

Articles of 2025-H 5076, Substitute A, as Amended

Article 1

Section 1. Appropriations. This section of Article 1 contains the appropriations for FY 2026.

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 within the Office of the Governor's budget for unexpected expenses or for 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 2026. The budget includes \$3.4 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 2026. 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 a determination of need by the Director of Administration. Total staffing is 15,921.8 full-time equivalent positions, 149.0 positions more than the

enacted budget. This includes 544.8 higher education positions supported by third-party funds, 25.0 positions more than the enacted budget.

Section 13. Multi-Year Appropriations. This section makes multi-year appropriations for a number of projects included in the Capital Budget that are funded from Rhode Island Capital Plan funds over FY 2027 through FY 2030. The FY 2026 and multi-year appropriations supersede appropriations made for capital projects in Section 13 of Article 1 of the FY 2025 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 an appropriate amount of resources to support the Neighborhood Opportunities Program. The Corporation is also required to provide to the director of the Department of Administration, the Secretary of Housing, 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 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. The Budget includes \$2.9 million from restricted receipts for FY 2025 and FY 2026.

Section 17. State Fiscal Recovery Funds. This section clarifies that appropriations of federal funds in Section 1 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 project 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 quarterly to the Speaker of the House and Senate President, with copies to the House and Senate Finance Committee chairpersons, identifying programs 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 quarterly report due on January 31, 2025, and establish twice-yearly reporting beginning April 30, 2025, through October 31, 2026. It authorizes the Governor to reclassify program income or unspent funds at-risk of federal forfeiture to other eligible projects if the value of the proposal is less than \$1.0 million and less than 20.0 percent of total program appropriations. Proposals exceeding \$1.0 million or 20.0 percent of program appropriations must be referred to the Assembly to go into effect within 30 days unless rejected by joint action of the House and Senate. This is an expansion of the one-time authority provided in the enacted budget allowing the Governor to propose reallocation of at-risk funds to only the unemployment trust fund in November 2024.

Section 20. Rhode Island Student Loan Authority Transfer. This section requires the transfer of \$2.9 million from the Rhode Island Student Loan Authority to state general revenues by June 30, 2026.

Section 21. Low-Income Housing Tax Credit Transfer. This section requires the transfer of \$4.0 million from state general revenues to the Low-Income Housing Tax Credit Fund by June 30, 2026.

Section 22. Housing Resources and Homelessness Transfer. This section requires the transfer of \$2.5 million from state general revenues to the Housing Resources and Homelessness restricted receipt account by June 30, 2026.

Section 23. Pending Federal Action Strategy. This section respectfully requests the administration to convene an advisory group or groups or similar bodies to assist in the review and analysis of federal tax actions, federal actions related to Medicaid programs, and directs the administration to monitor the status of federal grants and develop options for the Governor and Assembly to consider that address federal funding changes.

Section 24. Effective Date. This section establishes that the article is effective as of July 1, 2025, except as otherwise provided within the article.

Article 2. State Funds

Sections 1 and 2. RI Division of Higher Education Authority. These sections eliminate the Rhode Island Division of Higher Education Assistance as a separate entity, and the activity of awarding the appropriation from the Tuition Savings Program as tuition assistance will be done through a new restricted receipt account in the General Fund. This eliminates the annual financial reporting and audit related to the Division, improving the segregation of duties and controls over funding.

Sections 3 and 8. Municipal Road and Bridge Revolving Fund. These sections expand projects eligible for the Municipal Road and Bridge Revolving Fund to include projects not on the priority list used for allocating these funds if the financial assistance sought is to match other state funding. They also remove the requirement for a city or town to obtain voter approval to authorize any related debt when these funds are serving as that match.

Section 4. Indirect Cost Recovery. This section increases the indirect cost recovery charge applied to restricted receipt accounts from 10.0 percent to 15.0 percent. This aligns the state's indirect cost recovery rate with the newly increased federal rate. The state's rate was last increased in FY 2006 from 7.0 percent to 10.0 percent.

This section also modifies the presentation of exempt accounts under the purview of the Rhode Island Cannabis Control Commission and the Office of Energy Resources to align with the Governor's proposal, showing them as standalone agencies. It adds the Workers' Compensation Administration Fund to the list of restricted receipt accounts exempt from indirect cost recovery charges. It adds the new Tuition Saving Program account created in Section 1 to the list of exempt accounts as well as the Clean Transportation Programs; statutory authorization for that new account is included in Article 3. The budget assumes revenues of \$3.2 million from these changes.

Section 5. State Controller. The 2023 Assembly created a Supplemental Budget Reserve account. It 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. It also required the remaining 50.0 percent be transferred to the Employees' Retirement System. For FY 2024, it produced a \$43.3 million transfer. This section exempts the transfer to the supplemental budget reserve fund for FY 2024 only, and the budget recaptures \$21.6 million of resources for FY 2025.

This section also adds the Office of Risk Management to the Controller's functions. Article 3 removes it from the Division of Capital Asset Management and Maintenance purview.

Section 6. Rhode Island State Psychiatric Hospital. This section creates a restricted receipt account for the Rhode Island State Psychiatric Hospital to receive and spend federal Medicare Part D pharmacy reimbursements. The Budget includes general revenue savings of \$144,000 from billing other sources for pharmacy expenses.

