SENATE FISCAL OFFICE
REPORT

FY2027 BUDGET AS ENACTED

2026-H-7127 SUBSTITUTE A

ARTICLE SUMMARIES

AUGUST 5, 2026

State House Room 117 ■ Providence, Rhode Island 02903 ■ (401) 222-2480 ■ www.rilegislature.gov/sfiscal

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FY2027 BUDGET ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2027

Article 1 outlines the appropriation amounts from all fund sources for FY2027. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; out-year appropriation changes in Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; outlines expenditures from the federal American Rescue Plan Act of 2021 and, disbursements of Lottery, Temporary Disability Insurance, and Employment Security funds. The article also:

- Sets the airport impact aid formula at $1.0 million.
- Authorizes 15.997.2 FTE positions, a net increase of 75.4 FTE positions as compared to the authorized level set in the FY2026 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Establishes the Office of the Inspector General, creating a new, independent agency.
- Provides $600,000 in general revenue to the Governor's Workforce Board for enhanced training for direct care and support services staff to improve resident quality of care to address the changing health care needs of nursing facility residents.
- The Budget includes $900,000 in general revenue for Mobile Response and Stabilization Services (MRSS) to support uninsured and underinsured recipients, and cover costs not reimbursed by Medicaid or other insurers. The MRSS program provides immediate in-person support for children ages 2 through 21 experiencing behavioral or emotional distress. The MRSS team responds to the child's location to de-escalate situations, stabilize individuals, and connect them with ongoing care.
- Includes $1.6 million for the Newport Birthing Center.
- Provides $760,000 in general revenue to support the Family Service of Rhode Island's GO Team program of on-scene support to children who are victims of violence and traumas.
- Provides language requiring that sufficient funds from the Rhode Island Public Transit Authority's share of gasoline tax proceeds be allocated to maintain the state paratransit expansion program, Ride Anywhere.
- Provides that $2.0 million in general revenues is solely to be used for infrastructure and capacity building activities necessary for the Department of Children, Youth, and Families transition to an independent rate model for Medicaid direct billing.
- Requires the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals to provide a monthly report on the hospital census by campus as well as the number of patients.
- Requires the Executive Office of Health and Human Services to report on programs supported by the Rural Health Transformation Program federal funds. Commencing January 1, 2027, the report will be made on a quarterly basis identifying the separate programs, progress made on reaching goals and identifying issues that are at risk of underspending or in noncompliance with federal requirements. The report will be provided to the Senate President, Speaker of the House and to the Chairpersons of the Senate and House Finance Committees.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2028. In addition, the Office of the Postsecondary Commissioner shall provide $8.1 million to the Rhode Island Promise Scholarship program, $7.1 million to the Rhode Island Hope Scholarship Program, $455,000 to support the Onward We Learn, $100,000 to the Rhode Island School for Progressive Education,

$151,410 to support the State's membership in the New England Board of Higher Education, and $75,000 to Best Buddies Rhode Island.

- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at $1.4 million. It requires the Judiciary to provide $500,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires $90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Requires that Rhode Island Housing and Mortgage Finance Corporation continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report be provided to the Director of Administration, the Secretary of Housing, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and funding. The Article amends language regarding whom shall receive the annual report. The chair of the Housing Resources Commission is removed from the list and replaced with the Secretary of Housing.
- Clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021. Requires that all unexpended or unencumbered balances relating to the State Fiscal Recovery Fund and Capital Projects Fund be reappropriated to FY2028 and made available for the same purposes. It also outlines reporting requirements and a process for funding reallocation if projects are complete or stall.
- Includes the appropriation mechanism necessary for incremental tax revenues collected from State economic activity taxes generated in Pawtucket's Downtown Redevelopment district to be made available to the City. Legislation enacted in 2019 established several geographical districts within downtown Pawtucket that would constitute the City of Pawtucket's Downtown Redevelopment project. Any incremental tax revenues generated in these districts related to new economic development are to be made available to the City once an agreement is made between City and the State. This agreement was entered into in December 2020. Since the passage of the legislation, the Commerce Corporation has been certifying these revenues, and the Division of Taxation has segregated them into their own account. The language makes the formal appropriation in the Budget to disburse the funds to the City of Pawtucket.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2027.

Expenditures by Source	FY2025 Actuals	FY2026 Enacted	FY2027 Enacted	*Change to Enacted*
Federal Funds	$5,045,160,589	$5,108,485,986	$5,734,588,379	*$626,102,393*
General Revenue	5,534,306,228	5,809,363,121	6,079,105,738	*269,742,617*
Operating Transfers from Other Funds	283,902,658	591,861,684	479,979,455	*(111,882,229)*
Other Funds	2,319,970,408	2,368,123,335	2,484,751,813	*116,628,478*
Restricted Receipts	365,586,324	458,544,467	464,730,558	*6,186,091*
Total	**$13,548,926,207**	**$14,336,378,593**	**$15,243,155,943**	***$906,777,350***

$ in millions. Totals may vary due to rounding.

In addition, Article 1 provides for the annual appropriation of the Contingency Fund; Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); CollegeBoundSaver Funds; and Lottery Division funds for award winnings during FY2027.

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

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- **Labor and Training – Direct Care Training:** The article requires $600,000 in general revenue be used for enhanced training for direct care and support services staff to improve the quality of care for nursing facility residents.
- **Labor and Training – Hospitality Industry Training:** The article requires $150,000 in restricted receipts be used to provide hospitality industry workforce training grants.
- **Housing:** Requires $200,000 in general revenue to be used to support Sojourner House's supportive housing and rapid rehousing activities.
- **EOHHS - Mobile Response and Stabilization Services:** Includes language requiring that $900,000 of the general revenue appropriation be used for Mobile Response and Stabilization Services (MRSS) to support uninsured and underinsured child and youth, and cover costs not reimbursed by Medicaid or other insurers. The MRSS program provides immediate in-person support for children ages 2 through 21 experiencing behavioral or emotional distress. The MRSS team responds to the child's location to de-escalate situations, stabilize individuals, and connect them with ongoing care.
- **EOHHS – Newport Birthing Center:** Includes $1.6 million to support the Newport Birthing Center.
- **Health:** Ensures that the Office of Policy, Information, and Communication allocates a total of $400,000 to support the Professional Loan Repayment Program, specifically targeting primary care physicians and pediatricians.
- **RIDE - Individualized Education Programs (IEPs):** The article provides that $450,000 and 3.0 FTE positions are allocated to support special education functions that facilitate IEPs and 504 services.
- **RIDE - Rhode Island Vision Education and Services Program:** The article requires that $684,000 from the Department of Elementary and Secondary Education's share of federal Individuals with Disabilities Education Act funds, be allocated to the Sherlock Center on Disabilities to support the Rhode Island Vision Services Program.
- **RIDE:** The article includes specific general revenue appropriations of $2.0 million for the Learn365RI program, $100,000 for the Rhode Island Afterschool Network, $100,000 to Teach for America Ignite, and $100,000 to Onward We Learn.
- **RIDE:** The article provides $750,000 in general revenue for the Support and Access to Bilingual Education fund with any unused funds reappropriated to the following year.
- **RIDE - Education Aid:** The article prioritizes the allocation of early childhood funds for prekindergarten seats and classrooms for four-year-olds with a family income at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low performing schools.
- **University of Rhode Island Medical School:** The Article includes $5.0 million in start-up costs for the URI Medical School.
- **Corrections:** The article directs $1.1 million of general revenue be allocated to Crossroads Rhode Island to support sex offender discharge planning.
- **Public Safety – GO Team Program:** Directs $760,000 of general revenue be allocated to support the Family Service of Rhode Island GO Team Program of on-scene support to children who are victims of violence and other traumas.
- **Public Safety POST Grant:** Directs $75,000 in general revenue to the Rhode Island Police Officers Commission on Standards and Training to support administrative, information technology, and operating expenses.

- **Environmental Management:** The article provides $150,000 for Marine Mammal Response activities to match federal funds.
- **Transportation- Rhode Restore:** The article requires $10.0 million of gas tax other funds to the Department of Transportation for the Municipal Roads Grant program, now titled the Rhode Restore program. The program provides matching funds to municipalities for maintenance and construction of their roads, sidewalks, and bridges.
- **Transportation- RIPTA RIde Anywhere:** The article requires RIPTA to use gas tax receipts to support the state paratransit program including the expansion program RIde Anywhere, which ensures statewide paratransit services are maintained.

INTERNAL SERVICE FUNDS

Article 1 authorizes 16 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. This includes a new Accounts and Control internal service fund in FY2027. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below:

Internal Service Account	FY2026 Enacted	FY2027 Enacted	*Change*
Accounts and Control	$0	$17,696,064	*$17,696,064*
State Assessed Fringe Benefits	37,255,808	37,347,585	*91,777*
Administration Central Utilities	30,366,642	30,366,642	-
State Central Mail	9,020,425	9,226,608	*206,183*
State Telecommunications	3,426,061	3,489,512	*63,451*
State Automotive Fleet	21,610,397	21,689,836	*79,439*
Surplus Property	44,789	44,789	-
Health Insurance	272,933,573	377,363,571	*104,429,998*
Other Post-Employment Benefits	63,854,008	41,748,856	*(22,105,152)*
Capitol Police	1,659,403	1,894,861	*235,458*
Corrections Central Distribution Center	8,679,440	8,819,385	*139,945*
Correctional Industries	8,477,292	8,587,104	*109,812*
Secretary of State Records Center	1,231,684	1,167,703	*(63,981)*
Human Resources Internal Service Fund	18,711,878	14,804,445	*(3,907,433)*
DCAMM Facilities Internal Service Fund	40,492,965	41,508,177	*1,015,212*
Information Technology Internal Service Fund	70,587,805	64,137,258	*(6,450,547)*
Total	**$588,352,170**	**$662,196,332**	***$73,844,162***

FTE POSITIONS

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Budget has a net increase of 75.4 FTE positions from the FY2026 Budget as Enacted. The following table lists the FTE amounts by budget function:

FTE Positions by Function	FY2026 Enacted	FY2027 Enacted	*Change to Enacted*
General Government	2,595.3	2,565.3	*(30.0)*
Human Services	3,859.5	3,930.5	*71.0*
Education	4,348.8	4,457.2	*108.4*
Public Safety	3,347.4	3,305.4	*(42.0)*
Natural Resources	471.0	472.0	*1.0*
Transportation	755.0	722.0	*(33.0)*
Subtotal	**15,377.0**	**15,452.4**	***75.4***
Higher Ed. Sponsored Positions	*544.8*	*544.8*	-
Total FTE Positions	**15,921.8**	**15,997.2**	***75.4***

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COMMUNITY SERVICE OBJECTIVES

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

The FY2026 Budget as Enacted includes $15.4 million in general revenue for CSO grant awards across 15 state agencies. The FY2027 Budget includes $21.0 million in general revenue in FY2027, an increase of $5.6 million from the previously enacted budget. The following table lists the Community Service Objective grant:

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Agency	Grant Recipient	FY2026 Enacted	FY2027 Enacted	*Change*
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	$500,000	$500,000	*$0*
Executive Office of Commerce	Chafee Center at Bryant	476,200	476,200	-
Executive Office of Commerce	Urban Ventures	140,000	140,000	-
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	-
Executive Office of Commerce	Blackstone Valley Visitor Center	75,000	75,000	-
Secretary of State	Rhode Island Historical Society	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	-
Secretary of State	RI Council for the Humanities	100,000	100,000	-
Secretary of State	We the People Civics Challenge	50,000	50,000	-
Secretary of State	RI Black Heritage Society	25,000	25,000	-
EOHHS	Newport Birthing Center	-	1,600,000	*1,600,000*
EOHHS	Thundermist	500,000	-	*(500,000)*
Health	Gloria Gemma Breast Cancer Research	50,000	50,000	-
Health	Psychiatry Resource Network	750,000	1,200,278	*450,278*
Housing	Sojourner House	100,000	200,000	*100,000*
Human Services - Healthy Aging	Diocese of Providence - Elder Services	325,000	325,000	-
Human Services - Healthy Aging	Alliance for Long Term Care Ombudsman Services	40,000	100,000	*60,000*
Human Services - Healthy Aging	Elderly Nutrition	50,000	50,000	-
Human Services - Healthy Aging	Meals on Wheels	680,000	680,000	-
Human Services - Healthy Aging	Senior Center Support	1,600,000	1,800,000	*200,000*
		360,000	360,000	-
Human Services	Coalition Against Domestic Violence	400,000	400,000	-
Human Services	Project Reach - Boys and Girls Club	450,000	450,000	-
Human Services	Day One	300,000	300,000	-
Human Services	RI Community Food Bank	950,000	2,950,000	*2,000,000*
Human Services	New Bridges for Hatian Services	-	25,000	*25,000*
Human Services	Crossroads Rhode Island	500,000	500,000	-
Human Services	Institute for the Study and Practice of Nonviolence	250,000	250,000	-
Human Services - Veterans Services	Operation Stand Down	50,000	50,000	-
Human Services - Veterans Services	Veterans' Organizations	200,000	200,000	-
Human Services - Veterans Services	Veterans Services Officers Program	100,000	100,000	-
Human Services	Community Action Fund	600,000	600,000	-
Human Services	United Way's 211 System	200,000	300,000	*100,000*
Human Services	Higher Ground International	125,000	150,000	*25,000*
Human Services	Oasis International	-	25,000	*25,000*
Human Services	Refugee Dream Center	50,000	50,000	-
Human Services	Substance Use and Mental Health Leadership Council of RI	150,000	150,000	-
Human Services	Center for Southeast Asians	25,000	25,000	-
Human Services	Farm Fresh Rhode Island	-	200,000	*200,000*
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	-
Education	City Year - Whole School Whole Child Program	130,000	130,000	-
Education	RI Afterschool Network	-	100,000	*100,000*
Education	Teach for America Ignite	-	100,000	*100,000*
Education	RI Vision Ed and Services	-	684,000	*684,000*
Office of Postsecondary Commissioner	Onward We Learn	455,000	455,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	-
Office of Postsecondary Commissioner	RI School for Progressive Education	100,000	100,000	-
University of Rhode Island	Small Business Development Center	700,000	700,000	-
University of Rhode Island	Institute for Labor Studies and Research	125,000	150,000	*25,000*
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	-
Arts Council	WaterFire Providence	400,000	400,000	-
Arts Council	Other Grants	200,000	200,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	-
Historical Preservation	Rhode Island Slave History Medallions	25,000	25,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	500,000	500,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	-
Public Safety	Family Services of RI GO Team Program	400,000	760,000	*360,000*
Environmental Management	Wildlife Rehabilitators Association of RI	100,000	100,000	-
Environmental Management	Conservation Districts	180,000	180,000	-
Total		**$15,459,200**	**$21,013,478**	***$5,554,278***

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CAPITAL APPROPRIATIONS

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2028, June 30, 2029, June 30, 2030, and June 30, 2031. These amounts supersede appropriations provided for FY2027 within the FY2026 Budget as Enacted.

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

STATE FISCAL RECOVERY FUNDS

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

- Section 17 clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021 for FY2027. The purpose of this language is to specify that these federal funds are not part of the generic federal fund line items and that a specific SFRF or CPF line item, by project, constitutes the authority to expend the SFRF or CPF. The Budget generally does not appropriate federal funds at an individual or specific level. This language ensures that state agencies are not expending the SFRF or CPF funds under the authority of a general federal fund line item. The section also specifies and describes the SFRF appropriations.
- Section 18 requires that all unexpended or unencumbered balances relating to the SFRF and Capital Projects Fund, be reappropriated to the ensuing fiscal year and made available for the same purposes, subject to the approval of the General Assembly through the supplemental appropriations act.
- Section 19 maintains the Pandemic Recovery Office within the Department of Administration is to oversee and ensure compliance with the rules, regulations, and guidance issued by the United States Department of the Treasury of expenditures from the SFRF and Capital Projects Fund. This section extends the quarterly reporting period to October 31, 2026, for the Pandemic Recovery Office to identify programs that are at risk of significant under spending or noncompliance with federal or state requirements.

  The reports are provided to the Speaker of the House, the Senate President, and the chairpersons of the House and Senate Finance Committees. Commencing with the report due on April 30, 2025, the report will be made on a biannual basis until October 31, 2026. The report must include an assessment on how programs that are at risk can be remedied.

  In the event, that any State Fiscal Recovery Fund program underspends its appropriation or receives program income as defined by U.S. Treasury and that would put the state at risk of forfeiture of federal funds, the Governor may propose to reclassify funding from the at-risk program to other eligible uses as determined by U.S. Treasury. This proposal shall be referred to the General Assembly. If the amount of underspend and/or receipt of program income for a state fiscal recovery fund program is less than or equal to $1.0 million and less than or equal to 20.0 percent of its total appropriation, the Governor's proposed reclassification shall take effect immediately. If the amount of underspend and/or receipt of program income for a state fiscal recovery fund program is greater than $1.0 million or 20.0 percent of its total appropriation, the Governor's proposed reclassification shall go into effect thirty days hence after its referral to the General Assembly by the Governor, unless rejected by formal action of the House and Senate acting concurrently within that time.

Article 2: Relating to State Funds

This article amends various statutes related to state funds and financing. Specifically, the article:

- Revises the allocation of Regional Greenhouse Gas Initiative (RGGI) auction proceeds to provide the Rhode Island Public Transit Authority (RIPTA) with annual funding to support the acquisition of zero-emission buses.
- Exempts the Rhode Island Uninsured Protection Fund from the State's 15.0 percent indirect cost recovery assessment.
- Revises the allocation of Rhode Island Highway Maintenance Account (HMA) funds to increase RIPTA's share of available proceeds from 10.0 percent to 25.0 percent and removes the Authority's fixed appropriation.

FISCAL IMPACT

The net fiscal impact of the article is undetermined, but it will not affect general revenue. The total cost of the buses and the available federal match included in Section 1 is unknown at this time. The exemption of the Rhode Island Uninsured Protection Fund from the indirect cost recovery assessment in Section 2 will not have an impact on the Budget. The revision to the HMA allocation in Section 3 does not affect net HMA collections but reduces the HMA receipts provided to the Department of Transportation and increases the receipts provided to RIPTA by an equivalent amount.

ANALYSIS AND BACKGROUND

Regional Greenhouse Gas Initiative Proceeds for Zero-Emission Buses

Section 1 of the article revises the allocation of Regional Greenhouse Gas Initiative (RGGI) auction proceeds to provide the Rhode Island Public Transit Authority (RIPTA) with an annual appropriation to support the acquisition of zero-emission buses, effective at the start of FY2027. The article directs the Office of Energy Resources to annually coordinate with RIPTA to determine the total amount of state funding required to purchase zero-emission buses and to provide the Authority with RGGI funds equal to 50.0 percent of the agreed-upon amount. The article also directs the Authority to utilize internal funds for the remaining 50.0 percent.

Background: The RGGI is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO_2) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state "cap-and-trade" program with a market-based emissions trading system. The annual RGGI proceeds fluctuate based on the pricing from the quarterly competitive auctions with regulated energy users within New England and Mid-Atlantic States. Auction 72 was the most recent auction, occurring on June 3, 2026, and resulted in the State of Rhode Island receiving $14.4 million in proceeds.

RIPTA purchases buses with federal funds awarded by the Federal Transit Administration (FTA) and matched with state funds, at an 80.0 percent federal and 20.0 percent state rate. The Authority does not have a dedicated revenue source to support the state's 20.0 percent contribution and has utilized sources such as General Obligation bonds, the State Fleet Replacement Revolving Loan Fund, and Rhode Island Highway Maintenance Account (HMA) funds in recent years. The Authority's FY2027 capital budget request indicates that, "RIPTA will not be able to purchase new buses without the reappropriation of vehicle registration fees, or other state funding source, as match." The Governor recommended that the Authority use $3.5 million of RICAP funds in the FY2027 Recommended Budget, which the General Assembly removed.

Article 2 Changes: The article amends RIGL 23-82-6 to provide RIPTA with an annual allocation of RGGI auction proceeds to support the Authority's capital purchase of zero-emission buses. The Authority is to annually coordinate with the Office of Energy Resources to determine the 20.0 percent state share required to receive the matching FTA funds. The article directs the Office of Energy Resources to provide 50.0 percent of the agreed amount to RIPTA in RGGI auction proceeds and the Authority to utilize internal funds for the remaining amount.

Fiscal Impact: The article's fiscal impact is undetermined but will not affect general revenue. The Authority indicates that guidance from the FTA is unclear concerning the utilization of federal funds to purchase zero-emission buses. The Governor's recommendation, which was not included in the FY2027 Budget as Enacted, directed the Authority to utilize $3.5 million in RICAP funds and $3.7 million in operating funds, matched with $26.8 million from the FTA to purchase buses in FY2027.

Uninsured Protection Fund

Section 2 of the article exempts the Rhode Island Uninsured Protection Fund from the State's 15.0 percent indirect cost recovery assessment. The Office of Management and Budget indicates that exempting the fund will not have a fiscal impact.

Background: Pursuant to RIGL 28-53-2, the Department of Labor and Training administers a special restricted receipt account titled the Rhode Island Uninsured Protection Fund (UPF), which provides workers' compensation benefits to employees injured on the job while working for an employer that fails to carry workers' compensation insurance. The fund is capitalized by liens and fees levied against uninsured employers, as well as by general revenue provided by the General Assembly. Pursuant to RIGL 35-4-27, the fund is subject to the 15.0 percent Indirect Cost Recovery (IRC) charge assessed on restricted receipt accounts in the State.

Article 2 of the FY2026 Enacted Budget increased the IRC from 10.0 percent to 15.0 percent and exempted the Workers' Compensation Administrative Account Fund (WCAF) but did not exempt the UPF. When preparing the fiscal note for that change, the Office of Management and Budget and the Department of Labor and Training exempted the UPF from the IRC and assumed a 10.0 percent IRC rate, which was current law at the time. The Office of Management and Budget indicates that, "The Department of Labor and Training has traditionally considered the UPF as operating under the overall umbrella of the WCAF. Therefore, the fiscal note included the UPF within the group of accounts under the WCAF."

Article 2 Changes: The article amends RIGL 35-4-27 to add the Rhode Island Uninsured Protection Fund to the list of restricted receipt accounts that are exempt from the 15.0 percent Indirect Cost Recovery assessment. Upon passage, the article will take effect retroactively on July 1, 2025.

Fiscal Impact: The Office of Management and Budget (OMB) indicates that passage of the section will not impact FY2026 or FY2027, indicating, "assuming the Legislative intent included the UPF in the group of accounts under WCAF exempted from indirect cost recovery, no fiscal impact is reported in accompanying budget documentation.

HMA Funding Increase to the Rhode Island Public Transit Authority

Section 3 of the article increases the Rhode Island Public Transit Authority's annual percentage share of Rhode Island Highway Maintenance Account (HMA) funds from 10.0 percent to 25.0 percent and eliminates the Authority's $5.0 million fixed appropriation, effective in FY2027. Based on the May 2026 projections from the Office of Revenue Analysis, the revision provides the Authority with $13.4 million in HMA receipts above current law and $4.1 million above the Governor's FY2027 recommendation.

Background: The State supports the Rhode Island Public Transit Authority (RIPTA) with two primary subsidies: receipts collected through motor fuel taxes and receipts collected through the Highway Maintenance Account (HMA). Current law imposes a $0.405 tax on each gallon of gasoline in FY2026 and FY2027, providing $0.1175 per gallon to RIPTA. The May 2026 estimate from the Office of Revenue

Analysis (ORA) projects the State will collect $177.3 million of motor fuel tax receipts in FY2027, $51.5 million of which is directly transferred to the Authority.

The HMA is created under RIGL 39-18.1-4 and capitalized by various fees and surcharges primarily collected by the Division of Motor Vehicles (DMV), including vehicle registration, vehicle inspection, and licensing fees. The statute requires that 5.0 percent of collections be transferred to the general fund to partially offset the cost of collections borne by the DMV. The proceeds are deposited into the HMA and distributed pursuant to RIGL 39-18.1-5, which currently provides RIPTA with 10.0 percent of the available proceeds and a fixed appropriation of $5.0 million. The remaining funds are provided to the Department of Transportation. The May 2026 estimate from the Office of Revenue Analysis projects the State will collect $129.1 million of HMA receipts in FY2027 and transfer $17.3 million to the Authority.

RIPTA's FY2027 Board Approved Budget includes a $13.8 million deficit, which the Authority indicates in their FY2026-FY2031 Financial Plan is "Due to salary increases, healthcare increases, and expiration of one-time federal revenues." The Authority has struggled to secure sufficient funding in recent years and has relied on federal pandemic aid, which has since expired. The FY2026 Budget as Enacted increased the Authority's percentage share of HMA funds from 5.0 percent to 10.0 percent, thereby reducing the deficit but did not resolve it.

Article 2 Changes: The article amends RIGL 39-18.1-5 to increase RIPTA's percentage share of HMA funding from 10.0 percent to 25.0 percent and eliminates the Authority's fixed appropriation of $5.0 million.

Fiscal Impact: Passage of the article will not impact net HMA collections but will reduce the HMA receipts transferred to the Department of Transportation by $13.4 million in FY2027. The adjustment provides an equivalent increase to RIPTA. The following table compares the HMA allocation provided by current law, the Governor's recommended HMA allocation, and the HMA allocation passed by the General Assembly in Article 2, all of which are based on the May 2026 estimate from the Office of Revenue Analysis.

HMA Allocation	Current Law	Governor	Budget
5% Share to General Revenue	$6,456,250	$6,456,250	$6,456,250
Fixed Share to RIPTA	5,000,000	14,300,000	-
Percentage Share to RIPTA	12,266,875	12,266,875	30,667,188
Share to RIDOT	105,401,878	96,101,878	92,001,565
HMA Total	**$129,125,004**	**$129,125,004**	**$129,125,004**

Source: Office of Revenue Analysis, May 2026

TOC

Article 3 – Relating to Government Reform and Reorganization

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

- **Office of the Inspector General:** Establishes a new Office of Inspector General with the purpose of investigating the management and operation of agencies as it relates to prevention and detection of fraud, waste, abuse, and mismanagement in the expenditure of public funds that harms the public interest.
- **Rhode Island Public Transit Authority – Board Directors Composition:** Revises the composition of the Rhode Island Public Transit Authority's (RIPTA) Board of Directors. The article rescinds the requirement that the Director of the Department of Transportation serve as Chairperson of the RIPTA Board of Directors and authorizes the Board to elect its Chairperson. The article also prohibits the Board from electing the Director of the Department of Transportation as the Chairperson.
- **Department of Transportation Efficiency and Performance Audit:** Directs the Office of Internal Audit and Program Integrity to commission, by March 15, 2027, an efficiency and performance audit of the Department of Transportation (DOT). The audit will evaluate DOT's asset management and review the efficiency of its maintenance and operations. The article requires the report to be submitted to the Governor, President of the Senate, Speaker of the House of Representatives, and Chairs of the House and Senate Finance Committees, and be published on the Department of Administration's website.
- **Electronic Permitting:** Amends reporting requirements regarding the Department of Business Regulation's (DBR) E-Permitting platform.
- **Big River Management Area:** Transfers administrative and regulatory authority over the Big River Reservoir lands from the Water Resources Board (WRB) to the Department of Environmental Management (DEM). Language is included to clarify that the transfer does not affect the WRB's authority over freshwater resource management as provided in RIGL 46-15, entitled "Water Resources Management", and 46-15.1, entitled "Water Supply Facilities".
- **State Police Officers Retirement:** Amends the pension benefits for both current and former Rhode Island State Police members by increasing the maximum retirement allowance and permitting additional percentage accruals for years of service beyond base thresholds, subject to a cap of 65.0 percent of whole salary. It also provides for the prospective recalculation of benefits for retirees who retired on or after July 1, 2024, and prior to July 1, 2026, retroactive to their date of retirement to reflect the updated retirement formula without retroactive adjustments prior to July 1, 2024. Additionally, this act would extend the time period a member may serve in the Rhode Island State Police.
- **Economic Development Incentive Changes:** Expands the total program cap on the Rebuild RI program to $250.0 million and reauthorizes the Executive Office of Commerce's (EOC) various incentive programs for an additional year, by extending the statutory sunset provisions placed on them from December 31, 2026, to December 31, 2027. The incentive programs are:
  - Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26-12)
  - Rebuild RI (RIGL 42-64.20)
  - Rhode Island Tax Increment Financing (RIGL 42-64.21-9)
  - Tax Stabilization Incentive (RIGL 42-64.22-15)
  - First Wave Closing Fund (RIGL 42-64.23-8)
  - I-195 Redevelopment Project Fund (RIGL 42-64.24-8)
  - Main Street Rhode Island Streetscape Improvement Fund (RIGL 42-64.27-6)

    - Innovation Initiative (RIGL 42-64.28-10)
    - Rhode Island Qualified Jobs Incentive (RIGL 42-64.3-14)
- **Rhode Island Bays, Rivers and Watersheds Fund, and Freshwater Management:** Amends RIGL 46-33-1 repealing language referencing a nonexistent Rhode Island lake management fund and adds language to the Freshwater Lake Management Program under RIGL 46-33-2, authorizing the use of sums allocated by the General Assembly from the Fund for use in providing financial assistance for lake management.

