
Budget Articles
2020-H 7171

Explanations of Budget Articles

2020-H 7171

Article 1

Section 1. Appropriations. This section of Article 1 contains the appropriations for FY 2021.

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. 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 7. 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 for FY 2021.

Section 8. Employment Security Funds. This section appropriates all funds required for benefit payments to unemployed individuals from the Employment Security Fund for FY 2021.

Section 9. Lottery. This section appropriates to the Lottery Division any funds required for the payment of prizes and commissions.

Section 10. 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 2021. The Governor's budget includes \$8.9 million from these sources for state grant programs.

Section 11. Appropriation of Higher Education Funds. This section appropriates any funds required to be disbursed by the public institutions of higher education for the purposes of carrying out the mission of each institution for FY 2021. It appears to duplicate authority already granted in state law. The Assembly has not included this section in the annual appropriations bills since 2005. It was last proposed for inclusion by Governor Chafee in 2013.

Section 12. Full-Time Equivalent Positions. This section of Article 1 limits the maximum number of full-time equivalent positions authorized for the departments and agencies during any payroll period in FY 2021. In addition, this section provides that the Governor or designee, Speaker of the House or designee,

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and President of the Senate or designee, may jointly adjust the authorization. Total staffing is 15,074.7 full-time equivalent positions; while consistent with the enacted budget, this is 21.0 positions fewer than the revised recommendation for FY 2020.

The Governor lowers the number of higher education positions supported by third-party funds from 788.8 to 523.8 positions, a 265.0 reduction for the University of Rhode Island to remove auxiliary enterprise positions previously reported incorrectly as third-party. The enacted budget also limited appointments for state employees supported through non-state funds to the availability of those fund sources. The Governor's recommendation removes this requirement.

Section 13. Multi-Year Appropriations. This section makes multi-year appropriations for a number of capital projects included in the FY 2022 through FY 2025 Capital Budget that are funded from Rhode Island Capital Plan funds. The FY 2021 and multi-year appropriations supersede appropriations made for capital projects in Section 12 of Article 1 of the FY 2020 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 in FY 2021. 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. Intermodal Surface Transportation Fund. This section of the article includes future commitments for transportation related projects funded with resources in the Intermodal Surface Transportation Fund, beginning with FY 2022 through FY 2025. These sources include federal funds, gasoline tax proceeds, and highway maintenance funds. It authorizes payments for projects listed in the section upon receipt of authenticated vouchers and allows the Office of Management and Budget to increase funding in one year if an activity or project requires an advancement, with funding decreasing in the subsequent fiscal year.

Section 16. Reappropriation - Intermodal Surface Transportation Fund. This section of the article allows unspent transportation funds, including gasoline tax proceeds, highway maintenance funds and federal funds, to be reappropriated for the same purpose previously authorized, provided that resources are available. This is subject to final approval of the General Assembly similar to Rhode Island Capital Plan funds.

Section 17. 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 created.

Section 18. Infrastructure Bank Transfer. This section requires the transfer of \$5.0 million from the Rhode Island Infrastructure Bank to state general revenues by June 30, 2021.

Section 19. Rhode Island Student Loan Authority. This section requires the transfer of \$2.0 million from the Rhode Island Student Loan Authority to state general revenues by June 30, 2021.

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Section 20. Rhode Island Health and Educational Building Corporation. This section requires the transfer of \$1.0 million from the Rhode Island Health and Educational Building Corporation to state general revenues by June 30, 2021.

Section 21. Resource Recovery Corporation Transfer. This section requires the transfer of \$5.0 million from the Rhode Island Resource Recovery Corporation to state general revenues by June 30, 2021.

Section 22. Narragansett Bay Commission. This section requires the transfer of \$2.0 million from the Narragansett Bay Commission to state general revenues by June 30, 2021.

Section 23. Rhode Island Housing and Mortgage Finance Corporation Transfer. This section requires the transfer of \$1.1 million from Rhode Island Housing to state general revenues by June 30, 2021. Furthermore, Rhode Island Housing is authorized to use up to half of the existing Thresholds and Access to Independence funding held in reserve for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals as of July 1, 2020, to support the creation or preservation of housing options that are lower cost than in-patient services for individuals with behavioral healthcare needs or developmental disabilities. For FY 2021, the recommendation includes \$0.3 million for each program, of which \$0.5 million is from general revenues. The recommendation also assumes the use of \$0.1 million annually from Rhode Island Capital Plan funds for the FY 2021 through FY 2025 period for the Access to Independence program.

Section 24. Effective Date. This section establishes the article is effective as of July 1, 2020.

Article 2. State Funds

Section 1. Board of Education. This section authorizes the Board of Education to establish two restricted receipt accounts, one for the higher education and industry centers in Westerly and Northern Rhode Island and one for the Nursing Education Center. The first account would only be for funds gifted or granted to the centers. The second account would be for rentals of common space for outside events.

Section 2. Opioid Stewardship Act. This section amends the Opioid Stewardship Act to allow the State Budget Officer to authorize and create restricted receipt accounts in any department or agency where funds will be appropriated. It also clarifies that any state agencies receiving these funds shall annually report to the Governor, Speaker of the House, and the Senate President which programs money is spent on and the amount spent on each program. The FY 2020 revised and the FY 2021 budgets include expenditures in the following agencies: Departments of Children, Youth and Families, Behavioral Healthcare, Developmental Disabilities and Hospitals, Corrections, Business Regulation, Health, and Elementary and Secondary Education.

Section 3. Control of State Spending. This section increases executive authority to exceed budgeted appropriations by limiting the scope of the provisions enacted by the 2019 Assembly designed to address administrative adherence to budget control laws. It would only require a monthly report in the event that an agency's quarterly report forecasts a deficit of general revenues as opposed to other fund sources. It would limit the controller's prohibition from authorizing payments for additional staff, contracts, or purchases for the following conditions: any agency expected to overspend from general revenues beyond service levels provided in the previous fiscal year or for one-time purchases of equipment or supplies. It would extend the immediate health and safety exception to those payment prohibitions to include spending to be consistent with a corrective action plan.

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Section 4. Legislative Appropriation Authority. This section defines “appropriation” and specifically excludes an enactment by the General Assembly that authorizes, specifies or otherwise provides that funds may be used for a particular purpose from that definition. This section would deem general revenues as appropriated in order to comply with a court order, respond to a state of emergency, or finance programs covered under the caseload estimating conference when the current appropriations act does not meet the revised estimate.

This section also provides a blanket authorization for the State Budget Officer to create restricted receipt accounts within state agency budgets to reflect expenditures or receipts of either privately donated funds from individuals or corporate entities, funds received from non-profit charitable organizations, proceeds of multistate settlement funds received by the Office of the Attorney General, and funds received via a contract or memorandum of agreement. It authorizes the State Budget Officer to convert any escrow liability account to a restricted receipt account, upon the direction of the Controller with consent of the Auditor General.