Section 7. Information Technology Funds. This section authorizes the director of the Department of Administration to allocate and charge capitalized costs to agencies, in accordance with statewide cost allocation plan that benefit from projects funded through the Large Systems Initiatives Fund. As part of its budget request, the Department must include an expected billing of any capitalized costs that it intends to charge to agencies in the following fiscal year. The legislation amends the sources of the funds to include interest earned and capitalized amounts charged to agencies. Of the interest accrued, \$14.9 million would be allocated to the Enterprise Resource Planning System, reflecting the increased project cost. It also authorizes the State Controller to transfer any excess interest accrued to the Information Technology Restricted Receipt Account.

Section 9. Dredge Fees. The section increases the minimum dredge fee from \$11.65 to \$35.00 and directs all fees to the Dredge Fund, effective July 1, 2025. Under current law, amounts up to \$11.65 are deposited as general revenues, with any fees above that going to the Dredge Fund. The article also clarifies that the management of disposal options is an eligible use of the fees.

Article 3. Government Reform and Reorganization

Sections 1 and 4. Hemp and Cannabis. These sections change several references to the Department of Business Regulation and its Director to the Cannabis Control Commission and its Chair to effectuate the transfer of cannabis regulatory authority, consistent with legislation passed by the 2022 Assembly. They also clarify the transfer of regulatory authority over industrial hemp and allow the Commission to delegate certain functions to an administrative hearing officer. They also clarify the Commission's authority to temporarily pause approval of new hemp licenses.

Section 2. Local Licensing. This section eliminates municipal authority to issue licenses for karate and jiu-jitsu instruction. Under current law, municipalities can charge up to \$25 for a license and up to \$20 for non-compliance.

Sections 3, 6 through 12, 16, 18, 20, 23, 24, and 27. Office of Internal Audit and Program Integrity. The Office of Internal Audit is authorized to conduct audits of any state department, agency or private entity that receives state funding or state grants. The Office is also tasked with evaluating the efficiency of operations and internal controls, preventing and detecting fraud, waste, abuse or mismanagement of funds. These sections expand the duties and authority of the Chief of the Office, including granting administrative subpoena powers, with prior approval from the director of the Department of Administration, renaming it Office of Internal Audit and Program Integrity.

The Budget includes \$1.2 million from all sources, including \$0.7 million from general revenues and 6.0 new full-time equivalent positions to enhance efforts to investigate fraud and detect mismanagement of public funds. It also includes savings of \$6.9 million, including \$2.9 million from general revenues, in the Executive Office of Health and Human Services' budget from payment recoveries related to fraud, waste, and abuse in the Medicaid program.

Section 5. Workers' Compensation Judges Pensions. This section is a technical change to include workers' compensation judges that were unintentionally excluded from the changes made by the 2024

Assembly to decrease the threshold from 80 percent to 75 percent for the return of the cost-of-living adjustment.

Section 7. Pending Federal Action Strategy. This section directs the Office of Management and Budget to monitor the status of federal grants and identify any impacts resulting from federal funding rescissions. It also requires a report no later than October 31, 2025, containing recommendations and options to become compliant with federal changes.

Section 13. Public Debt Management Act. This is a technical change from “concurrent” resolution to “joint” resolution regarding the required approval method to align with current practice.

Section 14. Specialized Information Technology Positions. This section creates a designation for specialized information technology positions in state service, to be capped at 15.0 full-time equivalent positions in any fiscal year. It authorizes the personnel administrator to change classifications and pay grades for any new or existing specialized information technology positions, within the Division of Enterprise Technology Strategy and Services in the Department of Administration. This excludes positions that are part of a collective bargaining agreement.

It temporarily authorizes the personnel administrator to implement the pay plans for these positions without conducting a public hearing or obtaining approval from the Governor. It further requires that the job specifications be reviewed annually. It also requires the personnel administrator to submit a report within 30 days to the Governor, the Speaker of the House of Representatives, the Senate President, and the chairpersons of the House and Senate Finance Committees. The authorization granted to the personnel administrator under this section will sunset on December 31, 2026.

Section 15. Procurement Fee. Currently, a fee of 1.0 percent is assessed on master price agreements from vendors. It generated \$1.0 million in FY 2023 and \$2.0 million in FY 2024. This section establishes a uniform 0.33 percent fee to be assessed on all state contracts, effective January 1, 2026. The receipts will continue to be deposited as restricted receipts to support operations of the Division of Purchases, which is primarily supported with general revenues. It also assumes a staggered rollout of the new fee with full implementation by FY 2027. The budget also assumes savings of \$0.5 million from general revenues by shifting some of the division’s current expenses to the currently available restricted receipts.

Section 17. Office of Risk Management. This section removes functions of the Office of Risk Management from the Division of Capital Asset Management and Maintenance. Article 2, Section 5 adds them to the State Controller.

Section 19. State Police Pensions. The 2024 Assembly made changes to the pension plan affecting retirees and active members, including changing the calculation for pension benefits from the highest five consecutive years of compensation to the highest three consecutive years for state employees, teachers, and municipal employees. This section would change the calculation for State Police pension benefits to be based on the highest three consecutive years, rather than five, which would make it consistent with other state employees.