  In addition, the article amends RIGL 46-31.1, regarding the legislative findings section of the Bays, Rivers and Watersheds Fund's authorizing statute, to include lakes and add a definition for the terms lake and pond. The article adds language authorizing the use of the Bays, Rivers and Watersheds Fund to support the Freshwater Lake Management Program.

FISCAL IMPACT

Passage of Article 3 impacts both general revenue and federal fund expenses of the State.

- **Office of the Inspector General:** The Budget provides $1.3 million in general revenue for personnel and operating expenditures in FY2027 for the Office of Inspector General for what is anticipated to be half a year of operations. It also authorizes 12.0 FTE positions.
- **Big River Management Area:** The Budget also includes the transfer of 1.0 FTE position and $148,296 in general revenue to support the administration of the property.
- **State Police Officer Retirement:** The state's actuary determined that the change in Article 3 is projected to increase the total state contribution to the pension system by $2.6 million in FY2027. This figure represents the annual budgetary increase attributable to this change and is the result of the rise in the employer contribution rate. This rate is projected to increase 7.69 percent of payroll, from 21.29 percent to 28.98 percent.

  Since the charge is expressed as a percentage of payroll it will increase over the 20-year statutory amortization period for the unfunded liability. The unfunded actuarial accrued liability (UAAL) is projected to increase $19.9 million, and the funded ratio will decrease 6.09 percent from the current 88.42 percent to 82.33 percent.

ANALYSIS AND BACKGROUND:

Office of the Inspector General

The article provides the statutory framework of the new office, including the parameters of its jurisdiction relative to the Attorney General, law enforcement, and the Auditor General. The section establishes the position of Inspector General (IG) within statute, provides for a process of how the IG is to be selected and appointed and the position's qualifications, directs the General Assembly to appropriate sufficient funding to operate the office, permits the IG to hire staff and outlines their qualifications. The section authorizes the IG to promulgate rules and regulations and to develop and submit a budget.

- **Qualifications, Appointment, and Terms:** The article establishes an independent advisory commission consisting of the Attorney General, General Treasurer, Secretary of State, Executive Director of the Ethics Commission, and the President of the Association of Inspectors General (AIG). The commission is directed to create a process to select an IG including application, interviews, and evaluations. The legislation is silent about who chairs the commission and who calls the initial meeting of the group.

  The commission submits three qualified candidates to the Governor for consideration. A qualified candidate must have a college degree in certain specified fields, ten years of professional experience in specified fields, and hold a certificate issued by the AIG. The Governor has 90 days to submit the chosen appointment to the Senate for advice and consent. An IG serves for a five-year term and is limited to two terms. The Governor may remove an IG for cause.

- **Jurisdiction/Powers & Duties:** The article authorizes the IG to investigate for incidence of fraud, waste, or abuse in all Executive branch state government agencies including all authorities, boards, branch, bureau, commission, committee, council, department, division, institution, office, public corporation, or quasi-agency. The IG is permitted to assist municipalities upon receipt of a formal council resolution requesting the assistance. The IG is charged with initiating investigations, formally reporting findings, working with agencies to improve the prevention of fraud, waste, or abuse. The article requires the IG to establish a process to receive complaints and to protect whistleblowers.
- **Investigative Procedures and IG Decisions:** The article outlines the investigative procedures expected of the IG. This includes how complaints are processed and what occurs during an investigation and after they are completed. The IG is authorized to issue a formal decision at the conclusion of an investigation and is directed to formally report its findings. The article outlines referral processes to other law enforcement agencies, including the Attorney General, should the facts require it.
- **Subpoena Power and Access to Records:** The article provides the IG with the power to subpoena individuals related to investigations and to question individuals under oath. The IG is also authorized to have access to all relevant agency records and requires agencies to cooperate with all investigations.
- **Reporting:** In addition to the required reporting associated with investigations, the article directs the IG to report annually to the state's general officers, the Speaker of the House, and the Senate President. This report includes information regarding the number of investigations conducted the previous year, their disposition, summaries of corrective actions and their status, and monies recovered. The report is due April 1st each year.
- **Association of Inspectors General:** The Association of Inspectors General is a not for profit, nonpartisan national organization of independent public watchdog groups, including statewide inspectors general. Founded in 1996, the AIG states that it was created to strengthen public sector oversight through professional standards, training, and ethical leadership. It provides a national network connecting government oversight professionals across jurisdictions. According to AIG, its mission is to advance governmental integrity and accountability by combatting waste, fraud, and abuse. The group has established industry quality standards, conducts professional development training and provides certifications to OIG staff, issues position papers, and coordinates peer reviews.

RIPTA Board of Directors Composition

The article amends RIGL 39-18-2 to revise the composition of the 9-member Board of Directors (Board) which governs the Rhode Island Public Transit Authority (RIPTA). Current law requires the Director of the Department of Transportation (DOT) to serve as the Chairperson of the Board and the remaining 8 members to be appointed by the Governor with the advice and consent of the Senate. The 8 appointed members must all be state residents, one of whom must also have a disability. Members are appointed for a 3-year term and are eligible for reappointment following their term's conclusion.

The article removes the Director of the DOT from the role of Chairperson and authorizes the Board to elect its Chair, provided that the elected individual is not the Director of the DOT.

Department of Transportation Efficiency and Performance Audit

The article adds RIGL 42-13.2, which directs the Office of Internal Audit and Program Integrity to commission an efficiency and performance audit of the Department of Transportation (DOT) by March 15, 2027. The audit will evaluate the Department's asset management capabilities, including the status of pavement, bridges, and intelligent transportation system assets, backlog replacement needs, and lifecycle cost analysis. It will also review the Department's maintenance and operations efficiency, with evaluation areas including the cost per lane-mile per district, salt and chemical usage, vehicle and equipment availability, and overtime utilization.

The legislation requires the Office of Internal Audit and Program Integrity to deliver the report to the Governor, President of the Senate, Speaker of the House of Representatives, and Chairs of the House and Senate Finance Committees, as well as publish the report on the Department of Administration's website.

Electronic Permitting

The article amends reporting requirements regarding the Department of Business Regulation's (DBR) E-Permitting platform to require the Department to provide a report that reviews, analyzes and assesses functions related to e-permitting and the platform, as well as suggested statutory revisions such as clarification of permitting statutes, ensuring efficient administration, and aligning fees with programmatic costs. The report will be submitted with the Department's annual budget submission to the Office of Management and Budget (OMB) for the fiscal year ending June 30, 2027.

Big River Management Area

The article transfers administrative and regulatory authority over the Big River Management Area (BRMA) reservoir lands from the Water Resources Board (WRB) to the Department of Environmental Management (DEM). Language is included to clarify that the transfer does not affect the WRB's authority over freshwater resource management as provided in RIGL 46-15, entitled "Water Resources Management", and 46-15.1, entitled "Water Supply Facilities". Currently, DEM is managing the property through a Memorandum of Understanding (MOU) with the WRB and is thereby responsible for issues with the property including access and public safety. Given DEM's current role with the management areas and their experience with land management across the State, the Budget transfers the administrative and regulatory authority to DEM. The Budget also includes the transfer of 1.0 FTE position and $148,296 in general revenue to support the administration of the property.

State Police Officers Retirement

Amends the pension benefits for both current and former Rhode Island State Police members by increasing the maximum retirement allowance and permitting additional percentage accruals for years of service beyond base thresholds, subject to a cap of 65.0 percent of whole salary. The changes include the following:

- Amends the final average salary calculation from the highest five years of compensation to the highest three years of compensation. This reflects a technical change to correct a drafting error in the 2025 legislation that extended the 2024 change to the calculation for pension benefits from the highest five consecutive years of compensation to the highest three consecutive years for State Police.
- Reduces the actuarial liability by retaining the overtime provisions in current law which caps overtime at 400 hours as part of an individual's final salary calculation.
- Provides for the prospective recalculation of benefits for retirees who retired on or after July 1, 2024, and prior to July 1, 2026, retroactive to their date of retirement to reflect the updated retirement formula without retroactive adjustments prior to July 1, 2024. This act would extend the time period a member may serve in the Rhode Island State Police, allowing for a phased implementation to maintain continuity and predictability within the command staff, avoiding too many retirements at once.
- Increases the benefit accrual rate from 2.0 percent to 3.0 percent after 20 years of service, for members hired before July 1, 2007, and to 3.0 percent after 25 years of service for members hired on or after July 1, 2027.

Economic Development Incentive Changes

Article 3 includes several changes to the State's economic development incentives:

- **Reauthorization of Incentives:** Sections 8 through 15 and Section 18 reauthorize the Executive Office of Commerce's (EOC) various incentive programs for an additional year by extending the statutory sunset provisions placed on them from December 31, 2026, to December 31, 2027. The Incentive programs are:

- Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26-12)
- Rebuild RI (RIGL 42-64.20)
- Rhode Island Tax Increment Financing (RIGL 42-64.21-9)
- Tax Stabilization Incentive (RIGL 42-64.22-15)
- First Wave Closing Fund (RIGL 42-64.23-8)
- I-195 Redevelopment Project Fund (RIGL 42-64.24-8)
- Main Street Rhode Island Streetscape Improvement Fund (RIGL 42-64.27-6)
- Innovation Initiative (RIGL 42-64.28-10)
- Rhode Island Qualified Jobs Incentive (RIGL 42-64.3-14)

- **Rebuild RI:** Section 8 of Article 3 increases the maximum aggregate amount of combined Rebuild Rhode Island (Rebuild RI) tax credits and sales tax exemptions from $225.0 million to $250.0 million.

  Rebuild RI uses both tax credit and sales tax exemption incentives to promote investment in real estate development for commercial and/or residential use across the State. Total credits and exemptions are limited to $225.0 million, and the per-project cap is set at $15.0 million.

  - **Status:** Commerce's board has approved $188.7 million in Rebuild RI tax credits and $44.8 million in sales tax exemptions across 56 projects, for a combined total of $233.5 million, or 103.8 percent over the current $225.0 million statutory program cap. In its testimony at the May 2026 Revenue Estimating Conference, Commerce indicated that the actual estimated use of the awarded credits and exemptions amounts to only $219.5 million (or 97.6 percent of the cap). According to Commerce the lower amount reflects projects electing to redeem credits at 90.0 percent of their cash value (which is allowed by the program) and anticipated unused sales tax exemptions.

    The following table shows estimated future appropriations needed to cover projected drawdowns from the Rebuild RI fund.

Estimated Cash Flow Summary for Rebuild RI

	2025	2026	2027	2028	2029	2030	2031	2032	2033
Beginning Balance	$94.0	$84.9	$80.6	$74.6	$66.9	$50.8	$43.9	$40.9	$40.7
Combined Draw Downs*	(19.2)	(14.4)	(12.1)	(17.7)	(26.1)	(16.9)	(13.0)	(10.2)	(4.7)
Estimated Appropriation^	**10.1**	**10.1**	**6.1**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
Ending Balance	84.9	80.6	74.6	66.9	50.8	43.9	40.9	40.7	46.0

**Includes tax credits and sales tax exemptions. Amounts take into consideration all projects as of November 2025.*

^ Appropriation levels for FY2028 through FY2033 have been chosen for demonstration purposes only. Consideration was given to keeping annual appropriations below $25.0 million, while covering the drawdowns, and leaving a reasonable ending balance (Senate Fiscal Staff estimates).

Rhode Island Bays, Rivers and Watersheds Fund, and Freshwater Management

The article amends the authorized uses of the Bays, Rivers and Watersheds Fund to include freshwater lake management, except for commercial or industrial lakes or ponds that are created to provide cooling water or as dewatering basins or are concrete or poly-lined. The amendment is intended to make resources available for the Freshwater Lake Management Program. The program was enacted in 2024 through RIGL 46-33 to address issues with water quality, invasive species, and algae blooms; however, no funding was provided at the time. The article does not specify a funding amount or limit but does allow for the Department of Environmental Management (DEM) to use the fund for the program.

Other changes to the lake management program include eliminating the definition for "Rhode Island lake management fund", since RIGL 46-33-3 does not exist and the program was never funded, and expanding eligible projects to include the "control" of existing aquatic species in addition to mitigation.

The Bays, Rivers and Watersheds Fund (BRWF) is a restricted receipt account within DEM created pursuant to Article 16 of the FY2016 Budget as Enacted. Funding decisions are made by the Director of DEM within the limited purposes of the Comprehensive Watershed and Marine Monitoring Act (RIGL 46-23.2-1); Water Pollution (RIGL 46-12); the Resilient Rhode Island Act of 2014 – Climate Change Coordination Council (RIGL 46-6.2); and, through this article, the Freshwater Lake Management Program (RIGL 46-33). The BRWF is supported with receipts from septage disposal fees, totaling over $700,000 annually in recent years, collected pursuant to RIGL 46-12.11. A disposal fee of $1.00 per every 100 gallons of septage delivered to a disposal facility is paid by septage transporters and collected by disposal facility operators.

Bays, Rivers, and Watersheds Fund

Bays, Rivers, and Watersheds Fund	FY2023	FY2024	FY2025
Beginning Balance	$948,923	$1,109,463	$1,405,125
Revenue	869,651	652,755	824,500
Expenditures	(709,111)	(357,094)	(1,363,827)
Net Income (loss)	160,540	295,661	(539,327)
Ending Balance Carry Forward	**$1,109,463**	**$1,405,125**	**$865,798**

According to DEM, the BRWF is used primarily to leverage federal funds in support of ambient water monitoring programs essential to water quality management. For example, the BRWF supports the on-going fixed-site monitoring in Narragansett Bay, in partnership with the University of Rhode Island Graduate School of Oceanography; monthly water quality monitoring of the State's largest rivers; and continuous operation of 21 streamflow gages, in cooperation with the federal United States Geological Survey. The fund has also been used to address high-priority, short-term projects, consistent with the purposes authorized by legislation, such as an initial survey of invasive hydrilla in Worden Pond in South Kingstown to characterize the infestation and plan future treatment, the replacement of the DEM vessel used for shellfish area monitoring, and for investments in other monitoring equipment. In FY2027, DEM plans to use the funds to support projects related to stormwater management, including an update of the state stormwater manual. A portion of the funds has been utilized to support select staffing in the DEM Office of Water Resources.

Bays, Rivers, and Watersheds Fund
Percentage of Expenditures by Category

	FY2023	FY2024	FY2025
Grants and Aid	0.0%	16.6%	2.6%
Operating and Capital	2.0%	22.2%	2.6%
Contract Services	50.8%	61.2%	50.9%
Salaries and Benefits	47.2%	0.0%	43.9%

Article 4: Relating to Debt Management Act Joint Resolutions

This article amends existing debt authorizations and proposes new authorizations for revenue bonds that do not require voter approval, also known as a Kushner Resolution.

Rhode Island College – Residential Life Renovations

The article approves financing of up to $20.6 million for the renovation of five residence halls. The project addresses critical infrastructure improvements that will enhance the on-campus experience for the student residents. Debt service payments will be supported by revenue derived from the College's residential life auxiliary student fees. Total debt will not exceed $36.5 million over a 20-year term, and annual debt service payments are estimated to be $1.8 million.

The residential life project provides for the renovation of dormitories on the RIC campus. The college offers a variety of housing options across six buildings which include:

- Browne Hall – Constructed in 1967
- Penfield Hall – Constructed in 2007
- Sweet Hall – Constructed in 1991
- Thorp Hall – Constructed in 1959
- Weber Hall – Constructed in 1964
- Willard hall – Constructed in 1971 and closed due to aging infrastructure.

Currently, RIC lacks sufficient capital in the Residential Life auxiliary fund for necessary improvements to provide a safe and welcoming experience for residential students. These improvements include the modernization of dormitories through critical infrastructure improvements and aesthetic upgrades that will maximize capacity and enable the college to meet housing demand. RIC will soon retire the Penfield Hall debt service payments, which will free up auxiliary funding for the proposed revenue bonds. The College expects the Architectural and Engineering phase of the project to begin in the latter half of FY2027 and use bond funding of $5.0 million in FY2028, $10.0 million in FY2029, and $5.0 million in FY2030.

University of Rhode Island – Repaving Hardscape Improvements

The article approves financing of up to $20.0 million to support the re-pavement and reconstruction of major parking facilities, roadways, walkways, and associated infrastructure on the University's Kingston, Narragansett Bay, and Alton Jones campuses. Total debt service payments will not exceed $34.9 million over a 20-year term, and annual debt service payments are estimated to be $1.7 million. Debt service payments will be supported by revenue raised through the University's parking services.

In the last ten years, URI has made progress in the improvement of its inventory of paving projects, but due to ongoing wear and deterioration from seasonal weather conditions, road and walkway repairs are an ever-present need and the scope of needed campus work is still substantial. This project includes $1.0 million in FY2027, and $9.5 million in both FY2028 and FY2029.

University of Rhode Island – Automotive and Administrative Services

The article approves financing for up to $14.4 million to support proper working space for automotive services and new space for mail and printing services by building an addition to the central warehouse for mail/printing and providing a new automotive repair building to replace the existing one. Total debt service repayments will not exceed $25.2 million over a 20-year term and annual debt service payments are estimated to be $1.3 million. Debt service payments will be supported by revenue raised through the University's unrestricted general revenues.

The University's unrestricted general revenue is comprised of tuition and fee revenues and State general revenue appropriation.

The automotive repair shop currently resides in an old animal barn and does have the capacity to support the duties of the shop. According to the University, the building lacks the space necessary to lift the vehicles to a working height that is ergonomically correct, and the electrical and ventilation systems do not meet modern standards. According to the University, the current issues with the structure are OSHA and building code related, further emphasizing the need to replace the building. Furthermore, the current location of the shop infringes on the new residential district which is needed to increase capacity for URI's growing housing demand. Pursuant to a 2023 study, the planning team recommended moving the shop to the Mail and Printing Services building and consolidating the mailing and printing operations for a more efficient use of the space. The Budget assumes \$1.3 million in funds to be expended in FY2027, \$4.9 million in FY2028, and \$8.1 million in FY2029.

Article 5: Relating to Capital Development Program

This article authorizes the issuance of and outlines terms and processes for various general obligation bonds, totaling $600.0 million, to be placed on the ballot for voter approval in November 2026. The projects are broken down into the following five questions.

Article 5: Relating to Capital Development Program		
Higher Education Facilities		**$275.0**
URI Integrated Health Building	165.0	
RIC Adams Library	50.0	
CCRI Workforce Innovation Center	60.0	
Housing and Community Development		**$120.0**
Housing Homeownership	25.0	
Public Housing Development	10.0	
Undefined	85.0	
Economic Development		**$100.0**
Site Development	55.0	
Growth Industry Infrastructure	45.0	
Green Economy Bonds		**$55.0**
Brownfields Remediation	3.0	
Facility Improvements	12.0	
Local Recreation Grants	1.0	
Marine Infrastructure Development	1.0	
Resilient Rhody Infrastructure Fund	25.0	
Narragansett Bay Watershed Restoration	7.0	
Agriculture Land Preservation	3.0	
Open Space Program	3.0	
Cultural Economy		**$50.0**
State History Center	45.0	
State Preservation Grants Program	5.0	
Total		**$600.0**

$ in millions

FISCAL IMPACT

The article authorizes $600.0 million in bond referenda to be placed on the November 2026 ballot, including $215.0 million in bonds for higher education, $120.0 million for housing and community development, $115.0 million for economic development, and $50.0 million each for career and technical education, green economy and clean energy bonds, and cultural economy. Assuming full issuance in bond year 1, and 5.0 percent interest, annual debt service payments are estimated to be $48.1 million. Total Debt Service over the life of 20-year bonds would be $962.9 million, including $362.9 million in interest.

BACKGROUND

Higher Education Facilities

Approval of this Question would allow the issuance of $215.0 million in general obligation bonds to support projects constructing or improving higher educational facilities including:

- **University of Rhode Island Integrated Health Building ($105.0 million):** $105.0 million for the construction of the new integrated health building on the University's Kingston campus to advance health education, clinical training, and workforce development. The project meets the growing demand for highly trained health care professionals and facilitates greater interdisciplinary collaboration across

URI's health-related disciplines. The project also aligns with URI's commitment to strengthening the State's healthcare workforce through health innovation, workforce development, and economic growth.

According to the University, this project is in response to the external public health and workforce needs. The College of Nursing space is too small and the college has experienced an increase in demand in nursing and related health sciences disciplines but is unable to accommodate these students. The project will allow the expansion of the nursing program, and other health disciplines, by providing state-of-the-art training environments to prepare students to enter the workforce.

- **Rhode Island College Adams Library ($50.0 million):** $50.0 million for general renovations and the construction of a student success and career readiness center within Adams Library. The renovated space will integrate services like career pathways, academic advising, tutoring, digital learning resources, and employer engagement into a single accessible location. The project reflects the modern use of academic libraries, shifting from traditional print collections to digital platforms and collaborative learning spaces.

  The new space will include:
  - Career and career readiness development and suites
  - Integrated academic support services
  - Digital resource access
  - Collaborative innovation labs
  - Student navigation hub

  RIC asserts that co-locating these services will improve student outcomes, increase retention and completion rates, and accelerate pathways to employment. It will also aid in regional economic development, producing graduates who are career ready, and respond to the needs of employers.

- **Community College of Rhode Island Workforce Innovation Center ($60.0 million):** $60.0 million to construct a new workforce innovation center at the Knight Campus in Warwick to support workforce readiness and address critical workforce shortages. Many key industries report difficulties in recruiting and retaining personnel due to lack of access to specialized training. The Workforce Innovation Center will help close the skills gap by expanding access to fast-track credentialling programs, apprenticeships, and certificates that directly lead to employment. The Center will provide several strategic advantages including flexible training infrastructure, increased capacity to serve more students, and industry collaboration.

Housing and Community Opportunity

Article 6 includes a $120.0 million general obligation bond authorization to be placed on the November 2026 ballot to "increase and preserve the availability of affordable and accessible housing" and to "support community revitalization through the redevelopment of existing structures, new construction, property acquisition, and infrastructure improvements. At least $25.0 million is to be reserved for the development of housing designated for home ownership. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated to be $9.6 million. Total debt service over a 20-year term would be $192.6 million, including $72.6 million in interest payments.

Housing Bonds Status

Bond Year	Amount	Status
2006	$50.0	Exhausted
2012	25.0	Exhausted
2016	50.0	Exhausted
2020	65.0	Fully committed, $10.6M left to spend
2024	120.0	$106M obligated, $14M left to obligate

$ in millions

According to the Executive Office of Housing (EOH), this bond initiative build upon efforts supported by the 2024 housing bond and will "fill gaps in the system and create opportunities for a broader array of housing development" as informed by the EOH, partners and stakeholders. EOH explains that setting aside $25.0 million for the development of housing designated for home ownership is part of a strategy to prevent rental and homeownership projects from competing.

In 2024 voters approved a $120.0 million housing bond. The bond was more prescriptive than the one currently proposed, with the following categories and budgets outlined:

November 2024 Affordable Housing Bond	
Affordable Housing	$90.0
Acquisition and Revitalization	10.0
Homeownership	10.0
Site Acquisition	5.0
Housing Related Infrastructure	4.0
Municipal Planning	1.0
Total	**$120.0**

$ in millions

According to the EOH, $106.0 million of the 2024 bond has been released through competitive solicitations. This includes:

- $66.0 million has been incorporated into a joint One Stop development funding application process with RI Housing.
  - EOH indicates that $176 million in funding was requested by developer applicants under the One Stop process.
- $8.0 million for housing-related infrastructure was released in an RFP in October 2025.
- $1.0 million for municipal architecture and engineering was released in an RFP in October 2025.
- $6.0 million for home repair was awarded to the Providence Revolving Fund to administer. The program was announced in November 2025.
- An RFP to select an administrator for the $5.0 million Site Acquisition Program was released in October 2025. The EOH is currently in negotiations for a vendor.
- An RFP for the $10 million affordable homeownership funds was released in February 2026
- EOH released $10 million for Public Development in February 2026

EOH anticipates that $100.00 million from the 2024 bond will be awarded by the end of 2026.

Economic Development

Article 6 includes a $115.0 million general obligation bond authorization to be placed on the November 2026 ballot to fund industrial facilities infrastructure improvements. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated to be $9.2 million. Total debt service over a 20-year term would be $184.6 million, including $69.6 million in interest payments. The bond proceeds would be allocated as follows:

Site Development ($70.0 million): $70.0 million for land acquisition, remediation, infrastructure and utility construction, and industrial site preparation and development. Eligible uses include, but are not limited to, large scale industrial development within Quonset Business Park and the I-195 District.

Growth Industry Infrastructure ($45.0 million): $45.0 million for infrastructure, projects, and investments in Rhode Island's ocean, defense, life sciences, data analytics, and related industries. Eligible uses include, but are not limited to, facilities and projects that advance business and job growth in life sciences.

The bond funds are planned to be used to support the following categories of economic development projects:

- **Large-Scale Industrial Land Development:** According to EOC, a portion of the bond funds will be used for the preparation of new, pad-ready industrial sites (similar to Quonset Business Park) that are used to support ocean-tech and defense manufacturing growth. Funds are also planned to be used to address a shortage of infrastructure-ready industrial land within the state.
- **I-195 District Land Acquisition and Preparation:** According to EOC, a portion of the bond funds will be used to "position remaining land in the I-195 Redevelopment District and strategically expand available land in order to sustain momentum in Providence's innovation economy through strategic land acquisition, as well as site preparation and activation, that drives life sciences, other commercial, and mixed-use residential/retail development."
- **Quonset Business Park Infrastructure:** According to EOC, bond funds will be used to "invest in roads, utilities, site preparation, and infrastructure reconfiguration to unlock major private and federal investments, requiring a match and enabling high-value business expansions."
- **Life Sciences Capital Investments:** EOC indicates that funds will be used to build on the Rhode Island Life Sciences Hub by "funding labs, facilities, equipment, enabling infrastructure and business/project investments that support company attraction, expansion, commercialization, and workforce growth, with required private or federal matching funds."
- **On- and Under-Water Test Range and Waterside Innovation Center:** According to EOC, funds will be used to "create a shared, state-of-the-art testing range in Narragansett Bay—paired with on-shore data analytics, and R&D facilities—to position Rhode Island as a national leader in ocean technology, undersea defense, and marine robotics."

Career and Technical Education

Approval of this question would allow the issuance of $50.0 million in general obligation bonds to provide upfront capital funding for local education agencies to create new or improve existing career and technical programs. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at $4.0 million. Total debt service over a 20-year term would be $80.2 million, including $30.2 million in interest payments.