The legislation also creates five restricted receipt accounts titled “UHIP Recovery” and “UHIP Recovery: Non-UHIP Expenses” in the Departments of Administration and Human Services, and the Executive Office of Health and Human Services.

It further exempts six accounts from the state’s indirect cost recovery charge; four of the exemptions relate to newly proposed changes for Adult Use Marijuana in Article 13, with uses in several state agencies. It also exempts a Health Spending Transparency and Containment Account under the Executive Office of Health and Human Services for which authorizing legislation is included in Article 20 and a Housing Production Fund under the purview of the Executive Office of Commerce; authorization for this is included in Article 12.

Section 5. RI Council on the Arts. This section repeals the requirement that Rhode Island State Council on the Arts deposit unrestricted funds from non-state sources as general revenues. It appears this is intended to allow the Council to have authority to receive funds and deposit them as restricted receipts, separate from the Council’s existing, but narrowly defined restricted receipt authorization. During FY 2019, the Council received funding from ArtPlace America to support an arts and healthcare initiative. Those funds were deposited as restricted receipts without authorization.

Article 3. Government Reform and Reorganization

Sections 1 through 3. Contractors’ Licensing and Registration Board. These sections make technical changes to align the date for certain contractors grandfathered into a license without an examination. It repeals the notarized reference requirements for water-filtration/treatment system applicants. For roofing contractors, it increases the required insurance policy from \$1.5 million to \$2.0 million, removes the existing per-project bonding requirement, and extends the time to take 10 hours of continuing education classes from one year to two.

Section 4. Crime Victim Compensation. This section prioritizes the payment of court costs related to prosecution over court ordered restitution. Under current law, court ordered restitution is the first payment made. Court costs, fines, fees, and assessments are the last priority for payment. This section would make the payment of court costs related to prosecution the first priority followed by court ordered restitution, with the last priority being court fines, fees, and assessments. The goal is to provide more funding for the crime victim compensation program, and the Governor’s budget includes \$450,000 in additional restricted receipts from this change; it is not clear that this change will produce the additional receipts.

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Section 5. Uniformed Controlled Substances Act. This section replaces the Department of Health with the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals as the recipient of 10.0 percent of forfeiture funds collected through the Uniformed Controlled Substances Act. It also adds substance abuse prevention programs as an allowable activity when disbursing the funds; currently, it is just treatment programs. Distribution of the remaining funds is unchanged from current law: 20.0 percent is provided to the Office of the Attorney General and 70.0 percent is divided among state and local law enforcement agencies based on the contribution each makes to the investigation of the criminal activity related to the asset forfeiture.

Section 6. Commercial Driver's Licenses. This section transfers the responsibility to administer the Commercial Driver's License road test from the Community College of Rhode Island, to the Division of Motor Vehicles, as of January 1, 2020. The article establishes a \$100 fee in statute; that amount is consistent with current practice.

Section 7. RICLAS. This section strikes the word RICLAS from the section of current law that established the restricted receipt account in the state-run system for adults with developmental disabilities but retains the restricted account that is specific to this system. The Governor's FY 2021 budget assumes \$6.4 million in savings, including \$2.9 million from general revenues, from privatizing the state system and turning over operations to the community-based private providers. It is unclear why the section was not eliminated to be consistent with the proposal to close the state system.

Section 8. Collections Unit. This section requires all state agencies, quasi-public corporations, boards or commissions to begin utilizing the services of the Department of Revenue's Collections Unit as of October 1, 2020, with all existing eligible debts forwarded by January 31, 2021. All participating agencies are required to refer all new debts within 30 days of eligibility after February 1, 2021. The original authorizing statute includes a June 30, 2021 sunset date, which is unchanged in the Governor's budget. This section also expands the Unit's ability to utilize third-party services to include prosecution for collections; adds the principal debt to the amounts eligible for negotiation of settlement; permits the Unit to refer a debt back to the originating agency; and permits the Unit to assess a 15.0 percent fee when the general revenue share of an amount collected is less than 50.0 percent. That 15.0 percent would be deposited as general revenues. This provision appears designed to capture a fee from quasi-public agencies; as drafted, it appears to have broader applicability.

Section 9. State Aid. The section expands the options for revenues that can be withheld from cities and towns that owe the state to include meals and beverage, tourism, and public service corporation taxes.

Section 10. Emergency Police Powers. This section extends emergency police powers to out-of-state law enforcement officials to guard hospitalized detainees up to eight hours from when that person is released from a Rhode Island hospital. Currently, out-of-state law officers are limited to eight hours from the time of notifying the Department of Public Safety that they are entering the state or upon a fugitive from justice warrant being executed, whichever arises first.

Section 11. Line Item Veto. This section proposes a referendum for voter approval to grant the Governor line item veto power. In addition to approving or rejecting the entire bill, the Governor would be able to reduce or eliminate any sum or sums appropriated as well as any language in the appropriations bill. If approved by the voters, the power would take effect on January 23, 2023.

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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. Article 4 contains five authorizations totaling \$183.0 million, including \$64.2 million through Motor Fuel Revenue Bonds to match federal funds that the Department of Transportation received. The total debt service payment is not to exceed 15 years and \$82.4 million; debt service payments would be supported by 2 cents of the gasoline tax.

Article 4 also authorizes borrowing through the issuance of new Certificates of Participation totaling \$118.8 million for four projects, including \$54.8 million to develop and implement an Enterprise Resource Planning System for human resources, information system, payroll, financial management and a grants management system. It also includes \$17.0 million for a new child welfare system to replace the current Rhode Island Children's Information System, \$12.0 million for the Eleanor Slater Hospital Reorganization, and \$35.0 million to build a new State Police barracks in the southern portion of the state. Upon full issuance, the annual debt service for the Certificates of Participation would be \$14.5 million and be paid from general revenues.

Article 5. Capital Development Program

Article 5 places \$268.8 million of new general obligation bond authorizations on the November 2020 ballot for voter approval through three separate questions. The first question would provide \$117.3 million for higher education institutions including \$57.3 million for the University of Rhode Island's Fine Arts Center, \$38.0 million for Rhode Island College's Clarke Science Building, \$12.0 million for the Community College to renovate and modernize its campuses, and \$10.0 million for the development of a Center for Ocean Innovation in collaboration with the University's Graduate School of Oceanography.

Question two would provide \$64.0 million for environmental and recreational projects. It is divided into five distinct components with \$35.0 million for state beaches, parks, and campgrounds, \$4.0 million for local recreation projects, \$3.0 million for natural and working lands, \$15.0 million for clean water and drinking water infrastructure improvements, and \$7.0 million for municipal resiliency projects.

