SENATE FISCAL OFFICE
REPORT

GOVERNOR'S FY2023
AND
FY2022 SUPPLEMENTAL BUDGET

2022-H-7123 AND 2022-H-7122

ARTICLE SUMMARIES

FEBRUARY 7, 2022

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

Senate Committee on Finance

Ryan W. Pearson
Chairperson

Louis P. DiPalma
1st Vice Chairperson

Walter S. Felag, Jr.
2nd Vice Chairperson

Thomas J. Paolino
Secretary

Jonathon Acosta

Sandra Cano

Frank A. Ciccone, III

Melissa A. Murray

James A. Seveney

V. Susan Sosnowski

Samuel D. Zurier

Dominick J. Ruggerio
President of the Senate (ex officio)

Michael J. McCaffrey
Majority Leader (ex officio)

Dennis L. Algiere
Minority Leader (ex officio)

Maryellen Goodwin
Majority Whip (ex officio)

Jessica de la Cruz
Minority Whip (ex officio)

Jamie Plume
Committee Clerk

Michael Forte, Esq.
Legal Counsel

Table of Contents

FY2022 SUPPLEMENTAL BUDGET ARTICLES

2022 – H-7122: Relating to Making Revised Appropriations in Support of FY2022

Article 1 outlines the appropriation amounts from all fund sources for the FY2022 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. Other sections of the article outline the use of contingency funds; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds. This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Article 1 also includes the following items:

- Sets the airport impact aid formula at $1.0 million.
- Authorizes 15,320.5 FTE positions reflecting a net increase of 7.3 FTE positions as compared to the authorized level set in the FY2022 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the State Fiscal Recovery Funds (SFRF) and Capital Projects Fund, be reappropriated to FY2023 and made available for the same purposes.
- 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 FY2023. In addition, the Office of the Postsecondary Commissioner shall provide $6.0 million be allocated to the Rhode Island Promise Scholarship program, $9.6 be allocated to the Last Dollar scholarship program, and $147,000 to be used to support the State's membership in the New England Board of Higher Education.
- 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 Judiciary to provide $230,000 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.

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, 2022.

Expenditures by Source	FY2021 Final	FY2022 Enacted	FY2022 Governor	*Change to Enacted*
General Revenue	$4,078.6	$4,550.8	$4,998.9	*$448.1*
Federal Funds	6,603.3	5,862.7	6,051.1	*188.4*
Other Funds	2,067.5	2,334.6	2,264.6	*(70.0)*
Restricted Receipts	237.5	372.7	448.0	*75.3*
Total	**$12,986.9**	**$13,120.8**	**$13,762.6**	***$641.8***

$ in millions. Totals may vary due to rounding.

- **Administration - Information Technology Investment Fund:** The Budget requires that $50.0 million in general revenue be transferred to the Information Technology Investment Fund by the end of FY2022. The Budget also requires the expenditure of $50.0 million in restricted receipts from the Information Technology Investment Fund be used for the development and implementation of an electronic medical records system for the state hospitals and $17.0 million be available to replace the Department of Children, Youth, and Families' case management information system.

TOC

- **Administration - Aid to the Convention Center:** The Budget requires $8.4 million in SFRF to support the operations and to finance renovations to the facility that was used during the COVID-19 emergency.
- **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 resident quality of care for nursing facility residents.
- **RIDE - Rhode Island Vision Education and Services Program:** Requires that $684,000 from the Department of Elementary and Secondary'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 - 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.
- **Public Safety – Body-worn Camera:** Includes $15.0 million of one-time general revenue to support a new 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 over by December 2022. All unexpended or unencumbered balances as of June 30, 2022, shall be reappropriated to FY2023.
- **Corrections – Sex Offender Discharge**: The Budget includes allocates $1.0 million to Crossroads Rhode Island for sex offender discharge planning.
- **Environmental Management - Rhode Island Infrastructure Bank:** Requires $21.9 million in general revenue be allocated to the Rhode Island Infrastructure Bank for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund contingent upon the submission of documentation to the Office of Management and Budget showing the need for the funds to be used as the state match. In addition, $50,000 is allocated to the Conservation Districts.

INTERNAL SERVICE FUNDS

Article 1 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	FY2022 Enacted	FY2022 Governor	*Change*
State Assessed Fringe Benefits	$37,626,944	$37,477,173	*($149,771)*
Administration Central Utilities	27,345,573	27,356,504	*10,931*
State Central Mail	6,736,424	7,119,317	*382,893*
State Telecommunications	3,100,546	3,870,267	*769,721*
State Automotive Fleet	12,664,678	12,872,884	*208,206*
Surplus Property	3,000	3,000	-
Health Insurance	272,604,683	272,668,134	*63,451*
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,731,553	1,351,116	*(380,437)*
Corrections Central Distribution Center	7,410,210	7,504,771	*94,561*
Correctional Industries	8,590,417	8,473,301	*(117,116)*
Secretary of State Records Center	1,060,059	1,175,786	*115,727*
Human Resources Internal Service Fund	13,962,865	15,229,140	*1,266,275*
DCAMM Facilities Internal Service Fund	43,562,371	45,371,486	*1,809,115*
Information Technology Internal Service Fund	48,951,700	48,780,353	*(171,347)*
Total	**$549,209,506**	**$553,111,715**	***$3,902,209***

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. The Budget recommends a net increase of 7.3 FTE positions as compared to the authorized level set in the FY2022 Budget as Enacted. The following table illustrates the FTE levels by government function:

Expense by Function	FY2022 Enacted	FY2022 Governor	*Change to Enacted*
General Government	2,454.4	2,453.4	*(1.0)*
Human Services	3,682.6	3,682.3	*(0.3)*
Education	4,222.4	4,222.4	-
Public Safety	3,244.0	3,252.6	*8.6*
Natural Resources	431.0	431.0	-
Transportation	755.0	755.0	-
Subtotal	**14,789.4**	**14,796.7**	***7.3***
Higher Ed. Sponsored Positions	*523.8*	*523.8*	-
Total FTE Positions	**15,313.2**	**15,320.5**	***7.3***

FY2023 BUDGET ARTICLES

TOC

Article 1: Relating to Making Appropriations in Support of FY2023

Article 1 outlines the appropriation amounts from all fund sources for FY2023. 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. The article also:

- Sets the airport impact aid formula at $1.0 million.
- Authorizes 15,416.5 FTE positions reflecting a net increase of 103.3 FTE positions as compared to the authorized level set in the FY2022 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Prohibits the obligation or expenditure of indirect cost recoveries on federal stimulus funds in the Department of Health without the approval of the Director of the Office of Management and Budget.
- 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 FY2024. In addition, the Office of the Postsecondary Commissioner shall provide $7.7 million to the Rhode Island Promise Scholarship program, and $147,000 to be used to support the State's membership in the New England Board of Higher Education.
- 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 $1.3 million. It requires the Judiciary to provide $230,000 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 to be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and funding.
- 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. Article 1 authorizes amounts from the State Fiscal Recovery Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2024, June 30, 2025, June 30, 2026, and June 30, 2027.
- Requires that all unexpended or unencumbered balances relating to the SFRF and Capital Projects Fund, be reappropriated to FY2024 and made available for the same purposes.
- Establishes the Pandemic Recovery Office within the Department of Administration 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. The Pandemic Recovery Office will be responsible for submitting all reports required by the United States Department of the Treasury for the SFRF and Capital Projects Fund.
- 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

TOC

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, CommerceRI 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, 2023.

Expenditures by Source	FY2021 Final	FY2022 Enacted	FY2023 Governor	*Change to Enacted*
General Revenue	$4,078.6	$4,550.8	$4,731.3	*$180.5*
Federal Funds	6,603.3	5,862.7	5,311.0	*(551.7)*
Other Funds	2,067.5	2,334.6	2,350.5	*15.9*
Restricted Receipts	237.5	372.7	432.2	*59.5*
Total	**$12,986.9**	**$13,120.8**	**$12,825.0**	***($295.8)***

$ 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 FY2023.

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

- **Administration - Information Technology Investment Fund:** The Budget requires that $22.4 million in restricted receipts from the Information Technology Investment Fund be used for the development and implementation of an electronic medical records system for the state hospitals and $19.4 million be available for the replacement and modernization of the Legacy mainframe system in the Department of Labor and Training.

- **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 resident quality of care for nursing facility residents.

- **BHDDH – DD Consent Decree:** 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. With the Consent Decree scheduled to end in FY2024, the State has agreed to an action plan to ensure the requirements of the Consent Decree are fulfilled. Article 1 allocates $16.0 million in general revenue ($35.0 million all funds) to support direct support professional wage increases and $5.2 million in general revenue ($9.0 million all funds) for a Transformation and Technology Fund to remain in compliance with the action plan.

- **Graduate Medical Education:** The article allocates $2.0 million in general revenue for the Graduate Medical Education programs, of which $1.0 million for hospitals designated as a Level I Trauma Center and $1.0 million for hospitals providing Neonatal Intensive Care Unit (NICU) care.

- **RIDE - Rhode Island Vision Education and Services Program:** Requires that $684,000 from the Department of Elementary and Secondary'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 - 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. In addition, $48.3 million of the appropriated general revenues must be used to ensure that the total amount of funds received by and local education agency (LEA) pursuant to the education funding formula in FY2023 is not less than the amount received in FY2022.

- **RIDE - Central Falls:** Requires $1.3 million in general revenue to ensure that the total amount of funds received by and local education agency (LEA) pursuant to the education funding formula in FY2023 is not less than the amount received in FY2022.
- **Public Safety:** Provides for the reappropriation of unexpended FY2023 funds designated for the State Body-worn Camera Program to FY2024.
- **Corrections – Sex Offender Discharge**: The Budget includes allocates $1.0 million to Crossroads Rhode Island for sex offender discharge planning.

INTERNAL SERVICE FUNDS

Article 1 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	FY2022 Enacted	FY2023 Governor	*Change*
State Assessed Fringe Benefits	$37,626,944	$37,370,321	*($256,623)*
Administration Central Utilities	27,345,573	27,355,205	*9,632*
State Central Mail	6,736,424	7,303,550	*567,126*
State Telecommunications	3,100,546	3,513,931	*413,385*
State Automotive Fleet	12,664,678	12,869,107	*204,429*
Surplus Property	3,000	3,000	-
Health Insurance	272,604,683	272,697,174	*92,491*
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,731,553	1,380,836	*(350,717)*
Corrections Central Distribution Center	7,410,210	7,524,912	*114,702*
Correctional Industries	8,590,417	8,472,206	*(118,211)*
Secretary of State Records Center	1,060,059	1,143,730	*83,671*
Human Resources Internal Service Fund	13,962,865	15,991,654	*2,028,789*
DCAMM Facilities Internal Service Fund	43,562,371	47,011,910	*3,449,539*
Information Technology Internal Service Fund	48,951,700	50,789,409	*1,837,709*
Total	**$549,209,506**	**$557,285,428**	***$8,075,922***

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 103.3 FTE positions from the FY2022 Budget as Enacted. The following table lists the FTE amounts by budget function:

Expense by Function	FY2022 Enacted	FY2023 Governor	*Change to Enacted*
General Government	2,454.4	2,488.4	*34.0*
Human Services	3,682.6	3,710.3	*27.7*
Education	4,222.4	4,228.4	*6.0*
Public Safety	3,244.0	3,269.6	*25.6*
Natural Resources	431.0	441.0	*10.0*
Transportation	755.0	755.0	*0.0*
Subtotal	**14,789.4**	**14,892.7**	***103.3***
Higher Ed. Sponsored Positions	*523.8*	*523.8*	*0.0*
Total FTE Positions	**15,313.2**	**15,416.5**	***103.3***

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 FY2022 Budget as Enacted includes $8.7 million in general revenue for CSO grant awards across 12 state agencies. The FY2023 Budget recommends an appropriation of $10.5 million in general revenue in FY2023, an increase of $1.8 million from the previously enacted budget. The Budget recommends increasing the following grants; Elderly Nutrition $530,000, Rhode Island Community Food Bank by $275,000, Senior Center Support $200,000, Coalition Against Domestic Violence $100,000, Project Reach – Boys and Girls Club $100,000 Day One $50,000, and Institute for the Study and Practice of Nonviolence $50,000. The Budget includes two new CSO awards; Higher Ground International for $50,000 and Refugee Dream Center for $50,000.