The Rhode Island Department of Education (RIDE) expects the requests will greatly surpass the available proceeds and had originally requested $250.0 million for this bond. To award the funds, RIDE will create an application and scoring rubric based on the type of project, timeline, students served, availability of industry partners, job placement, State priorities, and district needs. Projects aligning with the Rhode Island 2030 will be prioritized. While the number of projects supported will depend on the size and scope of the request, RIDE anticipates funding 20 to 40 projects.

Green Economy Bonds

The Budget includes a $50.0 million general obligation bond authorization be placed on the November 2026 ballot for environmental and recreational purposes. Assuming full issuance in bond year 1 and 5.0 percent interest, annual debt service payments are estimated at $4.0 million. Total debt service over a 20-year term would be $80.2 million, including $30.2 million in interest payments. The bond proceeds would be allocated as follows:

- **Brownfields Remediation and Economic Development ($3.0 million):** Provide funding for matching grants of up to 80.0 percent of project costs to public, private, and/or nonprofit entities for the cleanup, reinvestment, and re-use of brownfield sites to create and attract jobs, protect the urban environment, remove hazards, and reduce the cost of storm water flooding. According to the Department, between 10,000 and 12,000 abandoned industrial sites lie idle across the State. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. The program funds will clean up blighted properties, create jobs, open valuable real estate, and promote public health. This grant program, which helps accelerate redevelopment and supports smart growth, provides critical resources to facilitate the return of these sites to productive use. Grants will provide for both site preparation and redevelopment projects and can be used to fill gaps that exist in supporting data and/or to develop and analyze potential remedial strategies necessary to clean up and develop the site.

Since November 2014, voters have approved $23.0 million in general obligation bond proceeds for brownfield remediation, including the most recent approval in 2024. As of January 21, 2026, $6.4 million of these funds were unobligated. The proceeds from the 2022 and 2024 bonds plus unspent funds from previous approvals supported 10 projects in four cities and towns including nine projects in Environmental Justice focus areas.

- **Facility Improvements ($8.0 million):** Provides funding for the renovation and repair of existing facilities and recreational venues, and the development and construction of new facilities and parks. The Department of Environmental Management is responsible for more than 50 facilities and 25 miles of roadways in state parks. While DEM had requested $25.0 million in bond proceeds, these funds, if approved by voters, will go toward projects such as improvements to Beavertail State Park, the replacement of sanitary amenities at Colt State Park, and electrical upgrades at Fisherman's Campground.
- **Local Recreation Projects ($1.0 million):** Provides funding for matching grants of up to 80.0 percent to municipalities to acquire, develop, or rehabilitate local recreation areas. The grants cover the development of sports fields, tennis courts, and playgrounds. The grant applications are evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies. Since 2012, voters have approved $25.5 million in general obligation bonds for local recreation projects. The most recent approval was in 2022 In April 2024, matching grants were awarded for projects in 11 communities. As of January 21, 2026, $1.4 million of these funds were unobligated. Since the implementation of the program in 1988, DEM has awarded over 568 grants totaling more than $91.0 million worth of investments in all of Rhode Island's 39 cities and towns.
- **Marine Infrastructure Development ($1.0 million):** Provides funding for "most facilities, including recreational facilities, office space, marine infrastructure, and more." According to DEM, this bond will support boat access and resilience for the public by renovating and repairing state-owned boat ramps and floating docks, many of which are over 20 years old.
- **Resilient Rhody Infrastructure Fund (RRIF) ($20.0 million):** Provides $20.0 million for local governments to restore or improve the resilience of infrastructure, vulnerable coastal habitats, and river and stream floodplains. The funds will be prioritized to leverage additional funds to support stormwater abatement and public safety in the event of increased flooding, major storm events, and environmental degradation. In 2025, RIGL 46-12.2-4.4 established the Resilient Rhody Infrastructure Fund within the Rhode Island Infrastructure Bank (RIIB); however, no funds were appropriated to the fund.

  In November 2020 voters approved $7.0 million and in November 2022 voters approved of $16.0 million in general obligation bond proceeds for resiliency projects. With the bond funding and $1.1 million in Rhode Island Infrastructure Bank operating funds, a total of $24.1 million has been available for this program. As of January 22, 2026, all of these funds have been awarded to 56 projects around the State. In September 2023, the Rhode Island Infrastructure Bank (RIIB) issued an RFP for projects and received 41 proposals totaling $52.0 million in grant requests. In 2024, $10.0 million was approved to help municipalities restore and/or improve resiliency; however, the RFP for these funds is expected to be issued in late Spring 2026 once the regulations for the RRIF are finalized.

In 2018, the voters approved $5.0 million for climate resilience projects through DEM, only $11,405 remains unobligated.

- **Narragansett Bay Watershed Restoration ($7.0 million):** Provides funding to state and local agencies, and nonprofit and for-profit businesses for nonpoint source pollution abatement projects. Funded activities include storm water management, nutrient load abatement, industrial and agricultural pollution abatement, and riparian buffer and ecosystem protection projects. The Department of Environmental Management (DEM) has worked with municipalities and non-profits to complete over 30 projects across the State to improve water quality in Narragansett Bay and other watersheds. The fund generally aids with projects that may not otherwise qualify for Rhode Island's other clean water financial assistance program. Since 2004, voters have approved $15.5 million in general obligation bond proceeds for Narragansett Bay Watershed Restoration, including the most recent approval in 2022. The most recent grant awards were announced in August 2024. As of January 21, 2026, $24,958 of these funds were unobligated.

- **Agriculture Land Preservation ($3.0 million):** $3.0 million to the Agriculture Land Preservation Commission for farmland preservation. The Farmland Preservation Program works to ensure that farming remains viable in Rhode Island, primarily by purchasing developments right from farmers to enable them to retain ownership of the property while protecting the land for agricultural use. Through three referenda in 2012, 2014, and 2018, voters have approved $9.5 million in bond funds with less than $500,000 of these funds unobligated as January 1, 2026. The $9.0 million has been used to award over 100 grants.

  The program is managed by the Agricultural Land Preservation Commission which was established in 1982 through RIGL 42-82. The Commission consists of the Directors of the Department of Environmental Management and the Department of Administration, or their respective designees, both with the power to vote; and seven public members appointed by the Governor with the advice and consent of the Senate. The public appointees must include at least two members with knowledge or experience in agriculture, one member familiar with land use and community planning issues, and one member active in land preservation. Beginning in 2006, only residents of the State are eligible for appointment to the Commission.

- **Open Space Program ($3.0 million):** $3.0 million to the Department of Environmental Management (DEM) to allow the State to acquire fee simple interest or conservation easements to open space, watershed, and recreational land. The DEM manages multiple land conservation initiatives to protect Rhode Island's green spaces. Through four referenda in 2004, 2012, 2016, and 2022, voters have approved $19.5 million in bond funds with less than $250,000 of these funds unobligated as January 1, 2026. The funds have been used to award over 200 grants. Since 1985, the State has acquired or protected more than 20,000 acres of open space through the purchase of land, development rights and conservation easements statewide.

Cultural Economy

Approval of this question would allow the issuance of $50.0 million in Cultural Economy bonds to be allocated as follows:

- **State History Center ($45.0 million):** The article provides financing of up to $45.0 million for the construction of a new State History Center. The State History will include exhibit and meeting space as well as storing the State's most valuable documents. The Budget proposes $5.0 million from the RI Capital Plan Fund in FY2028 and $45.0 million in general obligation bonds to be placed on the November 2026 ballot for voter approval for the planning and construction of the Rhode Island Archives and History Center. The new building would serve as a permanent home for the State's archives, currently located in leased space in the City of Providence, and would provide for the display of historical documents and artifacts.

- **State Preservation Grants Program ($5.0 million):** The article provides financing of up to $5.0 million in general obligation bonds for the State Preservation Grant Program. The State Preservation Grant Program was established to improve and/or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites. The Historic Preservation and Heritage Commission states that requests for these funds have outstripped available funding in every one of the nine SPG grants cycles that we have run over the past 23 years. The following highlights the status of the last two issuance of the State Preservation Grant Program:
  - In November of 2014, voters approved $5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. Through FY2022, the Commission supported 58 projects awarding $4.6 million in funds.
  - In March of 2021, a statewide bond referendum passed that allocated an additional $1.0 million to the State Preservation Grant program in general obligation bonds. The Commission is supporting 18 grants for new projects totaling $1.2 million. According to HPHC the additional funds over the total bond amount reflect a rollover of remaining funds from the previous bond issue, i.e. the previous issue totals $5.0 million but the awards totaled $4.6 million.
  - As of February 3, 2026, a total of $5.5 million has been disbursed to 76 projects leaving a balance of $332,441, and three ongoing projects.

  There is $36,466 in unspent funds from grantees that have either returned the funding or did not utilize the full amount awarded and are considered closed. The Commission has the option to reallocate those funds to another open grant that requires additional funding for that particular project. The Commission has granted extensions on three awards with projects totaling $295,975. When grantees request an extension, HPHC's Commissioners must agree to the extension, or decide if additional information is needed before they can grant an extension.

Article 6: Relating to Taxes and Fees

This article establishes a new high-earner surtax, expands to current social security income modification, provides for a refundable child tax credit, makes certain changes to tobacco-related license regulations, and makes several other additional tax changes. Specifically, the article:

- **New High-Earner Surtax:** Phases-in a new high-income surtax that taxes income over $1.0 million at an additional 1.0 percent per year over three years, resulting in an 8.99 percent final rate for TY2029 and beyond.
- **Refundable Child Tax Credit:** Establishes a new $330 per child refundable child tax credit for certain eligible taxpayers to be used to offset personal income taxes or, in certain circumstances, increase personal income.
- **Expansion of Social Security Modification:** Expands the current personal income tax modification for social security by eliminating the age eligibility requirement.
- **Tax Amnesty:** Provides a tax amnesty program for a 75-day period ending February 15, 2027.
- **Decoupling from Federal Tax Policy:** Decouples state policy from certain new federal rules related to how a business' income is determined for tax purposes.
- **Cigar Distributor Definition:** Revises the definition and permitted activities of cigar dealers and distributors within the State.

FISCAL IMPACT

The fiscal impact of Article 6 general revenue changes is summarized in the table below. For more details see below in the analysis and background section.

General Revenue Impact

	FY2027		FY2028	
Initiative	**Revenues**	**Expenditures**	**Revenues**	**Expenditures**
New Higher Earner Surtax	$24.9	-	$73.3	-
Refundable Child Tax Credit	(23.1)	-	(46.6)	-
Expansion of Social Security Modification	(3.0)	-	(6.1)	-
Tax Amnesty	26.3	0.7	-	-
Decoupling from Federal Tax Policy	27.7	-	19.1	-
Total	**$52.9**	**$0.7**	**$39.7**	**$0.0**

$ in millions

ANALYSIS AND BACKGROUND

New High Earner Tax

Article 6 amends Rhode Island's tax statutes to establish a new high earner surtax beginning tax year 2027.

High Earner Surtax Tax Established: Section 5 of the article amends RIGL 44-30-2.6 by establishing a new surtax on income over $1.0 million. The tax is phased in over three consecutive tax years from TY2027 to TY2029 at a rate of an additional 1.0 percent a year, until the effective tax rate on income over $1.0 million becomes 8.99 percent. The following tables illustrate how the tax brackets are adjusted under the article.

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- **For Tax Year beginning January 1, 2027:**

Taxable Income Over	But not over	Pay	Plus percent on excess	of the amount over
$0	$84,623	$0	3.75%	$0
84,623	192,296	3,173	4.75%	84,623
192,296	1,000,000	9,134	5.99%	192,296
1,000,000	-	59,900	5.99%+1.00% = 6.99%	1,000,000

- **For Tax Year beginning January 1, 2028:**

Taxable Income Over	But not over	Pay	Plus percent on excess	of the amount over
$0	$86,703	$0	3.75%	$0
86,703	197,025	3,251	4.75%	86,703
197,025	1,024,590	9,359	5.99%	197,025
1,024,590	-	61,373	6.99%+1.00% = 7.99%	1,024,590

- **For Tax Years beginning January 1, 2029, and after:**

Taxable Income Over	But not over	Pay	Plus percent on excess	of the amount over
$0	$88,332	$0	3.75%	$0
88,332	200,724	3,312	4.75%	88,332
200,724	1,043,831	9,534	5.99%	200,724
1,043,831	-	62,525	7.99%+1.00% = 8.99%	1,043,831

The threshold amounts in these tables are estimates based on the consensus economic forecast values for the consumer price index adopted at the May 2026 REC. The actual thresholds may vary with updated data. Tax years beyond FY2029 continue to be adjusted annually for inflation.

- **Pass-through Entity Changes:** Section 2 of the article amends RIGL 44-11-3(a)(2) by modifying the rate, beginning in tax year 2027, that a pass-through entity (PTE) is subject to when members elect to pay their tax liability at the entity level as opposed to their personal income tax. The rate remains 5.99 percent on income up to $1.0 million, above which is then subject to the phased-in value of the high-income surtax.

  A PTE is a type of business organization that does not pay corporation taxes but rather passes income on to its owners who claim it as personal income for federal and state tax purposes. Examples of PTEs are S corporations (S-Corp) and limited liability companies (LLC).

Analyst Note: In 2020, Rhode Island enacted legislation allowing PTE owners to choose whether to pay state tax liability at the individual level or the business entity level (at a rate of 5.99 percent). This was done in response to new federal tax policy beginning in tax year 2018, that limited the amount of itemized state and local taxes deductions (SALT) that PTE owners could claim to $10,000. This cap has since been raised to $40,000. Providing this option allows PTEs with larger SALT liabilities to determine the most advantageous way for them to file either at the individual level or the business entity level.

Fiscal Impact: ORA estimates the fiscal impact of a new high earner tax bracket to be $24.9 million in FY2027 (one-half year impact). The following table summarizes the out-year revenue growth from the new tax rate.

Fiscal Year	Fiscal Impact
FY2027	$24,888,370
FY2028	73,335,818
FY2029	119,756,494
FY2030	144,661,202
FY2031	149,035,075

- **Methodology:** When developing a fiscal impact estimate on complicated changes to personal income tax policy, the ORA utilizes a simulation model that applies the policy change to complete sets of actual tax data. The results of modeling are then adjusted to the conditions of the proposed policy and the effective tax years. The last complete set of tax data available for modeling is TY2023.

  Using the TY2023 data, the ORA determined that the high earner bracket would apply to roughly 2,300 resident filers and 5,500 non-resident filers. According to ORA, since non-residents only pay tax on the portion of their income sourced in Rhode Island, most of the increase will be paid by residents (80.0 percent).

  For the simulation the ORA applied TY2026 tax laws to the TY2023 data to establish a baseline tax collection figure for TY2026 of $1.65 billion. The simulation then applied the high earner bracket to the collection figure, adjusting the $1.0 million threshold to TY2023 dollars ($865,900 and over).

  To ensure a conservative estimate and to account for uncertainty around taxpayer behavior in the wake of significant tax policy changes, ORA took the extraordinary approach of using an elasticity of taxable income (ETI) calculation in determining the fiscal impact of the high earner tax bracket. Typically, ORA's analyses are done on a static basis without considering economic or behavioral changes. ORA notes that in this instance, the outstanding debate on taxpayer behavior and Rhode Island's susceptibility to cross-border impacts are relevant considerations. ORA used an academic study of marginal tax rates over a 66-year period ending 2012 and estimated an ETI of 1.0 percent. The elasticity factor is meant to take into consideration taxpayer migration, deliberate reductions in realized income, or other steps lower tax liabilities through greater use of credits and deductions.

Background

State Wealth Taxes: According to the non-profit, non-partisan publication *Tax Notes,* a wealth tax can take many forms. Some wealth taxes take the form of ad valorem taxes on property, assets, or net worth. Others may simply be a surplus or higher tax rate on realized income exceeding a certain higher income. *Tax Notes* indicates that there are five states with established wealth taxes, four of which have either added additional tiers to their tax rate schedules or just increased the tax rate of their existing tiers for higher-income taxpayers. The fifth state has added an excise tax for high-value asset transactions.

State	Year Adopted	Rate on Income over $1.0M
New Jersey	2020	10.75%
New York	2009	9.65% (w/10.3% over $5M, 10.9% over $25M
California	2005	13.30%
Massachusetts	2022	9.00% (w/ 5.0% flat tax and 4.0 percent surcharge on marg. income over $1.0M)
Washington DC	2021	10.75%

According to the state's Office of Revenue Analysis there exists considerable debate about the impacts of higher income tax rates on how taxpayers choose to realize their income and where they choose to locate. ORA notes that some studies show taxpayer migration out of high tax jurisdictions while other studies have shown little to no effect.

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ORA indicates that the top 1.0 percent of earners in Rhode Island pay 4.6 percent of their income as personal income tax (compared to 5.8 percent in Connecticut and 6.6 percent in Massachusetts) and that 0.3 percent of the Rhode Island tax returns in TY2022 reported AGI of $1.0 million or more (12.5 percent of all AGI reported that year).

Rhode Island Tax Brackets: Rhode Island has three brackets of personal income tax rates that are applicable to taxable income of residents and non-residents. These brackets are also applicable to estates and trusts, but with different income thresholds. The current tax rates and income thresholds for tax year 2026 (these are adjusted annually for inflation) are:

Tax Rate Schedule of Tax Year 2026 (personal income tax)

Taxable Income				
Over	**But not over**	**Pay**	**Plus percent on excess**	**of the amount over**
$0	$82,050	$0	3.75%	$0
82,050	186,450	3,077	4.75%	82,050
186,450	-	8,036	5.99%	186,450

Tax Rate Schedule of Tax Year 2026 (trusts and estates)

Taxable Income				
Over	**But not over**	**Pay**	**Plus percent on excess**	**of the amount over**
$0	$3,200	$0	3.75%	$0
3,200	10,200	120	4.75%	3,200
10,200	-	453	5.99%	10,200

This three-tiered structure was established in 2010, when the General Assembly reduced the top marginal tax rate from 9.9 percent to 5.99 percent, eliminated an alternative flat rate income tax, disallowed the use of federal itemized deductions in the computation of Rhode Island taxable income, and eliminated numerous credits, deductions, and some other modifications.

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

Starting in TY2019, Rhode Island began permitting partners of pass-through entities to file returns at the entity level at the highest personal income tax rate (5.99 percent) and authorized a tax credit (worth 100.0 percent of their pro rata share of the entity tax) which partners could then claim on their individual returns. This credit has subsequently been reduced to 90.0 percent. As noted above these changes were made to provide PTEs with significant state and local tax liabilities to potentially reduce their tax burden at the federal level.

The Internal Revenue Service's Statistics of Income (most recent data from TY2022) report provides some insight into the pass-through entity activity in Rhode Island. The report shows the following tax filing information related to pass-through entities.

Rhode Island Tax Filers by Entity - TY2022

Filers	All AGI	$1M+AGI	Percent of Total
All Filers	563,800	1,870	0.3%
Sole Proprierships (pass-through w/ only 1 member)	91,190	540	0.6%
Pass-through Entities/S-Corps	28,550	1,400	4.9%
Total	**683,540**	**3,810**	**0.6%**

Source: IRS 2022 Statistic of Income per ORA

Analyst Note: *The impact of Article 6 on pass-through entities is complicated to determine. ORA offers an example to illustrate the complexity: a dental practice has $5.0 million in annual revenue. Initially it looks like they're well into the new fourth bracket. But pass-through entities pass through income net of expenses. Say this firm has $4M in expenses, so they're still passing through $1M of income. But the practice includes two dentists who are partners, so each receives $500,000 in income. At this level the income does not qualify for the new bracket. But each dentist pays themselves a salary of $100,000 (still not over the $1.0 million threshold). Let's also say one of the dentists owns a real estate LLC that provides $300,000 in annual income and has $100,000 in capital gains and dividend earnings in a typical year. In this example, one dentist has earned $600,000, and the other dentist has earned $1.0 million. How many pass-through entities should be counted as "impacted" by the millionaire's tax? One for the dental practice, two including the dental practice and the real estate LLC, or zero because none of those entities pass through $1M of income to any one partner? According to ORA, every Rhode Island millionaire has some pass-through income, although most filers with pass-through income are not millionaires.*

New England Comparisons: New Hampshire is the only state in New England without an income tax. Rhode Island has the lowest upper bracket. In 2022, Massachusetts instituted its "millionaire's tax" by imposing a 4.0 percent surcharge on a taxpayer's income over $1.0 million (this is additive to the state's 5.0 percent flat tax, creating effective rate of 9.0 percent. According to ORA, the State collected $3.0 billion from the surcharge).

Highest Tax Bracket Rate - New England Comparison

State	Rate	Applied on income above*:
Massachusetts	9.00%	$1,083,150
Rhode Island - FY2029+	8.99%	1,043,831
Rhode Island - FY2028	7.99%	1,024,590
Rhode Island - FY2027	6.99%	1,000,000
Rhode Island - FY2026	5.99%	186,450
Vermont	8.75%	242,000
Maine	7.15%	63,450
Connecticut	6.99%	500,000
New Hampshire	-	-

** Rate applies to Individual Filers, married filers vary slightly or not at all depending on state. Income thresholds are indexed to inflation except for CT, which begins adjusting for inflation in FY2028.*

Refundable Child Tax Credit

Article 6 establishes a new refundable child tax credit (CTC) valued at $330 per child in TY2027 for certain eligible taxpayers. The credit value is subject to an annual adjustment for inflation.

Refundable Child Tax Credit: The article establishes a new $330 per child refundable tax credit (CTC) for certain eligible taxpayers to be used to offset personal income taxes or, in certain circumstances, increase personal income. The credit is for Rhode Island resident taxpayers with dependents 18 years old or younger with a federal adjusted income (AGI) of less than $100,000 if filing individually, married but filing separately, as head of household, or as a qualifying widow or widower; or with an AGI of less than $125,000 if married and filing jointly. The credit phases out starting at AGI income of $88,500 and $110,640 respectively for the two categories of filers described above. The new credit and the income limits would be adjusted annually for inflation.

- **Refundability:** The credit is fully refundable, meaning that it reduces tax liability dollar-for-dollar and results in refund payments even if the filer's tax liability is zero.
- **Taxpayer Impact:** Child tax credits and other income enhancing tax policies are frequently cited as effective methods of reducing the incidence of child poverty and its related complications. According to Vanderbilt University's Prenatal-to-3 Policy Impact Center, research and evidence supporting this is primarily around the federal child tax credit with increasingly more emerging around state policies.
- **Child-Related Tax Policies Comparison:** Rhode Island currently provides a child dependent deduction of $5,250 per child that functions as a personal tax exemption and phases out at AGI of $261,000. This "dependent exemption (DE)" provides an average reduction in taxes of $283 for eligible taxpayers. The Governor's FY2027 budget recommendation included a proposal to replace this dependent exemption with a new tax credit of $325 per child that also phases out at $261,000. Article 6 of the Budget retains the dependent exemption (and related phase-out thresholds) and **adds** a $330 per child credit that phases out at either $100,000 or $125,000, depending on filing status. The following table compares the average reduction in taxes by AGI for current law, the Governor's proposal, and Article 6.

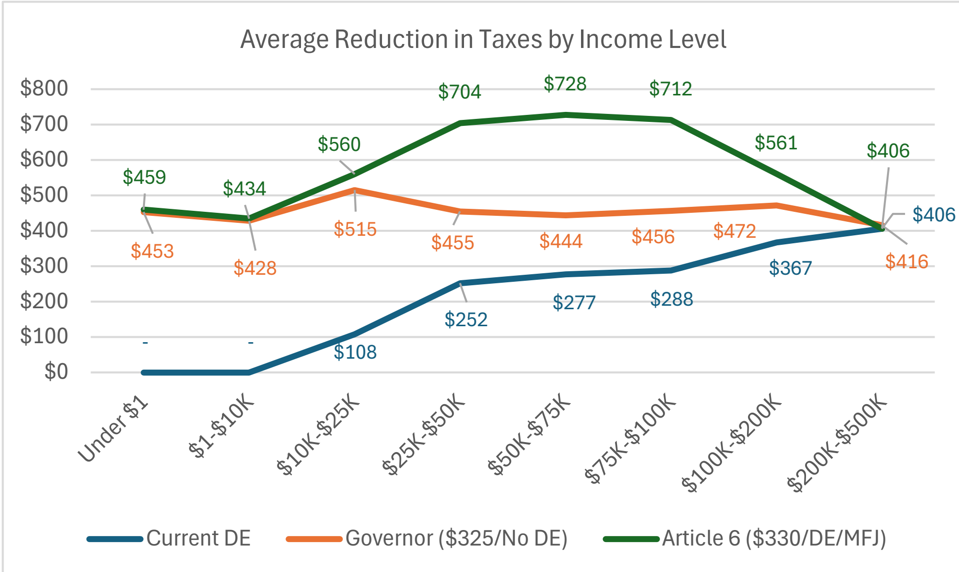
Average Reduction in Taxes (ART) for Eligible Filers

	Current Dependent Exemption		Governor $325 CTC / No DE		Article 6 $330 CTE & DE & MFJ	
RI Modified AGI	**Filers**	**ART**	**Filers**	**ART**	**Filers**	**ART**
Under $1	-	-	404	($453)	404	($459)
$1-$10K	< 10	-	3,766	(428)	3,766	(434)
$10K-$25K	5,907	($108)	16,418	(515)	16,418	(560)
$25K-$50K	26,411	(252)	27,247	(455)	27,247	(704)
$50K-$75K	17,183	(277)	17,183	(444)	17,183	(728)
$75K-$100K	12,441	(288)	12,441	(456)	10,121	(712)
$100K-$200K	29,054	(367)	28,985	(472)	2,442	(561)
$200K-$500K	6,289	(406)	4,062	(416)	-	(406)
Total	**97,285**		**110,506**		**77,581**	
Average		**($283)**		**($455)**		**($571)**
FY27 Cost				($14,942,654)		($23,121,798)
FY28 Cost				($29,657,570)		($46,644,998)

Joint filers under $125K only, other taxpayers have been phased out at this AGI

Filers at this AGI aren't eligible for the CTC but are eligible for the DE until AGI reaches $261,000

Tax filers with AGI under $100,000 benefit more, on average, under the Article 6 scenario than under current law or the Governor's proposal; 62.0 percent of those filers would have a greater than 50.0 percent increase in benefit as compared to the Governor. Article 6 is designed to drive the most significant relief to those with AGI between $10,000 and $100,000, a demographic who are working but have low incomes. Because the income eligibility thresholds in Article 6 are lower than the current dependent exemption ($100,000/$125,000 as compared to $261,000) Article 6 retains the current dependent exemption to avoid creating a tax increase for those filers with incomes between the thresholds. Of note, the $561 average reduction in taxes for tax filers above $100,000 under Article 6 is only for those taxpayers with AGI between $100,000 and $125,000 who are married and filing jointly. All other taxpayers with AGI above $100,000 may use the dependent exemption up to $261,000 of AGI. The following table continues the comparison:



Fiscal Impact: ORA estimates the revenue loss associated with the child tax credit in FY2027 to be $23.1 million in FY2027 and $46.6 million in FY2028. The out-year impact is summarized in the following table:

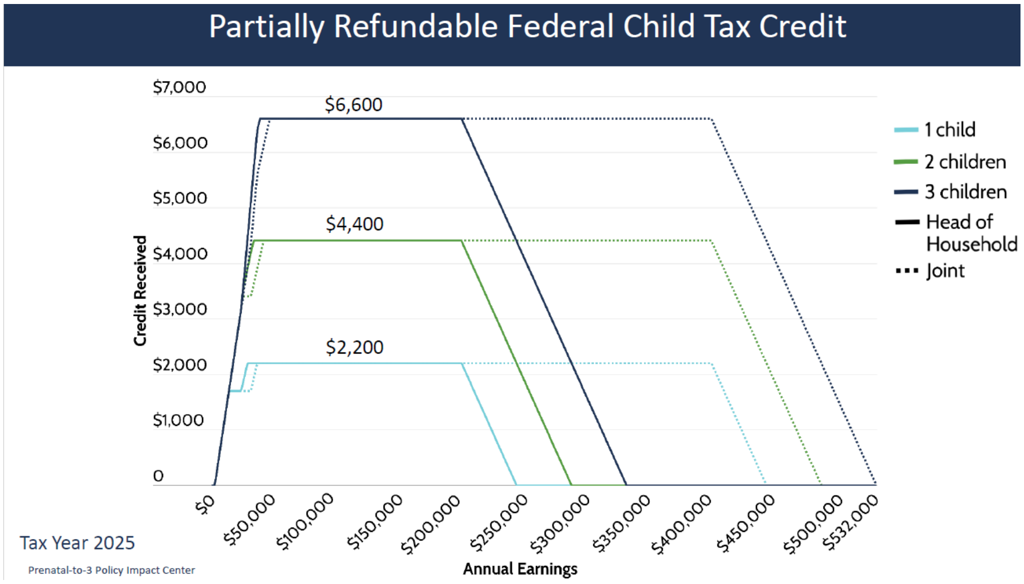
Fiscal Year	Fiscal Impact
FY2027	($23,121,798)
FY2028	(46,644,998)
FY2029	(47,701,744)
FY2030	(49,049,841)
FY2031	(50,532,877)

When evaluating the fiscal impact of the child tax credit, ORA used a personal income tax simulation model that uses the latest full set of tax return data (TY2023).