Question three would provide \$87.5 million for a wide variety of public and private housing, education, cultural and industrial infrastructure projects. There are five distinct components: \$25.0 million to increase the availability of affordable housing, \$20.0 million for infrastructure projects at the Port of Davisville, \$21.5 million for industrial development and economic revitalization, \$15.0 million for a new capital fund to support physical improvements and development of early childhood education facilities, \$5.0 million for the Cultural Arts and Economy grant program administered by the Rhode Island State Council on the Arts, and \$1.0 million for the State Preservation Grants program administered by the Historical Preservation and Heritage Commission. The arts bond specifies \$2.5 million for Trinity Repertory Company and \$1.5 million for the Rhode Island Philharmonic, with the remaining \$1.0 million for non-profit arts organizations through a competitive application process.

Annual debt service for the entire \$268.8 million, supported by general revenues, would be \$21.6 million assuming 5.0 percent interest and a 20-year term.

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Article 6. Fees

Section 1. Requests for Public Health Data Fees. This section authorizes the director of the Department of Health to charge fees for processing special data requests and offer exemptions from those fees. The Department reports that it receives 700 requests annually. These data are currently used to monitor health status and trends in natality, morbidity and mortality. The legislation requires that “approximately half” the revenues be appropriated to the Department to manage and sustain data systems to meet requests. The budget assumes \$0.4 million in revenues and includes \$0.2 million for operating expenses.

Section 2. EMS Fee Exemption Removal. Current law exempts municipal employees and volunteer or non-profit organizations from paying the emergency medical technician license fees. The fees are established through rules and regulations; the licensing fee for paramedics is \$80 biennially, and \$120 every three years for emergency medical technicians. This section of the article removes the current exemption. The budget assumes \$0.3 million in revenues; the impact in FY 2022 is \$22,120.

Sections 3, 10, and 11. Department of Labor and Training Fines and Fees. These sections make changes to Department of Labor and Training fees and fines relating to employee classification and prevailing wage. This includes increasing the minimum penalty for the first offense of misclassifying a worker from between \$1,500 and \$3,000 to between \$3,000 and \$4,000. The minimum penalty for prevailing wage violations is also increased to double the total amount found to be due; the current law maximum of triple the amount is unchanged. There is also a minor change to the timing of hearings. Current law requires a hearing within 10 days from the order of a hearing; this section extends that to within 30 days.

The Governor’s budget also includes \$0.4 million and 4.0 new full-time equivalent positions to increase collections. The proposals are estimated to yield an additional \$4.2 million in revenue; the budget impact would be \$3.8 million.

Section 4. Fire Marshal Plan Review Fees. The State Fire Marshal is responsible for plan review and inspection for all commercial and residential buildings over three units. This section raises the review fees in the five-tier structure for new construction based on the project costs. The first three tiers include costs under \$2,000. Each increases by \$10, to \$35, \$45, or \$55. The top two tiers include a base fee, plus an additional amount per \$1,000. For projects between \$2,000 and \$0.5 million, the increase is \$10, plus an additional \$1 per \$1,000. This totals \$55 plus \$7 per \$1,000. For amounts in excess of \$0.5 million, the increase is \$259 plus \$2.75 per \$1,000, totaling \$3,292 plus \$6.75 per \$1,000. It also increases the inspection fee charged by the Fire Marshal’s Office by \$150, to \$250, and makes technical changes to clarify when payment is due.

Section 5. Explosives Permit Fees. Under current law, annual permit fees related to explosives are \$85 for manufacturers, and \$50 for dealers and possessors. User’s permits are \$50 per \$10,000 of project costs. Apprentice permits include a non-refundable \$25 fee. This section would establish an annual \$100 explosives permit fee, and a flat \$50 user’s permit for projects. It also repeals the \$25 non-refundable fee for apprentice permits.

Sections 6 through 8. Motor Vehicle Fees. These sections establish a \$15 late fee for all operator license and registrations renewals that occur after they expire and increases the charge for a certified driver’s record requested online to \$20; in-person requests remain at \$16. The Division of Motor Vehicles acquired the technology a couple of years ago to know when inspections expire without being updated. Current law prevents the Division from collecting a reinstatement fee for a registration suspended for an expired inspection. This section adds a \$100 fee for that.

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Section 9. Substance Abuse Education Fee. This section imposes a new \$250 substance abuse education fee effective January 1, 2021 for anyone convicted of driving under the influence or refusing to take a breathalyzer. The proceeds will be allocated to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to be used for substance abuse prevention and student assistance programs. The FY 2021 budget includes \$220,016 from general revenues from the collections.

Section 12. Utility Service Restoration Act. This section establishes the Utility Service Restoration Act that would impose emergency response standards and annual reporting requirements for gas and electricity distributors in the event of significant and/or widespread outages, or service interruptions. The Act also imposes a \$500 per day penalty for each day a company fails to file, and allows the Administrator of the Division of Public Utilities and Carriers to investigate a company and issue penalties for non-compliance not to exceed \$7.5 million.

Section 13. Public Utilities Penalties. This section allows the division to issue a minimum fine of \$1,000 to each officer, agent, or employee of a public utility who does not comply with reporting requirements and require public utilities found in non-compliance to forfeit \$0.2 million or .02 percent of gross operating revenue for each and every offense. Any penalties paid will be credited back to the impacted customers as determined by the division.

Section 14. Division of Sheriffs Application Fee. This section imposes a \$50 application fee for any person applying to the Division of Sheriffs Training Academy. However, this section also provides that the Director of Public Safety may waive the fee if there is a hardship to the applicant. The Governor's budget includes \$13,000 from this new fee to be deposited as general revenues.

Article 7. Environment

Section 1. One Year Limits. This section repeals the requirement that season and bag limit regulations set forth by the Department of Environmental Management can only be effective for one year.

Section 2. Hunting and Recreational Fishing Licenses. This section increases license fees for hunting, fishing, and combined hunting and fishing for in-state and out-of-state residents. It increases the permit fee to hunt deer, wild turkey, stocked game, and waterfowl, as well as for fur trapping and trout fishing. These fees are deposited into a restricted receipt account and provide matching funds for federal support for the Department of Environmental Management. This section also increases these fees effective July 2024 and July 2027. The increases vary, but on average are \$7 higher; most of these fees are currently less than \$30.

Section 3. Party or Charter Vessel Licenses. This section changes the effective period of the party and charter vessel license from biennial license renewals to annual, and changes the effective date from February 28 to December 31. This section also increases the license fees for party and charter vessels from \$25 to \$100 for in-state residents and \$300 for nonresidents. The Governor's budget estimates \$32,325 in new restricted receipts from these increases.