Sections 21 and 22. Office of Energy Resources. The Commissioner of the Office of Energy Resources is required to submit an annual report to the Governor, the Speaker of the House of Representatives, and the Senate President, detailing the effectiveness of energy programs and other requirements. Section 21 changes the reporting date from one that is due by March 1 to June 30. It also removes outdated statutory references and makes technical corrections regarding reporting of the Energy Efficiency Resource Management Council programs. Section 22 includes statutory authority for the Clean Transportation Programs restricted receipts account; Article 2 exempts it from the indirect cost recovery charges.

Sections 25 and 26. Integrated Data System Act. These sections codify many of the recommendations of the 2023 Rhode Island Data Governance Program Plan and the Governor's 2024 executive order on artificial intelligence and data centers of excellence by establishing the Rhode Island Integrated Data System "DATA RI" as the state's central repository of inter-agency, longitudinal, linked, and individual data. The stated goal is to connect data across sectors, support research aligned with state priorities, inform policymaking and program evaluation, and enhance the well-being of all Rhode Islanders. It creates a single board to oversee the Rhode Island Longitudinal Data System, the state education and workforce longitudinal data system, and the Ecosystem, the state's health and human services integrated data system. The board would be co-chaired by the Commissioner of Postsecondary Education and the Secretary of Health and Human Services.

The budget adds \$1.4 million and staff in three entities to support this. It includes \$0.3 million from existing restricted receipts and 2.0 new positions in the Office of Postsecondary Commissioner and \$0.2 million from general revenues for the necessary software to support its data systems. It also adds 2.0 positions and \$0.4 million to be billed to user agencies for the Department of Administration's Division of Enterprise Technology Strategy and Services and 2.0 positions and \$0.4 million, of which \$0.1 million is from general revenues, for the Executive Office of Health and Human Services.

Article 4. Public Debt Management Act

The Public Corporation Debt Management Act requires that the Assembly approve all new non-general obligation debt authorizations, except in certain circumstances. Article 4 increases the authorization for revenue bonds for two previously approved projects for the University of Rhode Island. Both projects received initial approval in 2019 and were subsequently increased in 2021. The current revisions reflect significant changes in cost and timing, as well as updated interest rate projections. The authorization for the Memorial Union project increases by \$60.4 million, from \$57.6 million to \$118.0 million, and for the Combined Health and Counseling Center by \$4.6 million, from \$29.0 million to \$33.6 million. Total debt service payments, including the additional requested authorization, are expected not to exceed \$350.0 million, supported by student fees and retail lease payments.

Article 4 also includes authorization for \$23.0 million through Certificates of Participation for the construction of confined aquatic dredged material disposal cells. Total debt service is estimated to be \$36.9 million, supported by fees charged to marine operators for depositing dredged materials into these disposal cells and general revenues.

Article 5. Taxes and Fees

Sections 1 and 7. Local Hotel and Whole Home Short-Term Rental Taxes. These sections establish a new tax effective January 1, 2026, on houses, condominiums, or other furnished residential dwellings rented for a short term in their entirety, equal to the 5.0 percent State Hotel Tax, from which these units are currently exempt. Associated revenues would be distributed by formula, with 50.0 percent deposited in the Housing Resources and Homelessness restricted account, and 25.0 percent each for the municipality and tourism district in which the rental occurs. This is estimated to generate \$1.0 million for the restricted account for FY 2026, annualizing to \$2.4 million for FY 2027. These sections also increase the Local Hotel Tax from 1.0 percent to 2.0 percent, effective January 1, 2026. This is estimated to generate \$2.8 million for cities and towns, annualizing to \$7.6 million in FY 2027.

Section 2. Jobs Growth Act. This section sunsets the 2005 Jobs Growth Act for tax years beginning on or after January 1, 2026. The estimated impact on general revenues is about \$1,500, annualizing to \$3,000 in FY 2027.

Section 3. Pending Federal Action Strategy. This section directs the Director of the Department of Revenue to convene an advisory working group to assist in the review and analysis of the impacts of any

adopted federal tax actions. The working group shall develop options for administrative action or consideration by the Governor and General Assembly that may be necessary to address any federal funding changes affecting Rhode Island revenues and report its findings by October 31, 2025.

Sections 4 and 5. Tax Calculations. These sections include changes to the definition of taxable income for individuals and business corporations for tax purposes, ensuring that any pending federal action will not affect the 2025 tax base for calculating current Rhode Island tax liability. They would also allow that for tax year 2025 only, the federal enactment of any legislation that would cause the Internal Revenue Service to change forms, regulations and/or processing, which go into effect during the current tax year or within six months of the beginning of the next tax year, shall be grounds for the promulgation of emergency rules and regulations.

Section 6. Sales Tax on Parking. This section expands the application of the current 7.0 percent sales and use tax to short-term parking of a duration of less than one month, effective October 1, 2025. This is estimated to generate \$1.6 million in FY 2026, with an annualized total of \$3.2 million for FY 2027, once fully implemented with a greater level of compliance.

Sections 8 and 9. Other Tobacco Tax on Nicotine Pouches. These sections update 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, 2025, which would annualize to \$12.0 million for FY 2027.