Background: Budget documents indicate that according to the National Conference of State Legislatures, there are 17 states that provide child tax credits. In New England a credit is offered in Massachusetts, Maine, and Vermont.

Impact of CTC on Incidence of Child Poverty: Proponents of using tax policy as a method of reducing child poverty often cite child tax credits as an effective tool. According to Vanderbilt University's Prenatal-to-3 Policy Impact Center, research and evidence supporting this is primarily around the federal credit. The federal tax credit in TY2025 is up to $2,200 per child under the age of 17. The credit phases out at higher incomes and is only partially refundable (with a maximum of $1,700 per child).

The following graphs (*Source: Vanderbilt University, Prenatal-to-3 Policy Impact Center)* show the income impact that the federal CTC:



According to the Prenatal-to-3 Policy Impact Center, the research around state child tax credits is considerably less but increasing. The most common structure of a state CTC is a per-child credit that decreases in value above a certain income threshold. Many state CTCs are targeted at income levels, having phase-in and phase-out income levels, or tiered step downs. States vary in the age of the child eligible under the credit program. Washington D.C. and Minnesota set the eligible age at 18. Seven states set it at age 17 with another 7 setting it at age 6. Another variable is the CTC value per child. Five states set their refundable CTCs at $1,000 or above. Six states have CTCs set between $261 and $630.

Expansion of Social Security Modification

Current Social Security Tax Modification: RIGL 44-30-12(c)(8) provides a modification to certain qualified taxpayers that exempts some or all social security benefits from being included in their taxable income for state income tax purposes. Rhode Island's state tax code uses a taxpayer's federal adjusted gross income (AGI) as the starting point in determining state taxable income. For tax year 2025, the modification to federal AGI for purposes of determining state personal income tax liability is available to taxpayers if they:

- Have attained the age used for calculating full or unreduced Social Security retirement benefits (typically 66 or 67), and
- Are filing as an unmarried individual, a head of household, or as married but filing separately and having a federal adjusted gross income (AGI) for the tax year of less than $107,000, or
- Are married and are filing jointly and have a federal AGI of less than $133,750, and
- Have federal AGI that includes Social Security retirement benefit income.

Analyst Note: The income thresholds for this modification are required statutorily to be adjusted annually for inflation. RIGL 44-30-12(c)(8) states these thresholds in the tax year 2016 values of $100,000 for joint filers, and $80,000 for all other taxpayers (TY2016 being the first year the modification was made available). The values listed above reflect the TY2025 inflation adjusted amounts.

Taxpayers meeting these requirements can reduce their federal AGI for purposes of determining state tax liability by the *entire* amount of the Social Security retirement benefit income taxed at the federal level.

Expanding the Social Security Modifications: Section 5 of Article 6 expands the state's social security modification, beginning tax year 2027, by amending the eligibility rules by eliminating the requirement for the taxpayer to have reached full Social Security retirement age.

Article 5 - Eligibility Requirement Changes *

	Current	TY2027
Income Thresholds		
Single	$107,000	$161,566
Married Filing Jointly	133,750	202,006
Head of Household	107,000	161,566
Married Filing Separately	107,000	161,566
Age Requirement		
	67	-

**Thresholds are estimates based on ORA inflation methodology*

Pension and Annuity Income Tax Exemption – Inflation Index: Section 5 of Article 6 also amends (RIGL 44-30-12(c)(9)) which allows qualified taxpayers to reduce federal AGI used to determine state tax liability by $50,000 of federally taxed pension and annuity income. The eligibility qualifications are identical to the current Social Security modification, including income thresholds and age requirements. The income thresholds are also required to be annually adjusted for inflation. However, the way the statute is constructed, the inflation adjustment for the pension and annuity modification is tied to the Social Security inflation adjustment. The article eliminates the latter adjustment by TY2029. Section 5 provides for a distinct inflation adjustment to the income thresholds for this modification and bases the starting thresholds in TY2025 dollars).

Fiscal Impact: The expansion of the social security modification is estimated to result in a $3.0 million revenue loss in FY2027, based upon a January 1, 2027, start date. The following table shows the out-year impacts:

Fiscal Year	Fiscal Impact
FY2027	($3,025,896)
FY2028	(6,104,323)
FY2029	(6,242,617)
FY2030	(6,419,039)
FY2031	(6,613,121)

The Office of Revenue Analysis based its estimates on several assumptions and variables. Using data from the most complete tax return data (TY2023), ORA determined that there will be an estimated 9,200 resident and 1,400 non-resident taxpayers (10,600 total) who will experience relief from the expansion of the social security modification.

The TY2023 data was used by ORA to produce a simulation for the expanded eligible taxpayers. Estimated threshold amounts similarly were derived from TY2023 levels and adjusted for inflation and policy changes. ORA takes the tax simulation results and then converts them from tax years to fiscal years. For the out-year impacts ORA incorporates data from the May 2026 revenue estimating conference as well as the Budget Office's out-year projections.

Background: Social security is a federal program that provides monthly income benefits to most individuals who are retired, qualified disabled persons, and certain qualified surviving spouses. This program, which functions as an income social safety net, is funded through equal employee and employer payroll contributions (payroll taxes). It is available to those that have earned enough credits and have reached at least the age of 62 (for partial benefits). Those who have reached the age of either 66 or 67 (depending on when a person is eligible) receive full benefits.

Social Security and Taxation

- **Payroll Taxes to Fund Social Security Benefits:** Employees are required to pay 6.2 percent of their earned wages in federal insurance contribution act (FICA) payroll taxes as a contribution to their future social security benefit. Employers are required to contribute an equivalent percent.
- **Federal Taxation of Social Security Benefits:** Social security benefits are considered income for purposes of federal income tax under certain conditions. The Internal Revenue Service uses a taxpayers combined income to determine the tax rate on Social Security benefits. Combined income includes adjusted gross income not including Social Security plus non-taxable interest, plus half of Social Security income. The following shows the thresholds by combined income:

Federal Income Tax Rate on Social Security

Individual	
Combined Income	**Tax Rate**
≤ $25,000	n/a
$25,000 to $34,000	Up to 50%
≥ $34,000	Up to 85%
Married filing jointly	
Combined Income	**Tax Rate**
≤ $32,000	n/a
$32,000 to $44,000	Up to 50%
≥ $44,000	Up to 85%

- **State Taxation of Social Security Benefits:** Eight states tax social security benefits to some degree - Colorado, Connecticut, Minnesota, Montana, New Mexico, Utah, Vermont, West Virginia (in the process of phasing-out), and Rhode Island. How the benefits are treated for tax purposes varies greatly, with states providing an array of exemptions based on different qualifications.

Tax Amnesty

Article 5 includes a tax amnesty program for a 75-day period ending February 15, 2027.

Background: A tax amnesty program is an initiative that state and local jurisdictions may periodically use to incentivize voluntary compliance with tax laws. Amnesty programs are typically for a defined period during which individuals with outstanding tax liabilities are permitted to settle the debt without facing criminal or civil penalties. In addition, the rate of interest on back taxes is typically reduced and payment plans may be offered. The amnesty may apply to some or all tax types. Amnesty programs are typically beyond the scope of a tax administrator’s authority and therefore are usually initiated through legislation.

Amnesty programs benefit taxpayers with delinquent liabilities because of the reduction in penalties. Governments may benefit by improving ongoing voluntary compliance and by increasing collected revenue. Amnesty programs, however, may also be seen as unfair by taxpayers who are timely with paying their liabilities. According to the Federation of Tax Administrators, 47 states have enacted amnesty programs at some point in time, with some doing so multiple times.

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Rhode Island Tax Amnesty: Rhode Island has implemented tax amnesty programs five times, with the most recent being in 2017. That amnesty ran for 75 days (ending on February 15, 2018) and was open to non-filers and to those who had a record of a tax debt with the Division of Taxation. All major tax types were included. The initiative was authorized by the FY2018 Budget as Enacted and was estimated at the time to generate $12.5 million. It ultimately collected $22.0 million (with $11.0 million coming from personal income tax receipts). According to Taxation 10,828 amnesty applications were received. Known tax debts accounted for approximately 62.0 percent of the revenue collected, while "new debts" from non-filers accounted for approximately 38.0 percent.

RI Tax Amnesty History

Period			Revenue
15-Oct-86	-	12-Jan-87	$0.7
15-Apr-96	-	28-Jun-96	7.9
15-Jul-06	-	20-Sep-06	6.5
2-Sep-12	-	15-Nov-12	22.3
1-Dec-17	-	15-Feb-18	22.0

$ in millions

The amnesty waived all penalties and reduced owed interest by 25.0 percent. Taxation indicated that the total amount of penalties erased and interest reduced totaled approximately $9.9 million. Administrative costs totaled approximately $480,866.

Article 6 Changes: Section 1 of Article 5 authorizes a 75-day tax amnesty period ending February 15, 2027, by adding a new chapter, "6.6 – The Rhode Island Tax Amnesty Act of 2026" to Title 44 of the general laws.

- **Definitions:** A new proposed statute, 44-6.6-2, sets forth relevant definitions to implement the tax amnesty, including "Taxable Period" (any period for which a return is required) and "Taxpayer" (any person, corporation, or entity subject to any state tax).
- **Amnesty Program Established:** A new proposed statute, 44-6.6-3, provides the Tax Administrator with the authority to establish the amnesty program.
  - The program shall be conducted for a 75-day period ending February 15, 2027
  - For those Taxpayers that apply to Taxation and make payment of all tax and interest due from the taxpayer to the State for any taxable period ending on or before December 31, 2025, the Tax Administrator is directed to not seek applicable penalties or criminal or civil prosecution. This is also true for those taxpayers that enter a payment plan (for reasons of financial hardship) through the same process and during the same period. Amnesty is not granted to those taxpayers under existing criminal or civil investigation or are party to existing court proceedings.
- **Interest Under Tax Amnesty:** A new proposed statute, RIGL 44-6.6-4, calculates the interest to be paid on taxes paid during the amnesty period by applying the statutory rate (18.0 percent on trust fund taxes such as sales tax, and 12.0 percent for all other taxes), and then reducing the amount by 25.0 percent.
- **Administration:** The remaining proposed statutes under Article 5 provide the Tax Administrator with the typical authorization necessary to implement a tax-related program. These include the ability to promulgate rules and regulations, create forms, designate where funds are to be deposited, and reporting requirements.

Fiscal Impact: The tax amnesty program is estimated to generate $26.3 million in general revenue. The Office of Revenue Analysis (ORA) used collections data from the 2007, 2013, and the 2018 amnesty periods to develop the FY2027 fiscal impact. These programs reported data on how much known tax liability and interest revenue was collected by each tax type. They also reported data on how much new revenue (not in the known tax liability receivable amount) was collected by tax type. ORA assumed that the difference between new revenues from total revenues represents the revenue collected against the current receivable for each tax type.

- **Amnesty Receivable Estimate:** In calculating how much is estimated to be collected against the tax receivables, ORA looked at the receivable collections two years prior to the date of the amnesty programs and compared it to that which took place during the amnesty and came up with a collection rate for each tax type and for each amnesty year. ORA then averaged the rates from each amnesty year and applied them to known tax receivable for each tax type as of June 2025.

- **Amnesty New Revenue Estimate:** In calculating an estimate for new revenue under the proposed amnesty program ORA averaged the new revenue collections by tax type as reported out from the FY2018 and FY2013 amnesty programs and calculated a collections rate (FY2007 was excluded due to elapsed time and the overall growth in collections since then). ORA used this rate, unadjusted for growth, to create a conservative estimate for new revenue collection under the proposed amnesty.
- **Existing Debts (Receivable)/New Revenue Estimate:** The following table summarizes ORA's estimated collections by tax type and by debts collected against the receivable and new revenue:

Revenue Category	Existing Debts	New Revenue	Total
Personal Income Tax	$6,972,864	$1,824,616	$8,797,480
Sales and Use Tax	2,034,759	2,327,362	4,362,121
Business Corporations Tax	1,403,749	1,084,599	2,488,348
Other Tax Types	1,670,930	1,026,415	2,697,345
Interest Payments	5,372,987	2,629,712	8,002,699
Total	**$17,455,289**	**$8,892,704**	**$26,347,993**

The Budget includes $750,000 in operating and contract services expenditures to implement the program in FY2027.

Decoupling from Federal Tax Policy

Article 6 includes provisions that decouple the state's tax code from certain portions of the federal tax code that were amended with the passage of HR 1 in 2025.

Rhode Island's tax code is linked to the federal tax code. This is a common policy choice among states because it simplifies tax filings for both taxpayers and the Division of Taxation, by allowing state returns to be supported by the same documents and assumptions used at the federal level. States also benefit by relying on the federal Internal Revenue Service to draft rules, make liability determinations, provide guidance, and monitor compliance. This conformity, however, is not required or automatic, it is a choice. States typically enact legislation to incorporate changes made to the tax code at the federal level either in whole or in part.

A key component of conformity relates to what constitutes taxable income. Rhode Island tax filings start with a taxpayer's federal "adjusted gross income" (AGI) as the basis for an individual's state tax liability and with "federal taxable income" (FTI) for businesses. Federal policy changes that impact AGI or FTI will generally flow through and impact state revenue.

HR-1: In 2025, Congress enacted legislation, known as HR-1, that included sweeping tax changes estimated to significantly impact state revenue collection in Rhode Island. In anticipation of these changes, the General Assembly enacted several preemptive protections in its FY2026 Budget. First, it preserved the pre-HR-1 definitions of taxable income for tax year 2025. It also required the Department of Revenue (DOR) to do an analysis of the likely fiscal impact HR-1 would have on out-year revenue.

DOR's Analysis: The DOR issued its report in October 2025. According to the report, absent the decoupling from HR-1 definitions as directed by the FY2026 Budget as Enacted, Rhode Island would have realized a revenue loss of $65.8 million. HR-1 permanently codified the tax provisions under the federal Tax Cuts and Jobs Act (TCJA) of 2017 that had been set to sunset at the end of 2025. The report looks at the fiscal impact of the continuation of these provisions as well as all new tax changes. Of all the HR-1 provisions, the research and development expensing policy has the highest estimated fiscal impact. This and the other fiscal impact estimates from the report are summarized in the following table:

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TCJA Extensions with Modifications	FY2026	FY2027	FY2028	FY2029	FY2030
Business Interest Limitation	($3.7)	($4.0)	($2.5)	($2.6)	($2.4)
Expensing Limitation	(2.9)	(3.6)	(2.5)	(2.3)	(1.8)
Miscellaneous Business	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)
R&D Expensing	(22.6)	(22.6)	(10.9)	(8.0)	(2.8)
SALT Deduction Cap	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
H.R. 1 New Provisions					
Agriculture	(0.6)	(2.1)	(1.9)	(0.9)	(0.4)
Charitable Deductions	0.9	1.6	1.8	1.7	1.6
Child Care and Adoption	(0.5)	(1.4)	(1.6)	(1.5)	0.0
Energy Efficiency	0.0	0.0	0.0	0.0	0.0
Energy Production	0.0	0.1	0.1	0.0	(0.1)
Housing	(0.4)	(0.5)	(0.3)	(0.2)	5.2
International Miscellaneous Healthcare	0.7	2.1	3.3	4.7	(1.1)
Small Business Stock Gains	(0.2)	(0.6)	(0.9)	(1.0)	(0.9)
Total	**($34.7)**	**($36.4)**	**($20.6)**	**($15.2)**	**($9.3)**

$ in millions

Source: [Analysis of HR-1 Provisions - RI Department of Revenue]

Decoupling from 26 USC § 174A - Research and Development Expensing: An important aspect of the federal tax code impacted by HR-1 is how a business' expenses related to domestic research and development (R&D) activity are treated when determining taxable income. Historically, the federal tax code (26 USC §174A) allows a business to deduct qualified research expenses in the year it incurred those costs. These include such costs as researcher wages, research supplies, and research facility operational expenses. The rationale is encouraging innovation, especially by smaller, newer firms. Also, the benefits of such investment can take time to be realized, if at all.

- **HR-1 Changes:** In 2017, the federal TCJA Act ended immediate deduction of R&D expenses and required businesses to amortize the expenses over a five-year period beginning in 2022. HR-1 reverses this, once again allowing the expensing of qualified R&D costs in the year they occurred, beginning in 2025. HR-1 allows taxpayers to accelerate expensing costs from tax years 2022-2024 over a one-year period beginning with tax year 2025. Smaller businesses ($31.0 million gross receipts or less) are allowed to file amended returns going back to tax year 2022.

  According to the DOR, this policy change impacts taxable income levels, and thereby state revenue, in several ways. In year 1 of HR-1, when 100.0 percent of R&D expenses are permitted to be deducted, taxable income and the related state revenue decrease dramatically compared to the previous year when only 20.0 percent was allowed. The out-year revenue is also impacted because previously amortized expenses fade away over five years.

  According to DOR's report, the change in R&D expensing policy results in the largest estimated revenue loss for Rhode Island of all the tax provisions in HR-1. In both FY2026 and FY2027, the state is estimated to lose $22.6 million (with this tapering in the out-years).

- **Article 6 Changes:** Sections 2 and 5 of Article 6 amend the State's tax statutes in a manner that formally decouples the state's tax code from 26 USC §174A. The FY2026 Budget as Enacted decoupled from this new provision for FY2025. The Division of Taxation and the ORA estimate that this action preserved $65.8 million in TY2025. Article 6 permanently extends this decoupling as it relates to R&D expensing. This is estimated to increase general revenue by $22.6 million in both FY2026 and FY2027. As indicated, the fiscal impact reduces in the out-years, to $10.9 million in FY2028 down to $2.0 million by FY2031.

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Decoupling from 26 USC § 1202 – Small Business Stock Gains: Since 1993 the federal tax code has allowed non-corporate taxpayers to exclude gains made from the sale of "qualified small business stock" (QSBS) from taxable income. This tax policy is intended to incentivize the formation of and investment in emerging growth companies. Prior to HR-1, to be eligible for the exclusion, a taxpayer must have held the QSBS stock for at least five years prior to its sale and the exclusion was valued as follows:

Stock Issuance Date	Maximum Exclusion
1993 – 2009	50.0%
2009 – 2010	75.0%
2010 – July 3, 2025	100.0%

The exclusion was also capped at the greater of $10.0 million or 10 times the taxpayer's adjusted basis in the stock. To be classified as a qualified small business for tax purposes under Section 1202 an entity must be a C-corporation, with assets below $50.0 million at the time of stock issuance, be an active business and not a holding company, and operate in a qualified sector - technology, manufacturing, retail, or wholesale.

- **HR-1 Changes:** HR-1 expanded the QSBS exclusion in several ways. The federal legislation created a new tiered holding period with graduated exclusions. The holding period is now 3-5 years, with the exclusion increasing from 50.0 percent on proceeds held for three years, 75.0 percent at four years, and 100.0 percent at five years. HR-1 also increased the cap from $10.0 million to $15.0 million and the asset value at stock issuance of a qualified small business to $75.0 million, both beginning July 5, 2025.

Issue Date	Holding Period	Cap*	Exclusion Percentage
8/11/93 – 2/17/09	>5 years	$10.0	50.0%
2/18/09 – 9/27/10	>5 years	10.0	75.0%
9/28/10 – 7/4/25	>5 years	10.0	100.0%
7/5/25 – present	At least 3 and less than 4 years	15.0	50.0%
7/5/25 – present	At least 4 and less than 5 years	15.0	75.0%
7/5/25 – present	5 years or more	15.0	100.0%

$ in millions

**After 7/4/25 the cap amount is subject to an inflation adjustment*

- **Article 6 Changes:** Sections 2 and 6 of Article 6 amend the state's tax statutes in a manner that formally decouples the state's tax code from 26 USC §1202 in its entirety, not just the provisions of HR-1. The DOR report's estimate on the fiscal impact of HR-1's qualified small business stock gain exclusion only considered its expansion and not the decoupling from §1202 altogether. This is why the fiscal impact for this initiative is greater than the DOR report shows.

Decoupling from 26 USC § 163(j)(8)(A)(v) – Business Interest Limitations: In 2017, the federal TCJA Act limited the deduction of interest expenses of a business to 30.0 percent of "adjusted taxable income" (ATI) for a tax year. ATI was defined as "earnings before interest, taxes, depreciation and amortization (EBITDA)". This provision of TCJA expired in 2022, with ATI reverting back to its original calculation of "earnings before interest and taxes (EBIT)". This narrower definition results in increased tax liability which carries to the state income liability (thereby increasing state revenue).

- **HR-1 Changes:** HR-1 restores the TCJA ATI calculation of EBITDA. According to DOR's report, this is anticipated to result in a revenue loss of $3.2 million in FY2027 and $4.7 million in FY2027.
- **Article 6 Changes:** Sections 2 and 5 of Article 6 amend the state's tax statutes in a manner that formally decouples the state's tax code from 163(j)(8)(A)(v).

Fiscal Impact: The Office of Revenue Analysis (ORA) based its fiscal impact estimate on the October 2025 DOR report and that the sections take effect upon passage. According to ORA the report utilized the revenue loss estimates for the various policy changes as calculated by Congress' Joint Committee on Taxation. These were proportionately reduced based on size of Rhode Island's corporate tax base and adjusted for federal and state fiscal years. The original revenue losses were included in the November 2025 revenue estimates. The ORA assumes that by reverting to pre-HR-1 treatment of the policies, the estimate would simply add back the original forecasted losses. The following shows the impact through FY2031.

Federal Tax Policy	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Decouple from R&D Expensing	$22,600,000	$22,600,000	$10,900,000	$8,000,000	$2,800,000	$2,000,000
Decouple from 26 USC § 163(j)(8)(A)(v)	-	3,228,615	4,706,187	4,646,159	4,456,627	4,701,878
Decouple from 26 USC § 1202 (pre-H.R.1 exclusion)	-	1,866,790	3,499,509	3,681,222	3,835,814	4,028,949
Decouple from 26 USC § 1202 (enhanced exclusion under H.R.1)	-	-	-	123,633	863,542	2,628,014
Total	**$22,600,000**	**$27,695,405**	**$19,105,696**	**$16,451,014**	**$11,955,983**	**$13,358,841**

Cigar Distributor Definition

Section 3 amends RIGL 44-20 to revise the definition and permitted activities of cigar dealers and distributors within the State. The legislation expands the definition of distributor to include dealers with cigar sales representing 50.0 percent or more of their annual sales. Distributors who qualify under the new definition are permitted to hold both their dealer and distributor licenses at the same address, as well as obtain pipe tobacco products from an unlicensed manufacturer, importer, or distributor.

Definitions: RIGL 44-20-1.4 defines a dealer as any person who sells or distributes cigarettes, other tobacco products, or electronic nicotine delivery system (ENDS) products directly to consumers in the State. In contrast, a distributor sells tobacco products to dealers at wholesale. Current law stipulates the qualifications necessary to be considered a distributor, such as only selling products to licensed distributors, maintaining 25 or more vending machines, or maintaining one or more places of business in the state where 75.0 percent of the cigarettes and nicotine products sold are purchased directly from the manufacturer and provide such products to 40 or more dealers.

The article amends the definition of distributor to include any in-state dealer whose annual cigar sales represent 50.0 percent or more of its overall sales.

Transaction Limits: RIGL 44-20-8.2 stipulates the type of transactions that manufacturers, importers, distributors, and dealers are able to engage in concerning the sale of cigarettes, other tobacco products, and ENDS products. Current law requires distributors to only sell such products to licensed distributors or dealers. Additionally, distributors may obtain such products only from a licensed manufacturer, importer, or distributor, whereas dealers may obtain such products only from a licensed distributor. Current law also stipulates that the transaction limits described above do not apply to cigars.

The article amends the statute to authorize distributors with annual cigar sales that represent 50.0 percent or more of their overall sales to obtain pipe tobacco products from an unlicensed manufacturer, importer, or distributor.

Licenses: RIGL 44-20-4.1 stipulates the qualifications necessary for a license as a manufacturer, importer, distributor, or dealer of cigarettes, other tobacco products, and ENDS products, to be granted, renewed, or maintained. For example, individuals who owe $500 or more in delinquent taxes, have been convicted of a crime relating to cigarettes or tobacco products, or have violated various federal laws are disqualified from licensure. The statute also excludes the issuance of new licenses or permits for businesses at a location where a license or permit already exists, unless there is a good-faith change in ownership of the business.

The article amends the statute to authorize distributors with annual cigar sales that represent 50.0 percent or more of their overall sales to hold a distributor and dealer license at the same location.

Article 7: Relating to Education

The article returns the Central Falls School District to local control; modifies the statutes governing the school housing aid program, increases the student success factor weight in the education aid funding formula to 43.0 percent for all districts; continues the requirement for the Department of Elementary and Secondary Education (Department) to submit an estimate of education aid that uses Medicaid as a poverty measure into FY2028; extends the Hope Scholarship Pilot Program at Rhode Island College; and, expands eligibility for the Promise Scholarship Program at the Community College of Rhode Island (CCRI). In addition, the article requires the Department to submit a report comparing the Blue Ribbon Commission's education funding proposal to the current system by October 1, 2026, and adjusts the 14.0 percent cap on the reduction for local tuition to charter and state schools in FY2027.

FISCAL IMPACT

Article 7 changes to the school housing program include increasing the thresholds for requiring an owner's program manager (OPM) and a commissioning agent (Cx). The change is expected to generate program savings; however, according to the Office of Management and Budget (OMB) the variability in project completion timelines render the fiscal impact indeterminate. For illustrative purposes only, pursuant to preliminary projections OMB estimated the changes to provide $1.5 million in annual savings, including $800,000 in state savings. No savings from this proposal were included in the FY2027 Budget.

To reflect the repeal of the requirement that surplus funds appropriated to the school housing aid program be deposited into the School Building Authority Capital Fund (Capital Fund) beginning retroactively, the Budget shifts $5.9 million in surplus funds from FY2026 into FY2027.

Increasing the student success factor (SSF) weight from 40.0 percent to 43.0 percent increases education aid by $15.6 million across all the districts. The largest impact is in Providence with an additional $5.0 million, with an additional $1.8 million to Pawtucket and $1.5 million to Woonsocket.

