishes that each line in Section 1 of Article 13 constitutes an appropriation.

**Section 3. Internal Service Funds.** This section authorizes the establishment of limited and specific internal service accounts to implement the cases in which state agencies provide services to other state agencies, institutions and other governmental units on a cost reimbursement basis.

**Section 4. Full-Time Equivalent Positions.** This section limits the maximum number of full-time equivalent positions authorized for the departments and agencies during any payroll period in FY 2024. In addition, this section provides that the Governor or designee, Speaker of the House or designee, and President of the Senate or designee may jointly adjust the authorization. It also limits appointments for state employees supported through non-state funds to the availability of those fund sources. Total staffing is 15,652.8 full-time equivalent positions, 15.9 more positions than enacted. It includes 519.8 higher education positions supported by third-party funds, consistent with the enacted budget.

**Section 5. State Fiscal Recovery Funds.** This section maintains the enacted language that clarifies that appropriations of federal funds in section one shall not be construed to mean State Fiscal Recovery and Capital Projects funds enacted as part of the American Rescue Plan Act unless specifically designated as such. It also removes the inapplicable reference to the multi-year expenses that were consolidated into FY 2024 to ensure timely obligation of funding to comply with federal requirements. The section also contains a description of each of the projects for which any appropriation is made. It is revised to add projects carried forward from prior years, and reflect changes to proposed uses of authorized funding including new and deleted projects.

**Section 6. State Fiscal Recovery Funds Reporting and Compliance.** This section requires the Pandemic Recovery Office to monitor programs funded with State Fiscal Recovery and Capital Projects funds. It requires the Office to report on a quarterly basis to the Speaker of the House and Senate President, with copies to the chairpersons of the House and Senate Finance Committees, identifying programs that are at risk of significant underspending or noncompliance with federal or state requirements. The report, at a minimum, must include an assessment of how programs that are at risk can be remedied. The section is revised to make the last report due on October 31, 2026, and allow the Governor to propose to reallocate any at risk funding to the Unemployment Insurance Trust Fund. Proposed reallocations must be referred to the Assembly by November 10 and will go into effect within 30 days unless rejected by joint action of the House and Senate.

**Section 7. Underground Storage Tank Trust Fund Transfer.** This section requires the transfer of \$2.0 million from the Underground Storage Tank Trust Fund to state general revenues by June 30, 2024.

**Section 8. Municipal Infrastructure Matching Grant Pool Transfer.** This section requires the transfer of \$5.5 million of general revenues previously provided for the Infrastructure Bank’s Municipal Infrastructure Matching Grant Pool back to state general revenues by June 30, 2024.

**Section 9. Housing Resources and Homelessness Transfer.** This section requires the transfer of \$10.0 million from general revenues to the Housing Resources and Homelessness restricted receipt account by June 30, 2024.

**Section 10. Effective Date.** This section provides that the article shall take effect upon passage.

#### **Article 14. Effective Date**

Article 14 provides that the act shall take effect on July 1, 2024, except where a provision within an article specifies a retroactive or prospective effective date.

#### **2024-H 7927, Substitute A**

**Financial Institutions Tax.** The Assembly also passed legislation in 2024-H 7927, Substitute A, that allows financial institutions to allocate and apportion their net income based solely on their receipts factor, with the option to revoke the election after five years, starting tax year January 1, 2025. Currently, financial institutions use a three-factor apportionment method, considering receipts, payroll, and property values in and out of Rhode Island. This would result in a revenue loss of \$7.7 million in FY 2025 that would annualize to \$15.6 million in FY 2026. The most recent revenue estimates showed a significant increase in these tax receipts.

**Supplemental Budget Reserve.** The 2023 Assembly created a Supplemental Budget Reserve account and required the State Controller to transfer 50.0 percent of all general revenues received in the completed fiscal year, net of transfer to the state budget reserve and stabilization account in excess of adopted estimates for that year. For FY 2023, it produced a \$6.5 million. The Governor’s FY 2025 budget proposal eliminated this law, but the Assembly did not concur. The Assembly did authorize separate legislation in 2024-H 7927, Substitute A, eliminating the transfer to the reserve account for FY 2023 only allowing for the recapture of the \$6.5 million as general revenues.