Sections 4 through 8. Commercial Fishing Licenses. These sections change how commercial fishing licenses are allocated to simplify and increase access to fisheries. These sections also increase fees to commercial fishing licenses that currently range from \$25 to \$300 to a range of \$300 to \$1,750 depending on the license holder's residency. The Governor's recommended budget estimates \$0.1 million in new restricted receipts from these fee increases.

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Section 9. Shellfish Dockside Program. This section authorizes the director of the Department of Health to establish a dockside program through rules and regulations pursuant to the National Shellfish Sanitation Program Model Ordinance to assure that currently licensed marine shellfish processors are meeting sanitary standards. The legislation also authorizes the director to establish licensing fees, with the discretion of also limiting the number of licenses issued. The fees will be deposited as general revenues and will be allocated to the Department for the administration of the program. The budget assumes revenues of \$0.4 million and expenditures of a like amount from general revenues.

Section 10. Permitting Authority. This section allows the Department of Environmental Management to assign case managers to facilitate and expedite project permitting particularly for complex or multi-jurisdiction projects. The Governor's FY 2021 budget assumes \$0.6 million in new general revenues from a 7.0 percent increase on permits issued through the Offices of Air and Water Resources, and Waste Management, \$2,500 for a new optional case manager fee for complex high need customers, and other fee increases that will be determined through the regulatory process. The Governor's budget also includes \$0.5 million for 5.0 new full-time equivalent positions to help with permitting reviews. This section also removes a reference to a reporting requirement that expired in 2015.

Sections 11 and 12. Oil Spill Prevention, Administration and Response Fund. This section doubles the fee supporting the Oil Spill Prevention, Administration and Response Fund that is collected on barrels of petroleum products received at marine terminals from vessels originating outside the state from five to ten cents per barrel. Three cents of the increase will go to a new Ocean State Climate Adaptation and Resilience Fund for climate adaptation and resiliency projects. The remaining two cents will stay with the Oil Spill Prevention, Administration and Response Fund for existing projects and habitat restoration. The Governor also includes a separate proposal to transfer \$1.0 million from the Oil Spill Prevention, Administration and Response Fund to state general revenues by June 30, 2020.

Article 8. Taxes

Sections 1 and 6. Alcohol Tax Restructure. These sections repeal the sales tax exemption for wine and spirits sold by class A licensees and reduce the alcohol excise tax on high proof spirits by \$1.65 per gallon to \$3.75 and on wine by \$0.80 per gallon to \$0.60. These are the levels in place before the sales tax repeal was enacted in 2013. The Governor's budget includes \$9.1 million in additional revenue from these changes.

Sections 2 and 6. Hotel and Pass-Through Taxes. These sections increase the 5.0 percent state hotel tax to 6.0 percent, and reallocate the shares of revenues among entities such that all of the increase accrues to state general revenues. Section 6 also amends current law to permit the Division of Taxation to retain 2.0 percent of the local meals and beverage and hotel taxes collected on behalf of, and passed-through to municipalities for administrative efficiency. The budget assumes an effective date of July 1, 2020 and includes \$4.7 million from the hotel tax increase, and the Division retains \$0.8 million of revenues previously provided to municipalities.

Section 3. Reciprocal Payment Offset Program. This section authorizes the tax administrator to expand the state's participation in a federal reciprocity program to include taxes other than personal income and other debts such as unemployment overpayments and back child support. The state would be able to offset federal refunds for debts owed to Rhode Island and would in return allow state refunds to be offset for federal debt. It would authorize the tax administrator to charge a "reasonable" fee per transaction. This would be similar to the current reciprocity program the state participates in for personal income taxes. The Governor's budget assumes \$5.0 million in revenues for FY 2021.

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Sections 4 and 5. Sales Tax. These sections subject several new services and service charges to the state's sales tax, including computer system design, in-state lobbying, hunting, trapping and shooting services, couriers and messengers, and interior design. The changes for computer systems design, lobbying services, and hunting, trapping and shooting services would be effective October 1, 2020 and the changes for couriers, messengers and interior design would be effective January 1, 2021. The Governor's budget assumes a total of \$14.1 million in additional revenues; this annualizes to \$25.9 million for FY 2022.

Article 9. Local Aid

Sections 1, 3 and 6. Tangible Tax Reimbursement. These sections establish a new, competitive local aid program administered by the Division of Municipal Finance in conjunction with the Commerce Corporation. The proposed program would establish a fund to reimburse municipalities for revenue losses associated with a reduction in its tangible tax rate. The proposal assumes a three-tiered reimbursement rate, 10.0 percent, 25.0 percent and 50.0 percent depending on the percentage range value. The legislation provides for ratable reduction of awards if insufficient funds are available, and includes an annual reporting requirement. The explicit role of the Commerce Corporation is unclear as program administration and reporting are responsibilities of the Division.

Section 2. Property Subject to Taxation. This section provides that property of non-profit hospitals and higher education institutions is only exempt from taxation when it is used exclusively for the purpose of which the hospital is incorporated or educational purposes, respectively. This effectively allows for such properties to be subject to the local property tax. The article also stipulates that if an institution has made a payment in lieu of taxes to a municipality, its liability is reduced by that amount. A municipality may establish a minimum filing threshold and/or reduce or waive the increased liability.

Sections 4 and 5. Motor Vehicle Tax Phase-Out. These sections alter the schedule of changes in current law for the maximum allowable percentage of clean retail value assessed, minimum exemption amount, and tax rate cap prior to the total excise tax phase-out. The tax phase-out would still progress but would be eliminated in FY 2029, five years later than current law. These changes would slow the pace of the relief to taxpayers to later years. The budget assumes that these changes will reduce the current law cost in FY 2021 by \$11.8 million.

Article 10. Education

Section 1. Education Aid. As part of the education aid funding formula, the General Assembly annually appropriates funding for English language learners and school resource officers. This article renames the former to multilingual learner aid and outlines specific uses of funds, including new bilingual classrooms and increasing capacity of multilingual educators. However, the article does not define multilingual learner and it appears that aid could be used to support programs that also benefit native English speakers that are also multilingual. The article also amends school resource officer aid to include new mental health professionals in schools, such as guidance counselors and psychologists. Under the proposal, aid for new mental health professionals would only be available for FY 2021, consistent with the current sunset for school resource officer aid; however, local education agencies must commit to funding the positions beyond that to receive funding. The Governor's budget includes \$2.0 million for this category of aid, \$1.0 million more than enacted from new Opioid Stewardship funds.