Agency	Grant Recipient	FY2022 Enacted	FY2023 Governor	*Change*
Administration	City Year - Whole School Whole Child Program	$130,000	$130,000	*$0*
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	350,000	350,000	-
Executive Office of Commerce	International Trade And Export Programming	476,200	476,200	-
Executive Office of Commerce	Minority Entrepreneurship	140,000	140,000	-
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	-
Secretary of State	Rhode Island Historical Society	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	-
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	40,000	-
Human Services - Healthy Aging	Elderly Housing Security	85,000	85,000	-
Human Services - Healthy Aging	Meals on Wheels	530,000	530,000	-
Human Services - Healthy Aging	Senior Center Support	800,000	1,000,000	*200,000*
Human Services - Healthy Aging	Elderly Nutrition	50,000	580,000	*530,000*
Human Services	Coalition Against Domestic Violence	300,000	400,000	*100,000*
Human Services	Project Reach - Boys and Girls Club	250,000	350,000	*100,000*
Human Services	Day One	217,000	267,000	*50,000*
Human Services	RI Community Food Bank	175,000	450,000	*275,000*
Human Services	Crossroads Rhode Island	500,000	500,000	-
Human Services	Institute for the Study and Practice of Nonviolence	200,000	250,000	*50,000*
Human Services	Veterans' Organizations	200,000	200,000	-
Human Services	Community Action Fund	600,000	600,000	-
Human Services	Higher Ground International	-	50,000	*50,000*
Human Services	Refugee Dream Center	-	50,000	*50,000*
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	-
Office of Postsecondary Commissioner	Rhode Island College Crusade	355,000	355,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	-
University of Rhode Island	Small Business Development Center	350,000	700,000	*350,000*
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	-
Arts Council	WaterFire Providence	375,000	375,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	230,000	230,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	-
Environmental Management	Conservation Districts	50,000	50,000	-
Total		**$8,701,200**	**$10,456,200**	***$1,755,000***

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, 2024, June 30, 2025, June 30, 2026, and June 30, 2027. These amounts supersede appropriations provided for FY2023 within the FY2022 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 16, 17, and 18 of this article pertain to the authorization and appropriation of the State Fiscal Recovery Fund (SFRF) federal funds as well as establishing the Pandemic Recovery Office within the Department of Administration.

- Section 16 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. This section authorizes amounts from the State Fiscal Recovery Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2024, June 30, 2025, June 30, 2026, and June 30, 2027; and includes language outlining the various SFRF projects.
- Section 17 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.
- Section 18 establishes the Pandemic Recovery Office within the Department of Administration 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. The Pandemic Recovery Office will be responsible for submitting all reports required by the United States Department of the Treasury for the SFRF and Capital Projects Fund.

Article 2: Relating to State Funds

This article adjusts or establishes new restricted receipt accounts as follows:

- Authorizes the Budget Officer to establish the Hospital Conversion Monitoring restricted receipt account within the Department of Health to fund monitoring activities associated with hospital conversions.
- Requires the Public Utilities Commission to increase the annual remittance received from the telecommunications surcharge paid to the Commission on the Deaf and Hard of Hearing from $80,000 to $100,000 for the operation of the emergency and public communications access program.
- Exempts eleven restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions. The proposed exemptions would apply to the following accounts: Adult-Use Marijuana Program accounts within the departments of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), Human Services, Business Regulation, Health, Revenue, the Executive Office of Health and Human Services (EOHHS), and Public Safety; the Automatic Expungement accounts within the Office of the Attorney General and Judiciary; the Adult-Use Marijuana Program Licensing account, the Rhode Island Statewide Opioid Abatement account; the Home and Community Based Services Support account; and the Home and Community Based Services Admin Support account within the EOHHS.
- Establishes three new restricted receipt accounts within EOHHS: an account to receive and distribute funds from opioid settlements, and two accounts for the Home and Community Based Services to house enhanced funding provided by the American Rescue Plan Act of 2021. The new accounts would have a retroactive effective date of July 1, 2021.

FISCAL IMPACT

The article exempts $71.9 million in restricted receipt revenues in FY2022 and $7.9 million in FY2023 from the 10.0 percent indirect cost recovery charge provisions. Had these accounts not been exempt, the accounts would have transferred a total of $7.2 million in FY2022 and $798,593 in FY2023 to the general fund. In addition, the article increases the annual transfer from the Public Utilities Commission to the Commission on Deaf and Hard of Hearing by $20,000 for the emergency and public communications access program to reflect increased need for emergency communication services.

ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts.

Indirect Cost Recovery Exemptions

State law permits the assessment of a 10.0 percent indirect cost recovery charge on most state restricted receipt accounts in order to support the administrative overhead costs associated with the collection of funds and administration of the accounts. RIGL 35-4-27 enumerates those restricted receipts exempted from this assessment. The article exempts $71.9 million in restricted receipt revenues in FY2022 and $7.9 million in FY2023 from the 10.0 percent indirect cost recovery charge provisions. Had these accounts not been exempt, the accounts would have transferred a total of $7.2 million in FY2022 and $798,593 in FY2023 to the general fund.

Restricted Receipt	FY2022 Rev Est	FY2023 Rev Est	FY2022 10% ICR	FY2023 10% ICR
Adult Use Marijuana	$0	$7,265,933	$0	$726,593
Automatic Expungement	-	720,000	-	72,000
Statewide Opioid Abate	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN
HCBS Support- ARPA	71,912,094	-	7,191,209	-
Total	**$71,912,094**	**$7,985,933**	**$7,191,209**	**$798,593**

Source: State Budget Office

Section 2 of this article expands the list to include the following accounts:

- **Adult-Use Marijuana Program:** The article exempts all adult-use marijuana licensing and expungement accounts from recovery charges. After the accounts pay marijuana-related expenditures and municipality shares, the balance is transferred to general revenues.
- **RI Statewide Opioid Abatement:** The article establishes a new restricted receipt account to receive and expend funds from settlement agreements with opioid manufacturers, pharmaceutical distributers, pharmacies, or their affiliates, and any funds obtained from bankruptcy proceedings from the same entities. The funds will be used to combat the opioid epidemic in the State, and must be used within the limits of any settlement agreements or court orders. The article also requires an annual report submitted to the General Assembly, the Governor, and the Attorney General detailing how funds were spent.
- **Home and Community Based Services Support:** The article establishes two restricted receipt accounts to house enhanced funding provided by the American Rescue Plan Act (ARPA). ARPA provided the State with a 10.0 percent enhanced FMAP reimbursement on eligible home and community based services (HCBS). The funding received through the enhanced FMAP will be used to leverage additional federal dollars through additional reinvestments in HCBS to support services that would allow individuals to continue to live in their home or community settings. Funds deposited will be used to finance the state share of HCBS expenditures within the Executive Office of Health and Human Services; and the Departments of Children, Youth, and Families; Health; and, Behavioral Healthcare, Developmental Disabilities and Hospitals.

Public Utilities Commission

The article requires the Public Utilities Commission to increase the annual remittance received from the telecommunications surcharge paid to the Commission on the Deaf and Hard of Hearing from $80,000 to $100,000 for the operation of the emergency and public communications access program.

Rhode Island General Law 39-1-42 - Access to telephone information services for persons with disabilities: authorizes use the funds collected by telecommunication vendors to provide telecommunications services for those with special needs. The fee is calculated on either a percent of revenue or on a per line basis. Presently, the fee (surcharge) is $0.09 per landline, per month.

The fees are collected by the Public Utilities Commission from the telecommunications service providers from the amounts of the surcharge collected from their subscribers and are used to provide the Relay service by Sprint. In addition, $50,000 in funds from the fee are remitted to the Department of Human Services for the adaptive telephone equipment loan program and for the establishment of a new telephone access to the text of newspaper programs. Also, $80,000 is remitted to the Rhode Island Commission on the Deaf and Hard of Hearing (RICDHH) for an emergency and public communication access program, pursuant to RIGL 23-1.8-4. Funds not expended each fiscal year are maintained in the restricted receipt account and made available in the following fiscal year.

The following table illustrates the projected receipts, expenses, and carryforward of the collected fee for the FY2022 and FY2023 budget period.

Carryover/Receipts	**FY2022**	**FY2023**
Prior Year Carryover	$960,140	$960,140
New receipts	318,415	318,415
Subtotal	**$1,278,555**	**$1,278,555**
Less : Indirect Cost Recovery	-	-
Total Available	**$1,278,555**	**$1,278,555**

Expenses	**FY2022**	**FY2023**
CDHH Remittance*	($80,000)	($100,000)
DHS Remittance	(50,000)	(50,000)
Relay Service (Sprint)	(188,415)	(188,415)
Subtotal	**($318,415)**	**($338,415)**
Balance/Carryforward	**$960,140**	**$940,140**

**FY2023 assumes passsage of Article 2 language*

Source: DPUC FY2023 Budget Request

Article 3: Relating to Government Reform and Reorganization

This article makes several changes to the Rhode Island General Laws regarding permits and licenses, regulatory authority, and the organization of state government. Specifically, the article:

- Makes several changes to licensing and regulation for caterers, interpreters, constables, and mixed martial arts exhibitions.
- Authorizes municipalities to regulate establishments with three or more billiard tables.
- Transfers the Opioid Stewardship Fund from the Department of Health to the Executive Office of Health and Human Services (EOHHS).
- Allows the Governor to set the salary of a Director of the Department of Children, Youth, and Families for a hire in the calendar year 2022.
- Limits the permitted cash reserve of the paint recycling program to 50.0 percent of the prior-year expenses.
- Shifts determination of the reasonableness of a proposed uniform mattress stewardship fee from an independent auditor to the Rhode Island Resource Recovery Corporation.

FISCAL IMPACT

The article did not include any fiscal impact for the statutory changes, however, the authorization for the Governor to set the Director of the Department of Children, Youth, and Families in the 2022 calendar year could increase personnel expenditures within DCYF.

ANALYSIS AND BACKGROUND

Licensing Changes

The article amends licensing fees and requirements for various professions:

- **Class P Liquor Licenses:** The article eliminates the $1 fee for duplicate copies of caterer liquor licenses. According to the Department of Business Regulation (DBR), this fee has not been collected in years; therefore, eliminating it would have no fiscal impact.
- **Billiard Table Establishments:** The article clarifies the definition of billiard table establishments, ensuring that city and town regulation and taxation of billiard establishments is only applicable to establishments with three or more billiard tables.
- **Hide and Leather Inspectors:** The article eliminates licensing and compensation requirements for hide and leather inspectors in certain towns. According to DBR, this language is outdated and unnecessary, as the State has not licensed hide and leather inspectors in many years.
- **Certified Interpreters and Translators for the Deaf:** The article eliminates a requirement of Certified Interpreters and Translators for the Deaf to verify under oath that they meet the qualifications of the license. This is intended to ease the application process.
- **Mixed Martial Arts:** The article exempts mixed martial arts amateur exhibitions from licensing requirements and fees. Exhibitions must be conducted under the supervision and control of an educational institution, religious, or charitable organization. An exhibition qualifies as an amateur event if no prizes are awarded in excess of $25.