ANALYSIS AND BACKGROUND

Central Falls School District

The article repeals the enabling statue for the Central Falls School District Boad of Trustees, RIGL 16-2-34, effectively returning the district to local control beginning in FY2027. The article provides the following terms:

Local Contribution: The City will contribute to the district the sum of:

- One percent (1%) of the prior year total tax levy,
- the city's prior year contribution, and
- $500,000 from the school district's fund balance in FY2027 reduced by $50,000 annually, in accordance with the final report of the Special Joint Commission to Study the Return of Central Falls Schools to Local Governance until balance meets target end point. The end point will meet Government Finance Officers Association's Standards and align with the Department of Elementary and Secondary Education's accountability and reporting standards.

Maximum Tax Levy: The article also enables the City to exceed the minimum tax levy under RIGL 44-5-2 as needed to meet its contribution obligations if certified by the Department of Revenue.

Review and Recommendation: A review of the funding requirements will be conducted by the City, the Division of Municipal Finance, and the Department of Elementary and Secondary Education by September 30, 2030, as preparation for the FY2032 budgeting process, and recommendations for modifications will be provided to the Governor, Speaker of the House, and President of the Senate.

School Housing Aid Program

The article makes the following changes to the school housing program.

Consolidation of Prime Contractor Prequalification: In an effort to reduce costs in the face of wide-spread school building deficiencies identified in the 2017 *State of Rhode Island Schoolhouses Report*, Article 9 of the FY2019 Budget as Enacted provided that any project in excess of $10.0 million, subject to inflation, would require the use of a prime contractor that has been prequalified by the School Building Authority (SBA). According to OMB, the prime contractor lists used by the SBA and the Division of Purchasing significantly overlap and consolidating authority for pre-qualification of prime contractors in the Division would eliminate the current duplication of effort. To this end, the article provides that, for projects commencing after July 1, 2026, in excess of $10.0 million, the prime contractor for the project must receive prequalification from the Division of Purchases to qualify for state funding.

Cost Threshold Requiring Project Manager and Commissioning Agent: Another cost saving item in the FY2019 Budget as Enacted required any project exceeding $1.5 million, subject to inflation, to use an owner's program manager (OPM) and a commissioning agent (Cx). According to OMB, the average fee for an OPM is 2.5 percent of project costs, while a Cx is 1.0 percent, and, due to high number of school construction projects, the OPMs often assign novices to the smaller projects that could otherwise be managed by the architect and facility director.

To reduce project costs, for projects completing after July 1, 2026, the article increases the project cost threshold requiring a project manager and a commissioning agent from $1.5 million to $10.0 million, subject to inflation, and caps the cost at 3.0 percent of total project costs. According to OMB, applying the changes to projects completed after July 1, 2026, ensures the projects completed prior to July 1, 2026, and requesting state reimbursement in FY2027 are exempt from the 3.0 percent cap.

Transfer of Excess Appropriations to the SBA: The article repeals the requirement that surplus funds appropriated to the school housing aid program be deposited into the School Building Authority Capital Fund (Capital Fund) for distribution by the School Building Authority (SBA) beginning retroactively in FY2026. In FY2026 the housing aid appropriation is projected to exceed the actual reimbursements by about $5.9 million, due primarily to project delays, the Budget shifts these funds into FY2027.

Article 9 of the FY2019 Budget as Enacted provided that any difference between the annual housing aid appropriation and housing aid commitment amounts in a given fiscal year would be deposited into the Capital Fund for distribution by the SBA. Historically, these funds have been used to provide technical assistance and guidance to school districts on the necessity of school construction application process, pay-as-you-go support to reduce borrowing costs, and, more recently, for pay-as-you-go support for high priority projects in higher-need school districts.

Prior to FY2023, the school construction program funding of $80.0 million was effectively built into the base budget; however, with the issuance of state general obligation bonds stimulating increased construction, in the FY2023 Budget as Enacted the aid projection was estimated to exceed the fixed annual appropriation at $88.5 million and the aid was estimated to increase in subsequent budgets. The FY2026 Budget as Enacted contained $119.9 million and the FY2027 budget is estimated at $102.9 million. The table to the right shows difference between annual housing aid appropriations and housing aid commitment amounts which were deposited into the Capital Fund. While funding estimates are based on the best information available at the time, project delays are an unavoidable reality of construction projects that push state reimbursement obligations into future fiscal years. OMB asserts that project delays, not permanent cost savings, are primarily responsible for the "excess" appropriations. The change in the article is intended

Transfers to the Capital Fund from the Foundation Program

FY2017 Actual	$11.0
FY2018 Actual	10.9
FY2019 Actual	14.7
FY2020 Actual	1.0
FY2021 Actual	1.0
FY2022 Actual	9.0
FY2023 Actual	3.8
FY2024 Actual	2.7
FY2025 Actual	0.4
Total	**$54.5**

Source: Budget databases. $ in millions to ensure that funds appropriated for school construction reimbursements are available for reimbursement obligation regardless of project delays.

Education Aid Student Success Factor

Beginning in FY2012, the education aid formula established a per-pupil spending amount and allocated this funding based on student enrollment, adjusting for poverty. The poverty adjustment is a weight, known as the student success actor (SSF), applied to the core instruction per-pupil amount for each child whose family income is at or below 185.0 percent of the federal poverty guidelines. The article increases this weight from 40.0 percent to 43.0 percent for an increase of $15.6 million over the current law weight of 40.0 percent.

Blue Ribbon Commission

As part of the FY2028 budget submission, the article requires the Department of Elementary and Secondary Education, in collaboration with the Office of Management and Budget and the Division of Municipal Finance, to submit a report comparing the Blue Ribbon Commission's December 2025 education funding proposal to the current system, using validated FY2025 Uniform Chart of Accounts data. The report must be submitted by October 1, 2026, and include comparisons of state and local contributions, recommendations for proposed weights, and an analysis of the statutory recommendations.

Local Tuition Reduction Cap

The FY2026 Budget as Enacted capped the reduction in local tuition to charter schools and mayoral academies at 14.0 percent; however, the article removes the cap in FY2027 only for mayoral academies serving students from fewer than four sending school districts

Support and Access to Bilingual Education Act

Section 5 of the article requires the Department of Elementary and Secondary Educating (Department) to establish and maintain a bilingual support fund to provide grants to traditional public school districts, community-based organizations in collaboration with public school districts, or higher education institutions in collaboration with public school districts that establish and expand bilingual instruction program models. Under the language of the article, it does not appear that public charter schools qualify for grant funding.

The article also requires the Department, in collaboration with the Office of the Postsecondary Commissioner, to "increase and streamline" the issuance of world language and bilingual dual language certifications to increase the number of certified teachers in local education agencies (LEAs) with a high incidence of multilingual learners. The definition of "high incidence of multilingual learners" in the article is consistent with the definition in 200-RICR-20-30-3 providing for an LEA with a multilingual learner population of 250 or more students or 20.0 percent or more of the total student population.

"Qualifying languages" are defined in the article as "the most common languages other than English spoken in the local education agency according to the U.S. Census Bureau and department data sources."

Rhode Island Hope Scholarship Program

Article 7 extends the Hope Scholarship Pilot Program, a state-funded scholarship program for Rhode Island College juniors and seniors, for three more years with a sunset of June 30, 2033.

In an effort to increase the number of students enrolling and completing four-year degrees and certificates on time, Article 8 of the FY2024 Enacted Budget established the Hope Scholarship Pilot program. The pilot program began with students who enrolled in Rhode Island College (RIC) in the fall of 2023 and students enrolled in RIC as of July 1, 2021, who have attained junior status as of July 1, 2023. Students who enrolled as of July 1, 2022, and have attained junior status at RIC as of July 1, 2024, are also eligible if they are in compliance with the other requirements such as credit attainment and grade point average.

The scholarship covers the cost of up to two years of tuition and mandatory fees for the junior and senior years of the student, or for adult students who have attained at least 60 credit hours. While the eligibility requirements are very similar to the Promise II Scholarship program at the Community College of Rhode Island, students cannot receive an award under both programs.

Since its inception, the program has been extended once. Rhode Island College reports that enrollment has grown by 7.0 percent for each of the past two fall semesters, partially attributable to the Hope Scholarship. The College has experienced difficulty recruiting in the current year as many high school seniors are unsure whether they will receive the Hope Scholarship due to the program expiration date. The College reports a 29.0 percent four-year graduation rate for the program's first cohort, which is an increase of 4.1 percentage points (24.9 percent) from the college's previous year graduates. The Budget includes $7.1 million in general revenue to support the Hope Scholarship, an increase of $1.6 million from FY2026, and $3.7 million more than FY2025.

At Rhode Island College, 67.0 percent of undergraduates receive financial aid through grants; 50.3 percent identify as White, 25.4 percent identify as Hispanic or Latino, 10.9 percent identify as Black or African American, 3.29 percent identify as Asian, and 0.6 percent identify as American Indian or Alaska Native.

Throughout all three cohorts, the Hope scholarship reflects similar demographics to what is reported for the College's student population as a whole. Hope has produced a total of 310 graduates and continues to serve 1,328 students. Most of these students are female, Pell eligible, and between the ages of 18 and 24.

Rhode Island Promise Scholarship Program

The article expands eligibility for the Rhode Island Promise Scholarship at CCRI to students who enrolled in a postsecondary institution immediately after graduating high school or receiving an equivalency diploma but only remained in that institution for one semester and enrolled in CCRI the following semester. The article also allows eligible students to defer enrollment in CCRI for one semester.

Article 3 of the FY2018 Budget established the program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island (CCRI), less federal and all other financial aid available to the recipient. The program was scheduled to sunset with the high school graduating class of 2021; however, 2021-S-0079 Sub A eliminated the sunset and made the program permanent.

Article 8: Relating to Medical Assistance

This article modifies current laws governing the Hospital Licensing Fee (HLF); Disproportionate Share Hospitals (DSH) payments; asset limits for certain beneficiaries, and the annual Medicaid Resolution. In addition, the article authorizes EOHHS to implement the Achieving Healthcare Efficiency through Accountable Design (AHEAD) grant and establishes five Family Care Community Partnership (FCCP) catchment regions through the Department of Children, Youth and Families.

FISCAL IMPACT

Disproportionate Share Hospitals (DSH) payments are carried into FY2027 and capped at $38.9 million, including a limit of $12.9 million for government-owned hospitals, consistent with FY2026, and $26.0 million for other participating hospitals, an increase of $25.0 million over FY2026. The Article also increases resource limits, effective January 1, 2027, for Community Medicaid, long-term-service and supports (LTSS), and medically-needy beneficiaries to $8,000 for individuals and $12,000 for couples, for an increase of $3.9 million in general revenue ($9.2 million all funds).

Article 8 Fiscal Impact

	General Revenue	All Funds
DSH payments	$10.6	$25.0
Increased Resource Limits	3.9	9.2
AHEAD Model	-	1.4
Net Impact	**$14.5**	**$35.6**

$ in millions. Total may not add due to rounding

In addition, the Budget includes federal funding of $581,260 in FY2026 and $1.4 million in FY2027 for the Achieving Healthcare Efficiency through Accountable Design (AHEAD) initiative, reflecting a reduction of $1.4 million in FY2026 and $626,361 in FY2027 relative to the FY2026 Budget as Enacted.

ANALYSIS AND BACKGROUND

Hospital Licensing Fee (HLF)

The article includes technical amendments to remove outdated language and continues the fee into FY2027 with no advancement in the base year, thus holding the FY2027 revenue estimate at $232.5 million, consistent with the FY2026 level and the May 2026 Revenue Estimating Conference.

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

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The FY2024 Budget as Enacted amended the HLF to bring the fee into compliance with federal Centers for Medicare and Medicaid Services (CMS) requirements. The new calculation separates inpatient and outpatient hospital license fees, providing a three-tier structure within each. Pursuant to federal requirements, the total tax revenue from the fees cannot exceed 6.0 percent of net patient services revenue for each of the in-patient and out-patient service types. This limit is often referred to as a "hold harmless" or a "safe harbor" provision. The percentages are applied to a hospital's inpatient and outpatient net patient-services revenue for the first hospital fiscal year ending on or after January 1, 2023.

Hospital Tax Tiers

Tier	Inpatient Tax Rate	Outpatient Tax Rate	Hospital Types Included in Tier
I	13.12%	13.30%	Hospitals that do not meet the description of Tiers II or III, including Bradley, Butler, Kent, Newport
II	2.63%	2.66%	• Acute care hospitals with high Medicaid/Uninsured costs, including Landmark, OLF, RIH, RWMC, and W&I • Independent Hospitals not part of a multi-hospital system, such as South County Hospital
III	1.31%	1.33%	Medicaid designated "low volume" hospitals, such as Westerly, Rehabilitative Hospitals, and the Rehabilitative

Analyst Note: In FY2027, the total aggregate revenue for in-patient and out-patient revenue is estimated at 5.81 percent. Beginning on October 1, 2027, the federal budget reconciliation bill, House Resolution-1 (HR-1), lowers the hold harmless threshold for provider taxes from 6.0 percent to 5.5 percent, resulting in a $12.2 million reduction in revenue, and continues to lower the threshold by 0.5 percentage points annually until reaching 3.5 percent in SFY2032, with an estimated $91.3 million reduction in revenue.

Increased Resource Limits Threshold

The article increases resource limits, effective January 1, 2027, for Community Medicaid, long-term-service and supports (LTSS), and medically needy beneficiaries to $8,000 for individuals and $12,000 for couples, up from $2,000 and $3,000 for non-LTSS elderly and adults with disabilities and $4,000 and $6,000 for LTSS and the medically needy. The Budget includes an additional $3.9 million in general revenue and $5.3 million in federal funds to support the change in resources limits.

Disproportionate Share Hospital (DSH) Payments

The Disproportionate Share Hospitals (DSH) payments are required under federal statute and intended to offset uncompensated care costs for hospitals in order to improve access for Medicaid and uninsured patients, as well as improving the financial stability of safety-net hospitals. The article adds a base year to allow payments in FY2027, based on financial data from 2025, in an aggregate amount not to exceed $38.9 million, including a limit of $12.9 million to government-owned hospitals and $26.0 million for other participating hospitals. This represents an increase of $25.0 million, including $10.5 million in general revenue and $14.5 million in federal funds, for nongovernment-owned hospitals over the FY2026 Budget as Enacted. Payments to both government-owned and other participating hospitals must be made by June 30, 2027. This section also removes outdated references for FFY2024 DSH payments.

The Budget increases DSH payment to hospitals by $25.0 million, relative to the FY2026 Budget as Enacted, as part of the response to the federal House Resolution-1 (HR-1) bill to offset a portion of the increased costs associated with uncompensated care. Through the narrowing of "qualified alien" categories for Medicaid and CHIP, effective October 1, 2026, and the implementation of Medicaid work and community engagement requirements, effective December 31, 2026, roughly 33,000 individuals are at risk of losing Medicaid coverage.

Achieving Healthcare Efficiency through Accountable Design (AHEAD)

The article requires the Secretary of Health and Human Services to carry out pre- planning and readiness activities and implement the AHEAD Model Grant program, in coordination with the Health Insurance

Commissioner, and report to the General Assembly on the program's activities by October 31, 2026, and annually thereafter. The reports are to outline activities and funding from the previous year; any legislative authority needed for implementation; stakeholder interest and participation; and the long-term value of implementing alternative payment models. The Budget includes federal funding of $581,260 in FY2026 and $1.4 million in FY2027 for this initiative.

According to EOHHS, the State entered into a cooperative agreement with the Centers for Medicare & Medicaid Services (CMS); however, the terms are currently being and remain subject to amendment to account for the current federal administration's priorities. EOHHS indicated that the intent of the article is to require a detailed overview of grant activities and necessary General Assembly actions moving forward.

Analyst Note: While it is fiscal staff's understanding that the article is not intended to obligate future general revenue expenditures, it is unclear whether the language of the article could do so by requiring the Secretary to implement the AHEAD Model grant program.

In October 2024, Rhode Island was chosen to participate in the federal AHEAD model. In September 2023, the Centers for Medicare & Medicaid Services (CMS) announced this voluntary, total cost of care (TCOC) model intended to curb health care cost growth, improve population health, and promote healthier living. According to CMS, the TCOC model holds participating states "accountable for quality and population health outcomes, while constraining costs of health care services delivered in a state or specified sub-state region. As applied by the CMS Innovation Center, this process takes places across all health care payers, including Medicare, Medicaid, and private health insurers and plans."

The first state chosen to participate was Maryland, followed by a second cohort including Connecticut, Hawaii, and Vermont. As part of Cohort 3, Rhode Island began a pre-implementation and readiness period that goes from January 2025 to December 2026. The first of eight performance years will begin in January 2027. Performance years will begin following the completion of the readiness period, subject to final CMS timelines and state approvals.

Through the program, Rhode Island would analyze and plan for potential participation in the following:

- Implementation of state accountability targets, such as TCOC growth, primary care investments, and population health accountability plans;
- Hospital global budgets that provide a pre-determined, fixed annual budget;
- Primary Care AHEAD, which is the primary care component of the model; and
- Cooperative Funding Agreement which provides up to $2.0 million in annual federal funding over the first five to six years of phased implementation, contingent on CMS approval and state participation milestones.

While EOHHS is still analyzing the initiative, it is unlikely the federal funding will cover all the costs of implementation or the Medicaid hospital and primary care investments requested by stakeholders and recommended by CMS; however, initiative 11 of the Rural health Transformation Program (RHTP) has funding budgeted to transform payment and delivery systems through the federal AHEAD Model and other advanced payment models (APMs).

Family Care Community Partnerships (FCCP) Region Establishment

Through this article, the Budget formally establishes in statute the current Family Care Community Partnerships (FCCP) regional service coverage policy of DCYF. The Department contracts with one FCCP provider in each defined region of the State to provide critical prevention resources. As of 2026, FCCPs operate in five regions: East Bay, Northern Rhode Island, East Urban Core, West Urban Core, and Washington Kent. The goal of the model is to keep children and families out of the welfare system through wrapping around services that prevent abuse, neglect, and dependency. The FCCP model mobilizes organizations in these regions to serve families and children in their communities, minimizing barriers to services and building trust through culturally competent interventions. Services include referrals, triage, initial needs screenings, crisis stabilization, and high fidelity wrap around services.

DCYF currently claims Medicaid reimbursement for some services associated with FCCPs. The 2022 Budget as Enacted enabled Medicaid reimbursement for community care organizations, recognizing the need to support a comprehensive set of services that support patients in managing conditions and risks through referrals and coordination of healthcare services. Community-based organizations (CBOs) receive Medicaid reimbursement through the State's fee-for-service Medicaid program, which has undergone extensive analyses through the Department of Children, Youths, and Families to increase reimbursement rates to workers. The Department specifically set out to modernize Medicaid reimbursement for child and family services through their rate setting project entitled "The Rhode Island Children's Services Rate Setting project", which creates a uniform rate setting approach to services offered through the DCYF system of care.

According to the Department, FCCPs are contractually obligated to serve a designated region and cannot provide services beyond those boundaries. EOHHS indicates the statute will be authorized under the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) clause – a mandatory Medicaid benefit that ensures access to comprehensive, high quality preventative services to children under the age of 21. States are allowed to define who a qualified provider is through the Medicaid State Plan. In this circumstance, a qualified provider would be an FCCP licensed by DCYF. Since DCYF, which will serve as the licensing authority, allows for a closed network, it does not violate CMS rules. This is widely utilized across Medicaid programs around the country.

Medicaid Resolution

The article establishes the legal authority for the Secretary of the Executive Office of Health and Human Services (EOHHS) to review and coordinate amendments to the Medicaid State plan and Category II and III changes in the demonstration "with potential to affect the scope, amount, or duration of publicly-funded health care services, provider payments or reimbursement, or access to or the availability of benefits and services provided by Rhode Island general and public laws". In FY2027, the article provides that EOHHS will seek federal approval for the following changes:

- **Substance Abuse Residential Services**: Elimination of annual rate increases (The SUD rates are part of the biennial OHIC rate review process.)
- **Assisted Living Tier C Rates**: Increase Tier C rates by 13.0 precent beginning January 1, 2027
- **Children Services Rate Setting**: Pursue and implement reimbursements rates resulting from the Children's Services Rate Setting project
- **Provider Reimbursement Rates**: Implement Medicaid provider reimbursement rate increases, as required by the OHIC Rate Review pursuant to RIGL 42-14.5, limited to the lower of 100.0 percent of the increase recommended or 100.0 percent of the Medicare rate
- **Change to Rates for Nursing Facility Services:** Pursue and implement and update the behavioral health per-diem add-on program for particularly complex patients, beginning April 1, 2027
- **Glucagon-like Peptide-1 (GLP-1)**: Removal of Medicaid coverage, except if prescribed to treat type 2 diabetes
- **Targeted Case Management**: Reimbursement for targeted case management for children and youth, up to 21 years of age, by qualified staff at the Department of Children, Youth and Families
- **Graduate Medical Education for Federally Qualified Health Centers**: Review and assess Medicaid waiver or state plan opportunities to support accredited primary care-focused physician residency programs and report options, recommendations, and estimated fiscal impact to the General Assembly and Governor by November 1, 2026

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- **Increase Resource Limits**: Increase resource limits, effective January 1, 2027, for Community Medicaid, long-term-service and supports (LTSS), and medically-needy beneficiaries
- **Federal Financing Opportunities**: Allows EOHHS to pursue any changes that "promote, increase and enhance service quality, access and cost-effectiveness". Any such action shall not have an adverse impact on beneficiaries or increased expenditures beyond the FY2027 state appropriation.

Acute Hospital Care at Home Program

Article 8 includes a Joint Resolution authorizing the Secretary of the Executive Office of Health and Human Services to establish and maintain a program for "eligible medical assistance enrollees and managed Medicaid enrollees" to cover hospital at home services and to apply for any State Plan amendments or waivers necessary to implement the initiative.

The CMS Acute Hospital Care at Home (AHCAH) Initiative was launched in November 2020 in response to the COVID 19 Public Health Emergency and has been extended through September 1, 2030, and, while the Initiative applies to Medicare beneficiaries, states can extend the coverage to Medicaid beneficiaries.

Kent Hospital's Hospital-at-Home (HaH) program was established in January 2022 and is currently the only hospital in Rhode Island approved to participate in the CMS initiative. According to the Department, the Kent HaH program was established as a pilot program limited to Kent Hospital. Currently, the State Plan limits authorization for Medicaid reimbursements through hospital at home programs to Kent Hospital; consequently, the new resolution language in the Budget is needed to allow other hospitals that obtain waivers from Medicare to participate. The Secretary of EOHHS is responsible for adopting rules and regulations to implement the resolution.

Under the AHCAH program, hospitals apply to Medicare to provide inpatient acute care services at home. If approved for the program, Medicare waives certain hospital condition requirements and adds others. According to the American Hospital Association, hospital at home programs have been shown "to reduce costs, improve outcomes, and enhance the patient experience."

The resolution requires the Secretary to report to the Governor and the General Assembly on the cost of the program; however, the article does not include any language on what details would be included in the report, when the first report is due, or whether the reporting requirement is ongoing.

Article 9: Relating to Leases

This article authorizes five lease agreements for office and operating spaces, effective upon passage. Pursuant to RIGL 37-6-2(d), approval from the General Assembly is required for any new or extended lease agreements with a term of five years or more and with aggregate rent exceeding $500,000. Of the proposed leases, three are renewals of existing leases and two are new leases on specified properties.

FISCAL IMPACT

State Agency	Type	Location	Sq. Ft.	Term	Aggregate Rent	Max. Annualized	Current Lease Expires
Rhode Island Dept. of State	Renewal	146-148 West River St, PVD	12,152	10 yrs	$2,927,085	$261,268*	July 31, 2026
Dept. of Environmental Management	New	235 Promenade St, PVD	115,733	10 yrs	28,571,955	2,761,716†	July 7,2026
Office of the Public Defender	Renewal	160 Pine St, PVD	19,777	5 yrs	2,418,095	483,619	July 31, 2026
Dept. of Human Services	Renewal	77 Dorrance St, PVD	25,812	5 yrs	2,503,765	500,753	August 31, 2026
Office of the Postsecondary Commissioner	New	83 Tower St, Westerly	2,385	10 yrs	2,000,000	50,000‡	N/A

* *Rent is not to exceed $261,268 in the first year, increasing annually by 2.5% for years 2-10. Year 10 is not to exceed $326,287.93.*

† *Rent is not to exceed $2.8 million in the first five years and shall not exceed $3.0 million in the remaining 5 years.*

‡ *Base rent of the lease agreement includes a lump-sum prepayment of $1.5 million and additional annual base rent not to exceed $50,000 per year.*

ANALYSIS AND BACKGROUND

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

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

The article authorizes the following 5 lease agreements.

Rhode Island Department of State – 146-148 West River Street, Providence

The article authorizes the Department of State (Secretary of State) to renew its current lease with EGMP 146-148 West River LLC, for a term not to exceed ten years. The Department first leased this space in 2005. The current lease for 12,152 square feet of office space is set to expire on July 31, 2026. The property is located at 148 West River Street, Providence, and is currently used as office space for the Department's Finance and Personnel staff, the Corporations program, and the Elections and Civics program. The article stipulates that the aggregate fixed rent is not to exceed $2.9 million over the ten-year period.

The Division of Capital Asset Management and Maintenance (DCAMM) conducted the negotiations on behalf of the Department of State with EGMP and provided the Department with some alternative sites in the event EGMP was not going to provide an acceptable lease cost. In conclusion, the renewal cost was acceptable by the Department and DCAMM.

Department of Environmental Management – 235 Promenade Street, Providence

The article provides General Assembly approval of a new, ten-year lease for 115,733 square feet at 235 Promenade Street that is currently occupied by the Department of Environmental Management (DEM). This is a decrease in space from the existing rent agreement which provides 126,184 square feet and expires on June 30, 2026. The new lease agreement will provide for annual, fixed rent for the first 5 years that will not exceed $2.8 million or $3.0 million for the remaining five years. For the current fiscal year, the annual rent is slightly under $2.6 million. The term of the lease may not exceed 10 years, and the aggregate rent may not exceed $28.6 million. As part of the lease renewal, DEM will be reconfiguring office space to be more efficient, and customer-facing. Consistent with the current agreement, the new lease agreement includes all improvements, parking, security, cleaning, shuttle service, and gas/water/sewer. The decrease in square footage increases the cost per square foot from $20.50 to about $23.86, or 16.4 percent.

When asked whether other lease options were considered, the Department of Administration responded that "a combination of cost and utility drive lease process" and "DEM requires a significant amount of square footage not otherwise available at one State-controlled location. As a result, you'll recall that DOA explored the acquisition of a new State office building in the preceding two fiscal years. The rejection of that proposal resulted in the evaluation of a few potential commercial office buildings."

According to the Office of Management and Budget, the increase over the Governor's budget recommendation reflects an increase of 405 square feet but is primarily due to the finalization of the tenant improvement costs which were higher than anticipated and triggered additional borrowing costs. The renovations will allow DEM to move the Boating Division and Human Resources Department from the third floor to the second floor, which is the ground floor, with the other customer-facing operations.

Office of the Public Defender – 160 Pine Street, Providence

The article authorizes the Office of the Public Defender to renew a lease agreement with PK Lamb Properties, Inc. for approximately 19,777 square feet of office space at 160 Pine Street, Providence. The property serves as the agency's main office with a long-term lease set to expire on July 31, 2026. The article stipulates that the aggregate fixed rent is not to exceed $2.4 million for a term not to exceed five (5) years. The annual rent during the renewal term is not to exceed $483,619.

Department of Human Services – 77 Dorrance Street, Providence

The article authorizes the Department of Human Services to renew the lease with 77 Dorrance Street LLC in Providence for a five-year period. DHS currently holds a lease agreement at 77 Dorrance Street for office space to be administered by the Office of Child Support Services. Annual rent for 2026 is $412,992. The article provides for the aggregated base rent for a five-year period, inclusive of janitorial services, not to exceed $2.5 million, with annual fixed rent not to exceed $500,753.