Sections 1 through 5. Prekindergarten. As part of the education aid funding formula, the General Assembly annually appropriates funding for the early childhood category of education aid, which is used to provide free, high quality prekindergarten programs. The number of classrooms supported in any fiscal

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year is limited to the appropriation; this article eliminates language limiting the program to the General Assembly appropriation. The program would expand such that a seat is available for every four year old in a family seeking one. This is similar to the Governor's proposal submitted with her FY 2020 budget, but would consider universal prekindergarten achieved once 70 percent of eligible students are enrolled.

The Governor's budget includes \$16.4 million for this aid category, which is \$1.4 million more than enacted. The article would also amend the education funding formula to include children enrolled in district-run prekindergarten classrooms rather than support those classrooms through the traditional state program. The Governor's budget includes \$3.3 million in funding formula aid from this change for existing district classrooms; including early childhood aid, the budget increases funding for prekindergarten by \$4.8 million. It should be noted that this article does not limit the expansion of district-run classrooms supported by the formula, so long as they are approved by the Department. Including prekindergarten seats in the funding formula provides increased aid compared to the current fixed appropriation for those high-need communities with a state share ratio above approximately 80 percent. Communities with lower state share ratios receive a lower reimbursement, but the opportunity to expand is unlimited.

The Department of Elementary and Secondary Education would promulgate and adopt regulations to implement a universal prekindergarten program. It would work with other partners, including the Department of Human Services, to establish programs ensuring providers meet licensing and facility standards, to identify federal funds that may be used to support early learning, and to identify ways to ensure state systems are coordinated and aligned to the same goals. Additionally, both Departments would create a priority process to award new classrooms and ensure student enrollment matches the socioeconomic distribution of the community. Local education agencies would develop transition plans for prekindergarten students moving to kindergarten with strategies for students and families, as well as programmatic strategies for schools and educators. Continued investment in the Early Childhood and Education Data System is also required, which centralizes early learning data across state agencies; however, the budget does not appear to fund system expenses.

Sections 6 and 10. School Building Authority Expenses. The article would increase the amount of fees that could be charged by the Rhode Island Health and Educational Building Corporation on new municipal bonds issued. The current fee of 0.001 percent of the principal amount would increase to 0.01 percent of that amount. The funds would be used to support the School Building Authority, including personnel. The article eliminates the current limitation on other Corporation funding for "one-time or limited" expenses, which would allow fee revenue to pay for other ongoing Authority operating expenses. The article would expand the sources of income to be used to pay Authority expenses to include the Corporation's investment income generated from state and municipal funds held in trust.

Section 7. Rhode Island Promise. Section 7 removes the sunset provision from the Rhode Island Promise Scholarship program; the high school graduating class of 2020 is the last eligible group under current law, which requires the Community College and the Commissioner of Postsecondary Education to submit a report evaluating the program based on the first two cohorts on or before July 1, 2020.

The section expands eligibility for the Promise program to include certificate programs, provided the student remains on track to graduate as defined by the Community College. Qualifying certificates must have labor market value as defined by the Office of Postsecondary Commissioner. A student would also remain eligible for the program following the completion of a certificate program in order to obtain an associate degree, as long as they continued to remain on track to graduate. It does not appear that the recommendation assumes any increased cost for the program as a result of this expansion.

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The Rhode Island Promise Program is a last dollar scholarship program which requires that all other sources of funding must be exhausted prior to receiving the Promise Scholarship. Section 7 excludes funding from the College Crusade's scholarship program and Department of Children, Youth and Families' Higher Education Opportunity grant from that requirement. The recommendation does not appear to account for additional state costs from excluding these sources.

Section 8. Early Childhood Care and Education Capital Fund. The article establishes a new Early Childhood Care and Education Capital Fund to be supported from general obligation bonds. Article 5 includes \$15.0 million of new obligation bonds to be put before the voters on the November 2020 ballot for physical improvements to, and development of, public or private licensed child care and education facilities. The fund would be administered by the Department of Human Services, which would award competitive grants. Funds could also be used for technical assistance to eligible providers for capital planning and application assistance, as well as for administrative costs.

Section 9. Stay Invested in RI Wavemaker Fellowship. This section amends the current law to incorporate and define the term "business" to include a variety of financial industry institutions, a federal agency or a subsidiary thereof, and includes a variety of pass-through entities. This appears to allow self-employed individuals to participate. It also includes technical corrections to clarify that benefits received under this program are tax exempt.

It is also makes eligible "high-demand STEM" teachers of an elementary or secondary school, as further defined by the education commissioner in conjunction with the Commerce Corporation. This section limits the number of awards to teachers to 100, such that the total does not exceed 25.0 percent of awards issued in a calendar year. It also includes other technical changes to facilitate this proposal.

Article 11. Economic Development

Sections 1 and 13. Site Readiness. These sections establish a permanent program allowing the Commerce Corporation, or Quonset Development Corporation under certain circumstances, to contract with municipalities for land use policies to further economic development. Each Corporation's Board of Directors would be required to appoint a new committee from its board, plus one representative from the Rhode Island League of Cities and Towns. The Commerce committee requires a representative of the participating municipality; whereas the Quonset committee requires a representative of the Rhode Island Manufacturers Association. Assistance includes preparation and implementation of policies within agreed upon project sites; including superseding planning, zoning, and permitting authority and providing financial support up to 25.0 percent of foregone tax revenues for certain communities with tax stabilization agreements for qualified developments subject to appropriation. Municipalities and political subdivisions would be permitted to provide operational and maintenance services to the project sites as those services were provided prior to the agreement. An annual reporting requirement consistent with existing economic development programs is included. The Governor's recommendation assumes the use of \$1.0 million from general revenues, in conjunction with \$21.5 million of new general obligation bonds proposed to be submitted to the voters on the November 2020 ballot. The article is not subject to bond approval.

Section 2. Rebuild Rhode Island. Under current law, Rebuild Rhode Island tax credit awards are limited to the lesser of the project's financing gap or 20.0 percent of project costs. This section would reduce that percentage to 15.0 percent for projects that do not include a recognized historic structure or where infrastructure costs are less than 20.0 percent of project costs. For projects meeting those two criterion, awards remain up to 20.0 percent. Recognized historic structures are defined in existing law; what qualifies as infrastructure costs remains undefined. The 2019 Assembly raised the total program cap from \$150.0

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million to \$210.0 million, inclusive of sales tax exemptions made under the program. This section further increases that cap to \$250.0 million. The Governor recommends \$22.5 million to support tax credits which are redeemed over time.

Sections 2 through 12 and 14. Sunsets. These sections extend the sunset provisions for the Rebuild Rhode Island Tax Credit, Tax Increment Financing, Tax Stabilization Incentive, First Wave Closing Fund, I-195 Redevelopment Fund, Main Street Streetscape Improvement Program, Innovation Initiative, Industry Cluster Grants, High School, College, and Employer Partnerships, Air Service Development, and the Qualified Jobs Tax Credit from December 31, 2020 to December 31, 2023. The sunset provision for the Small Business Assistance Program is eliminated. There is no impact to the budget assumed with these changes.