Constable Violations

The article establishes civil penalties for constables, who are independent enforcement officers for court matters. According to the Department of Business Regulation, the only way to currently handle licensing violations is to revoke the certification of the constable. Between 2016 and 2021, seven violations resulted in action taken by the Department, four of which were for the same individual. The proposed penalty amount varies but can be as high as $1,000. According to DBR, the fee would likely be tiered based on the number of violations the constable has committed. This new penalty would result in a small increase in general revenue, but the precise impact is unknown.

Opioid Stewardship Act

The FY2020 Budget as Enacted established an annual restricted, $5.0 million Opioid Stewardship Fund requiring all licensed manufacturers, distributors, and wholesalers to contribute towards the fund through a registration fee. The registration fee is intended to encourage the monitoring of prescription opioids produced and distributed in Rhode Island and to provide accountability for the role that pharmaceuticals have had in the opioid crisis. Licensed manufacturers, distributors, and wholesalers are required to report the details of all opioids sold or distributed in the State to calculate their liability. Registration payments are due annually on December 31. The first payment was due by December 31, 2019, based on 2018 data.

The Opioid Stewardship Fund is only to be used for opioid addiction treatment, recovery, prevention, education services, and other related programs. The article transfers the management of the Opioid Stewardship Fund and the assessment of the registration fee to the Executive Office of Health and Human Services (EOHHS) from the Department of Health. According to the Office of Management and Budget, as the health and human services umbrella agency, EOHHS can better lead and coordinate the Opioid Stewardship Fund efforts.

Rhode Island Paint Recycling Program

The article gives the Department of Environmental Management (DEM) more oversight over the paint recycling program, and limits the permitted cash reserve of the program to 50.0 percent of the prior year's expenses. A third-party organization that represents paint manufacturers is responsible for operating the paint recycling program, and can set recycling fees to fund operating expenses and a cash reserve. Apparently, in recent years, the organization has charged recycling fees in excess of what is necessary to fund the program and have a reasonable cash reserve.

In increasing DEM oversight, the article makes the size of the reserve fund and the administrative expenses associated with the program subject to DEM approval. In addition, the article authorizes the creation of a reserve fund, caps the size of the reserve fund, and requires the administrating organization to spend down reserves in excess of the cap at the time this article takes effect within two years. In subsequent years, the organization shall not propose a fee that will cause the reserves to exceed the cap.

The program was established in June 2014. Based on the FY2020 annual report, the program has 29 drop-off sites around the State, including retailers and transfer stations, which collected 69,069 gallons of paint. The program collected $991,912 in revenue from a fee on new paint sales. The fee is $0.35 on pint and quart containers, $0.75 on gallon containers, and $1.60 on five-gallon containers. The expenses, including paint transportation and processing, communication, staffing, and administration, were $695,607. The fiscal year ended with net assets of $1.1 million. The total program cost per gallon collected was $10.06.

Mattress Stewardship Plan

The article modifies the program for the responsible recycling, reuse, and disposal of mattresses that was established in 2013 to promote the development of a comprehensive strategy for the discard of mattresses. Language is added to provide that the Director of the Rhode Island Resource Recovery Corporation (RIRRC) will determine if the uniform fee proposed by the Mattress Recycling Council (Council) is reasonable based on the evaluation of an independent auditor, and that approval from the Director is required. Under current law, the Director's approval was not necessary if the auditor determined that the fee was reasonable. In addition, the article provides that all of the documents related to the auditor's assessment shall be filed with the RIRRC and

TOC

considered public documents pursuant to RIGL 38-2, Access to Public Records. Under current law, the Council must propose a uniform fee at least every two years; however, a more frequent change can be implemented if the Council determines it is necessary to avoid funding shortfalls or excesses. The proposed fee is reviewed by an independent auditor to ensure the revenue from the fee does not exceed the costs of the mattress stewardship program.

The Mattress Recycling Council (MRC) is nonprofit organization comprised of mattress producers. In addition to the Bye Bye Mattress program in Rhode Island, the Council administers statewide mattress recycling programs in California and Connecticut. The current mattress stewardship fee that is added to the price of each mattress sold in Rhode Island is $16.00, compared to $11.75 in Connecticut, and $10.50 in California. The fee is used to provide consumer education and outreach, collection, and processing of recyclable mattresses. A mattress that is not considered to be recyclable does not qualify for the program and would not qualify for free disposal. According the MRC's 2021 Annual Report, 104,607 mattresses were collected and 1,221 tons of material was diverted from the landfill. Access to the program was provided in 37 of 39 municipalities, and extended service to 203 entities including retailers, lodging establishments, healthcare facilities, educational facilities, and bulky waste haulers.

Department of Children, Youth, and Families (DCYF) Director

Article 3 allows the Governor, for hire(s) occurring in 2022 only, to increase the annual salary for the Director of the Department of Children, Youth, and Families (DCYF). The FY2022 Budget as Enacted included a provision under RIGL 42-6-3 to permanently allow the Governor to enter into an employment contract for the position for up to three years, regardless of the number of years left in the Governor's term.

The Article 3 change is intended to help the State attract a new DCYF Director. The State has consistently struggled to recruit and retain talent to lead the Department, with child welfare advocates citing compensation as a contributing factor. The position has been vacant since July 2019. The annual salary was recently increased from $127,500 to $135,000, but remains among the lowest-paid cabinet positions in the State. Annual compensation for comparable positions in Massachusetts and Connecticut are set at $150,000 and $172,000, respectively.

Article 4: Relating to Debt Management Act Joint Resolutions

Pursuant to RIGL 35-18, the Public Corporation Debt Management Act, any financing leases or other guarantees entered into by an elected or appointed State official must have prior approval of the General Assembly. This article authorizes the issuance of $28.5 million in revenue bonds for two projects at the University of Rhode Island (URI).

FISCAL IMPACT

This article authorizes the issuance of $28.5 million in revenue bonds for two projects at the University of Rhode Island (URI), including the Facility Services Sector Upgrade and the Utility Infrastructure Upgrade Phase II.

Proposed Debt Authorizations

Revenue Bonds	Department	Principal	Interest	Total Debt	Annual Debt Service	Term of Loan (years)
URI - Facilities Service Sector Upgrade	URI	$13.0	$10.0	$23.0	$1.2	20.0
URI - Utility Infrastructure Upgrade Phase II	URI	15.5	11.5	27.0	1.4	20.0
Total		**$28.5**	**$21.5**	**$50.0**		

$ in millions. Totals may vary due to rounding.

ANALYSIS AND BACKGROUND

University of Rhode Island – Facilities Service Sector Upgrade

The article approves financing up to $13.0 million to enhance and reorganize the facilities within the service sector. The project involves the design and construction of facilities within the service sector for more efficient and effective operations. The service sector includes facility operations, capital projects, central receiving, postal services, lands and grounds, a vehicle service station, materials storage, and other offices under the Facilities Group.

The debt service payments will be funded from University revenues, which does include tuition and fees but not auxiliary funds. Total debt service on the bond is not expected to exceed $1.2 million annually and $23.0 million in the aggregate, assuming an average interest rate of 6.0 percent over 20 years.

University of Rhode Island – Utility Infrastructure Upgrade Phase II

The article approves financing up to $15.5 million for phase II of the utility infrastructure upgrade project. The project involves the replacement of components and reconfiguration for each of the systems to ensure necessary steam, water, sanitary, and electrical support for the University's campuses.

The debt service payments will be funded from University revenues, which does include tuition and fees but not auxiliary funds. Total debt service on the bond is not expected to exceed $1.4 million annually and $27.0 million in the aggregate, assuming an average interest rate of 6.0 percent over 20 years.

Article 5: Relating to Capital Development Program

This article submits a total of $350.0 million in ballot referenda to Rhode Island voters for their approval. Proposed as three questions on the November 2022 ballot, the following projects are included.

Article 5: Relating to Capital Development Program

November 2022 Bond Referenda		**Amount**
Higher Education Facilities Bond		$62.0
University of Rhode Island Narragansett Bay Campus	*$50.0*	
Community College of Rhode Island Renovation and Modernization	*12.0*	
Rhode Island School Buildings		*$250.0*
Green Economy Bonds		$38.0
Municipal Resiliency	*16.0*	
Small Business Energy Loan Program	*5.0*	
Narragansett Bay and Watershed Restoration	*3.0*	
Forest Restoration	*3.0*	
Brownfields Remediation and Economic Development	*4.0*	
State Land Acquisition Program	*3.0*	
Local Land Acquisition Matching Grant Program	*2.0*	
Local Recreation Development Matching Grant Program	*2.0*	
Total		**$350.0**

$ in millions.

FISCAL IMPACT

The article permits $350.0 million in bond referenda to be placed on the November 2022 ballot including, $62.0 million in bonds for higher education, $250.0 million in bonds for Rhode Island School Buildings, and $38.0 million for Green Economy Bonds. Assuming full issuance in bond year 1 and 6.0 percent interest, annual debt service payments are estimated at $21.6 million. Total debt service over the life of 20-year bonds would be $508.5 million, including $162.9 million in interest payments.

The article requires that any premiums and accrued interest, net the cost of issuance and the underwriter's discount, received from the sale of the capital development bonds or notes must be deposited into the Rhode Island Capital Plan fund, unless otherwise required by federal law or regulation.

ANALYSIS AND BACKGROUND

Higher Education Facilities Bond

The Budget includes a $62.0 million general obligation bond authorization be placed on the November 2022 ballot for higher education facilities. Assuming full issuance in bond year 1 and 6.0 percent interest, annual debt service payments are estimated at $5.4 million. Total debt service over a 20-year term would be $108.1 million, including $46.1 million in interest. The bond proceeds would be allocated as follows:

- **University of Rhode Island (URI) Narragansett Bay Campus ($50.0 million):** The Budget includes a $50.0 million bond referendum for repairs and construction on the Bay Campus in support of education and research for the marine disciplines. This project is Phase II of an ongoing project to update a campus that, for the most part, has not been updated since the 1980's. Phase I was funded primarily from a $45.0 million general obligation bond approved by voters in 2018. For Phase II, URI requested total funding for $157.5 million, including a general obligation bond of $150.0 million and $7.0 million in private funding to transition from the design work in Phase I to the construction of several key buildings, including the Ocean Frontiers Building, to replace the Horn building, the Ocean Robotics Laboratory, and the Ocean Engineering Education and Research Center.

Assuming full issuance in bond year 1 and 6.0 percent interest, annual debt service payments are estimated at $4.4 million. Total debt service over a 20-year term would be $87.2 million, including $37.2 million in interest payments.

Analyst Note: According to URI, the proposed $50.0 million bond will not be enough to support any single subproject of the renewal plan. Alternatively, the lowest amount that would add value to the Bay Campus is $70.0 million to support undergraduate education and research space for Ocean Engineering and research support for the Graduate School of Oceanography, which are part of the workforce development infrastructure to drive the blue economy in Rhode Island.