Section 10. Real Estate Conveyance Tax. This section increases both the first and second tier of the real estate conveyance tax from 0.46 percent to 0.75 percent, effective October 1, 2025, for a top effective rate of 1.5 percent. The first tier applies to all real estate transfers; revenues would be allocated according to a statutory formula, essentially unchanged from current law. The second tier applies to the portion of residential transfers above \$800,000; the rate allocation will 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. It also provides that the \$800,000 threshold shall be subject to an inflation adjustment beginning January 1, 2026. These changes are estimated to generate \$13.5 million for FY 2026 across all state fund sources, annualizing to \$18.7 million for FY 2027. Additionally, municipal collections are estimated to increase by \$10.7 million for FY 2026 and \$14.7 million for FY 2027.

Section 11. Specialized Investment Tax Credit. This section sunsets the Specialized Investment Tax Credit for tax years beginning on or after January 1, 2026. It allows credits for tax years ending on or before December 31, 2025, to be carried forward for seven taxable years, consistent with current law.

Section 12. Motion Picture Tax Credit. This section retroactively adjusts the annual cap for the motion picture and theatrical production tax credits. It increases the calendar year 2022 cap from \$30.0 million to \$35.0 million and decreases the 2023 cap from \$40.0 million to \$35.0 million. This is estimated to result in \$3.2 million in additional redemptions affecting FY 2026 revenue. It also requires production companies to notify the Film and Television Office and the Division of Taxation if they do not expect to complete production within the same calendar year as initially estimated.

Section 13. Elective Deduction for Research and Development Facilities. This section eliminates elective deductions for research and development facilities against entire net income starting January 1, 2026, and allow any deductions for tax years before that to be carried forward. Similarly, tax credits for research and development property would also be phased out for tax years beginning on or after January 1,

2026, with credits from prior tax years eligible for carryforward. Finally, it would expand the carryforward period for the qualified research expense tax credit from 7 to 15 years for tax years beginning on or after January 1, 2026.

The estimated impact on general revenues from the two repeals adds about \$212,000 in FY 2026, annualizing to \$424,000 in FY 2027. The carryforward extension would reduce revenues beginning in FY 2034 by \$0.9 million.

Section 14. Employment Tax Credit. This section sunsets the employment tax credit, also known as the welfare bonus program tax credit, for tax years beginning on or after January 1, 2026. There is no fiscal impact assumed as there were no recipients of the credit for tax years 2019 through 2022.

Section 15. Capital Investment in Small Businesses. This section sunsets the small business capital investment deduction or modification and the small business capital investment wage credit for tax years beginning on January 1, 2026. The Budget assumes \$6,551 in additional revenues from the repeal of the small business capital investment deduction or modification. This would annualize to \$13,102 for FY 2027. There is no fiscal impact assumed for the repeal of the small business capital investment wage credit as there were no recipients of the credit for tax years 2019 through 2022.

Section 16. Financial Institution Data Match System. This section establishes the statutory authority for the Division of Taxation to develop and operate an automated financial institution data match system to collect tax debts from delinquent taxpayers. Financial institutions must provide data on delinquent taxpayers identified at their institution to the Division each quarter. The Budget assumes \$5.3 million in new revenues for FY 2026, growing to \$8.0 million in FY 2027.

Section 17. Work from Home Zoning Exemption. This section adds remote work to the list of permitted uses of residentially zoned property, similar to family daycares. Under current law, municipalities could enforce home occupation permits and associated fees for employees who work remotely under flexible worksite arrangements.

Section 18. Non-Owner Occupied Property Tax. This section establishes a non-owner-occupied residential property tax, effective July 1, 2026. The tax does not apply to commercial property or property rented for more than 183 days in a given taxable year. Affected properties will be subject to a 0.5 percent annual tax on the portion of their value exceeding \$1.0 million, with all resulting revenues dedicated to the Low Income Housing Tax Credit Fund. It also provides that the \$1.0 million threshold shall be subject to an inflation adjustment beginning July 1, 2027.

Article 6. Economic Development

Sections 1 and 2. Holiday Business. These sections eliminate special local licensing requirements for retail sales on holidays except for Christmas and Thanksgiving Day.

Sections 3 and 4. Notice of Cancellation. These sections allow for the notice of cancellation of a buyer's health club or dating service contract to be made by electronic mail to the seller at an electronic mail address specified in the contract.

Section 5. Rebuild Rhode Island Tax Credit. This section amends the maximum project credit allowed under the Rebuild Rhode Island tax credit for certain projects. Current law allows project credits up to \$15.0 million; this section would create an exemption for additional sales and use taxes of up to 30 percent beyond the maximum project credit for housing projects with at least 20 percent affordable housing or workforce development units. This would allow for up to an additional \$4.5 million to be awarded for qualifying projects, which would remain subject to the \$225.0 million program award cap. This section

also increases the threshold for triggering prevailing wage requirements from \$10.0 million to \$25.0 million of hard construction costs for projects receiving a tax credit on or after July 1, 2025. Additionally, this section extends the sunset provision one year to December 31, 2026.

Sections 6 through 9, 12 through 14, and 16. Sunset Extensions. These sections extend the sunset provisions for Tax Increment Financing, Tax Stabilization Incentive, First Wave Closing Fund, I-195 Redevelopment Fund, Wavemaker, Main Street Streetscape, Innovation Initiative, and the Qualified Jobs Tax Credit one year, to December 31, 2026.