Article 12. Housing

Sections 1 and 3. Housing and Community Development. These sections establish a new seven member Housing Resources Coordinating Council to be the lead entity for housing planning and policy, and a 19-member steering committee similar to the Housing Resources Commission, to advise that council. Current responsibilities of the Housing Resources Commission would be transferred to the council. The article renames the Office of Housing and Community Development as a Division, and permits the coordinating council to assume control of Rhode Island Housing staff, or any other agency or political subdivision by memorandum of agreement.

The coordinating council would include the chairpersons of Rhode Island Housing, the secretaries of health and human services and commerce, a new deputy secretary from the Executive Office of Commerce as the executive director, and three heads of other government entities including a member of the Continuum of Care. The Governor would appoint the council and designate its chairperson. That chairperson and the deputy secretary are added as non-voting members of the Rhode Island Housing Board. The steering committee is responsible for strategy, disbursement of existing funding, and advisement for higher density zoning.

Section 2. Housing Resources Act Repeal. Section 2 repeals the Housing Resources Act of 1998, which eliminates the 28-member Housing Resources Commission, and a related four member coordinating committee. Under current law, the Housing Resources Commission is the paramount agency for housing policy and planning, and through the coordinating committee it works in conjunction with Rhode Island Housing; the responsibilities of each entity are defined by memorandum of agreement.

Sections 4. Housing Incentives. Section 4 permits municipalities to adopt housing incentive districts by ordinance. The coordinating council may provide these districts financial or technical assistance, including payments for increased education expenses.

Section 5. Real Estate Conveyance Tax. Section 5 establishes a second tier of the real estate conveyance tax. The tax is double levied to \$4.60 for each \$500 increment over \$0.5 million to be deposited in a new housing production fund. It also exempts transfers among owners of an affordable housing development from the real estate conveyance tax under specified circumstances, and permits the Division of Taxation to retain 2.0 percent of the real estate conveyance tax collected passed-through to municipalities for administrative efficiency. The Governor's recommendation does not assume any collections from that administrative fee.

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Article 13. Adult Use Marijuana

Sections 1, 2, 4, and 5. Enforcement. These sections exempt paraphernalia sold in conjunction with an adult use marijuana program from criminal penalty, clarify the ability to report primary caregiver non-compliance to authorities through an existing shared database, make testimony of drug recognition experts admissible as evidence, include saliva in chemical intoxication testing, and require persons convicted of moving violations to participate in approved substance counseling classes. It also removes marijuana sold in conjunction with an adult use program from taxation violations.

Section 3. Adult Use Marijuana. This section authorizes an adult use marijuana program for those age 21 and older operated by the state in conjunction with contracted retail operators, subject to Office of Cannabis Regulation oversight with the cooperation of state health and safety agencies.

This section establishes a variety of licenses, and broad authority to establish new licenses, with respect to the growth, production, processing, transportation, and sale of associated products and prohibits related activities without a license for each program. It sets distinct possession and production limits, and other regulatory and enforcement authority, including fines for violations, and establishes restricted receipt accounts to support the regulatory activities of all agencies involved. It prohibits municipalities from banning related activities without holding a referendum by November 3, 2021, provided that in no instance can an existing medical marijuana operation be banned. Municipalities are required to enact any applicable zoning changes by April 1, 2022, though in no instance can the delivery or transportation of marijuana be prohibited. The article would permit a one-time impact fee paid by the licensee to a municipality.

This section also provides for the establishment of an 11-member council, appointed by the Governor with specific expertise, including community reinvestment, criminal justice, diversity and inclusion, cannabis economics and industries, and other areas to advise the Office of Cannabis Regulation. The Office is required to include that advice in a report to the Governor on issue areas with respect to mitigating the negative impacts of prior prohibition and recommendations for future policy direction, prior to December 31, 2020.

The budget assumes retail sales revenues, net of wholesale product costs, are divided among the retail contractors, municipalities and the state; these sales are exempt from the state sales tax. The proposed revenue split is 29.0 percent to retail contractors, 10.0 percent to municipalities, and the state would retain the remaining 61.0 percent, to be deposited as general revenues. The budget includes \$21.8 million in revenues assuming a March 2021 start date. The out-year budget assumptions suggest revenues of approximately \$40 million once the program is fully operational.

Article 14. Medical Assistance

Section 1. Co-Payments. This section institutes new co-payments of \$3 for an inpatient hospital stay, and for prescription drugs, there will be a \$1.00 payment for selected drugs for the treatment of diabetes, high blood pressure and high cholesterol and \$3.65 for all prescriptions for adults over 19 years old who are not elderly, disabled, pregnant or receiving treatment in a facility. The payments are not to exceed five percent of annual income. Family planning drugs will be exempt from this and a Medicaid covered service will not be withheld based on a beneficiary's inability to make the co-payment. The Governor recommends savings of \$17.8 million, including \$4.7 million from general revenues, and assumes a decrease in the number of prescriptions filled from having to make a co-payment.

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Section 2. Hospital Payments. This section freezes the hospital rates at FY 2020 levels for FY 2021 and includes savings of \$20.3 million, including \$7.1 million from general revenues. Adjusting for the loss of revenue, general revenue savings are \$6.7 million.

Section 3. Nursing Home Payments. This section provides for a one percent increase for the October 1, 2020 nursing home rate adjustment and mandates it be used to increase wages paid to direct care staff. The budget includes savings of \$7.5 million, including \$3.4 million from general revenues. Adjusting for the loss of revenue, general revenue savings are \$3.1 million.

Section 4. Upper Reimbursement Payment. This section eliminates the outpatient upper payment limit reimbursement for community hospitals for FY 2021 for savings of \$4.6 million, including \$1.5 million from general revenues.

Section 5. Medicaid Resolution. This section includes the resolution language for Assembly approval to make program changes included in the Governor's FY 2021 budget. This includes the proposals to freeze hospital rates, limit the rate increase to nursing homes, changes to the RIte Share program and the new plan to institute the co-payment that require statutory change. The resolution also proposes to seek Medicaid approval for a new Perinatal Doula Services program and the Governor includes \$0.2 million in her budget for it. There is also a proposal to raise the wages of direct care services workers and other professionals in the community based system for adults with developmental disabilities, effective January 1, 2021. The budget includes \$2.2 million from all sources, \$1.0 million from general revenues.

It also allows the Executive Office of Health and Human Services to seek federal opportunities that do not adversely impact beneficiaries or increase program expenses beyond the FY 2021 appropriation.