URI indicates that the best value for the Narragansett Bay Campus would be a bond for $90.0 million to replace the Horn Building, used by the Graduate School of Oceanography. It was the conditions of this building that originally spurred the need for the Master Plan.

- **Community College of Rhode Island Renovation and Modernization ($12.0 million):** The Budget provides a $12.0 million bond referendum for renovations and modernization at the Community College of Rhode Island (CCRI) campuses. The funds will be used across the four campuses to conduct repairs, improve safety and energy efficiency, and replace outdated technology and equipment used for teaching and learning. CCRI has requested $52.0 million in bond funding as part of a multi-year capital improvement plan. Through a master planning process, CCRI has identified the highest priorities for physical plant improvements at each of the four campuses in Lincoln, Newport, Providence, and Warwick. The bond proceeds will allow the acceleration of ongoing upgrades to classrooms, expanding wireless capacity, and improving energy efficiency.

  Assuming full issuance in bond year 1 and 6.0 percent interest, annual debt service payments are estimated at $1.0 million. Total debt service over a 20-year term would be $20.9 million, including $8.9 million in interest payments.

Rhode Island School Buildings

The Budget includes a $250.0 million general obligation bond authorization be placed on the November 2022 ballot to provide funds for the construction, renovation, and rehabilitation of the State's public elementary and secondary schools. Of the total, $200.0 million will provide direct funding for school construction and renovation projects. The remaining $50.0 million will fund the School Building Authority (SBA) Fund to address high-priority projects including upgrades to lighting, heating, and ventilation systems to create facility equity among Rhode Island students.

Analyst Note: The article does not contain the limitation found in the FY2019 bond restricting the annual issuance to not more than $100.0 million in bonds.

Assuming full issuance in bond year 1 and 6.0 percent interest, annual debt service payments are estimated at $21.8 million. Total debt service over a 20-year term would be $435.9 million, including $185.9 million in interest payments.

Green Economy Bonds

The Budget includes a $38.0 million general obligation bond authorization be placed on the November 2022 ballot for environmental and recreational purposes. Assuming full issuance in bond year 1 and 6.0 percent interest, annual debt service payments are estimated at $3.3 million. Total debt service over a 20-year term would be $66.3 million, including $28.3 million in interest payments. The bond proceeds would be allocated as follows:

TOC

- **Municipal Resiliency ($16.0 million):** Provides funding for matching grants for up to 75.0 percent of project costs to municipalities to restore and/or improve the resiliency of infrastructure and vulnerable coastal habitats, and to restore river and stream floodplains.
- **Small Business Energy Loan Program ($5.0 million):** Provides funding for grants for small businesses to remove impediments to the implementation of clean energy projects and for zero interest and below market-rate loans for clean energy projects.
- **Narragansett Bay and Watershed Restoration ($3.0 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. Bond authorizations approved in November 2004 ($8.5 million) and 2012 ($4.0 million) are projected to be exhausted in FY2023. If approved by voters in November, this bond will continue the program through FY2025.
- **Forest Restoration ($3.0 million):** Provides resources to support forest and wildlife habitat and infrastructure on state management areas. DEM manages over 60,000 acres of land, 25 state management areas, 400 miles of hiking and biking trails, 200 fishing spots, and over 200 public boat ramps. Proposed enhancements include improving trails and other infrastructure, removing dead trees, and improving habitat benefiting non-game wildlife species.
- **Brownfields Remediation ($4.0 million):** 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. These funds would provide matching grants for up to 80.0 percent of project costs to public, private, and/or nonprofit entities for the cleanup, reinvestment, and re-use of these sites to create and attract jobs, protect the urban environment, remove hazards, and reduce the cost of storm water flooding. 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.

  In November 2014, voters approved $5.0 million in general obligation bond proceeds for brownfield remediation. Another $5.0 million was approved by voters in 2016 and an additional $4.0 million was approved in November 2018. Of the total available, $9.0 million has been expended and the remaining $5.0 million is obligated.
- **State Land Acquisition Program ($3.0 million):** Provides resources for the State to acquire fee simple interest or conservation easements to open space, farmland, watershed, and recreation lands. Since 1985, the State has acquired or protected more than 20,250 acres of open space through the purchase of land, development rights and conservation easements statewide. The State has adopted a goal to protect 3,000 acres annually through the land acquisition program. On average, DEM is able to leverage 75.0 percent of funding from federal and/or local sources. Voters approved $10.0 million in general obligation bonds for this project in November 2004, $2.5 million in November 2012, and $4.0 million in November 2016 to continue this program. This is an ongoing project. It generally takes five to 10 years to complete a project due to the complex nature of land acquisition. The Department of Environmental Management (DEM) has established criteria for specific property categories, such as contiguous to existing state property and undeveloped; however, the process to suitable land cannot be

initiated until the property is offered for sale. More than 90.0 percent of the bond proceeds has been expended or obligated toward specific properties.

- **Local Land Acquisition Matching Grant Program ($2.0 million):** Provides funding to municipalities, local land trusts, and non-profit organizations to acquire titles, development rights, or conservation easements of open space in Rhode Island. The DEM grants provide up to 50.0 percent of the purchase price and associated costs to preserve local open space that has natural, ecological, agricultural, or scenic value. Funds for this program were authorized through voter-approved, general obligation bond referenda including $10.0 million in 2004, $2.5 million in 2012, $4.0 million in 2016, and an additional $2.0 million in 2018. DEM has established criteria for using these proceeds and contracts with organizations once the suitable land has been identified. While the 2018 funding has not been contractually obligated at this time, all the funding has been promised for specific purposes.
- **Local Recreation Projects ($2.0 million):** Provides funding for matching grants of up to 50.0 percent to municipalities to acquire and 80.0 percent of the costs to develop 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. Funds for this program were authorized through general obligation grants including $5.5 million in 2012, $4.0 million in 2014, $5.0 million in 2016 and 2018, and an additional $4.0 million in 2020. Since the inception of the program in 1988, DEM has awarded 541 grants totaling $85.0 million worth of investments in all of Rhode Island's 39 cities and towns. An estimated 99.0 percent of funding is either expended or obligated via successful grant applications or executed contracts. Minimal unobligated funding remains from project cancellations and projects coming in under budget. Unobligated funding will be added to the value of the subsequent grant round when applicable.

Article 6: Relating to Taxation

Article 6 phases-out the inclusion of military service pension income for purposes of State personal income taxation. Specifically, it allows for a modification to the federal adjusted gross income (used as a basis when determining income for RI State income tax purposes) by a phased percentage over a five-year period.

FISCAL IMPACT

The general revenue impact of Article 6 on personal income tax collections is summarized below.

Article 6 Revenue Impact

FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	Total
-	($0.7)	($2.1)	($3.4)	($4.7)	($5.8)	**($16.8)**

$ in millions

ANALYSIS AND BACKGROUND

Background

A taxpayer's personal income tax liability in Rhode Island is based on federal Adjusted Gross Income (AGI) and is subject to three taxable income brackets with a top rate of 5.99 percent. Federal AGI includes military service pensions and are currently subject to Rhode Island personal income tax (with a small offsetting exemption described below)

For Tax Year 2022

Income Between…	Is Taxed at…
$0 and $68,200	3.75%
$68,200 and $155,050	4.75%
$155,050 and above	5.99%

- **Current Modifications:** Although there are numerous modifications (credits, exemptions, exclusions, abatements, and other modifications) that may impact personal income liability, they are available only to certain taxpayers, Rhode Island does offer more general deductions that reduce a taxpayer's federal AGI prior to determining the liability.
  - **Standard Deduction:** Rhode Island provides for a basis standard deduction from modified AGI as shown in the table.

Standard Deduction

Filing Status	TY2022
Single	$9,300
Married Filing Jointly	18,600
Head of Household	13,950
Married Filing Separately	9,300

  - **Personal and Dependency:** Rhode Island provides for a deduction for each tax filer and dependent that is adjusted annually for inflation. For TY2022, the exemption amount is $4,350 and begins to phase out at the taxable adjusted gross income level of $217,050.
  - **Social Security, Pension, and Annuity Income:** The State also provides a $15,000 exemption for Social Security income and other retirement income derived from the pensions and annuities of individuals who have reached full social security retirement age. The exemption is limited to those with AGI amounts shown in the table (TY2021). The exemptions are indexed to adjust annually based on changes to the Consumer Price Index for All Urban Consumers (CPI-U).

Social Security and Other Retirement Income AGI

Filing Status	SS TY2021	Other Retirement TY2021
Single	$88,950	$87,200
Married Filing Jointly	111,200	109,050
Head of Household	88,950	87,200
Married Filing Separately	88,975	87,225

- **State Comparison:** The following table summarizes the various ways states treat military pensions for purposes of state personal income tax.

State Comparison: Treatment of Military Pensions (MP) re: Personal Income Tax (PIT)

No PIT, MP Not Taxed	PIT, MP Not Taxed	PIT, MP Partially Taxed	PIT, MP Taxed
AK	AZ	CO	CA
FL	AL	DE	VA
NV	AK	DC	VT
NH	CT	GA	
SD	HI	ID	
TN	IL	KY	
TX	IN	MD	
WA	IA	MT	
WY	KS	NM	
	LA	OK	
	ME	OR	
	MA	**RI**	
	MI	SC	
	MN		
	MS		
	MO		

Source: MilitaryBenefits.info

Article 6 Changes

Article 6 phases-out the inclusion of military service pension income for purposes of State personal income taxation.

- **Phase-out:** Beginning in Tax Year 2023, a taxpayer may subtract up to 20.0 percent of the military service pension that is included in federal AGI. For each successive year the percentage reduction allowed increases by 20.0 percent until it reaches 100.0 percent (TY2027).
- **Existing Modification:** This new exemption is in addition to the existing retirement income exemption that exempts the first $15,000 of a military pension from state personal income tax. Article 6 prohibits the combined exemptions from exceeding the full amount of the military service pension for any given tax year.
- **Military Service:** The article incorporates the definition of military service as set forth in 20 CFR Section 212.2 for the purpose of clarifying and limiting the types of retirement pensions affected by this article. Military service means active duty time spent in the US armed services, reserves, and National Guard. National Guard and reserve retirement based on non-active duty time are not included.

Revenue Impact Methodology

The Office of Revenue Analysis prepared the fiscal impact estimate for this proposal based on the following assumptions, data, and calculations:

- ORA used federal fiscal year 2019 data from the U.S. Department of Defense on the number military retirees in RI, broken down by categories (officers, enlisted, disabled, and non-disabled, etc.) and the average annual pension amounts by category to estimate the current amount of taxable military pensions received by Rhode Islanders, and in turn apply the percentage reductions of the proposed phase-out to obtain the overall revenue impact estimates.

Retiree Category	Retirees in RI	Total Monthly Payments	Avg. Annual Payment
Non-Disabled and Reserve Officers	1,719	$6,595,000	$46,038
Disabled Officers	64	166,000	31,125
Non-Disabled and Reserve Enlisted	2,823	4,539,000	19,294
Disabled Enlisted	255	217,000	10,212
Total	**4,861**	**$11,517,000**	

Source: ORA and US Department of Defense - October 1, 2019 - September 30, 2020 data

TOC

- Estimates factored in the $15,000 exemption currently offered under existing law and the Article 6 limitation prohibits combined exemptions from exceeding the amount of a taxpayer's annual pension income. ORA assumed all retirees 66 years old and older also received the $15,000 exemption, applied the appropriated reductions across age groups. ORA also factored in eligible non-resident taxpayers.
- Using accrual-based accounting and factoring in the January 1, 2023 implementation date, ORA estimated that the revenue loss in FY2023 would be $812,137 and $2.1 million in FY2024 reflecting a full year of the reduction in effect.