Section 10. Small Business Assistance Program Act. This section extends the sunset provision for the Small Business Assistance Program by three years to December 31, 2028.

Section 11. Wavemaker Fellowships. This section expands the eligibility criteria of Wavemaker Fellowship healthcare applicants to allow for those who do not have withholding wages. These include sole proprietors, partners in a healthcare service partnership, and members of a single-member limited liability company, assuming the applicant has completed their application on or after July 1, 2022.

Section 15. Historic Preservation Tax Credit. This section increases the threshold for triggering prevailing wage requirements from \$10.0 million to \$25.0 million of hard construction costs for projects receiving a tax credit on or after July 1, 2025.

Article 7. Education

Sections 1 and 3. Group Home Aid. This article amends group home funding provided to districts in addition to the funding formula. Section 1 removes the enrollment reduction related to group home beds. Section 3 removes Children's Residential and Family Treatment or CRAFT program beds from this category of aid and clarifies the educational and financial responsibility for children in this program. The FY 2026 budget adds \$1.6 million to reflect these adjustments.

Section 2. Charter Schools. This section stabilizes the reduction in local payments to charter schools, mayoral charter schools, and state schools by limiting it to a maximum of 14.0 percent of the per-pupil amount. The minimum holdback is 7.0 percent and unchanged.

Section 2. Reporting. Section 2 also introduces new reporting requirements for the Department of Elementary and Secondary Education to include in its FY 2027 budget submission. It must provide a report that offers an overview of, and recommendations to enhance, the matching process between Department of Human Services program participation data and Department of Elementary and Secondary Education student enrollment records for use in the funding formula. It must also include an estimate of foundation education aid that accounts for Medicaid matching to identify students in poverty within its FY 2027 budget request.

This article also requires the Department to submit a report on the current and recommended processes to ensure that it receives consistent and accurate high-cost special education data from districts.

Article 8. Medical Assistance

Section 1. Hospital License Fee. This section extends the three-tiered system for the community hospitals with FY 2026 payments totaling \$228.5 million based on updated 2023 revenue. This section also extends the hospital license fee for Eleanor Slater Hospital at a 5.25 percent rate based on 2023 revenues, totaling \$4.0 million. Under current law, the license fee is not effective after FY 2025. The Budget assumes total revenues of \$232.5 million from both payments; FY 2025 revenues are \$215.7 million.

Section 2. Medicaid Monthly Reporting. This section expands monthly Medicaid reporting requirements to include separately the expenses reduced by providers billing third party payors first before the Medicaid program, where appropriate, using income verification tools, such as Equifax's The Work Number, recoveries from ABLE accounts, and the Department of Administration's Office of Internal Audit and Program Integrity.

Section 3. Federal Compliance - Prior Authorization. This section makes the necessary changes to comply with the federal requirements that a health insurer or other third parties cannot deny payment for a claim solely based on lack of prior authorization. The entities must also respond to inquiries within 60 business days after receiving written documentation from the Medicaid beneficiary. If prior authorization is required, the health insurer will accept from the state Medicaid program that the service is covered.

Section 4. Nursing Facilities. This section includes an FY 2026 annual rate increase of 2.3 percent and a separate 3.0 percent safe staffing rate adjustment, effective October 1, 2025. The budget adds \$21.3 million, including \$8.8 million from general revenues, to fund these increases. The 3.0 percent increase, which equates to \$12.0 million, must be a 100 percent pass-through to direct care workers. This section also updates the type of direct care worker for whom the current 80 percent pass-through requirement for the annual increase is applicable, to include social workers and nurse aides in training. These positions would also be included in the staff ratios to meet minimum staffing as amended in Article 10.

Section 5. Hospital Payments. This section includes uncompensated care payments to Eleanor Slater for FY 2025 and FY 2026 that do not exceed \$12.9 million. Payments to community hospitals are not to exceed \$14.8 million for FY 2025 and \$1.0 million for FY 2026.

Section 6. Home and Community-Based Services Rates. The section freezes home care rates at the FY 2025 level. These rates are part of the annual inflationary adjustment made in the Office of Health Insurance Commissioner's biennial review. The subsequent rate increase would be part of the FY 2027 budget process. The Budget includes savings of \$10.1 million, including \$4.3 million from general revenues from the amounts assumed in the November Caseload estimate based on the current law, which calls for an increase based on the New England consumer price index for medical care.

Section 7. Medicaid Waiver. This section makes technical changes to align waiver services with current law.

Section 8. Pending Federal Action Strategy. This section directs the Secretary of Health and Human Services to convene an advisory working group to assist in the review and analysis of potential impacts of any adopted federal actions related to Medicaid programs. The working group shall develop options for administrative action or General Assembly consideration that may be needed to address any federal funding changes that impact Rhode Island's Medicaid programs and report its findings no later than October 31, 2025.

Section 9. Human Service Programs Rates and Benefit Analysis. This section requires the Office of the Health Insurance Commissioner to produce a one-time report on primary care reimbursement rates due September 1, 2026. The report will include Medicaid, Medicare, commercial, and alternative contracted payments. This is estimated to cost \$450,000, of which \$400,000 is budgeted for FY 2026.