Article 15. Human Services

Section 1. Medical and Geriatric Parole. This section expands consideration for medical parole to include inmates who are cognitively incapacitated which impairs them from being able to conduct routine activities such as feeding, toileting, dressing and bathing. Currently, medical parole may only be considered for inmates that are not sentenced to life without parole and are physically incapacitated or chronically ill to the point that incarceration is no longer punitive and rehabilitative. The section also authorizes geriatric parole for inmates aged 65 or older who suffer from functional impairments, infirmity or illness. To be eligible, inmates must have served the lesser of 10 years or 75 percent of their total sentence regardless of the crime committed. The individual would go through the same process as an inmate applying for medical parole.

Sections 2 through 6. Substance Abuse Prevention Programs. These sections allocate funding for substance abuse and student assistance programs to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. The funding of \$0.2 million is from fees currently assessed and deposited as general revenues. The Department will also identify criteria to distribute funding for prevention and treatment programs. These sections include new annual reporting requirements for each municipality that receives funding. It should be noted that Section 6 of Article 6 includes a new \$250 substance abuse education fee to generate another \$0.2 million for the same programs. These sections also include adjustments to the chapter title and violations schedule to reflect these changes.

Sections 7 and 8. Rhode Island Works. These sections would allow dependent children of Rhode Island Works participants who are under 19 and in high school to remain on the program regardless of their graduation date. Currently, they must be under 19 and on track to graduate. The article will also allow

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adult participants who have complied with their employment plans and have earned income from it, to have that income exempted from the monthly benefit calculation for either: six months, until their family's total gross household income exceeds 185 percent of federal poverty, or until they reach their lifetime limit, whichever is first. Under current law, earned income is counted towards eligibility and could lead to termination from the program. The Governor's budget includes \$290,000 from federal funds for both proposals.

Sections 9 and 10. Child Care Assistance. The article changes rates paid for subsidized child care through the state's child care assistance program for center-based child care providers. The 2018 Assembly established tiered reimbursement for infant, toddler, and preschool age children in licensed child care facilities. The 2019 Assembly also established tiered reimbursement for infants and toddlers in licensed family-based providers. Rates paid to providers are based on their performance according to the state's quality rating system. The article would align reimbursements for first tier infant and toddler providers with the 25th percentile of a 2018 market survey and payments for top tier preschool providers with the 75th percentile. It also updates rates for school age children to reflect current reimbursements. The budget includes \$3.9 million from general revenues for the Department of Human Services but does not appear to include funding for the Department of Children, Youth and Families.

The article also provides child care assistance for individuals enrolled in a degree program at a Rhode Island public postsecondary institution and the Governor's budget includes \$200,000 from general revenues to fund this.

Section 11. Inmate Work Release. This section amends the amount withheld from an inmate's earnings for room and board from 30 percent of the gross income to 30 percent of the net income. This is estimated to generate \$18,800 in additional revenues from increased program participation by inmates; however, the budget does not include the revenue.

Article 16. Veterans' Affairs

This article increases the monthly assessments paid by veterans residing at the Rhode Island Veterans' Home in Bristol. Residents currently pay 80 percent of their net income, adjusted for certain deductions including a monthly personal needs allowance of \$150 and spousal support. The article increases that assessment to 100 percent of net income, with a \$300 personal needs allowance. This change is estimated to increase assessments by \$1.0 million which equates to an annual increase of \$4,470 per resident; however, the actual impact varies widely. Current data suggests that a few residents would pay less but most would pay more. The article also requires that all assessments be deposited into the Home's restricted account; under current law, most of the assessment is deposited as general revenues. The Governor's budget reflects the change in the source of the expenditures that support the Home.

This article also increases fees paid for the interment of non-veteran spouses and dependents at the Rhode Island Veterans' Memorial Cemetery in Exeter. The Cemetery receives a plot allowance from the U.S. Department of Veterans Affairs for all veterans interred; the current allowance is \$796. It does not receive an allowance for non-veteran spouse and dependent interments; however, current law provides for a fee equal to the cost of the grave liner. The cost of grave liners changes annually based on manufacturer costs and varies by size; the most common size will be \$210 for FY 2020. This article would replace the grave liner fee with a fee tied to the federal plot allowance. This is estimated to generate \$0.4 million of new revenues; however, that revenue is not included in the Governor's budget.

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Article 17. Hospital Uncompensated Care

This article extends the uncompensated care payments to the community hospitals for FY 2022, with the state making a payment on or before July 13, 2021 that does not exceed \$142.3 million. The Affordable Care Act included a phase-down of federal Disproportionate Share Hospital payments made to states for uncompensated care. It has been postponed by Congress in previous fiscal years; however, under current federal law, the scheduled reduction does not allow for a payment this large. The Governor's FY 2021 recommendation assumes another delay and fully funds the payment.

Article 18. Hospital License Fee

This article increases the FY 2021 fee from the 5.0 percent rate set in statute to 6.0 percent based on 2018 revenues for all hospitals, including the state-run Eleanor Slater Hospital, except for South County Hospital and Westerly Hospital which will pay a lower 3.78 percent fee. It includes the due date for filing returns and making the payment. Revenue from the two-tiered fee will be \$193.8 million, including \$187.0 million from community hospital payments and \$6.8 million from state payments for Eleanor Slater Hospital. This article appears annually in the Appropriations Act but, unlike prior fiscal years, the 2019 Assembly set a fee for FY 2021 at 5.0 percent of 2018 revenues.

Article 19. Workforce Development

Sections 1 through 7, 9, and 11 through 14. Apprenticeship Laws. Most of these sections repeal or update outdated language in the state's apprenticeship laws and contain mostly technical changes, such as converting year-based training requirements to hour-based. This includes providing credit for related instruction from approved trade school programs. These sections also clarify the registration requirements for various apprentice trades and increase the time between the notice of a hearing and the hearing date as well as the time for a decision by 10 to 30 days. Additionally, the sections make false reporting of apprenticeship information a violation of the chapter.

Section 13 requires that bidders on school construction projects of \$5.0 million or more must have approved apprenticeship programs and utilize apprentices for 10.0 percent of the hours worked on the projects. It also establishes a reporting process for contractors and penalties for non-compliance, including a \$500 per day fine for not submitting data or withholding payment to the contractor until data is submitted consistent with current prevailing wage laws.

Section 8. Minimum Wage. This section would increase the minimum wage by \$1.00 to \$11.50 per hour, effective October 1, 2020. The 2017 Assembly approved a two-stage minimum wage increase from \$9.60 per hour to \$10.10 per hour, effective January 1, 2018, and to \$10.50 effective January 1, 2019. There have been five increases since 2014; prior to that it had not increased since 2007. The FY 2021 budget includes \$0.2 million from general revenues for the impact of the increase on seasonal employees of the Department of Environmental Management.