Tax Year	Deduction	Fiscal Year Impact
2023	20.0%	2023/2024
2024	40.0%	2024/2025
2025	60.0%	2025/2026
2026	80.0%	2026/2027
2027	100.0%	2027/2028

Article 7: Relating to Energy and the Environment

This article amends various sections of general law for the Executive Climate Change Council and State Energy Efficiency Program. Specifically, the article:

- Establishes a dedicated funding source to allocate $6.0 million annually in restricted receipts from the Energy Efficiency Fund to the Executive Climate Change Council for projects including energy efficiency, renewables, clean transportation, clean heating, energy storage, and other climate change projects.
- Establishes the Electric Vehicle Charging Investment Program within the Office of Energy Resources (OER) at the Department of Administration for the purpose of developing electric vehicle charging infrastructure. The program will use federal funds from the Infrastructure Investment and Jobs Act (IIJA) that require a state match. The article requires the OER to provide an annual report to the Governor and General Assembly until the federal funds are exhausted.
- Allows hearing officers for the Coastal Resources Management Council (CRMC) to be appointed on a part-time basis, instead of only on a full-time basis, and prohibits a hearing officer from participating in any case in which they are an interested party. The article eliminates the prohibition against a hearing officer practicing law, or being a partner or associate of person practicing law.

FISCAL IMPACT

Section 1 of the article transfers $6.0 million in restricted receipts from the demand side management gas and electric funds to the Officer of Energy Resources (OER) for the Executive Climate Change Council.

Section 2 of the article will increase federal fund expenses an aggregate of $22,861,460 between FY2022 through to FY2026 in Infrastructure Investment and Jobs Act (IIJA) funds. The Department of Transportation capital plan assumes an annual allocation of $4,572,292. In addition, the Budget assumes an addition level funded allocation for FY2027. The total required 20.0 percent state match from FY2022 to FY2027 is $6,858,438, or $1,143,073 annually, assuming a federal IIJA allocation in FY2027. In the FY2023 Budget, the state match is a combination of Highway Maintenance Account, G.O. Bond Proceeds (P.L. 2020 Chapter 80), and RICAP and in FY2024 the state match will come from the general revenue surplus channeled through RICAP. Presently, the Budget does not fully identify the out-year funding for the state match from FY2025 to FY2027.

Source	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	Total
IIJA	$4,572,292	$4,572,292	$4,572,292	$4,572,292	$4,572,292	*$4,572,292*	$27,433,752
State	1,143,073	1,143,073	1,143,073	1,143,073	1,143,073	1,143,073	6,858,438
Total	**$5,715,365**	**$5,715,365**	**$5,715,365**	**$5,715,365**	**$5,715,365**	***$5,715,365***	**$34,292,190**

The Budget assumes IIJA allocation for FY2027

ANALYSIS AND BACKGROUND

Executive Climate Change Council

This article requires an annual transfer of $6.0 million in restricted receipts, beginning January 1, 2023, from the demand side management gas and electric funds also referred to as the Energy Efficiency Fund (Fund) to the Office of Energy Resources (OER) for the Executive Climate Change Council.

This annual Fund is generated by a surcharge approved by the Public Utilities Commission and assessed on both gas and electric customers. The fund finances several programs that help businesses and homes achieve greater energy efficiency. The Fund serves both gas and electric customers and is administered by National Grid. The annual energy efficiency programs, budgets, and incentives are designed in the summer/fall each year by the Office of Energy Resources, National Grid, Division of Public Utilities and Carriers, and the Energy Efficiency Resource Management Council (EERMC).

The Executive Climate Change Council will allocate these funds for projects including energy efficiency, renewable energy, clean transportation, clean heating, energy storage, and other climate change projects that support the reduction of greenhouse gases. The article requires the Executive Climate Change Council to provide an annual report to the Governor and General Assembly on how the funds were expended to meet the objectives set forth in the 2021 Act on Climate.

Analyst Note: This article requires the annual transfer of $6.0 million in restricted receipts from the demand side management gas and electric funds to the Officer of Energy Resources (OER). This transfer will require approval from the Public Utilities Commission each year, and may increase costs to electric and gas utility ratepayers.

Electric Vehicle Charging Investment Program

Section 2 of the article establishes the Electric Vehicle Charging Investment Program within the Office of Energy Resources (OER) at the Department of Administration (DOA) in consultation with the Department of Environmental Management (DEM) and the Department of Transportation (DOT), for the purpose of developing an electric vehicle charging infrastructure investment program. The article requires the OER to provide an annual report to the Governor and General Assembly until the federal funds are exhausted. However, the actual EV Infrastructure program is within the DOT operating budget as well as folded into the DOT Highway Improvement Program of the capital budget.

The program proposes to use $22.9 million in federal IIJA funds to support the infrastructure investment program over a 5-year period, requiring a state match of $5.7 million. The federal requirement when the State receives the IIJA funds will require a state match. OER is waiting on guidance from the federal DOT/DOE on how the EV charging station funds can be specifically used by the states. These federal funds are only eligible for the charging infrastructure and cannot be used for an EV car rebate type incentive.

Coastal Resources Management Council

The article allows hearing officers for the Coastal Resources Management Council (CRMC) to be appointed on a part-time basis, instead of only on a full-time basis, and prohibits a hearing officer from participating in any case in which they are an interested party. The article eliminates the prohibition against a hearing officer practicing law, or being a partner or associate of a person practicing law.

TOC

Article 8: Relating to Small Business

Article 8 establishes or makes changes to various tax policies that primarily impact small businesses in Rhode Island, including:

- **Taxpayer Steward:** Establishes a new dedicated position within Taxation to assist taxpayers and coordinate the resolution of complaints and problems.
- **Minimum Corporate Tax Reduction:** Reduces the minimum corporate tax by $25, from $400 to $375 annually.
- **Tangible Tax Changes:** Enables all municipalities and fire districts to provide exemptions to tangible property taxes without seeking General Assembly authorization.
- **Penalty Interest Rate Reduction:** Reduces the penalty interest rate for the delinquent payment of non-trust fund taxes from 18.0 percent to 12.0 percent.
- **Alcoholic Beverage Take-out:** Permanently authorizes the sale of alcoholic beverages for take-out by restaurants and brewpubs.
- **Sales Tax Exemption – Motorcycle Trade-in:** Exempts the trade-in value of a motorcycle from the sales tax.
- **Cottage Food Manufacture:** Establishes a statutory and regulatory framework authorizing and supporting preparation and retail sale of certain baked food goods from a residential or leased commercial kitchen.
- **Small Business Development Fund Changes:** Modifies the Small Business Development Fund (SBDF) program administered by the Rhode Island Commerce Corporation.

FISCAL IMPACT

The general revenue impact of Article 8 is summarized in the following table.

	FY2023		FY2024	
Initiative	**Revenue**	**Expenditure**	**Revenue**	**Expenditure**
Taxpayer Steward	-	$145,000	-	$145,000
Minimum Corporate Tax Reduction	(812,137)	-	(1,624,275)	-
Tangible Tax Changes	-	-	-	-
Penalty Interest Rate Reduction	(2,485,363)	-	(6,264,399)	-
Alcoholic Beverage Take-out	-	-	-	-
Sales Tax Exemption – Motorcycle Trade-in	(145,087)	-	(199,291)	-
Cottage Food Manufacture	12,610	177,730	12,610	177,730
Small Business Development Fund Changes	-	-	-	-
Total	**($3,429,977)**	**$322,730**	**($8,075,355)**	**$322,730**

ANALYSIS AND BACKGROUND

Taxpayer Steward

- **Background:** Formal taxpayer advocacy offices exist at the national level (the Taxpayer Advocate Service within the Internal Revenue Service) and in 29 states, including Massachusetts, Connecticut, Vermont, and Maine. Although the overall structure of each office varies, offices generally focus on providing taxpayers with assurances that they will be treated fairly and that an independent resource is available when necessary. Some offices are distinctly independent from a state's taxation authority, while others are housed within the respective revenue agencies.

Rhode Island does not currently have a formal taxpayer advocate. The Division of Taxation, however, does have formal polices and processes in place to ensure fairness and resolve complaints and includes these principles in its stated mission and values.

- **Article 8 Changes:** Article 8 makes the following changes:
  - Section 8 of the article creates a Taxpayer Steward, within the Rhode Island Department of Revenue's Division of Taxation and charges the official with the following responsibilities:
    - Coordinating the resolution of taxpayer complaints, and problems (if requested by the taxpayer),
    - Providing recommendations to Taxation for informal publications and education programs needed to reduce or eliminate error or improve voluntary compliance,
    - Providing recommendations for simplification or other improvements needed in tax laws, regulation, forms, systems, and procedures, to promote better understanding and voluntary compliance, and
    - Preparing and submitting to the Tax Administrator and Director of the Department of Revenue a report that summarizes the Tax Steward's activities during the immediate preceding fiscal year, including the recommendations described above, progress made in implementing recommendation, and any other information deemed relevant by the Tax Steward. The report is due October 1, 2023, and each year thereafter.
- **Fiscal Impact:** The Governor recommends $145,000 in annual, recurring general revenue personnel expenses to support a new 1.0 Taxpayer Steward FTE position beginning in FY2023.

Minimum Corporate Tax Reduction

- **Background:** Under current Rhode Island law corporations are required to remit taxes on 7.0 percent of net income or the $400 minimum business corporation tax, whichever is greater.

Business Corporations Tax - Regional Comparison

State	Rate	Minimum Tax
Massachusetts	8.0%	$456
Rhode Island	7.0%	400
Connecticut	7.5%	250
Vermont	8.5%	300
Maine	8.9%	-
New Hampshire	7.7%	-

- **Article 8 Changes:** Section 11 of the article reduces the annual minimum business corporations tax by $25, from $400 to $375, for tax years beginning on January 1, 2023, and thereafter. The article also sets an implementation date of January 1, 2023.
- **Fiscal Impact:** The Office of Revenue Analysis prepared the fiscal impact estimate for this proposal based on the following assumptions, data, and calculations:
  - ORA used the total number of taxpayers paying the corporate minimum tax as provided by the Division of Taxation in the November 2021 Revenue Estimating Conference ($64,971, see table) and multiplied it by the amount of the reduction ($25). This provides an estimated annual revenue loss of $1.6 million.
  - Using accrual-based accounting and factoring in the January 1, 2023, implementation date, ORA estimated that the revenue loss in

Business Class	TY2019 Min. Filers
C-Corporation	6,396
L.L.C.	16,646
S-Corporation	26,094
L.L.P.	535
L.P.	2,961
S.M.L.L.C.	10,553
Undeclared	1,786
Total	**64,971**

Source: Taxation, November 2021 REC

FY2023 would be half of the estimated annual $1.6 million, or $812,137.

Tangible Tax Changes

- **Background:** Tangible personal property (TPP) comprises property that can be moved or touched, and commonly includes items such as business equipment and furniture. Intangible personal property, by contrast, includes things like patents, intellectual property, and financial instruments such as stocks.

  TPP is one of four classes of property that are subject to taxation by municipalities in Rhode Island, with the residential real estate, commercial and industrial real estate, and motor vehicle and trailers being the other three. State law places limits on the extent to which municipalities can tax these classes of property. Household personal property, wholesale/retail inventory, and goods used in manufacturing are examples of items that are explicitly exempted by state law from TPP taxation.