Office of Postsecondary Commissioner – 83 Tower Street, Westerly

The article authorizes a new lease agreement for education space to be administered by the Office of the Postsecondary Commissioner (OPC). The article authorizes the lease of 2,385 square feet of space at the Tower Street Community Center, for a period of 10 years with three optional extensions of 10 years each. The article stipulates that the aggregated base rent is not to exceed $2.0 million. The lease requires a one-time lump sum pre-payment of $1.5 million, and additional base rent of $50,000 a year. Funding for the pre-payment is supported through the Consolidated Appropriations Act of 2023, which had been administered by the U.S Department of Housing and Urban Development (HUD) to be used to support economic development. The remaining payments for the base rent will be made from funds available to the Office based on annual appropriations made by the General Assembly. According to the Office, the base rent payment will be funded through the Higher Education and Industry Centers restricted receipt account.

Article 10: Relating to Health and Human Services

Article 10 makes changes to several health and human services programs. Specifically, the article:

- **988 Suicide & Crisis Lifeline:** Codifies the state's 988 National Suicide Prevention Hotline program and provides the Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) with the statutory authority to administer it.
- **Early Intervention Program:** Shifts responsibility for the Early Intervention program from the Department of Human Services (DHS) to the Secretary of the Executive Office of Health and Human Services (EOHHS) and amends general laws to continue early intervention services for eligible children and require public and private health insurers to cover this extension.
- **Pay for Success Pilot:** Extends the state's Pay for Success pilot program from five to six years, ending the pilot program in 2027, and allows EOHHS to collaborate with certain qualified organizations to assist in providing annual reports.
- **Child Care Assistance Program (CCAP) Changes:** Increases the income limit for childcare eligibility, as well as establishing a new "protective services" category. Also increases reimbursement rates for infants at center-based childcare providers, as well as the child support pass-through payment.
- **SSI Benefits for Children in State Care:** Adds language requiring the conservation of benefits for eligible youth under the temporary custody or guardianship of the Department of Children, Youth, and Families (DCYF).

FISCAL IMPACT

The Budget includes an additional $977,331 in general revenues ($1.3 million all funds) within the Department of Children, Youth, and Families (DCYF) to account for the new requirement that DCYF conserve benefits for eligible youth in state care. Previously, approximately 91.75 percent of federal benefits received for youth in temporary custody or guardianship of DCYF were used towards the cost of the youth's care.

The increased child support pass-through payment results in a general revenue reduction of $167,389, and a corresponding federal funds increase of $228,611.

988 Suicide & Crisis Lifeline

Sections 8 and 9 of Article 10 establish the Rhode Island 988 Suicide & Crisis Lifeline in statute and authorize BHDDH to administer it.

Background: The 988 Suicide & Crisis Lifeline is a federally mandated network of certified state and local crisis centers across the United States (and Canada) that takes voice calls, text messages, and web-based communications from people experiencing suicidal thoughts or other mental health crises. The lifeline is a part of a national strategy led by the federal Substance Abuse and Mental Health Services Administration (SAMHSA) to reduce the overall incidence of suicide and mental health emergencies.

When the lifeline was first implemented in 2005, it consisted of a toll-free 10-digit telephone number. Federal legislation in 2018 and 2020 directed the Federal Communications Commission (FCC) to identify a 3-digit alternative (similar to 911) and require telecommunication companies to route all 988 calls to the network of crisis centers by 2022. Importantly, the federal legislation and FCC rules specifically permit states to assess a surcharge on telecommunication services to help pay for lifeline operational costs.

Rhode Island's 988 Suicide & Crisis Lifeline: Rhode Island's 988 Lifeline is the phone line individuals can call or text when they are in emotional distress or experiencing a behavioral health crisis. The 988 Lifeline is staffed by certified professionals that can provide a limited number of follow-up services. If a caller requires more behavioral health services beyond the call itself, 988 Lifeline staff refer that individual to an appropriate service for assistance. Rhode Island also maintains a 24/7 mental health and substance use walk-in crisis triage center in East Providence. Known as BHLink, the program is administered by BHDDH through several partners and houses the 988 Lifeline operations unit and its certified staff.

Funding: The 988 Lifeline has historically been funded through various federal grants, primarily from SAMHSA and the American Rescue Plan Act. The following table shows the funding history of the program.

RI Suicide & Crisis Lifeline Funding

Grant/Appropriation	Source (Fed,GR, RR)	FY2022	FY2023	FY2024	FY2025	FY2026 Projected	FY2027 Projected
SFRF	Federal	-	426,432	1,421,200	1,126,371	2,375,997	-
SAMHSA 9-8-8 Connect to Care Grant	Federal	-	-	16,500	595,771	803,231	214,761
ARP DIRECT: Mental Health Block Grant	Federal	-	-	-	625,000	96,971	-
Community Mental Health Services Block Grant	Federal	-	-	-	-	267,668	1,167,117
Substance Abuse Block Grant	Federal	-	-	-	-	26,473	115,429
Transformation Transfer Initiative Grant	Federal	-	-	-	114,054	125,000	90,000
EOHHS SAMHSA Grant	Federal	-	-	-	-	350,000	-
Opioid Stewardship Fund Allocation (BHDDH)	Restricted Receipts	-	-	-	-	92,921	150,005
MMIS IAPD State Share*	General Revenue	-	-	-	-	-	-
MMIS IAPD Federal Share	Federal	-	-	-	-	746,189	553,886
988 Medicaid Admin State	General Revenue	-	-	-	-	244,084	1,678,752
988 Medicaid Admin Federal	Federal	-	-	-	-	244,084	1,678,752
Marijuana Trust Fund	General Revenue	-	-	-	-	-	-
Private Donations		-	-	-	-	-	-
Total		**$0**	**$426,432**	**$1,437,700**	**$2,461,196**	**$5,372,618**	**$5,648,702**

**MMIS IAPD State Share is expected to be covered by OSF allocation.*

***Analyst Note**: This table includes projections rather than actuals for FY2026 and FY2027 in order to more accurately reflect the Department's third quarter reporting.*

Article 10 Changes: Article 10 codifies the 988 Suicide & Crisis Lifeline within Rhode Island General Laws. It does so specifically, by:

- **BHDDH Authority:** Providing BHDDH with the authority to "establish, operate, and/or designate a RI 9-8-8 Suicide & Crisis Lifeline center or centers" to provide intervention and crisis care services. It does this by amending RIGL 40.1-1-13.
- **Codification of Rhode Island 9-8-8 Suicide & Crisis Lifeline (Section 2):** Codifying the State's 988 system by creating a new chapter under RIGL 40.1.
  - **Definitions:** A new statute, RIGL 40.1-8.6-1, sets forth relevant definitions for the 988-system to be used throughout the chapter. These include the "9-8-8 Suicide & Crisis Lifeline", "National Suicide Prevention Lifeline (NSPL)", and "Rhode Island (RI) 9-8-8 Suicide & Crisis Lifeline Center".
  - **Establishment of Lifeline:** A new statute, RIGL 40.1-8.6-2, formally establishes Rhode Island (RI) 9-8-8 Suicide & Crisis Lifeline centers in law. It does so by:
    - Directing BHDDH to establish, operate, and promulgate regulations to support the program.
    - Requiring the centers to have active agreements with the administrator of the SAMHSA's National Suicide Prevention Lifeline (NPSL).
    - Requiring centers to meet SAMHSA's requirements and best practices.
    - Requiring centers to report relevant data and participate in evaluations as required by BHDDH.

- Requiring centers to make referrals to follow-up services for individuals accessing the Lifeline.
- Requiring BHDDH to consult with the Department of Children, Youth, and Families regarding services for relevant clientele.

- **Implementation:** A new statute, RIGL 40.1-8.6-4, requires BHDDH to designate a RI 9-8-8 state administrator. This administrator may be a state employee within BHDDH or a contractor with the Department. The new statute also requires all Rhode Island state public agencies to provide BHDDH with data/information required to comply with federal and state mandated reporting requirements.
- **Funding:** A new statute, RIGL 40.1-8.6-3, provides BHDDH with the authority to expend all funds allocated to support the operations of the 9-8-8 Suicide & Crisis Lifeline. The article does not establish a funding source for the Lifeline.

Early Intervention Program for Developmentally Disabled Infants

Sections 1 through 5 of Article 10 amends general laws to permit children with diagnosed developmental disabilities whose third birthday is between May and August 31 to continue early intervention services through September 1 after the child's third birthday beginning January 1, 2028, and requires public and private health insurers to cover the extended EI option. The article also shifts responsibility for the Early Intervention program from the Department of Human Services (DHS) to the Secretary of the Executive Office of Health and Human Services (EOHHS).

Background: The Early Intervention (EI) program, established pursuant to RIGL 23-13-22 and managed by Department of Human Services (DHS), provides services for developmentally disabled infants and toddlers, and is partially funded through Part C of the federal Individuals with Disabilities Education Act (IDEA). Under current law in Rhode Island, Part C EI services are terminated on a child's third birthday, and the child is considered school age; however, federal law does allow states to extend EI beyond a child's third birthday.

Part B of the IDEA partially funds special education and related services for school-aged children, ages three to 21 that are provided through the resident school district. Rhode Island Department of Education (RIDE) oversees early childhood special education services for children aged three to five with developmental delays and disabilities ensuring a free, appropriate, public education to eligible children with partial funding through Part B, section 619 of the IDEA.

While the EI beneficiaries often continue into a special education program, the two programs have different goals. The EI services are designed to attain appropriate developmental goals, while the services for school-aged children are geared more toward making progress in educational goals. Also, since special education services are provided through the school district, the programs and individual experiences around referrals, evaluations, and eligibility determinations can vary significantly based on the residence of the family. EI services are provided from a state level.

Section 1 of the article requires EOHHS and RIDE to create a plan to allow children to remain in EI until September 1 after their third birthday. In developing and implementing the extension plan EOHHS must convene an 11-member advisory committee comprised of the following:

- The state coordinator for Part C services from EOHHS
- The coordinator for services provided through Part B, section 619 of the IDEA from RIDE
- At least three representatives from early intervention provider agencies
- At least two representatives from local education agencies (LEAs)
- At least two advocates or experts in early intervention or early childhood special education, and

- At least two parents of children who have received EI services and transitioned to early childhood education within the last three years.

The advisory committee must complete the following

- Meet for period of at least one year following the effective date of the extension plan
- Identify strategies to reduce administrative burdens on families, providers, LEAs, and the State including the use of federal funds identified for EI extensions
- Earmark federal early intervention funding
- Develop shared resources to support training and development for EI providers and LEAs around the extension option, and
- Develop strategies to maximize the ability of providers to support the new three-year-old population during spring and summer months.

All meetings of the advisory committee must be open to the public and conducted pursuant to state open meetings laws. , EOHHS is required to submit a report to the Speaker of the House and the President of Senate evaluating the implementation of the extension plan by September 30, 2031. The report must include, at a minimum, data on the number of families electing to extend EI services, the number of families declining the extension, and an assessment of the impact of the extension on children, families, EI providers, LEAs, and the State.

Based on information received from EOHHS, six states, including Colorado, Connecticut, Illinois, Maryland, Missouri, Tennessee, and the District of Columbia provide EI services beyond age three. In Connecticut, a family has a one-time choice to remain in EI until the beginning of the school year after the child turns three. In Massachusetts, a developmental specialist is assigned to the family receiving EI services when the child is two years and six months of age. The specialist works with the family to determine if the child needs to transition to an Early Childhood education program when the child turns three.

According to EOHHS, there can be unintended consequences for the providers and the beneficiaries when extending EI services. Some of the reasons states have chosen not to pursue the EI extension include

- Avoiding the creation of a parallel system serving the same age group,
- The more sustainable funding that comes from Part B, preschool special education, than Part C which is funded through Medicaid,
- Investments in preschool special education build expertise within LEAs for all children, and
- Preschool special education is designed to enhance peer interactions and classroom-based learning, while EI is on the individual/family level.

In addition, EOHHS indicated that a State Plan Amendment (SPA) will be needed for Medicaid to pay for services beyond the third birthday and the Part C related regulations will be reviewed to identify necessary changes.

Article 10 Changes*:* Article 10 transfers responsibility for the Early Intervention Program from the DHS to EOHHS. It also requires EOHHS and RIDE to create a plan to extend eligibility for services under the Early Intervention Program for beneficiaries whose third birthday is between May and August 31 to continue early intervention services through September 1 after the child's third birthday beginning January 1, 2028. In addition, the article requires all public and private health insurers to cover the extended EI option.

Pay for Success Pilot Program

Section 3 of Article 10 makes changes to the State's Pay for Success (PFS) supportive housing program, including extending the pilot and expanding the organizations with whom EOHHS can collaborate in

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providing annual progress reports. According to EOHHS, the language to allow EOHHS to collaborate with other organizations was intended to be broader than for reporting and to ensure continuity should circumstances with Rhode Island Coalition to End Homelessness (RICEH) change their ability to participate.

Background: The FY2022 Budget as Enacted authorized a five-year pay-for-success pilot program within EOHHS to provide supportive housing and additional wraparound services to a cohort of 125 individuals experiencing homelessness. In addition to $875,000 in federal grant funds, the article limited the State's investment to $6.0 million in one-time general revenues to capitalize a new restricted receipt account within EOHHS for the program. EOHHS must submit annual progress reports to the General Assembly. The first report was submitted January 31, 2023, although the statute required the report by January 30, 2022.

Pay-for-success models provide a method to fund innovative programs while mitigating financial risk. Instead of paying for services directly as they are provided, the State issues social impact bonds to private investors who, in turn, provide upfront capital to non-profits to provide the services. The State then executes a contract which specifies expected program outcomes and associated evaluation and repayment processes. The State repays investors for the upfront investment plus interest only if the performance metrics are met, i.e. the State only pays for the program if it is successful.

The FY2022 Budget assumed the program would support $10,000 in housing voucher costs per individual per year, with 60.0 percent paid through existing housing voucher resources and 40.0 percent through pay-for-success dollars. In addition, the program was projected to support an estimated $8,000 per individual per year in wraparound services, of which 60.0 percent will be paid through pay-for-success and the remainder through existing resources. Therefore, for 125 individuals, pay-for-success would support approximately $500,000 in housing costs and $600,000 for wraparound services per year, plus $315,000 in other costs, including legal support and program evaluation.

While the FY2022 Budget did not assume savings from the program, it was asserted that providing supportive housing will ultimately reduce the State's overall spending, while improving outcomes for individuals in need. The State completed a pay-for-success feasibility study in 2017, funded by a grant from the federal Departments of Housing and Urban Development (HUD) and Justice (DOJ), which concluded that a successful intervention could reduce shelter days by 70.0 percent, criminal justice days by 40.0 percent, and Medicaid costs by 27.0 percent, for estimated savings of $10,000 to $20,000 per person.

According to the Annual Report, dated December 23, 2025, EOHHS contracted with RICEH to execute the program as lead implementation partner and Faulkner Consulting Group is the independent evaluator. In addition, four service providers have been engaged including Crossroads Rhode Island, East Bay Community Action Program, House of Hope Community Development Corporation, and OpenDoors Rhode Island. Due to a lag in implementation, in 2025 the program "almost completed its second full year of program operations"; consequently, 2026 is the third year of operations, not the fourth. As of December 12, 2025, 88 people were enrolled in the PFS program with 44 housed. EOHHS has transferred three-years' worth of payments to RICEH totaling $4.0 million and RICEH has made eight outcome payments to the lead investor. The five made in 2025 total $1.2 million. According to the annual report dated January 30, 2024, three previous payments were made between December 2023 and June 2024 totaling $392,395 and the lead investor's total funding commitment is $5.0 million.

Article 10 Changes: Section 3 of Article 10 extends the State's Pay for Success (PFS) program from five to six years, ending the pilot program in 2027, adds "person-centered" to describe the housing the pilot program provides, and allows EOHHS to collaborate with other qualified organizations, in addition to the RICEH, in providing annual reports to the General Assembly

Child Care Assistance Program (CCAP) Changes

Article 10 amends the Child Care Assistance Program (CCAP), increasing CCAP eligibility from 261.0 percent to 285.0 percent of the federal poverty level (FPL), aligning the State's policy with child support pass-through costs with federal policy, and increasing infant reimbursement rates for center-based providers by 5.0 percent. Rhode Island's CCAP program subsidizes the cost of childcare for families that are residents of Rhode Island. The General Assembly estimates that these changes will result in an additional 237 subsidies in FY2027 and a $61 increase to the costs per subsidy.

- **Child Care Eligibility to 285.0 Percent:** Beginning January 1, 2026, the article increases the income limit for eligible families from 261.0 percent to 285.0 percent of the federal poverty level (FPL). According to the U.S. Department of Health and Human Services, for a family of 3 in 2026, 261.0 percent of the FPL is $71,305 and 285.0 percent of the FPL is $77,862 annually, which is $9,709 more than the State Median Income ($68,253 for a family of 3). The article also establishes a new 'protective services category' which includes foster or kinship children served through DCYF.

  In 2025, the Department of Human Services (DHS) asserted that despite wage increases across the State, the cost of living and the cost of childcare has increased at a faster pace. According to the Department, a family with two individuals earning minimum wage cannot afford childcare but are still not eligible for CCAP. Additionally, RI families report that accessing and maintaining childcare continues to be a challenge to reentering the workforce.

- **Child Support Pass-Through Payments:** The article increases the child support passthrough to $100 for families with one child and $200 for families with more than one child, an increase from $50 per family.

  Federal Child Support Services Program (CSS): The Child Support Enforcement Program, now titled the Child Support Services Program, has been closely intertwined with cash assistance benefits since its inception in 1975, by essentially acting as a mechanism for public assistance cost recovery. Under the Child Support Services Program, which is established under Title IV-D of the Social Security Act, States are required to recoup funds distributed to families participating in the federal Temporary Assistance to Needy Families (TANF) program through the collection of child support payments from the non-custodial parent. In order to receive TANF, applicants must assign their right to child support to the government.

  According to the Congressional Research Service, the primary purpose of the program was to reduce public expenditures for recipients of cash assistance by obtaining ongoing support from noncustodial parents that could be used to reimburse the state and federal governments for part of that assistance – this purpose is referred to as public assistance cost recovery. The program also seeks to strengthen families by securing financial support for children from their noncustodial parents on a consistent basis.

  Deficit Reduction Act (DRA): The Department of Health and Human Services National Child Support Enforcement Strategic Plan for FY2005-2009 recognized that child support no longer served as a welfare reimbursement for federal and state governments, but evolved to a family first program, ensuring self-sufficiency by making child support a reliable source of income. This change in scope was echoed by Congress in 2005, when TANF was reauthorized through the Deficit Reduction Act. Specifically, Title VII Subtitle C amended the child support program, and introduced a number of pathways to incentivize work, increase family income, and reduce child poverty. The DRA changed pass-through and distribution policy to improve child support compliance, complement broader work and poverty reduction strategies, and increase benefits to the government by minimizing costs to the states.

  - **DRA Changes for Families Receiving Assistance:** Under the DRA, States maintained the same flexibility provided under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) related to retaining or eliminating the pass-through, enabling states to keep some of the support, all of it, or pass it all through. The DRA also amended the federal cost sharing arrangement, waiving the federal share ($100 for one child, $200 for two or more children), for states that begin, or have been providing pass-throughs and disregarding the income.

- **DRA Changes for Families Leaving Assistance:** The DRA eliminated the requirement that families assign their rights to pre-assistance supports to the Government. Now states may only claim support payments during the time in which a family is receiving cash assistance. Furthermore, the DRA provides an option to eliminate rules related to federal tax offset collections and implement the federal tax offset procedure for past due support payments. If a state chose to implement this policy, the federal government will waive its share of supports.

The changes in the DRA enable states to expand child support pass-through and distribution policies with three major options:

1. **Pass Through and Disregard Policy for Current TANF Families:** States may keep all support, pass it all through, or pass through a portion, while also setting a disregard policy that can either disregard the entire passthrough, a portion of it, or count it all against a TANF beneficiary.
2. **Full Family First Policy for Former TANF Families**: Distribute past-due child support to former TANF families first when money is collected through the federal income tax offset procedure.
3. **Full Distribution Policy, Regardless of TANF Status**: Under the DRA, states have the option to distribute all child support to families first- choosing to disregard either a portion, or the total amount of the child support payment.

Rhode Island: Child Support Policy: In Rhode Island, the child support program is managed by DHS's Office of Child Support Services (OCSS) and granted authority under title IV-D of the Social Security Act. Both federal and state law require a custodial parent participating in the Rhode Island Works (RIW) program to assign to the state any rights to support from any other person, these supports act as public assistance cost recovery to the state. Pursuant to RIGL 40-5.2-10, beneficiaries receive a $50 passthrough, which is disregarded as income. As the state allows the $50 passthrough, provisions outlined in the DRA forfeit any federal share of the public assistance cost recovery.

- **Child Care Rate Increase:** The article increases infant/toddler reimbursement rates for center-based childcare providers by 5.0 percent. The maximum reimbursement rates for infants, toddlers, preschool, and school-aged care for licensed childcare centers will continue to be paid on a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system. The following table illustrates the changes in reimbursement rates for infants/toddlers, preschool-aged, and school age children since FY2025.

Licensed Child Care Centers Infant Rates	Current Rate	Article 10	*Changes from Current Rate*	
Tier 1	$334.00	$351.00	*$17.00*	*5.1%*
Tier 2	341.00	358.00	*17.00*	*5.0%*
Tier 3	355.00	373.00	*18.00*	*5.1%*
Tier 4	364.00	382.00	*18.00*	*4.9%*
Tier 5	378.00	397.00	*19.00*	*5.0%*

During the May 2026 Caseload Estimating Conference (CEC), DHS asserted that there was an overall decline in CCAP Enrollment, however, their program is experiencing increases in the number of infants and toddlers served. Additionally, according to the RIght from the Start Campaign, increasing infant rates addresses the infant care shortage by accounting for increased staffing requirements and high costs associated with infant care.

SSI Benefits for Children in State Care

Section 10 of Article 10 amends Chapter 42-72 of RIGL to require the conservation of benefits for eligible youth under the temporary custody or guardianship of the Department of Children, Youth, and Families.

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Background: In December of 2025, the Administration for Children and Families (ACF) at the U.S. Department of Health and Human Services (HHS) issued a notice to 39 states calling for the end to the practice in which state child welfare agencies were utilizing federal benefits, such as supplemental social security income, for youth in care to offset agency expenses for foster care payments and other services.

DCYF reported 114 youths in care between the ages of 4 and 20 who were receiving federal benefits with the Department as the representative payee as of May of 2026. Of these, 45 were receiving supplemental security income (SSI) and 67 were receiving retirement, survivors, or disability insurance (RSDI), with 2 youths receiving both types of benefits. DCYF estimated that of the federal benefits received for these youth, approximately 91.75 percent of the funds were directed towards the cost of the youth's care.

Article 10 Changes: Article 10 includes language requiring the conservation of certain federal benefits for youth in state care. Specifically, the article does the following.

- **Definitions:** Defines the benefits to be conserved for youth in care as social security benefits, supplemental security income, veterans benefits, and railroad benefits. Also defines "youth's attorney" and "guardian ad litem" as the person appointed to be a youth's attorney or guardian in proceedings when DCYF is designated as a youth's guardian or custodian.
- **Application for Benefits:** Provides the following guidelines for eligibility assessment and application for federal benefits for youth in care:
    - **Assessment:** Requires DCYF to conduct an assessment upon receiving temporary custody or guardianship of a youth in care in order to determine if the youth is eligible for benefits as defined. Additionally requires that cases for youth in care are reviewed at regular intervals to determine if a youth has become eligible for benefits after the initial assessment is complete.
    - **Application:** Requires DCYF to ensure that relevant benefits applications are filed on behalf of a qualifying youth in care. Language is also included to ensure that DCYF make a reasonable effort to assist eligible youth in care over the age of eighteen (18) to apply for benefits themselves.
    - **Conservation:** Instructs DCYF to conserve eligible youth's benefits, including Social Security Disability Insurance (SSDI), inheritance, pensions, life insurance, and other benefits. If a youth is determined to be eligible for an ABLE account, DCYF is instructed to conserve benefits in such an account and to ensure that benefit conservation avoids federal asset or resource limits.
    - **Representative Payee:** Requires DCYF to identify a representative payee when applying for benefits for a youth in care, and to request a court order and consider input from the youth's attorney and guardian ad litem in the event that DCYF seeks to be appointed as the representative payee themselves.
    - **Communication:** Requires DCYF to notify youth over the age of sixteen (16), the youth's attorney and guardian ad litem, and the youth's parent or legal guardian or responsible adult of any application to become a representative payee; any communications from the Social Security Administration, U.S. Department of Veterans Affairs, or Railroad Retirement Board in relation to the acceptance or denial of benefits; or any appeal or other action requested by DCYF relating to an application for benefits.
- **Implementation:** Requires the following in cases where DCYF is determined to be the representative payee for a youth receiving benefits in state care:
    - **Fund Conservation:** Beginning January 1, 2027, requires that the entirety of a youth in care's benefits are conserved until DCYF is no longer the youth's representative payee or unless provided in a request for disbursement of funds.

  - **Fund Management:** Requires DCYF to seek advisement from the Office of the General Treasurer when making decisions to use or conserve the youth's benefits. Additionally, requires DCYF to monitor federal asset or resource limits for eligible benefits and ensure that the youth's best interests are served and no decisions are made which would impact the youth's eligibility to receive their benefits.
  - **Reporting:** Requires an annual account of how benefits have been used to the youth's attorney and guardian ad litem. This account must also be produced within ten (10) business days of a request from a youth or youth's attorney or guardian ad litem. A final account to the Social Security Administration, youth's attorney and guardian ad litem, and to the youth if over eighteen (18) or the person assuming guardianship of the youth if under eighteen (18) is required when DCYF's guardianship of the youth is terminated.
  - **Financial Literacy:** Requires that DCYF provides youth with financial literacy training and support, including information specific to these benefits, beginning by age fourteen (14). Also instructs DCYF to provide information on becoming a representative payee to parents, guardians, or youth.
- **Reporting:** Requires DCYF to provide a report to the General Assembly no later than January 1, 2029, and annually beginning January 1, 2030, for the previous year including the following data:
  - Number of youth entering care
  - Number of youth entering care receiving social security benefits, supplemental security income, veterans benefits, and/or railroad retirement benefits
  - Number of youth entering care where the DCYF has filed an application for each of the above listed benefits
  - Number of youth who were awarded each type of the above listed benefits

  The article also requires an annual report beginning January 1, 2029, including the number of conserved accounts established and maintained for youth in care, the average amount conserved by age group, and the total amount conserved by age group.

Article 11 – Relating to Affordability

Article 11 establishes and updates State energy laws to address affordability while supporting emissions reduction and clean energy efforts.