Section 10. Job Development Fund. This section extends the job development fund assessment to include non-profit, non-governmental employers of 1,000 or more employees beginning tax year 2021. This is estimated to impact 11 or 12 employers. The budget includes \$1.4 million in additional restricted receipts from this expansion which the Governor proposes be used to support Real Jobs Rhode Island. The recommendation assumes the \$1.4 million would be collected during FY 2021 despite the first receipts not arriving until after the third quarter of FY 2021. The section also includes a provision which would allow

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the director of the Department of Labor and Training to waive the assessment for in-kind contributions from these entities. However, the estimate does not lower revenues to account for these contributions.

Sections 15 and 16. Earned Income Tax Credit. These sections increase the state earned income tax credit for low and moderate wage earners by one percentage point increments annually until the tax credit equals 20.0 percent of the federal earned income tax credit beginning with tax year beginning January 1, 2021. Under current law, the state credit is 15.0 percent of the federal credit. The budget includes an associated general revenue loss of \$1.1 million for FY 2021; the FY 2025 impact would be \$11.6 million.

Article 20. Healthcare Reform

Sections 1 through 7. Interstate Medical Licensing. These sections require the state to join four interstate compacts for four health professions including: physicians, psychologists, physical therapists and emergency medical services personnel. Expedited licenses for these professionals would be issued by the interstate compacts. The legislation requires the interstate commission for physicians to collect any renewal fees charged for the renewal of a license and distribute the fees to the member state. For physicians, a minimum of seven states must participate in order for the compact to become effective. The primary purposes for the creation of these compacts are to strengthen access to health care and to increase job employment opportunities. The legislation allows the interstate commissions the authority to levy and collect annual assessments from each member state to cover the cost of operations.

Sections 2 through 4 amend current law to repeal legislation for the current nurse licensure compact and includes revised model legislation that has been adopted by the compact. To withdraw from any of the compacts, enabling legislation must be repealed. The annual impact is a loss of \$0.2 million; the Governor's budget assumes a loss of \$59,331 for the last quarter of FY 2021. It is unclear how the loss of revenue was determined.

Sections 8 through 12. Affordable Care Act Provisions. These sections amend current law to retain provisions of the Affordable Care Act in place as of January 1, 2020. They also change the requirements which governed individual market health insurance providers from the inception of the Affordable Care Act, requiring insurers to cover all eligible state residents who apply during an open enrollment period established by the Commissioner or special enrollment period consistent with federal regulations. They change the requirements for minimum policies offered from two policies which include cost sharing, of either the largest and next largest premium volume plans or representative coverage of the lowest and highest policy forms, to all policy forms, which may include plans that provide for cost sharing from available federal funding or a state-funded program.

They enumerate and codify the ten essential health benefits required to be covered by the Affordable Care Act for the individual and small employer insurance markets, and includes preventative coverage for large group coverage. They also repeal a requirement to, but permits, the Health Insurance Commissioner to promulgate rules and regulations to effectuate changes in the small employer market. They also make technical corrections to sections related to insurance plan renewals, prohibitions on denials for preexisting conditions and to refer to the Health Insurance Commissioner where warranted.

Section 13. RIte Share. This section requires employers, excluding non-profit organizations, with at least 50 employees to report annually to the Executive Office of Health and Human Services and the Division of Taxation information that would let the Executive Office determine which employees eligible for RIte Care are eligible for RIte Share. The employers must report which employees are enrolled, or not enrolled, in the employer sponsored insurance on a quarterly basis and who is no longer employed. The employer must

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also let the Executive Office know when a new employee is offered insurance during an open enrollment period. The employer must also participate in the Executive Office's employer education and outreach campaign, and cannot offer financial incentives for an employee to turn down the offer of insurance. The budget assumes savings of \$19.0 million, including \$5.6 million from general revenues from increasing enrollment in Rite Share from approximately 6,000 to 25,000.

Any employer who does not comply in a timely manner will be assessed a \$2,500 penalty by the Division of Taxation and one who does not comply at all or provides false information will be assessed a \$5,000 penalty. The budget assumes revenue of \$165,675 from this change.

Section 14. Health Spending Transparency and Containment Act. This section requires all entities offering, administering, insuring, or self-insuring health insurance coverage to annually pay up to \$1 per covered life, excluding lives insured by government-provided or government-employer sponsored insurance. Beginning October 1, 2020, the assessed amount for each fiscal year will be established with payments due by January beginning in 2021. It also provides for refunds or credits of overpayments. This section establishes a restricted receipt account for the Executive Office of Health and Human Services in conjunction with the Office of the Health Insurance Commissioner to support a data analysis of healthcare claims to attempt to determine factors which drive healthcare spending in order to make policy recommendations which are intended to reduce health care costs. At the maximum allowable fee, the assessment would generate \$0.6 million annually. The budget assumes \$154,000 will be available based on timing of expected receipts but the expenditures were inadvertently excluded.

Article 21. Health and Safety

Sections 1 through 5, 7 and 8. Access and Enforcement. This article raises the minimum purchase age of tobacco products and electronic nicotine delivery systems from 18 to 21 to be consistent with federal law, effective July 1, 2020. It also bans the sale of flavored electronic nicotine delivery systems or those with greater than 35 milligrams per milliliter of nicotine content. It increases the penalties for failure to display proper signage from \$35 to \$100, for selling in a form other than the manufacturer's packaging from \$500 to \$1,000, and for selling to an underage person from \$250 to \$500 for a first offense within a 36 month period, from \$500 to \$1,000 for a second offense, from \$1,000 to \$2,000 and a 14-day license suspension for the third violation, and from \$1,500 to \$3,000 and a 90-day license suspension for any violation over three. The article also provides that other tobacco products and e-liquid products are subject to the same enforcement and adjudication processes under current law for cigarettes and transfers the regulatory authority over electronic nicotine systems from the Department of Health to the Division of Taxation.

Sections 5 and 6. Fees and Taxes. The article increases the cigarette tax by \$0.35 to \$4.60 per pack, including a floor tax adjustment, and raises the per cigar tax cap from \$0.50 to \$0.80 both effective August 1, 2020. It also subject e-liquids to an 80.0 percent wholesale tax, effective September 1, 2020. The article increases the dealer's application fee from \$25 to \$75, the initial licensing fee to \$400, and the renewal fee from \$25 to \$400. Licensing would be expanded to include dealers of e-cigarette products. The Governor's budget assumes \$1.6 million in additional revenues from the tax and minimum age changes and \$0.4 million from the license fee changes.

Article 22. Effective Date

Article 22 provides that the act shall take effect on July 1, 2020, except where a provision within an article specifies a retroactive or prospective effective date.

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