  State law also places limits on municipalities' property taxation authority to ensure fiscal stability. There is a 4.0 percent cap on year-over-year property tax levy growth and various municipalities have their tax classification structure codified in state law (the latter may include the establishing of ratios between classification tax rates; i.e. "the tax rate for tangible property shall not exceed the tax rate for residential property by more than 213.0 percent"). Jurisdictions wanting to provide exemptions to TPP taxation, including one based on a portion of an assessment, can only do so by an act of the General Assembly.

  Tax roll data from the Department of Revenue's Division of Municipal Finance (DMF) show that there were 37,673 total TPP taxpayers across the State for the assessment date of December 31, 2020. The average tangible tax bill for that period was $4,563 (ranging from $488.45 in Little Compton to $21,229.82 in Providence). According to the Rhode Island League of Cities and Towns' stated 2022 legislative priorities announcement in January 2022, tangible property taxes place significant compliance burdens on both small businesses and municipalities. Large amounts of resources are allotted by municipalities to the collection of TPP taxes, the bulk of which is from very small tax liability amounts.

- **Article 8 Changes:** Article 8 makes the following changes:

  - Section 9 enables cities, towns, and fire districts to establish an exemption from taxation for tangible property within its jurisdiction by formal action of the appropriate governing body of the jurisdiction.

  - Section 10 gives the DMF the authority to grant a one-year exemption to any city or town that becomes out of compliance with its applicable statutory tax classification structure. Any jurisdiction seeking such an exemption must provide DMF with documentation justifying it. If granted the exemption, the jurisdiction must either progressively amend its statutory tax classification structure or adjust its property tax rates to comply.

  - Section 10 also establishes a new limit on TPP tax rates. If a jurisdiction establishes a TPP exemption as enabled by Article 8, then the TPP tax rate for the jurisdiction is capped at the rate that was in effect for the assessment date immediately preceding the assessment date on which the exemption takes effect or the next assessment date following July 1, 2022, whichever is later. The Governor recommends this cap to prevent jurisdictions from simultaneously providing TPP exemptions while seeking to raise the rate to replace the foregone revenue.

- **Fiscal Impact:** The Article 8 does not have a state level fiscal impact. In that the legislation is only enabling, it does not have a local impact either. The following table shows the estimated impact an exemption might have across municipalities (for purposes of example, an exemption amount $10,000 was used).

TOC

Municipality	Number of Tangible Taxpayers	Average Tangible Tax Bill	Average Tangible Assessment	Estimated Percent of Tangible Taxpayers Below $10,000 in Tangible Assessments	Estimated Tangible Tax Loss due to Exemption	Calculated Levy from Gross Assessments (NOT CERTIFIED LEVY)	Estimated Percent of Levy Lost Due to Exemption of $10,000
Barrington	537	1,640	85,621	68.3%	56,302	880,485	6.4%
Bristol	696	1,320	91,788	54.7%	64,333	918,660	7.0%
Burrillville	316	9,397	572,278	57.6%	32,260	2,969,391	1.1%
Central Falls	421	3,204	56,740	59.6%	144,814	1,348,929	10.7%
Charlestown	271	679	82,949	72.3%	10,244	183,880	5.6%
Coventry	870	2,218	114,305	55.5%	106,541	1,929,644	5.5%
Cranston	2592	3,849	142,567	45.3%	513,748	9,977,398	5.1%
Cumberland	917	6,321	214,650	52.5%	184,081	5,796,771	3.2%
East Greenwich	618	4,616	154,863	47.4%	128,913	2,893,164	4.5%
East Providence	1008	16,148	291,432	24.5%	520,586	16,277,437	3.2%
Exeter	257	1,374	100,120	47.1%	23,884	353,028	6.8%
Foster	371	829	28,235	76.0%	54,307	307,556	17.7%
Glocester	526	1,497	40,654	61.8%	117,257	788,652	14.9%
Hopkinton	747	1,198	64,630	58.0%	90,990	894,600	10.2%
Jamestown	235	527	63,643	59.1%	11,048	123,836	8.9%
Johnston	1526	8,159	140,395	57.4%	615,298	13,784,359	4.5%
Lincoln	1133	5,289	165,220	53.8%	233,506	5,992,080	3.9%
Little Compton	290	488	47,995	54.1%	13,698	132,771	10.3%
Middletown	430	4,248	246,531	9.1%	68,564	1,826,522	3.8%
Narragansett	137	9,931	830,381	11.7%	15,081	1,360,595	1.1%
New Shoreham	203	505	75,315	72.9%	6,718	102,436	6.6%
Newport	1815	1,173	83,868	69.0%	132,371	2,129,570	6.2%
North Kingstown	1264	2,705	155,248	53.7%	149,948	3,425,940	4.4%
North Providence	927	6,380	98,481	56.5%	380,870	5,913,859	6.4%
North Smithfield	551	12,286	281,217	54.6%	152,776	6,769,797	2.3%
Pawtucket	1594	5,023	96,436	59.7%	519,450	8,007,187	6.5%
Portsmouth	785	3,542	231,408	55.8%	76,421	2,780,237	2.7%
Providence	4768	21,230	247,189	40.8%	2,015,512	65,765,599	3.1%
Richmond	401	1,349	65,425	52.6%	55,315	540,978	10.2%
Scituate	308	3,508	88,109	62.3%	69,398	1,080,341	6.4%
Smithfield	1045	12,179	203,866	51.2%	404,054	12,726,996	3.2%
South Kingstown	1305	1,474	102,022	51.3%	129,406	1,923,847	6.7%
Tiverton	653	1,532	107,391	52.2%	64,876	1,000,703	6.5%
Warren	594	1,491	84,150	55.9%	64,789	885,739	7.3%
Warwick	3480	6,285	167,779	40.4%	985,579	21,871,769	4.5%
West Greenwich	-	-	-	0.0%	-	-	-
West Warwick	911	7,982	174,591	53.6%	267,557	7,271,890	3.7%
Westerly	2163	751	70,364	48.4%	173,844	1,753,319	9.9%
Woonsocket	1008	5,619	120,631	49.8%	335,860	5,663,937	5.9%

Source: Division of Municipal Finance
1) Tax Roll data for assessement date 12-31-20
2) Data includes all tangible tax payers included on the municipalties tax rolls, there is no exclusion for any property types in the above calucations
3) The above is just an estimate and the true impact would need to be analyzed by each individual municiaplity
4) Above estimates based on gross assessments, some munciipaliteis already have authorization and have already implemented a tangible assessment exemption
a) As a result, the estimates above may differ from actual implementation
5) West Greenwich has not been included as they have not provided the requested documentation

Penalty Interest Rate Reduction

- **Background:** To encourage compliance and discourage delinquencies, most states and the IRS are authorized to impose interest on taxpayers that are delinquent in making payments on a tax liability. Current Rhode Island law (RIGL 44-1-7) requires that interest be imposed on any delinquent taxes. The statute directs the Tax Administrator to calculate by January 1, the rate of interest to be in effect for the calendar year by adding 2.0 percent to the prime rate that was in effect on October 1 of the preceding year. The statute further restricts the rate to a percentage ranging from 18.0 percent to 21.0 percent per year.

- **Article 8 Changes:** Section 7 of the article reduces the minimum rate of interest assessed on delinquent non-trust fund taxes from 18.0 percent to 12.0 percent, beginning on and after January 1, 2023. The article explicitly maintains the 18.0 percent minimum interest rate for trust fund taxes established by 44-19-35 (sales, hotel, and meal and beverage taxes) and 44-30-76 (personal income taxes deducted and withheld by an employer on behalf of an employee). Trust fund

Interest Rate on Underpayments (delinquencies)

From	To	Rate (%)
1/1/2021	12/31/2021	18.0
1/1/2020	12/31/2020	18.0
1/1/2019	12/31/2019	18.0
1/1/2018	12/31/2018	18.0
1/1/2017	12/31/2017	18.0
1/1/2016	12/31/2016	18.0
1/1/2015	12/31/2015	18.0
1/1/2014	12/31/2014	18.0
1/1/2013	12/31/2013	18.0
1/1/2012	12/31/2012	18.0
1/1/2011	12/31/2011	18.0
1/1/2010	12/31/2010	18.0
1/1/2009	12/31/2009	18.0
1/1/2008	12/31/2008	18.0
1/1/2007	12/31/2007	18.0
10/1/2006	12/31/2006	18.0
1/1/1994	9/30/2006	12.0

Source: Taxation ADV 2021-37

taxes are considered those that are collected on behalf of the State by an entity, but are owed by a taxpayer other than the entity (e.g. the state sales tax is collected and remitted by a business but is paid by the purchasing customer). Non-trust fund taxes are owned and remitted directly by the taxpayer to Taxation.

- **Fiscal Impact:** The Office of Revenue Analysis prepared the fiscal impact estimate for this proposal based on the following assumptions, data, and calculations:
  - ORA used historical tax data from FY2020 (FY2021 data reflect certain pandemic relief policies related to collections that likely would distort an estimate.
  - ORA analyzed the amount of interest collected each day in FY2020, grouped by general ledger, tax period, tax type, and trust fund vs non-trust fund category to determine how the collection was distributed. ORA then calculated the category and combined impact of a 1.0 percent interest rate change.
  - Using accrual-based accounting and factoring in the January 1, 2023, implementation date, ORA estimated that the revenue loss in FY2023 would be $2.5 million and grow to $6.3 million in FY2024.

FY	Impact
FY2022	-
FY2023	$(2,485,363)
FY2024	(6,264,399)
FY2025	(6,839,812)
FY2026	(7,233,627)

Analyst Note: FY2023 fiscal impact estimate represents the impact of a rate change half way through the fiscal year and the accrual based accounting. In subsequent fiscal years, the annualized values of the estimate are more than double the FY2023 value and grow. According to Taxation, this pattern is attributable to how it conducts collections. The third fiscal year following the tax year is when personal income and corporation taxes are staged to Collections and debts are picked up in a variety of compliance and collections programs.

Alcoholic Beverage Take-out

- **Background:** In response to negative impact of COVID-19 pandemic on the hospitality sector, Governor Raimondo issued an executive order in March 2020, permitting brewpubs and restaurants to sell beer and wine with food takeout order, a practice previously prohibited. This was later expanded to include mixed alcoholic beverages. In June 2021, the General Assembly enacted legislation extending the sale of beer, wine, and mixed alcoholic beverages until March 2022.

  According to the Distilled Spirits Council, 39 states have legalized the sale of alcoholic beverages to go in some manner, including all of the New England states. Most of these policies were enacted as temporary relief measures related to the pandemic. No New England state has yet to permanently codify the practice.

- **Article 8 Changes:** Sections 1 and 2 of the article permanently authorizes the sale of alcoholic beverages for take-out by brewpubs and restaurants, respectively, by eliminating the existing statutory sunset of March 1, 2022. The article would permanently allow brewpubs and restaurants to sell the following with takeout food orders: two 750 millimeter bottles of wine, 144 ounces of draft beer, or 72 ounces of mixed alcoholic beverages. All beverages must be sealed, and mixed beverages may not contain more than 9 ounces of distilled spirits.

- **Fiscal Impact:** The Governor's FY2023 Budget proposal does not include any additional revenue or expenditures related to the legalization of the sale of take-out alcoholic beverages. In its budget documents, the Office of Management and Budget notes that to any extent that the practice increases sales, the revenue impact on related taxes would be positive.