- **Green Buildings Advisory Council:** Amends RIGL 37-24-3 and RIGL 37-24-5 to transfer the administrative authority for the Green Buildings Advisory Council (GBAC) and the Green Buildings Act (GBA) from the Department of Administration (DOA) to the Department of Business Regulation (DBR).
- **Roadway Repair:** Amends RIGL 39-2-2 to revise the responsibilities of public utilities and public facilities that alter, disrupt, or excavate a roadway. The legislation shifts the paving requirement from curb-to-curb to just the full width of the affected lane. The amendment also directs the utility to follow generally accepted accounting principles that require paving costs associated with utility infrastructure projects to be capitalized instead of the current practice of expensing those costs.
- **ISO New England Membership:** The article requires all eligible electric distribution companies located in Rhode Island to join or be a member of Independent System Operator (ISO) New England.
- **Long-Term Contracting Requirements:** Repeals RIGL 39-26.1-4 eliminating a financial incentive to the electric distribution company for executing contracts for renewable energy. The incentive provides compensation to energy utilities to take on the financial obligation for long-term renewable energy contracts.
- **Net Metering:** Revises the State's virtual net metering (VNM) program for large scale solar projects. VNMs are offsite solar-power systems that provide energy into the electric grid. They are large solar farms with limits of 10 megawatts per site.
- **Renewable Energy Standards:** Modifies the Renewable Energy Standard (RES) in Rhode Island, maintain the requirement that electricity providers supply 100.0 percent of their retail electricity sales from renewable resources and zero-emission sources by 2033. The article expands the pool of eligible zero-emission energy sources to include nuclear and large-scale hydroelectric generation. Zero emission sources are not to exceed 20.0 percent by year 2033.
- **Legislative Report:** The article requires the Public Utility Commission (Commission) to commence a comprehensive review on or before January 1, 2027, on the State's progress in meeting the renewable energy standard, the progress of meeting the greenhouse gas reduction requirements and carbon reduction goals, and report on the estimated cost of complying to the renewable energy standard. The Commission is to report its findings to the Governor, President of the Senate, Speaker of the House and to the Chair of the Senate and House committees on finance, environment and agriculture, and commerce, on or before December 31, 2027.
- **Financial Incentives for Electric Distribution Companies:** Repeals RIGL 39-31-11 of the Affordable Clean Energy Security Act and terminates a public utility's authority to approve an incentive to a distribution utility for executing a regional purchased power agreement.
- **Weatherization Assistance Program:** Transfers the administration and management of the Weatherization Assistance Program (WAP) and 4.0 FTE positions, as well as a portion of the federal Low-Income Home Energy Assistance Program (LIHEAP) from the Department of Human Services (DHS) to the Office of Energy Resources (OER).
- **Energy Benchmarking:** Amends RIGL 42-140-13, the Rhode Island Energy Resources Act, to establish new implementation and reporting requirements for energy benchmarking and performance standards of state-owned buildings. Beginning March 31, 2029, and recurring annually afterwards, state departments shall report to the OER on energy use data for each state-owned building and facility listing

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the fuel used and total emissions. The article requires the OER to provide technical and financial assistance to municipalities implementing energy benchmarking of municipal-owned public buildings.

FISCAL IMPACT

Green Buildings Advisory Council

The DOA is required to commission a report to analyze costs and benefits of Leadership in Energy and Environmental Design (LEED) certification compared to equivalent standards and includes an appropriation of $50,000 in general revenue within DBR to fund the report.

Ratepayer Relief

Passage of Article 11 is projected to produce $68.4 million in ratepayer savings in CY2027, including $65.7 million from energy savings initiatives and $2.6 million from a reduction in utility companies' gross earnings tax.

The following table summarizes the proposed savings to ratepayers for each initiative, which projects state ratepayer savings of $539.5 million over the next 5-years.

Energy Affordability Initiatives

Energy Initiative	CY2027 Ratepayer Savings	CY2028 Ratepayer Savings	CY2029 Ratepayer Savings	CY2030 Ratepayer Savings	CY2031 Ratepayer Savings	Projected 5-year Savings
Renewable Energy Standard	$21.8	$31.3	$48.2	$44.0	$49.7	$195.0
Net Metering Program	25.3	30.4	47.3	65.4	82.2	250.6
Paving Expenses	16.0	11.0	11.0	11.0	11.0	60.0
Long Term Contracting Incentive	2.5	2.5	2.5	2.5	2.5	12.3
ISO New England Incentive	0.2	0.2	0.2	0.2	0.2	0.9
Total Initiatives	**$65.7**	**$75.3**	**$109.2**	**$123.0**	**$145.5**	**$518.8**
Gross Earnings Tax Savings	2.6	3.0	4.4	4.9	5.8	20.8
Total Ratepayer Savings	**$68.4**	**$78.4**	**$113.5**	**$127.9**	**$151.3**	**$539.5**

$ in millions

State Tax Revenue

The Budget includes several energy affordability initiatives in FY2027 resulting in a net $841,830 loss in public utilities gross earnings tax revenue from electricity charges.

ANALYSIS AND BACKGROUND:

Green Buildings Advisory Council

The administrative authority for the Green Buildings Advisory Council (GBAC) and the Green Buildings Act (GBA) is transferred from the Department of Administration (DOA) to the Department of Business Regulation (DBR). When the Green Buildings Advisory Council was established, the State Building Code Commission was within the DOA but has since transferred to the DBR. The DOA no longer possesses staff to facilitate the needs of the GBAC.

Roadway Repair

The Budget amends RIGL 39-2-2 to revise the responsibilities of public utilities and public facilities that alter, disrupt, or excavate a roadway. The legislation requires utilities and facilities to repave, repair, or restore the full width of the affected travel lane for the entire length of the excavation. Current law requires utilities and facilities to repair the roadway from curb-line to curb-line, which historically has been a more expensive option. The legislation also directs the public utility or facility to recover all costs in accordance with generally accepted accounting principles.

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ISO New England Membership

Section 3 requires all eligible electric distribution companies located in Rhode Island to join or be a member of the Independent System Operator (ISO) New England organization. According to the Budget Office, this change should result in the elimination of the 50-basis-point Return on Equity incentive associated with such companies' voluntary participation in the regional transmission organization (RTO). The Budget Office estimates this change could result in approximately $175,000 in annual ratepayer savings and $875,000 over 5 years.

Long-Term Contracting Requirements

Section 4 repeals RIGL 39-26.1-4 eliminating a financial incentive to the electric distribution company for executing contracts for renewable energy. The incentive provides compensation to energy utilities to take on the financial obligation for long-term renewable energy contracts. The incentive allows an electric distribution company to charge 2.75 percent above the actual annual payment made by the company for the long-term contracts made prior to January 1, 2022, and charge 1.0 percent above the actual cost for contracts made after January 1, 2022, through December 31, 2026. Preliminary third-party estimates prepared for OER and provided to the Budget Office suggest that the repeal of this general law could reduce annual ratepayer costs by approximately $2.5 million in CY2027 and by $12.3 million over five years.

Net Metering

Section 5 revises the State's virtual net metering (VNM) program for large scale solar projects. VNMs are offsite solar systems that provide energy into the electric grid. They are large solar farms with limits of 10 megawatts per site.

- **Tariff System Changes:** All operating and non-operating VNM projects will be given a choice to opt into a new alternate fixed-rate tariff system within 90 days after the Public Utilities Commission (PUC) approves a tariff (the term that the PUC uses for rates and terms for utility services), or 60 days after the execution of an interconnection agreement (the contract between a renewable energy generator and Rhode Island Energy); or remain on the current "C-06" retail rate tariff for their compensation term.
    - The option to go into the new alternate tariff system is a voluntary one-time irrevocable election.
    - The current C-06 tariff is a PUC approved rate schedule that is subject to future regulatory changes including the restructuring of rate components
    - The new fixed-rate tariff system schedule will be set by statute at $0.19 per kWh in 2027 (equivalent to the 2025 rate) and will increase by 2.75 percent annually over a 25-year term. This option will provide developers with the certainty of receiving a fixed rate fee for the full term that cannot be altered by future revisions through the PUC rules process.
- **VNM Cap:** The VNM cap that was set in 2023 is lowered from 275 megawatts to 175 megawatts to shift future projects to the Renewable Energy Growth Program. The State is running two separate compensation programs for large scale solar projects. Currently there are approximately 90 to 99 megawatts of production in the interconnection queue.
    - The average large scale solar development project size is 3 to 5 megawatts.
    - This change would leave approximately 82.8 megawatts available
- **Deadlines:** Extends the construction deadline to be within the VNM cap from July 1, 2030, to December 31, 2032.
- **Ratepayer Savings:** The third-party estimates provided by OER suggest the proposed amendment changes to the State's Net Metering Program could reduce ratepayer costs by approximately $25.3 million in calendar year 2027, and $250.6 million over five years.

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Renewable Energy Standards

Sections 6 and 7 modify the State's Renewable Energy Standard (RES) in Rhode Island, maintaining the requirement that electricity providers supply 100percent of their retail electricity sales from renewable resources and zero-emission sources by 2033. The article expands the pool of eligible zero-emission energy sources to include nuclear and large-scale hydroelectric generation. Zero emission sources are not to exceed 20.0 percent by year 2033.

- **Alternative Compliance Payments:** The article alters the alternative compliance payment (ACP). Adjusted for inflation, the ACP is currently in the $85-90 per megawatt hour range for renewable energy obligation and that is deposited in the Renewable Energy Fund. Article 11 provides tiered fee per megawatt hour of $40 for new renewable energy and zero emission sources and $11 per megawatt hour for existing renewable energy and zero emission sources. All ACPs will be deposited into the Renewable Energy Fund.
- **Ratepayer Savings:** The third-party estimates provided by OER suggest the proposed amendment changes to the State's RES could reduce ratepayer costs by approximately $21.8 million in calendar year 2027, and $195.0 million over five years.

Legislative Report

Section 8 requires the Public Utility Commission (Commission) to commence a comprehensive review on or before January 1, 2027, on the State's progress in meeting the renewable energy standard, the progress of meeting the greenhouse gas reduction requirements and carbon reduction goals, and the estimated cost of complying to the renewable energy standard. The Commission is to report its findings to the Governor, President of the Senate, Speaker of the House and to the Chair of the Senate and House committees on finance, environment and agriculture, and commerce, on or before December 31, 2027.

Financial Incentives for Electric Distribution Companies

Section 9 repeals RIGL 39-31-11 of the Affordable Clean Energy Security Act and terminates a public utility's authority to approve an incentive to a distribution utility for executing a regional purchased power agreement. This is a mechanism to reign in utility profits by eliminating the utility distribution company to collect the 1.0 percent incentive fee (a bonus) to enter into long-term renewable energy contracts. The utilities argue that such long-term contracts hurt their investors and could possibly hinder their ability when issuing bonds. The PUC has previously rejected this claim as such costs are always passed on to the ratepayer.

Weatherization Assistance Program

Article 11 transfers the administration and management of the Weatherization Assistance Program (WAP) and 4.0 FTE positions, as well as a portion of the federal Low-Income Home Energy Assistance Program, (LIHEAP) from the Department of Human Services to the Office of Energy Resources. The WAP program was originally under the OER when the Office was a program in the Department of Administration and was transferred to DHS in 2013.

OER manages and implements all the U.S. DOE energy grant programs except for WAP. This initiative shifts the U.S. DOE WAP program and 4.0 WAP FTE positions to OER. OER's goal and objective with the WAP (also proposed and supported by DHS) is to have a wholistic energy program structure for income eligible households with the federal Home Efficiency and Appliance Rebate Program, federal Home Efficiency Rebate Program, RGGI and Clean Heat RI (heat pump rebates) program that OER administers. There are only six states in the U.S that administer WAP in a state Department of Human Services type agency.

To implement the transfer, OER and DHS would enter an interagency memorandum of understanding (MOU) to transfer the LIHEAP funds specifically for the U.S. Department of Energy (DOE) WAP components. Approximately 12.0 percent of the LIHEAP grant is allocated to WAP. These funds are used for state administration (10.0 percent of the total), Community Action Agency personnel, health & safety measures, equipment, training & technical assistance, program supplies, and indirect costs.

This proposal reflects a transfer of $10.9 million in federal funds and 4.0 federally funded FTE positions to OER.

Programs	Federal Funds
Weatherization Assistance Program	$4.8
LIHEAP	4.6
DOE/DHS Weatherization	1.5
Total	**$10.9**

$ in millions

Energy Benchmarking

The Budget amends RIGL 42-140-13, the Rhode Island Energy Resources Act, to establish new implementation and reporting requirements for energy benchmarking and performance standards of state-owned buildings. Beginning March 31, 2029, and recurring annually afterwards, state departments shall report to the Office of Energy Resources (OER) on energy use data for each state-owned building and facility listing the fuel used and total emissions. The article requires the OER to provide technical and financial assistance to municipalities implementing energy benchmarking of municipal-owned public buildings.

Section 13 establishes the State Facilities Benchmarking and Performance Standards Program to measure and report energy usage for state-owned state-occupied facilities. It defines these as state-owned buildings primarily used as offices for state employees that have at least 25,000 square feet of space. The Office of Energy Resources and the Department of Administration are authorized to determine which state-owned state occupied facilities are not suitable for achieving greenhouse gas emission reductions because of operational or physical limitations. This section also establishes a Voluntary Energy Benchmarking Program for municipal properties and requires an annual report on its progress, submitted to the Governor and the General Assembly by May 1, 2028.

It also requires an annual report on the energy usage of state facilities, beginning March 31, 2029. The Office of Energy Resources would be responsible for compiling and publishing the report, which must include each facility's energy use by fuel and total emissions. It requires the Office, in consultation with agencies, to develop performance standards by March 31, 2030, which agencies must meet.

Article 12: Relating to Health

Article creates and modifies laws related to the accessibility, delivery, and transparency of health care.

Rural Health Transformation Program: The article amends numerous statutes related to the regulation and delivery of health services to align with the objectives of the federal Rural Health Transformation Program (RHTP), including improving access, healthcare worker skills, and advancing innovative healthcare service delivery. Rhode Island has been awarded $156.2 million in federal funds to implement these changes. This funding represents the first installment of a five-year award and includes $100.0 million in base funding available to all participating states, as well as an additional $56.2 million that is contingent upon Rhode Island's implementation of the policy initiatives established in Article 12. Specific state initiatives include:

- **Pharmacist Authority to Test, Treat, and Prescribe:** Providing pharmacists with the authority to prescribe drugs, devices, and laboratory tests that are critical to public health improvement and amending RIGL 5-19.1-2 to allow pharmacists to perform clinical laboratory tests beyond “limited function tests”.
- **Dental Hygienist Practice:** Expanding the range of preventative dental services that a dental hygienist may perform, allowing dental hygiene assessments, diagnostic treatment, and prescriptive authority without a Doctor of Medical Dentistry (DMD) present. The article also allows supervisory authority over dental assistants.
- **Licensure Compacts:** Extending Rhode Island’s participation in the multistate nurse licensure compact for two years, until January 1, 2029, and authorizing the state’s participation in a new physician assistant licensure compact.
- **Nutrition Education:** Requiring one hour of nutrition education for physicians biennially.
- **Dissemination of Criminal Records:** Prohibiting the dissemination of federal and state criminal records received by the Rhode Island Department of Health or Board of Medical Licensure and Discipline to the Interstate Medical Licensure Compact.
- **Certificate of Need (CON)**: Amending the state’s certificate of need (CON) process by removing various outpatient services and low-cost alternatives to traditional care from review; raising the capital expenditure threshold; eliminating the reapproval requirement for minor cost increases; adding exemptions for state projects; and limiting procedural delays by competitors’ post-approval. The article removes home nursing care providers, home care providers, hospice providers, and drug and alcohol abuse treatment centers from the definition of providers covered by the CON process. According to the state Budget Office, these changes align Rhode Island’s policy with other States, reduce regulatory burdens, foster new healthcare entrants, and expand access to underserved communities.

Psychiatric Resource Network (PRN): The article repeals language that requires the Department of Health’s (RIDOH) Psychiatric Resource Network (PRN) to be funded through the health insurance assessment and instead mandates the Department to direct all available funds to support the PediPRN and MomsPRN programs.

Birthing Centers: The article sets forth legislative findings that establish a review and information disclosure process to avoid the closure of a birthing center.

Rhode Island Birthing Center Access, Transparency, and Financial Accountability Act of 2026: The article amends the hospital conversion act, establishing the Rhode Island birthing center access, transparency, and financial accountability act of 2026, which prohibits the closure or significant reduction of services of a birthing center without a review process to determine whether the closure was unavoidable.

Pharmacy Benefit Managers: The article establishes the Pharmacy Benefit Manager Transparency Reporting and Study Act which requires pharmacy benefit managers (PBMs) to provide the Office of the Health Insurance Commissioner (OHIC) with a transparency report detailing financial business information related to practices amongst pharmacy benefit managers in RI. OHIC is charged with using this information to conduct its own study on PBM's and make recommendations related to industry regulations to the General Assembly.

Primary Care Assessment: The article sunsets the primary care assessment on October 1, 2026.

Health Spending and Transparency Program: The article establishes the Health Spending and Transparency Program within OHIC to address health care affordability, specifically codifying the cost growth target program. The program was originally launched in 2019 by Executive Order 19-03 and has successfully controlled Rhode Island's health care spending. However, OHIC has reviewed other State's cost target programs and found that successful cost growth target programs share common statutes.

Rhode Island Marketplace Affordability Program Act: The article establishes the Rhode Island Marketplace Affordability Program, which is a state-based subsidy program, appropriating $9.5 million in general revenue which will partially replace the expired federal advanced premium tax credits (APTC). The program prioritizes households with incomes below 200.0 percent of the federal poverty line in the first year of the program and is estimated to aid approximately 20,000 individuals.

Ladders to Licensure: The article loosens restrictions on the use of funds for the state's Ladders to Licensure program by decreasing the number of grant partnerships required from three to four to at least two and eliminating the need for the grantees to be private sector organizations.

FISCAL IMPACT

The article amends various statutes related to the delivery and oversight of health care and leverages those amendments to secure $132.4 million in federal funding through the Rural Health Block Grant. The state received a total of $156.2 million in funding; however, the remaining $10.8 million will be appropriated in FY2026, and $13.5 million in FY2028.

In addition, the Budget provides $1.6 million to Newport Hospital to help minimize the hospital's birthing center deficit. The article also mandates that the RIDOH support the PRN programs. To address a funding shortfall in PediPRN, the Budget includes $450,000 in general revenue for this purpose within RIDOH.

Because of restrictions in HR-1 on new provider taxes, the Budget sunsets the Primary Care Assessment enacted in the FY2026 Budget effective October 1, 2026. The May CEC included $9.2 million in state-only costs associated with the assessment after the budget submission deadline. Accordingly, the Budget removes these funds to reflect the discontinuation of the assessment. The assessment was estimated to generate $22.5 million in FY2027 to support primary care and other critical healthcare programs.

The article decreases state revenue by $22.5 million and increases costs by $126.3 million, including a reduction of $7.1 million in general revenue.

Article 12: Relating to Health Fiscal Impact

	Revenues	Expenditures			
	General Revenue	General Revenue	Federal Funds	Restricted Receipts	Total
Rural Health Transformation Program		-	$132.4	$1.0	$133.4
Birthing Centers		1.6	-	-	1.6
Primary Care Assessment	($22.5)	(9.2)	-	-	(9.2)
Psychiatric Resource Network's		0.5	-	-	0.5
Total	**($22.5)**	**($7.1)**	**$132.4**	**$1.0**	**$126.3**

ANALYSIS AND BACKGROUND

Rural Health Transformation Program

The article amends numerous statutes related to the regulation and delivery of health services to align with the objectives of the federal Rural Health Transformation Program (RHTP), including improving access, healthcare worker skills, and advancing innovative healthcare service delivery. Specific initiatives include:

Pharmacist Authority to Test, Treat, and Prescribe: Sections 1 and 2 of the article amend RIGL 5-19.1-36.1 to empower pharmacists to voluntarily and independently prescribe drugs, drug categories, or devices critical to the improvement of public health with the intent to increase healthcare access, better manage chronic diseases, and improve delivery of services. Section 1 allows pharmacists to test for infectious diseases and provide Food and Drug Administration (FDA) approved medication for treatment of the following ailments:

- Opioid use disorder
- Nicotine and tobacco addiction
- Hyperlipidemia
- COPD and Asthma
- Diabetes
- Other conditions approved by the Director of Health in conjunction with the Board of Pharmacists

The Article also allows Pharmacists to test for the following infectious diseases:

- Influenza
- COVID-19
- Group A Strep
- Other infections approved by the Director of Health in conjunction with the Board of Pharmacists.

Section 1 also provides pharmacists with the authority to charge fees in line with other practitioners for services or submit fees to insurance in accordance with all state and federal laws governing insurance coverage; however, the article does not require health insurers, including Medicaid, to reimburse pharmacists for the expanded drugs, devices, or lab test.

Dental Hygienist Practice: Section 3 of the article amends RIGL 5-31.1, increasing the scope of practice for dental hygienists and public health dental hygienists employed and supervised by a licensed dentist.

- **Practice of Dental Hygiene:** The article amends RIGL 5-31.1-1, codifying duties that any dental hygienist may perform, while also adding the ability to provide dental hygiene diagnoses and treatment plans. Currently, state regulations (216-RICR-40-05-2) stipulate the duties that a hygienist may perform, authorizing dentists to delegate duties to an educated hygienist, so long as it is performed under the general supervision of a dentist. However, the article removes language that prevents hygienists from performing diagnostic and treatment planning.

- **Public Health Dental Hygienists:** The article also amends RIGL 5-31.1-39, expanding public health hygienists' authority, now allowing them to supervise dental assistants in public health settings.

Licensure Compacts: Sections 4, 6, and 7 make several changes to Rhode Island's clinician licensure compacts, amending both the nurse licensure compact and the interstate medical licensure compact, and establishing the physician assistant licensure compact. These multistate compacts allow clinicians from participating states who are properly licensed in one state to practice in other compact states without obtaining additional licensure. These reciprocal compacts have been established to mitigate the effects of healthcare worker shortages.

- **Nurse Licensure Compact Renewal:** Section 4 of Article 12 extends the Nurse Licensure Compact (NLC) to January 1, 2029, extending the compact two more years. The NLC went into effect January 1, 2024, to address nationwide healthcare worker shortages. RIDOH stated in the FY2027 budget request that they have successfully implemented the nursing compact.
- **Physician Assistant Compact:** Section 6 of Article 12 establishes the Physician Assistant Licensure Compact (PALC), enabling physician assistants from participating states to practice in Rhode Island. In order to participate in the compact, the General Assembly must pass the most up to date model language imposed through the compact, which includes:
  - Requiring states to enact a new statute to withdraw from the compact.
  - Establishing a 180-day withdrawal period.
  - Establishing the United States District Court for the District of Colombia or the federal district where the commission has its principal office as the authority to pursue litigation.

Analyst Note: The compact appears to contain conflicting, contradictory, or vague language regarding scope of practice, oversight, and adverse actions. It allows both participating States and home States to maintain oversight, restricts participating states from seeking legal and disciplinary action for behavior that is lawful in the home state, and enforces participating state laws when establishing scope of practice. These complex supervisory structures may be cause for concern when considering impacts to areas with regulatory inconsistency, such as women's health and medical spas. Furthermore, under current law, Rhode Island Physician Assistants must practice under the supervision of a Physician. However, other states allow PAs to practice independently. The compact will require PAs who want to work in Rhode Island to obtain sponsorship from a RI licensed physician.

RIDOH has been slow to implement seven of the nine health compacts enacted by the General Assembly, stating that they require additional funding to support IT infrastructure and FTE positions to successfully implement the compacts. As of September 2025, social work, occupational therapy, counseling, audiology, and speech language pathology compacts were not yet operational. In FY2027, RIDOH requested $334,951 in general revenue to support implementation of seven other health compacts but were not awarded these funds in the budget. It is unclear whether simply enacting the compact language will meet CMS's criteria for RHTP funds.

- **Medical Licensure Compact:** Section 7 prohibits the dissemination of state and federal criminal history information received by RIDOH or the Board of Medical Licensure and Discipline to the Interstate Medical Licensure Compact (IMLC).

Analyst Note: To participate in the IMLC, physicians must not have any disciplinary or criminal history. In an April 2025 letter to the Senate Commission on Health and Human Services, Director Larkin stated that a primary delay in implementing the IMLC is meeting the requirements to perform national fingerprint/biometric criminal background checks on applicants, jeopardizing Rhode Island physicians abilities to enter the compact to obtain licensure in other compact states.

According to the state's Executive Office of Health and Human Services (EOHHS), to run the appropriate background check, an entity must have access to the Federal Bureau of Investiagation's (FBI) national database; however, the FBI will not approve a unit at the RI Attorney General's Office to run the background checks unless the state enacts a statute prohibiting the sharing of the information with the relevant compact commission. This is a national issue that *prompted the introduction of the federal SHARE Act (S1101) in March 2025 to create a limited exemption under federal law allowing states to share the fact of the completion of criminal history background check with compact commissions to receive; however, the Act has not passed.*

Nutrition Education: Section 5 of the article amends RIGL 5-37-2.1, relating to continuing medical education by requiring at least one hour of education credits related to nutrition every two years. The Centers for Medicare and Medicaid (CMS) incentivizes prevention-focused initiative based on nutrition, diet, and exercise. CMS asserts that rural populations are disproportionately impacted by chronic diseases like obesity, diabetes, and heart disease, with one of the drivers being food and diet. Rural communities can benefit from initiatives promoting prevention through physical activity and proper nutrition, which has been connected to reduced overall cost of care and improve health outcomes. Rhode Island is one of 31 states that have proposed enhanced nutrition education.

Certificate of Need (CON): Prior to the introduction, development, operation, and/or provision of new healthcare facilities, services, and/or techniques, RIDOH is required to formally evaluate whether they are needed within the state. This evaluation and authorization process is known as the "certificate of need" or CON process. Article 12 makes multiple amendments to the CON process, including:

- Increasing the application fee from $20,000 to $50,000,
- Establishing exemptions for projects with funding approved by either the General Assembly or voter referendum,
- Removing the requirement that RIDOH must provide written notification and rationale as to why an expeditious review was denied,
- Repealing the definition of "new healthcare equipment" and, instead, deferring to RIDOH's rules and regulations for procedures related to expeditious reviews,
- Increasing the timeline in which the Director shall issue their decision from five to ten days,
- Expanding notification requirements to healthcare facilities that provide institutional health services prior to public hearings.

- **Regulated Facilities and Activities:** Article 12 also makes amendments to facilities and activities subjected to CON process. The following table illustrates the changes to facilities regulated under the CON process.

Facilities Regulated Under Certificate Of Need Process

RIGL 23-15-2	Article 12 Change
Hospitals	No Change
Behavioral Health Hospitals	No Change
Nursing Facilities	No Change
Inpatient Rehabilitation Centers	No Change
Free-standing Emergency Care Facilities	No Change
Hospice Provider	No Change
Home Care Provider	Removed
Drug/alcohol Abuse Treatment Centers	Removed
Certain facilities providing surgical treatment to patients not requiring hospitalization (surgi-centers, multi-practice, physician ambulatory-surgery centers and multi-practice, podiatry ambulatory-surgery centers)	Removed
Inpatient Hospice Care	Removed
Home Nursing Care Provider	Removed

- **Regulated Activities:** The article limits CON regulated activities to:

  - Construction, development, or establishment of a new healthcare facility
  - Any capital expenditure exceeding $50.0 million
  - Any increase in bed capacity in a licensed hospital
  - Any new or expanded service in the following areas: cardiac catheterization, obstetrics, open heart surgery, organ transplant, and neonatal intensive care services.

- **Removed Activities:** The article repeals the following activities from review:
  - Acquisitions by or on behalf of health maintenance organizations
  - Bed reclassifications in nursing homes
  - Any health services that are not offered on a regular basis
  - Predevelopment activities.
- **Regulated Services:** The article now regulates any new or expansion of the following services:
  - Cardiac catheterization
  - Open heart surgery
  - Organ transplant
  - Particle accelerator-based radiation therapy
  - Neonatal intensive care services
- **Capital Threshold:** The article establishes a minimum capital threshold value of $50.0 million for CON review. Currently, RIGL 23-15-2 lists four different capital expenditure thresholds which are dependent on the project in which a healthcare facility invests. The amendment will simplify the statute by establishing one threshold of $50.0 million for every regulated activity.
- **Review and Approval Process:** The amendment restructures the review and approval process, changing the criteria the health services council previously used for recommendations. Under Article 12, the process would focus on criteria related, but not limited to, affordability, accessibility, innovation, and quality standards - all of which can be defined in regulations adopted by RIDOH. Amending the criteria aligns with policy initiatives outlined in the RHTP.