Section 10. Medicaid Resolution. This section serves as the resolution for Assembly approval for the Executive Office to apply for certain changes to the Medicaid program. This includes the statutory changes already identified for (a) nursing facilities and (b) home and community care services. The remaining subsections includes the authority to seek federal approval to implement the following changes.

c) E-Consults Program. Establish a program to allow communication and care coordination between

primary and specialty care providers, intended to improve patients' and providers' access to specialists without needing a face-to-face visit. The Budget assumes that \$5.4 million in spending for the new benefit would be offset by savings of \$6.0 million from avoiding an in-person visit. The general revenue savings are \$0.1 million.

- d) Long Term Care Behavioral Healthcare. Establish a Medicaid rate for inpatient units in the community hospitals. The budget includes \$7.5 million, of which \$3.2 million is general revenues.
- e) Mobile Response and Stabilization Services. Establish a rate methodology for a Medicaid benefit to be effective by October 1, 2026, with the state plan amendment submitted no later than October 1, 2025. The current pilot program will be converted to a Medicaid benefit and will adhere to the federal model being used.
- f) 340B Program. Allows the Executive Office of Health and Human Services to prohibit discriminatory action related to reimbursement of 340B covered entities and 340B contract pharmacies. There are restrictions and requirements with respect to operationalizing the program, and annually, each 340B covered entity will submit a report to the Speaker of the House, the Senate President, the Governor, and the Auditor General, detailing participation in the program, which will be posted on the Auditor General's website.
- g) Primary Care Rates. Raise primary care rates to 100 percent of Medicare, effective October 1, 2025. The budget includes \$26.4 million, of which \$8.3 million is from general revenues, based on an annual impact of \$35.3 million. This total excludes the \$10.5 million separate allocation for increases to federally qualified health care center rates for a full year.
- h) Medicare Savings Program. Expand to reflect eligibility for the Qualified Medicare Beneficiaries benefit up to 125 percent of poverty and the Qualified Individuals benefit up to 168 percent of poverty; the budget includes \$7.1 million, of which \$0.7 million is from general revenues. The federally funded benefit for Qualified Individuals would be limited to the federal allotment.
- i) Prior Authorization. Establish a three-year pilot program to eliminate prior authorization requirements for any service, treatment, or procedure ordered by a primary care provider in the normal course of treatment. The pilot would exclude pharmacy benefits. This will take effect October 1, 2025, and sunset October 1, 2028. Providers include those in family medicine, geriatrics, internal medicine, obstetrics and gynecology, or pediatrics.

The Executive Office of Health and Human Services will provide an annual report to the Speaker of the House, the Senate President, the Office of the Governor, and the Office of the Health Insurance Commissioner that includes additional recommendations on further simplifying and reducing the administrative burdens of prior authorization. The report will also include data and analysis showing the impact of the pilot program on utilization and patient care.

Article 9. Housing Reorganization

Sections 1, 8, and 15. Lead Hazard Mitigation. These sections transfer responsibility for the lead hazard mitigation program from the Housing Resources Commission to the Department of Health.

Sections 2 and 12. Interagency Council on Homelessness. These sections alter the Interagency Council on Homelessness, reducing its membership from 20 to 17. They add the Continuum of Care and removes its advisory council, the Department of Administration, Housing Resources Commission, and the Providence Veterans Administration Medical Center. They require the Executive Office of Housing to provide administrative support.

Sections 3 and 4. RI Housing Governance. These sections provide that the Secretary of Housing shall be ex-officio chair of the RI Housing board of directors and remove the Director of the Department of Business Regulation. They transfer primary responsibility for determining how to prioritize federal Low-Income Housing Tax Credit awards and renewable energy features from RI Housing to the Executive Office of Housing, effective January 1, 2026. These sections also repeal a defunct Department of Human Services emergency housing assistance program.

Sections 5 and 11. Executive Office of Housing. These sections consolidate statutory language governing the Department of Housing, to be renamed the Executive Office of Housing. They add two new reporting requirements. The first is a statewide strategic plan to prevent and address homelessness, due every three years beginning July 1, 2026. The second is a chart showing the number and percentage of low- and moderate-income housing units by municipality, due annually beginning January 1, 2027. These sections also eliminate a requirement for each award round to include a material award for a municipality with a population of less than 25,000.

Sections 6, 7, 9, 10, and 14. Structural Reorganization. These sections alter the state housing structure to transfer oversight and programmatic authority to the Executive Office of Housing by dissolving the Coordinating Committee and reorganizing the Housing Resources Commission into an Advisory Council on Housing and Homelessness. Transferred authorities include the ability to designate which state or quasi-state agency will administer federal housing programs, expedited permitting for affordable housing, and exemptions from municipal real estate non-utilization taxes. These sections also transfer authority over the Housing Production Fund, which is supported by a dedicated portion of the Real Estate Conveyance Tax.

Under current law, the Commission has 28 members: 16 are ex-officio leaders of various state and non-state entities and 12 are appointed by the Governor to represent specified interests, professions, and industries. These sections replace guidance specific to each member with a broad requirement that the Council's 20 Governor-appointed members represent similar interests while removing representatives of state entities and adding tenants, landlords, local officials, and those with a lived experience of homelessness.