Sales Tax Exemption – Motorcycle Trade-in

- **Background:** Many states provide a sales tax exemption for the trade-in value of vehicles. To determine how much sales tax is owed when purchasing a vehicle, the state sales tax rate is simply applied to a vehicle's purchase price. However, if an exemption exists for the value of the purchaser's current vehicle that is "traded-in" to a licensed seller, then the sales tax rate is applied to the difference between the purchase price and the value of the trade-in.

  This type of exemption is common among states for automobiles. How motorcycles are treated, however, varies greatly from state-to-state. Rhode Island law provides a sales tax exemption for the trade-in value of automobiles, but not for motorcycles or pickup trucks.

- **Article 8 Changes:** Section 12 of the article amends RIGL 44-18-30 to include a specific exemption for the trade-in value of a motorcycle from the State's 7.0 percent sales tax when purchasing a motorcycle.

- **Fiscal Impact:** The Office of Revenue Analysis prepared the fiscal impact estimate for this proposal based on the following assumptions, data, and calculations:

  - ORA used Rhode Island Division of Motor Vehicles (DMV) registry sales receipt data by vehicle type from 2021. Vehicles types included passenger cars, truck, buses, mopeds, trailers, and motorcycles. There were 5,229 motorcycles purchased and registered in the State in FY2021. Total gross sales price of the motorcycles was $27,887,930.

  - ORA used DMV data on Rhode Island registered motorcycles that were purchased in Massachusetts and whose transaction included trade-in credit that discounted the sales tax paid to Massachusetts. Total gross sales price was $727,382 and total trade-in value was $66,049. Trade-in allowance percentage for these motorcycles was calculated to be 9.08 percent.

  - The trade-in percentage was applied to the 2021 Rhode Island figures to get a trade-in value for all RI-registered motorcycles. The 7.0 percent sales tax rate was then applied to this figure to generate an estimate of the revenue loss had Article 8 been in effect in FY2021. ORA applied growth rates adopted at the November 2021 Revenue Estimating Conference to get revenue loss estimates for FY2022 and FY2023.

  - Using accrual-based accounting and factoring in the October 1, 2023, implementation date, ORA estimated that the revenue loss in FY2023 would be $145,087, increasing to $199,291 in FY2024.

Cottage Food Manufacture

- **Background:** The making of food in a home or "cottage" for the purposes of selling it is known in legal terms as cottage food manufacturing. Cottage food laws vary widely in the requirements and limits set by the states. A typical limit is on the types of foods permitted to be made and sold. Legal cottage foods usually are not potentially hazardous and pose low risk of food contamination, such as baked goods, jams, dry mixes, and candy. Other limits include where the cottage food can be sold. Sale directly to consumers is typically permitted, but sale to restaurants and retail stores often are prohibited. Despite these limits, cottage food manufacture is generally more lightly regulated than other commercial food production and sales operations.

  Rhode Island only allows cottage food manufacturing when it occurs in association with a farm. The food must be made in a kitchen on the premises of the farm that conforms to certain statutory requirements around sanitation and equipment (RIGL 21-27-1)

- **Article 8 Changes:** Article 8 establishes a new statutory and regulatory framework that authorizes and supports expanded cottage food manufacturing. Specifically,

  - Section 3 of the article amends the definition of a Commissary to mean an operating base location for food preparation and equipment cleaning, creates a definition for Cottage Food Manufacture to mean a location for retail food preparation in a residential kitchen or leased commercial kitchen.

  - Section 4 adds language establishing Cottage Food Manufacture for the preparation of baked goods limited to products that do not require refrigeration or temperature control for safety. The facility must be registered and comply with the Department of Health (DOH) and with health and safety standards. Total gross sales from a cottage food operation cannot exceed $25,000 per calendar year and all sales are subject to applicable sales tax.
  - Section 5 adds a new $65 annual fee for the registration of a Cottage Food Manufacturer.
- **Fiscal Impact:** The Office of Management and Budget prepared the fiscal impact estimate for this proposal based on the following assumptions, data, and calculations:
  - Each registrant would pay an annual registration fee of $65 which would be deposited into the general fund.
  - OMB reviewed "uptake in neighboring states that have already permitted cottage foods" and scaled down by population to obtain an estimate of 194 registrants. Multiplying this by the fee yields the $12,610 in new revenue in FY2023.
  - The Governor recommends $177,730 to general revenue expenditures to support 2.0 DOH FTE positions to support the new framework.

Small Business Development Fund Changes

- **Background:** The Small Business Development Fund (SBDF) program is an economic development tool specifically aimed at providing financing to small businesses. The program involves the creation of multiple private capital funds designed to invest in small, Rhode Island-based businesses. Investors are incentivized to participate through State-issued tax credits. Credits cannot be redeemed for three years and are capped at $42.0 million, with no one fund receiving more than $20.0 million. Funding is targeted at the gap in financing that exists for many small businesses and start-ups. The program is administered by the Rhode Island Commerce Corporation (Commerce). The Governor's proposal does include a fiscal impact in FY2023 and the program will not until three years after the first SBDF is awarded and meets program criteria.

Analyst Note: The State has not estimated the potential economic impact of the program. In testimony before the Senate Finance Committee in January 2019, Enhanced Capital's hired economic consultant, the Economic Impact Group, estimated that the full $42.0 million in tax credit revenue loss would be realized by FY2026 ($14.0 million per year from FY2024-FY2026). Cumulative new revenue from SBDF-related job creation and retention and small businesses development was estimated to reach $74.6 million by FY2026 and continue to grow to $151.0 million by FY2030.

  - **Program Elements:** The Small Business Development Fund program model includes the following features:
  - **Fund Approval:** Investment companies apply to Commerce for authorization to form a Rhode Island Small Business Development Fund (SBDF). Applicants have to meet certain federal and State criteria in order to qualify, including being a federally-licensed Small Business Investment Company (SBIC) or a Rural Business Investment Company (RBIC).
  - **Raising Capital:** Once approved, fund managers are awarded the authority to raise money for their designated SBDF. Private investors provide capital to the funds in exchange for investment returns. A portion of these returns come from delayed, at-risk State tax credits. The program requires that at least 45.0 percent of the capital raised comes from sources other than the investor awarded the tax credit. SBDF fund managers must provide at least 10.0 percent.
  - **Capital Investment:** Commerce is permitted to authorize up to $65.0 million in capital investments, with no more than $20.0 million to any one SBDF. These funds must be invested in small, Rhode Island-based businesses within three years.

  - Small businesses are defined as those with fewer than 250 employees and less than $15.0 million in net income.
  - The businesses must be within one of the State's target growth sectors.
  - Investments may take the form of debt or equity.
- **Tax Credit Incentive:** Upon making an investment in a SBDF, an investor earns a vested right to a non-transferable credit against the investor's State insurance premium tax liability. The credit is equal to the applicable percentage for the credit allowance date multiplied by the purchase price paid to the small business fund for the capital investment. The credit may not be taken within the first three years or prior to the deployment of 100.0 percent of a fund's capital. The aggregate number of credits that can be claimed per year is capped at approximately $14.0 million per year. Credits may only be carried forward seven years.
- **Accountability and Claw-backs:** The SBDF includes several precautions to protect the State's investment and ensure accountability. Commerce may recapture credits from any fund manager that:
  - Does not invest 100.0 percent of its capital within the first three years of the first credit allowance.
  - Fails to maintain all its qualified investments for six years after the first credit allowance.
  - Makes a payout to investors that result in less than 100.0 percent of the authorized capital being deployed in its qualified investments.
  - Fails to make at least 10.0 percent of its qualified investments in minority business enterprises.
  - Invests in an entity that is itself a SBDF.

  If the number of jobs created or retained by a business receiving a qualified investment from a SBDF is less than 60.0 percent of the projected amount agreed on in the SBDF's plan approved by Commerce, then at the time of exiting the program, the State shall receive 30.0 percent of any distribution or payment to SBDF investors. If the number of jobs is greater than 60.0 percent but less than 100.0 percent, than the State shall receive 15.0 percent. Each SBDF is required file an annual report on its investments and the number of jobs created or retained to Commerce for the first three years.
- **Applications and Rulemaking:** Article 12 of the FY2019 Budget as Enacted required that Commerce begin taking applications from potential SBDF managers 90 days after July 5, 2019, or October 3, 2019.

  At its September 16, 2019, board of directors meeting, Commerce board members expressed concerns over the lack of guardrails and taxpayer protections for the program. Commerce staff was authorized to draft expedited, emergency regulations prior to the planned October 3 deadline, which were adopted in September. The regulations included:
    - Augmenting the statutory application provisions to require sufficient information for Commerce to fully vet applicants;
    - Enhancing the requirements for the applicant's business plan and proof of investment history;
    - Authorizing the Commerce Board to approve fund applications (the statute does not provide for this, rather applicants who meet the criteria are a automatically approved on a first-come-first-served basis);

    - Proposing a reduction of the tax credit allocation in those instances where a SBDF investment fails to result in a positive economic impact to the State or if an SBDF breaches the covenants within the business plan;
    - Creating various reporting requirements in addition to those provided for in the statute;
    - Incorporating elements designed to prevent SBDFs from exiting before the promised outcomes and returns to the State are realized;
    - Permitting Commerce the option to retain the authority to approve individual business applications to a fund.

      In October 2019, three investment companies submitted applications to Commerce: Advantage Capital, Enhanced Capital, and Stonehenge Capital. During the review period, Commerce staff made a determination that none of the applications were complete and notified applicants on October 30, 2019, that they had 15 days to submit additional information or the applications would not be certified. Each of the applicants submitted an updated application response on October 31, 2019; however, these responses were also deemed incomplete. At Commerce's December 20, 2019, board of directors meeting, the applications were formally denied. In February 2020, Commerce held public hearings on formal rules for the program and promulgated final rules.

  - **Pandemic Recovery:** With the onset of the coronavirus pandemic and its devastating impact on the Rhode Island economy, Commerce revisited the SBDF program with the intent of utilizing it as an economic recovery tool for small businesses. From March through July 2020, Commerce engaged in negotiations with Enhanced Capital that resulted in the latter being approved on July 16, 2020, to form an SBDF, being awarded $20.0 million in tax credits, and authorized to begin lending $20.0 million to Rhode Island businesses.

    The terms of the agreement required Enhanced Capital to invest 75.0 percent of the funds in certain coronavirus affected businesses that could show a 33.0 percent of revenues from January to May 2020 compared with the same period in 2019. Loans must be for a minimum period of five years with a 0.0 percent interest rate for the first six months. After the first six months, interest is capped at 5.0 percent for two years, and 8.0 percent until maturity. The agreement also included additional claw-back measures and a series of penalties in the event that the firm fails to meet certain thresholds. According to Enhanced Capital, the firm made loans to approximately 50 companies, in amounts ranging from $10,000 to $1.0 million.

- **Article 8 Changes:** Section 6 of the article modifies the small business development fund program as follows:

  - **Eligibility:** The article expands the types of eligible applicants to include mission-oriented community financial institutions. These would include community development financial institutions, minority depository institutions, certified development companies, microloan intermediaries, or organizations with demonstrated experience in making capital investments in small businesses. According to Commerce, these community financial institutions are primary vehicles for federal pandemic business assistance and relief and Rhode Island has several that are locally-based. To date only, one entity has been approved to create an SBDF and it is based in Louisiana.