Psychiatric Resource Network (PRN)

The state's Psychiatric Resource Network consists of two statewide teleconsultation programs - MomsPRN and PediPRN - that support healthcare practitioners by providing same-day psychiatric consultations, clinical guidance, and mental health resource and referral services related to children and moms.

These programs have historically been funded through a combination of federal and state resources, but recent federal policy changes have put funding at risk. In 2025, the General Assembly established a new insurance assessment to support initiatives intended to improve and increase access to primary healthcare. One of these initiatives involves earmarking a portion of the primary care assessment revenue to provide a dedicate state match for the PRN teleconsultation programs. Federal policy on the amount states are permitted to assess insurers has since changed and effectively prohibits the new primary care assessment from being charged after October 1, 2026. Additionally, the federal grant RIDOH uses to support the PRN is set to expire at the same time. According to RIDOH it intends to apply for a renewal of the grant, but funding is uncertain, and awards won't be known until September 2026.

To address concerns around the long-term sustainability of the popular PRN programs, Article 12 makes certain changes to state policy. First, in response to the new federal cap on assessment amounts, the article repeals statutory language requiring the PRN to be funded through the new primary care assessment (Section 15 of the article eliminates the assessment in its entirety after October 1, 2026). Secondly, the article codifies the PRN telecommunication programs, thereby requiring them to exist in the absence of funds from the federal grant program that established them. The article also authorizes RIDOH to manage any and all funds appropriated for the PRN programs. The Budget includes $1.2 million in general revenue in FY2027 for the PRN, including an additional $450,000 for the PediPRN.

Birthing Centers

In 2026, Newport Hospital, owned by Brown University Health, approached the General Assembly with a request for $4.9 million in general revenue to assist in the continuing the operation of Aquidneck Island's only birthing center. The hospital cited significant operating deficits as the reason for the request. Following this request, the General Assembly conducted hearings to receive testimony from hospital leadership and other stakeholders regarding the hospital's financial condition and the continued availability of maternity services on Aquidneck Island.

According to reports, the Noreen Stonor Drexel Birthing Center at Newport Hospital recorded 479 births in 2024 (compared to 729 at South County Hospital, 450 at Kent County, and 8,229 at Women and Infants). The birthing center is oriented primarily towards lower-risk pregnancies, employs midwife practices, and supports are more home-like and intimate compared with the more clinical setting of a hospital. Newport's birthing center appears to be a blend of the two approaches.

In July of 2025, Brown University committed to keeping the birthing center open through September of 2026 (link) but that a task force would need to look at continued operations beyond that date. It was out of this task force's work that the $4.9 million request was derived.

In response to the potential closure of significant childbirth healthcare facilities in the state due to financial strain and the negative impact it could have on healthcare access, Article 12 undertakes several measures. First it sets forth legislative findings and establishes a review and information-disclosure process intended to ensure transparency and accountability in circumstances involving the potential closure of a birthing center. The section requires the disclosure of financial and operational information to facilitate review of any proposed closure and to assess the necessity of such action.

Section 12 of the article further advances these objectives by establishing the Rhode Island Birthing Center Access, Transparency, and Financial Accountability Act of 2026. The act prohibits the closure of, or a significant reduction in services provided by, a birthing center unless a meaningful review process has been completed and a determination has been made that the closure or reduction in services is unavoidable.

Lastly, the Budget appropriates $1.6 million to the birthing center in FY2027, providing one third of the required funding with the expectation that Brown University Health and philanthropic contributions provide the remaining $3.3 million in necessary funding. Pharmacy Benefit Managers

Section 12 of the article establishes the Pharmacy Benefit Manager Transparency Reporting and Study Act which requires Pharmacy Benefit Managers (PBMs) to provide OHIC with a transparency report detailing financial business information related to practices amongst PBMs in RI. OHIC will use this information to conduct its own study on PBMs and make recommendations related to industry regulations to the General Assembly.

According to OHIC, PBMs are often referred to as the 'middlemen' in the prescription drug supply chain, because they manage prescription drug plans, negotiate rebates and discounts, and process pharmacy claims. These roles allow PBMs to influence the markets, having a direct impact on the which drugs are utilized and the costs of them.

The article requires OHIC to publish the PBM transparency reports within 60 days of receipt. The article also requires OHIC to provide the Governor and General Assembly with an analysis of the reporting information on or before October 1, 2027. The report shall include a review of the role of PBMs in the structure and cost of health insurance; review of approaches to PBM regulation in other states; and, include any recommended actions to improve the oversight of PBMs doing business in Rhode Island. The article allows OHIC to partner with actuaries and subject matter experts to assist in the study and requires health insurance companies doing business in the state to assume the costs, which shall not exceed $175,000.

While Article 12 does not establish any laws regulating PBMs, it does require them to provide information related to:

- Rebates received from all pharmaceutical manufacturers
- Administrative fees received from all manufacturers
- Aggregate retained rebates that PBMs received from all pharmaceutical manufacturers that did not pass through to health carriers

- Retained rebate percentage
- The highest, lowest, and mean retained rebate percentage for all health care carriers and for each health carrier client
- Additional questions developed by OHIC regarding business practices, including, but not limited to, rebate pass through practices, spread pricing, pharmacy network development, and utilization management.

Rhode Island's three largest pharmacy benefit managers, - CVS Caremark, Express Scripts, and OptumRx - control 80.0 percent of Rhode Island's market, and control 56.6 percent of the national market.

Critics of PBMs argue their practices limit consumer choices and may drive up pharmaceutical costs for patients. Over the past several years, legislation has been introduced in Rhode Island to regulate PBMs, focusing on transparency, accountability, and ending spread pricing – a practice where PBMs keep the difference between what they charge insurers and what they pay pharmacies. As of 2025, the Office of the Attorney General had filed suits against the three largest Pharmacy Benefit Managers in the country, accusing them of unfair and deceptive conduct that has caused drug prices to increase. Furthermore, the Federal Trade Commission found that the 'big-three PBMs' have begun increasing the costs of lifesaving drugs, producing an additional $7.3 billion in revenue between 2017 and 2022.

Other states have begun to regulate PBM's more aggressively, resulting in cost savings for consumers. According to the National Academy for State Health Policy, 27 other states require PBMs to report rebate or other information to the state. However, states have also chosen to enact laws that limit patient-cost sharing, require licensure and regulation, prohibit discrimination against non-affiliated pharmacies, require reporting on rebates, establish maximum allowable costs, prohibit discrimination against 340B-covered entities, prohibit claw backs, and establish reimbursement requirements.

Analyst Note: On June 11, 2026, the General Assembly passed S-3059 Substitute B and S-3060 Substitute B. These bills establish new requirements for pharmacy benefit managers (PBMs), including enhanced transparency, accountability, and operational duties, and require PBMs to obtain a certificate of authority from OHIC. The legislation takes effect on January 1, 2027, and supersedes the Pharmacy Benefit Manager Transparency Reporting and Study Act.

Implementation of these measures is expected to require 2.0 additional full-time equivalent (FTE) positions and approximately $450,000 in general revenue funding. These costs are not reflected in the fiscal impact section of this report.

Primary Care Assessment:

Due to the restrictions in HR-1 on new provider taxes, the Budget sunsets the Primary Care Assessment on October 1, 2026.

Article 10 of the FY2026 Enacted Budget established an assessment on health insurers, generating approximately $30.0 million annually to support primary care and other critical health care programs. The assessments are based on per-member-per-month fee applied to all insured individuals, including those who are self-insured. The fee is estimated to be about $4.0 per person per month.

The assessment functions similarly to the child and adult immunization program assessment, which was established in 2015. The vaccine assessment ensures that vaccines are purchased through funds collected through health plans, and has ensured vaccine availability, lowered costs to both individuals and providers, and improved overall public health. The Healthcare Services assessment has been implemented to have similar effects to primary care availability.

Rhode Island has experienced significant difficulties related to access and costs of providing primary care services to both individuals and providers. Many practitioners are experiencing an overwhelming caseload, which leads to burning out, causing practitioners to leave primary care. In addition to a primary care shortage, Rhode Island is struggling to provide competitive reimbursement rates, which prevents primary care providers from coming to practice in the State. This assessment aims to increase reimbursement rates to primary care providers to incentivize them to continue or begin practicing in Rhode Island, subsequently increasing access of care by increasing the number of providers.

Health Spending and Transparency Program

Article 12 codifies the Health Spending and Transparency Program within OHIC which addresses health care affordability through the utilization of a cost growth target program. The program was originally launched in 2019 by Executive Order 19-03 and represents a voluntary commitment by healthcare stakeholders to take all steps to annually keep cost growth below the target while maintaining quality and accessibility. In addition to codifying the program, the article also includes new powers to the office, such as:

- Placing an insurer under performance improvement plan if they exceed the growth target for two of three performance years and imposing a fine on the insurer if they do not meet the requirements of the performance improvement plan.
- Convening public meeting where insurers who have exceeded the growth target or failed to meet the all-payer primary care investment target to participate, testifying on issues identified by OHIC and providing actions to reduce spending. The article allows representatives from organized labor, consumer groups, employers, community organizations, and other interested parties to provide testimony in said hearing.

Article 12 also formally establishes the affordability advisory committee, which is comprised of officials without direct financial interests in the healthcare system. The article requires the following.

- 2.0 independent health policy experts appointed by the Governor,
- 1.0 consumer representative and 1.0 organized labor representative appointed by President of the Senate
- 1.0 consumer representative and 1.0 organized labor representative appointed by the Speaker of the House
- The Secretary of Health and Human Services
- The Health Insurance Commissioner

Article 12 also requires a stakeholder advisory council comprised of representatives of hospitals, health insurers, providers, pharmaceutical manufacturers, independent healthy policy experts, consumers or consumer representatives, employers or employer representatives, and representatives or organized labor.

Cost growth target models, also referred to as benchmarking models, are cost containment strategies that limit how much health care spending can grow each year. The overall goal of cost-growth targets is to slow the growth of healthcare spending, making it more affordable. According to OHIC, cost-growth analysis offers transparency to clinicians, payers, policy makers, and the public on healthcare cost drivers, opportunities to engage stakeholders, introduces shared accountability, and the opportunity to leverage the strengths of various organizations to impact costs.

According to OHIC, the Health Spending Accountability and Transparency Program has three goals to curb health care spending growth:

- Understand and create transparency around healthcare costs and drivers of cost growth,
- Create shared accountability for health care costs and cost growth among insurers, providers, and government by measuring performance against a cost growth target tied to economic indicators,
- Lessen the negative impact of rising health care costs on Rhode Island residents, businesses, and government.

Rhode Island is one of eight states that has a cost growth-target program. As of 2021, only four other States have codified their cost-target programs. According to the OHIC, codifying the program will provide continuity and independence needed to support long-term efforts to make health insurance affordable. It will also ensure that the program is recognized as part of the State's health care affordability policy framework. Ultimately, codifying the program will strengthen its ability to deliver on the program goals as defined above.

From 2019 through 2022, Rhode Island's Cost Trends Steering Committee set a spending growth target of 3.2 percent per year. The Committee increased the target to 6.0 percent per year for 2023-2027 in anticipation of the lagged impact of the 2021/2022 inflation. In 2023, Rhode Island exceeded the target of 6.0 percent by 1.8 percentage points (7.8 percent) and had total healthcare expenditure cost of $9,892 per person. In Rhode Island, 2023 was the highest it has been since the state began tracking the expenditures.

Rhode Island Marketplace Affordability Program Act:

Section 17 of the article establishes the Rhode Island Marketplace Affordability Program, a state-based subsidy program created to partially replace the recently expired federal enhanced advanced premium tax credits (eAPTCs). The Budget appropriates $19.0 million in general revenue to partially replace the eAPTCs, prioritizing households with incomes below 200.0 percent of the federal poverty line in the first year of the program. The program protects individuals from the financial and health-related costs of uninsurance and underinsurance, protects the stability of the market, and protects the healthcare system from costs associated with rising rates of uninsurance and underinsurance.

Enhanced Advanced Premium Tax Credits (eAPTCs) expired on December 31, 2025, causing significantly higher health insurance premiums in 2026. In 2021, APTCs were temporarily enhanced as part of the American Rescue Plan Act, lowering the amount Rhode Island residents must spend towards their health insurance premiums when purchasing through HSRI. The eAPTCs also offered eligibility to households earning more than 400.0 percent of the federal poverty level. The Inflation Reduction Act, passed in 2022, extended the tax credits to 2025.

According to HSRI, Rhode Island's health exchange and marketplace, nearly all consumers will experience a premium increase, with the average increase being 101.0 percent more than the prior year premium cost. HSRI anticipates a reduction in user fee revenue due to enrollment losses as they expect people not to re-enroll in the upcoming periods, increasing the uninsured rates and adding additional stress to Rhode Island's healthcare infrastructure. The Budget does not include an updated penalty revenue estimate based on enrollment changes.

Analyst Note: The General Assembly included additional funding for RIMAP. However, HSRI asserts that they are unaware of how the program will be adjusted with the additional funding. There is a possibility that the Exchange will use only $9.5 million from the funds received in FY2027, resulting in the estimated aid of approximately 20,000 individuals, and will allow Rhode Island to retain $44.0 million in base tax credits that current customers remain eligible for. If the Exchange chooses to utilize more funding in FY 2027, the Fiscal Office assumes that more individuals will receive aid and Rhode Island will retain more in base tax credits.

Ladders to Licensure

Section 18 of the article loosens restrictions on the use of funds for the Ladders to Licensure (LTL) program by decreasing the number of grant partnerships required from three to four to at least two and eliminating the need for the grantees to be private sector organizations. According to budget documents, the current statutory language is too restrictive, and the amendment is intended to allow EOHHS to make the program more responsive to the state's changing workforce needs through targeted investments for healthcare providers, workers, and patients.

The FY2025 Budget as Enacted included $750,000 in general revenue to fund the first year of the LTL, a three-year, $5.0 million grant program, as part of the Rhode Island Health and Human Services Workforce Initiative. This program was requested by EOHHS to support partnerships between healthcare and education providers to address critical workforce shortages by increasing the supply and diversity of the health profession workforce.

Article 12 directs EOHHS to establish the LTL Grant Program, as a public-private partnership, to increase the number and diversity of health professionals by providing academic, financial, and wrap-around supports to enable working adults to become licensed health care professionals. The partnerships will consist of private sector health and human services employer organizations and education providers, with at least one focused on behavioral health and one on nursing. Employers will be required to contribute a 25.0 percent in-kind match and a 10.0 percent cash match.

The program, as described by EOHHS in the FY2025 Budget Request, is a three-year, $5.0 million program where EOHHS will collaborate with the Department of Labor and Training and the Office of the Postsecondary Commissioner in the development, implementation, and oversight of the program. EOHHS will provide quarterly reports to the Speaker of the House and the Senate President to document the progress of the program implementation.

It is expected that the average grant will be $1.0 million to $1.3 million over three years, including up to 10.0 percent administrative costs. Each partnership is expected to include three or more employer partners and two or more education partners, either community based or public higher education institutions, as well as trade associations and labor unions. Partnerships will be required to apply strategies to ensure participants can "earn while they learn". The objectives of the grant program are to:

- Increase the number of licensed health professionals.
- Increase racial, ethnic, cultural, and linguistic diversity of health professionals.
- Provide academic, financial, and wrap around supports to allow for the obtainment of health professional degrees and licensure while working full or part time.
- Leverage employer support for academic, financial, and wraparound support.
- Develop and implement career ladders with tiered training and corresponding salary increases.
- Develop programs that accept prior learning, credentials, work experience, and academic credits toward the requirements for higher education, health professional degrees.
- Establish policies and initiatives to counter systemic racism and other institutional barriers to participation and advancement of underrepresented populations.
- Establish policies and initiatives that provide flexible scheduling of work hours and/or academic programs to reduce barriers to participation.
- Identify state policy barriers to entry and advancement in the field.

Article 13 - Relating to Making Revised Appropriations in Support of FY2026

Article 13 outlines the appropriation amounts from all fund sources for the FY2026 Supplemental Budget. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. This article makes appropriations for general revenues, federal, restricted receipts, and other funds, and authorizes FTE levels for each agency and department. Article 13 also includes the following items:

- Sets the airport impact aid formula at $1.0 million.
- Authorizes 15,946.8 FTE positions, reflecting a net increase of 25.0 FTE positions, as compared to the authorized level set in the FY2026 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2027. In addition, the Office of the Postsecondary Commissioner shall provide $7.5 million be allocated to the Rhode Island Promise Scholarship program, and $5.0 million to support the Rhode Island Hope Scholarship Program, $455,000 to support the Onward We Learn, $100,000 to the Rhode Island School for Progressive Education, $151,410 to support the State's membership in the New England Board of Higher Education, and $75,000 to Best Buddies Rhode Island.
- Funds $1.9 million in general revenue for a special education pending settlement to provide compensatory special education services, related administrative costs, and attorney fees to support a settlement authorized by the Rhode Island Board of Education. The case was brought under the federal Individuals with Disabilities Education Act (IDEA) for a class of students with a disability who did not earn a regular high school diploma due to turning 21 but would have qualified for a free appropriate education until age 22.
- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at $1.4 million. It requires the Judiciary to provide $500,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires $90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021.
- Amends federal funds, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund pursuant to the American Rescue Plan Act of 2021.
- Requires the Department of Revenue to transfer $5.0 million from the Marijuana Trust Fund restricted receipt account to the State Controller by June 30, 2026.
- Requires the State Controller to transfer $24.0 million to the Supplemental State Budget Reserve Account by June 30, 2026.

APPROPRIATIONS

Article 13 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2026.

Expenditures by Source	FY2025 Actuals	FY2026 Enacted	FY2026 Final	*Change to Enacted*
Federal Funds	$5,045,160,589	$5,108,485,986	$5,454,568,625	*$346,082,639*
General Revenue	5,534,306,228	5,809,363,121	5,837,506,846	*28,143,725*
Operating Transfers from Other Funds	283,902,658	591,861,684	660,748,792	*68,887,108*
Other Funds	2,319,970,408	2,368,123,335	2,567,653,033	*199,529,698*
Restricted Receipts	365,586,324	458,544,467	550,382,002	*91,837,535*
Total	**$13,548,926,207**	**$14,336,378,593**	**$15,070,859,298**	***$734,480,705***

$ in millions. Totals may vary due to rounding.

Section 1 also provides language directing specific appropriations including:

- **Housing:** Allocates $100,000 in general revenue to support Sojourner House's housing and rapid rehousing activities.
- **Labor and Training – Direct Care Training:** Requires $600,000 in general revenue be used for enhanced training for direct care and support services staff to improve the resident quality of care for nursing facility residents.
- **Labor and Training – Hospitality Industry Training:** Requires$150,000 in restricted receipts be used to provide hospitality industry workforce training grants.
- **General Treasury – Medical Debt Relief Program:** Requires that all unexpended or unencumbered balances relating to the Medical Debt Relief Program as of June 30, 2026, be reappropriated to FY2027. The Supplemental Budget includes the reappropriation of $880,999 for the Medical Debt Relief Program that was established in the FY2025 Budget as Enacted and administered by the Office of the General Treasurer, for the purpose of contracting with a non-profit corporation to purchase, cancel, or otherwise forgive medical debt upon established requirements including that the individual be a citizen of the State and a federal adjusted gross income of 400.0 percent or less than the federal poverty line, or whose debt is more than 5.0 percent of the individuals adjusted gross income.
- **EOHHS:** Continues to provide $900,000 for Mobile Response and Stabilization Services, $150,000 for an Olmstead Plan Coordinator, and removes $500,000 for Thundermist's Family Residency Program.
- **EOHHS: H.R. 1 Preventive Health Care Provider Access Fund:** Provides that $1.0 million in general revenue is available for health care providers ineligible for federal Medicaid Reimbursement due to provision in H.R. 1 with any unspent funds automatically reappropriated to FY2027.
- **EOHHS – H.R. 1 CMMS Compliance:** Provides $960,784 in federal funds for statewide interagency initiatives to implement and support the community engagement requirements of the federal bill H.R. 1 to be administered in coordination with the Department of Human Services, and the Department of Labor and Training.
- **BHDDH – DD Consent Decree:** Provides that of both general revenue and federal funds within the Services for the Developmentally Disabled program, an amount to be certified by the Department will be allocated to direct support professional wage increases. The State has been under a Consent Decree with the United States Department of Justice since 2014, requiring the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to foster more supportive and less isolated employment opportunities and day services for individuals with intellectual and developmental disabilities. The State has agreed to an action plan to ensure that the requirements of the Consent Decree are fulfilled. In addition, $928,200 in general revenues and $371,800 in federal funds are specified to be expended on a Transformation Fund for integrated day activities and supportive employment.

- **BHDDH – Opioid Stewardship:** Provides an additional $36,850 in restricted receipts from the opioid stewardship to be distributed to the seven regional substance abuse prevention task forces. This results in a total appropriation of $486,850 in restricted receipts.
- **Health:** Eliminates language requiring the Office of Policy, Information, and Communication allocate a total of $200,000 to support the Professional Loan Repayment Program, specifically targeting primary care physicians and pediatricians.
- **RIDE – Learn365RI:** Requires that all unexpended or unencumbered balances from FY2026 relating to the Learn365RI program are automatically reappropriated to the following fiscal year.
- **RIDE Special Education Settlement:** Allocates $1.9 million in general revenue toward a special education settlement to provide compensatory special education services, administration and attorneys' fees pursuant to a legal settlement.
- **RIDE - Rhode Island Vision Education and Services Program and Auditory Oral Program:** Requires that $684,000 from the Department of Elementary and Secondary's administrative share of federal Individuals with Disabilities Education Act funds, be allocated to the Sherlock Center on Disabilities to support the Rhode Island Vision Services Program.
- **RIDE - Education Aid:** Provides that the criteria for the allocation of early childhood funds must prioritize prekindergarten seats and classrooms for four-year-olds with a family income at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low performing schools.
- **Corrections - Crossroads:** Directs $1.1 million of the Department's general revenue appropriation to Crossroads Rhode Island to support sex offender discharge planning.
- **Public Safety – GO Team Program:** Appropriates $558,089 of the Department's general revenue appropriation to the Family Service of Rhode Island GO Team Program, which provides on-scene support to children who are victims of violence and other traumas.
- **Public Safety - Body-worn Camera:** Includes $9.0 million of one-time general revenue to support the statewide body-worn camera program for law enforcement officers. On June 16, 2021, the State's political and law enforcement leadership announced support for a statewide program to put body-worn cameras on every frontline police officer and supervisor in Rhode Island. The statewide program is designed to equip approximately 1,700 of Rhode Island's uniformed patrol officers, across every municipal police department and the Rhode Island State Police, with body-worn cameras. All unexpended or unencumbered balances as of June 30, 2026, shall be reappropriated to FY2027.
- **Emergency Management – FIFA World Cup:** Provides $250,000 in general revenue for security expenses for the FIFA World Cup. It is expected that several of the teams playing at the Gillette Stadium in Foxboro, MA will reside and train in Rhode Island.
- **Transportation - Rhode Restore:** Requires $6.5 million of the Department's gas tax receipts be utilized to fund the Municipal Roads Grant program, which is now titled the Rhode Restore program. Rhode Restore provides matching funds to municipalities for maintenance and construction of their roads, sidewalks, and bridges.
- **Transportation - RIPTA RIde Anywhere:** Directs RIPTA to use gas tax receipts to support the state paratransit program including the expansion program RIde Anywhere, which ensures statewide paratransit services are maintained.

FUND TRANSFERS

Sections 6 and 7 require fund transfers of $29.0 million by June 30, 2026.

- **Supplemental State Budget Reserve:** The article requires the State Controller to transfer $24.0 million to the Supplemental State Budget Reserve Fund (Supplemental Rainy Day Fund) by June 30, 2026. This includes the $18.0 million used to establish the Hospital Financing Support Debt Service Reserve, thereby facilitating the continued operation of Roger Williams Medical Center and Our Lady of Fatima Hospital, and an additional $6.0 million for a total contribution of $24.0 million to restore total reserves to 6.0 percent of available general revenues in FY2026.
- **Department of Revenue – Marijuana Trust Fund:** The Budget requires a one-time transfer of $5.0 million to general revenue by June 30, 2026, from the marijuana trust fund, which has generated revenues exceeding what is required to administer the adult-use cannabis market. The budget documents indicate that this is treated as an intra-fund transfer from a restricted receipt account to general revenue within the general fund and therefore is to be recorded as a "fund balance adjustment" within the general fund and not recorded as additional general revenue.

INTERNAL SERVICE FUNDS

Article 13 authorizes 15 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2026 Enacted	FY2026 Final	*Change*
State Assessed Fringe Benefits	37,255,808	37,350,512	*94,704*
Administration Central Utilities	30,366,642	30,366,642	-
State Central Mail	9,020,425	9,019,590	*(835)*
State Telecommunications	3,426,061	3,429,234	*3,173*
State Automotive Fleet	21,610,397	21,625,212	*14,815*
Surplus Property	44,789	44,789	-
Health Insurance	272,933,573	342,904,994	*69,971,421*
Other Post-Employment Benefits	63,854,008	40,415,154	*(23,438,854)*
Capitol Police	1,659,403	1,848,372	*188,969*
Corrections Central Distribution Center	8,679,440	8,759,253	*79,813*
Correctional Industries	8,477,292	8,529,653	*52,361*
Secretary of State Records Center	1,231,684	1,155,447	*(76,237)*
Human Resources Internal Service Fund	18,711,878	18,478,334	*(233,544)*
DCAMM Facilities Internal Service Fund	40,492,965	40,533,451	*40,486*
Information Technology Internal Service Fund	70,587,805	70,690,359	*102,554*
Total	**$588,352,170**	**$635,150,996**	***$46,798,826***

FTE POSITIONS

Article 13 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. The Budget recommends an increase of 25.0 FTE positions as compared to the authorized level set in the FY2026 Budget as Enacted. The following table illustrates the FTE levels by government function:

FTE Positions by Function	FY2026 Enacted	FY2026 Final	*Change to Enacted*
General Government	2,595.3	2,596.3	*1.0*
Human Services	3,859.5	3,882.5	*23.0*
Education	4,348.8	4,348.8	-
Public Safety	3,347.4	3,348.4	*1.0*
Natural Resources	471.0	471.0	-
Transportation	755.0	755.0	-
Subtotal	**15,377.0**	**15,402.0**	***25.0***
Higher Ed. Sponsored Positions	*544.8*	*544.8*	-
Total FTE Positions	**15,921.8**	**15,946.8**	***25.0***

STATE FISCAL RECOVERY FUNDS

Section 5 clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021 for FY2026. The purpose of this language is to specify that these federal funds are not part of the generic federal fund line items and that a specific SFRF or CPF line item, by project, constitutes the authority to expend the SFRF or CPF. The Budget generally does not appropriate federal funds at an individual or specific level. This language ensures that state agencies are not expending the SFRF or CPF funds under the authority of a general federal fund line item. The section also specifies and describes the SFRF appropriations.

Article 14 - Relating to Effective Date

This article provides that the Act will take effect on July 1, 2026, except as otherwise provided herein.

Senate Fiscal Office

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Behavioral Healthcare, Developmental Disabilities, and Hospitals
Children, Youth, and Families
Child Advocate
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Administration
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Commission on Disabilities
Convention Center Authority
General Treasurer
Governor
Historic Preservation and Heritage Commission
Human Rights Commission
I-195 Redevelopment Commission
Lieutenant Governor
Military Staff
Public Utilities Commission
Quonset Development Corporation
RI Emergency Management Agency
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Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Executive Office of Health and Human Services
Health & Educational Building Corporation
Judiciary
Narragansett Bay Commission
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Business Regulation
Commission on Deaf and Hard of Hearing
Ethics Commission
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