Section 13. Interagency Council on Housing Production and Preservation. This section establishes a new Interagency Council on Housing Production and Preservation. Its membership consists of 12 state agencies and is chaired by the Secretary of Housing, with administrative support provided by the Executive Office of Housing.

Section 16. Fee-in-lieu. If municipalities require affordable units as part of inclusionary zoning, they may allow developers to pay a fee in lieu of constructing affordable units. Funds must be used for affordable housing development in the same community. This section provides that if funds are unallocated after three years, they must be transferred to the Housing Production Fund instead of RI Housing.

Sections 17 and 18. Monitoring and Reporting. These sections transfer the responsibility for overseeing monitoring agents to ensure compliance with affordable housing statutes, including income limits and deed restrictions, from the Housing Resources Commission to the Executive Office of Housing, effective July 1, 2025. They repeal reporting requirements for the monitoring program and a defunct State Housing Appeals Board report. These sections also update the annual housing voucher report to more accurately reflect utilization and delay its submission from March 1 to April 15.

Article 10. Health and Human Services

Section 1. Health Professional Loan Repayment Program. This section codifies current practice of the Health Professional Loan Repayment Program into the general laws to include recruitment and retention of high-quality health professionals working with underserved populations. It shifts program administration

to the Department of Health and removes outdated statutory references to the Higher Education Assistance Authority.

The Health Professional Loan Repayment Program board determines which areas of the state shall be eligible to participate in the loan repayment program each year, based on health professional shortage area designations. It receives and considers all applications for loan repayment made by eligible health professionals. The article increases the board composition from nine to ten members; the Director of the Department of Health serves as the chairperson. It also authorizes the Director to implement legal proceedings against program participants who are in default or have breached their contracts.

Section 2. Nursing Facilities Minimum Staffing. This section changes the state's nursing home minimum staffing requirements to expand the types of direct care workers that count towards meeting the staffing ratios to include social workers and nurse aides in training. The section reduces the hours of daily direct nursing care to 3.58 from 3.81 and excludes the hourly requirement specific to certified nursing assistants, effective January 1, 2026.

It also changes the current penalty structure and waives and forgives any penalties assessed prior to January 1, 2026. The penalty would be three percent of Medicaid reimbursements determined by the most recent financial period. Any funds recovered would be deposited into a restricted receipt account to be used for workforce development and compliance assistance programs. The section requires the Department of Health to issue rules and regulations for implementation and oversight, with a six-month transition to allow facilities to meet the new requirements. This section also requires audits to be conducted by the Executive Office of Health and Human Services and published on its website.

Section 3. Office of Veterans Services Burial Fees. This section allows the Office of Veterans Services to promulgate rules and regulations to charge and collect cremation and casket liner fees for eligible spouses and dependents of qualified veterans. Currently, the fees are not in regulation. The federal government now reimburses the cost of a full casket liner for a veteran's spouse or eligible dependent of a veteran who served until retirement. The state will continue to charge cremation liner fees for all non-military burials and casket burial liners for spouses and eligible dependents of veterans who did not retire from the military.

Section 4. Child Care for Child Care Educators. The section extends the sunset date for the child care for childcare workers pilot program for another three years through July 31, 2028. The FY 2026 budget adds \$2.7 million for the extension.

Section 5. Supplemental Nutrition Assistance Program. The section requires the Department of Human Services, in coordination with the Department of Administration, to submit a plan, as part of its annual budget submission, with initial recommendations to reduce the state's payment error rate so that it is below six percent. As of January 18, 2026, the Department will report monthly on its progress to implement the recommendations. The report will be part of its current reporting requirement to the General Assembly.

Section 6. Child Care Rates. This section establishes a new rate for infants, distinct from the current rate applicable to infants and toddlers, and increases the infant rate by 20 percent. The toddler and preschool rates remain the same. The FY 2026 budget adds \$3.0 million from federal funds to account for the increase.

Section 7. Restricted Receipt Account. This section creates a new restricted receipt account for nursing home penalty collections included in Section 2.

Section 8. Healthcare Services Funding Assessment. The section establishes 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.

Article 11. Motor Vehicles and Transportation

Section 1. Division of Motor Vehicles. This section requires the administrator of the Division of Motor Vehicles, in consultation with the Department of Transportation, to submit a report of its findings and options for updating fees imposed in Section 2 for electric vehicles, plug-in hybrid electric vehicles, and hybrid electric vehicles to the General Assembly before January 1, 2027.

This section also increases the technology surcharge fee on Division of Motor Vehicle transactions, excluding vehicle inspections, by \$1.00 to \$3.50, effective July 1, 2025. All technology surcharge fees are deposited into a restricted receipt account managed by the Division for enhancements and ongoing maintenance to its computer system. This is estimated to generate \$1.6 million in restricted receipts in FY 2026 to maintain the Division's information technology system and cost increases that would otherwise require new general revenue support.

Sections 2 and 12. Highway Maintenance Account. Section 2 imposes an annual registration fee of \$200.00 for battery electric vehicles, \$100.00 for plug-in hybrid electric vehicles, and \$50.00 for hybrid electric vehicles. Section 12 increases the current license and most vehicle registration surcharges from \$30.00 to \$40.00. These changes would take effect on January 1, 2026, and would generate \$6.7 million for FY 2026, to be deposited into the Highway Maintenance Account, for a total of \$117.7 million in resources.

This section also amends the allocation of the Account to increase the Rhode Island Public Transit Authority's share of the funds from 5.0 percent to 10.0 percent, with the additional \$5.0 million that it currently receives, for a total of \$16.2 million.

Sections 3 through 7, 9 through 11, and 14. Traffic Tribunal Fees. These sections revise the traffic violation schedule, increasing most fines from \$85 to \$100, effective for offenses committed on or after July 1, 2025. These fees were last adjusted by the 2008 Assembly. This is anticipated to generate \$0.5 million in new general revenues.

Section 8. Motor Fuel Tax. This section increases the motor fuel tax from the current law estimated amount of 38 cents to 40 cents excluding the one cent environmental protection fee and allocates the increased 2 cents to the Rhode Island Public Transit Authority. This increases the Authority's share of the gas tax to 11.75 cents, including its current half cent from the environmental protection fee. Based on the estimated \$4.359 million per penny yield, the additional two cents would generate \$8.7 million for FY 2026.

Currently, the motor fuel tax is indexed to the one-year Consumer Price Index every other year, rounded to the nearest cent. This section requires that the adjustment be based on the inflation that occurred in the preceding two years.

Section 13. Motor Vehicle Excise Tax. This section alters the requirement that municipal reimbursement for the motor vehicle excise tax increase beginning in FY 2026, based on the annual change of sales tax collections, to limit the increase to 2.0 percent. The Governor had proposed repealing that requirement. It also holds communities harmless for any decreases based on rounding values as part of the indexing to the sales tax. The budget contains \$4.7 million to fund the increase.

Article 12. State Leases

This article authorizes long-term lease renewals for the Department of Children, Youth and Families' Providence office and the Emergency Management Agency warehouse in Cranston. The FY 2026 budget

includes \$2.3 million for the Department of Children, Youth and Families' lease and \$0.3 million for the Emergency Management Agency's lease, which will be renewed on February 1, 2026. The annualized cost is expected to be \$0.7 million. Legislative approval is required for lease agreements for terms of five years or longer and exceeding \$500,000 in value.

Article 13. Revised Appropriations

Section 1. Appropriations. This section contains the revised 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. 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 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 also limits appointments for state employees supported through non-state funds to the availability of those fund sources. Consistent with the enacted level, it includes total staffing of 15,772.8 full-time equivalent positions, including 519.8 higher education positions supported by third-party funds.

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. 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.

Section 6. State Fiscal Recovery Funds Reporting and Compliance. This section contains the same language from the enacted budget that requires the Pandemic Recovery Office to monitor programs funded with State Fiscal Recovery and Capital Projects funds and to report quarterly. Those reports must identify programs at risk of significant underspending or noncompliance with federal or state requirements and include an assessment of how programs at risk can be remedied. Changes to this section make the last quarterly report due on January 31, 2025, and establish twice-yearly reporting beginning April 30, 2025, through October 31, 2026. This section authorizes the Governor to reclassify program income or unspent funds at-risk of federal forfeiture to other eligible projects if the value of the proposal is less than \$1.0 million and less than 20.0 percent of total program appropriations. Proposals exceeding \$1.0 million or 20.0 percent of program appropriations must be referred to the Assembly to go into effect within 30 days unless rejected by joint action of the House and Senate. This is an expansion of the one-time authority provided in the enacted budget allowing the Governor to propose reallocation of at-risk funds to only the unemployment trust fund in November 2024.

Section 7. Underground Storage Tank Trust Fund Transfer. This section requires the transfer of \$3.0 million from the Underground Storage Tank Trust Fund to state general revenues by June 30, 2025.

Section 8. RI Student Loan Authority Transfer. This section requires the transfer of \$2.7 million from the Rhode Island Student Loan Authority to state general revenues by June 30, 2025.

Section 9. Infrastructure Bank Transfer. This section requires the transfer of \$2.0 million from the Infrastructure Bank to state general revenues by June 30, 2025.

Section 10. Marijuana Trust Fund Transfer. This section requires the transfer of \$0.6 million from the Marijuana Trust Fund to state general revenues by June 30, 2025.

Section 11. Low-Income Housing Tax Credit Transfer. This section requires the transfer of \$4.0 million from state general revenues to the Low-Income Housing Tax Credit Fund by June 30, 2025.

Section 12. Large Systems Initiatives Fund. The 2023 Assembly adopted legislation establishing a Large Systems Initiatives Fund, outside of the general fund to be administered by the state's Chief Information Officer. The fund is intended to support information technology projects to facilitate capture of federal participation for information technology projects once they are implemented.

The Large Systems Initiatives Fund is supported from direct appropriations. The FY 2024 budget transferred \$115.0 million from the current Information Technology restricted receipt account for eight approved projects, including no more than \$50.0 million for the Enterprise Resource Planning System, which was then estimated to cost \$68.7 million. This section updates the Enterprise Resource Planning System project cost to \$84.5 million, with no more than \$55.1 million being supported from the Fund.

Section 13. 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, 2025, except where a provision within an article specifies a retroactive or prospective effective date.