  - **Application and Selections Process:** The article modifies the process for reviewing and approving applications. It eliminates the mandated $5,000 application fee and authorizes Commerce to set the fee by regulation. Commerce is granted the discretion to impose additional application requirements that it deems appropriate. Under current law, any eligible applicant that meets the statutory criteria and submits a timely application is automatically eligible to create a SBDF and receive tax credits. Article 8 eliminates these automatic provisions and provides Commerce with the authority establish the application process, the discretion to approve or deny applications, and the discretion to determine the level of tax credits to be awarded.

  - **Financing and Tax Credits:** Under current law, credits under the program may only be used against a State insurance premium tax liability. Article 8 expands the types of taxes to which the tax credits can apply to include business corporations taxes, public service corporations taxes, bank deposit taxes, and personal income taxes. Article 6 also eliminates the current prohibition against the credits being transferred, conveyed, or sold and provides Commerce with the ability to recapture credits that have been fraudulently transferred without notice. Lastly, the article eliminates the requirement that at least 10.0 percent of any SBDF be capitalized by the fund managers.
  - **Rules and Regulations:** Article 8 authorizes Commerce to promulgate rules and regulations for the SBDF program, an element currently not codified.
- **Fiscal Impact:** There is no fiscal impact in FY2023 and there will not be one until three years after the first SBDF is awarded and meets program criteria.

Article 9 Relating to Economic Development

Article 9: Relating to Economic Development

Article 9 reauthorizes State economic development incentives, expands the program cap limit on the Rebuild RI tax credit program, and expands the Stay Invested in RI Wavemaker Fellowship program to specifically include healthcare professionals. It also establishes an administrative framework for broadband infrastructure investment within the Executive Office of Commerce.

- **Reauthorization of Economic Development Incentive Programs:** Extends the sunset provisions on economic development incentive programs from December 31, 2022, to December 31, 2023.
- **Rebuild RI Tax Credit Program Changes:** Raises the combined credit and sales tax exemption cap from $210.0 million to $225.0 million.
- **Wavemaker Fellowship Program:** Expands the Wavemaker Fellowship Program to explicitly include healthcare practitioners.
- **Broadband and Digital Equity Initiatives:** Establishes a new statewide Broadband Infrastructure Investment program administered by the Executive Office of Commerce. It also establishes a broadband advisory committee.

FISCAL IMPACT

There are no revenue or expenditure impacts in FY2023 attributable specifically to the reauthorization of the incentives. The Governor's FY2023 Budget proposal include the following general revenue expenditure recommendations:

Incentive	FY2023
Rebuild RI	$13.5
Wavemaker Fellowship	$2.4
Air Service Development Fund	$2.3
Innovation Initiative	$1.0
Small Business Assistance	$0.7

$ in millions

Broadband-related expenditures included in the FY2022 Revised Budget and the Governor's FY2023 Budget recommendations are summarized in the following table.

		Revised	Governor's Proposal					
Initiative	**Source**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**Total**
Broadband - Assistance and Grants	ARP CPF	-	$15.4	$5.2	$4.4	-	-	**$25.0**
Statewide Broadband Planning and Mapping - Commerce RI Transfer	ARP SFRF	0.5	-	-	-	-	-	**0.5**
Total		**$0.5**	**$15.4**	**$5.2**	**$4.4**	-	-	**$25.5**

$ in millions

ANALYSIS AND BACKGROUND

Reauthorization of Economic Development Incentive Programs

- **Background:** The General Assembly enacted a suite of economic development incentives in its 2015 session. To ensure its prerogative of overseeing the effectiveness of these incentives, the General Assembly originally authorized them for only two years by establishing a sunset date of December 31, 2018. This expiration has been extended four times, most recently by the FY2022 Budget as Enacted. The programs are currently set to expire on December 31, 2022.
- **Article 9 Changes:** Article 9 reauthorizes the following incentives through December 31, 2023.

- Stay Invested in RI Wavemaker Fellowship
- Rebuild RI
- Rhode Island Tax Increment Financing
- Tax Stabilization Incentive
- First Wave Closing Fund
- I-195 Redevelopment Project Fund
- Small Business Assistance Fund
- Main Street Rhode Island Streetscape Improvement Fund
- Innovation Initiative
- Industry Cluster Grants
- High School, College, and Employer Partnerships
- Air Service Development Fund
- Rhode Island Qualified Jobs Incentive

- **Fiscal Impact:** There are no revenue or expenditure impacts in FY2023 attributable specifically to the reauthorization of the incentives. The Governor's FY2023 Budget proposal include the following general revenue expenditure recommendations:

Incentive	FY2023
Rebuild RI	$13.5
Wavemaker Fellowship	$2.4
Air Service Development Fund	$2.3
Innovation Initiative	$1.0
Small Business Assistance	$0.7

$ in millions

Rebuild RI Tax Credit Program Changes

- **Background:** 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. When the Rebuild RI tax credit program was first established by the General Assembly in 2015, several program limits were instituted to prevent awarded credits from outpacing general revenues and to ensure program performance. These limits included a $150.0 million cap on the total amount of credits permitted to be issued and an initial sunset date of December 31, 2018. The limits ensured that the General Assembly had an opportunity to evaluate the effectiveness of the program over time and, based on its analysis, either reauthorize or curtail the program. The issuance of sales tax exemptions however, was not originally capped.

  Additional limits have since been placed on the program. In 2019, the General Assembly modified the total program cap by increasing it from $150.0 million to $210.0 million. However, the cap now applies to the combined total of tax credits and sales tax exemptions. The program also has a $15.0 million per-project cap. The General Assembly also modified this cap as it related to the potential Fane Tower project in the I-195 Redevelopment District. In this instance, the cap was raised to $25.0 million, including credits and exemptions. The project also does not count against the overall program cap. The sunset date for Rebuild RI has been extended four times, most recently to December 31, 2022.

  Since the program's inception, Commerce has awarded $158.2 million in Rebuild RI tax credits and $47.7 million in sales tax exemptions across 57 projects, for a combined total of $205.9 million, or 98.1 percent of the current $210.0 million program cap.

- **Article 9 Changes:** Section 2 of Article 9 increases the program cap from $210.0 million to $225.0 million and extends the Rebuild RI sunset from December 31, 2022, to December 31, 2023.

- **Fiscal Impact:** There are no revenue or expenditure impacts in FY2023 attributable to the changes being made to the Rebuild RI. The Governor recommends a $13.5 million in general revenue appropriation for the incentive program in FY2023.

Wavemaker Fellowship Program

- **Background:** Established in 2015, the Wavemaker Fellowship is a competitive student loan reimbursement program for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. The program provides Wavemaker Fellows with refundable personal income tax credits that can be used to offset their annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. $1,000 for an associate's degree up to $6,000 for a graduate or post-graduate degree. In offset the general revenue loss resulting from the use of the credits, the General Assembly established a Stay Invested in RI Wavemaker Fellowship Fund and limited the issuance of credits to the amount in the fund. As credits are used, the equivalent amount is transferred out of the program fund to the general fund.

  Since its inception the General Assembly has appropriated $10.1 million in general revenue to the fund and the Rhode Island Commerce Corporation has awarded $9.1 million to date to approximately 896 fellows.

- **Article 9 Changes:** Article 9 expands the Wavemaker program to include healthcare professionals. It does this by specifically:
  - Defining a healthcare applicant as any applicant that meets eligibility requirements and works as a full-time employee as a high-demand healthcare practitioner, as defined by regulations to be promulgated by the Rhode Island Commerce Corporation, in consultation with the Executive Office of Health and Human Services (EOHHS).
  - Establishing a new Healthcare Stay Invested in RI Wavemaker Fellowship Fund to be administered by the Rhode Island Commerce Corporation and delineating how it is to be used and administered.
    - The fund shall be used to pay for the redemption of tax credits or reimbursement to the State for tax credits applied against the tax liability of any healthcare applicant. The fund is to be administered in the same manner as the existing Stay Invested in RI Wavemaker Fund.
  - Authorizing the Rhode Island Commerce Corporation to create and establish a committee to evaluate healthcare applicants for an award. EOHHS shall be represented on the committee and provide consultation to the committee regarding selection procedures.
  - Limiting the amount of awards that can be issued to healthcare applicants to no more than is available in the Healthcare Stay Invested in RI Wavemaker Fellowship Fund.

- **Fiscal Impact:** The Governor recommends $800,000 in general revenue in FY2023 for the Healthcare Stay Invested in RI Wavemaker Fellowship Fund. This is to support a planned cohort of 100 fellows in FY2023. The Governor also recommends $1.6 million, level with the FY2022 enacted appropriation, for the existing Stay Invested in RI Wavemaker Fund to fund an additional cohort of 200 STEM/Design fellows.

Broadband and Digital Equity Initiatives

- **Background:** Broadband, generally, is a telecommunications term referring to various high-capacity transmission technologies that transmit data, voice, and video across long distances and at high speeds. Common mediums of transmission include coaxial cables, fiber optic cables, and radio waves. As it relates to the internet, broadband typically refers to capacity and infrastructure that delivers always-on, high speed connections to users. The Federal Communications Commission (FCC) defines broadband internet as an infrastructure that delivers a minimum of 25 megabit per second (mbps) download and 3 mbps upload speeds.
  - **Infrastructure:** Broadband internet infrastructure is often described as having three segments – backbone, middle mile, and last mile.

- **Backbone:** The backbone refers to the principal data routes between large, strategically interconnected computer networks and core routers of the internet, typically hosted by commercial, government, academic and other high-capacity network centers.
- **Middle Mile:** The "middle mile" segment of broadband infrastructure links the backbone to the last mile. It consists of high capacity fiber optic cables that traverse long distances and connect communities to the internet backbone. According to telecom industry experts, the middle mile can be expensive to build out or lease for smaller service providers, is often unavailable in sufficient capacity to meet community needs, and its proprietary nature limits competition and drives up price.
- **Last Mile:** The "last mile" segment of broadband infrastructure links the middle mile service to retail end users. Examples include coaxial systems owned by cable providers, wireless networks owned by telecom operators, and fiber optic systems. The last mile is the most distributed part of the internet and, according to telecom industry experts, is difficult to build out, where the most frequent bottlenecks occur, and are the most expensive to resolve.

- **Digital Equity Initiatives:** Not everyone has the same access to effective broadband. A digital divide or gap exists between individuals who have access to computers, high-speed internet and the skills to use them, and those who do not. According to the National Digital Inclusion Alliance, digital equity initiatives seek to eliminate this gap and foster the creation of a "condition in which all individuals and communities have the information technology capacity needed for full participation in our society, democracy and economy." Recent federal legislation including American Rescue Plan Act (ARPA) and the Digital Equity Act (included in the Infrastructure Investment and Jobs Act (IIJA)) provide funding to states to address digital equity.
- **Broadband in RI:** Rhode Island's broadband infrastructure, its citizens' access to it, and its strategic management have evolved over time.
  - **Access:** BroadbandNow, a national broadband advocacy organization, offers the following data on internet coverage and availability in Rhode Island:
    - There are 44 internet providers currently operating in the state.
    - Only 1.5 percent of Rhode Island's population do not have access to 100Mbps speeds.
    - 98.5 percent have access to wired broadband of 25 Mbps or faster, 16,000 people do not have access to that speed.
    - 84.2 percent have access to fiber optic service.
    - 11,000 Rhode Islanders do not have any access to wired internet providers offering services where they live.
    - 22,000 people only have access to one internet provider at their place of residence.
    - 88.5 percent of the population has access to low-price internet plan (a plan costing $60 or less per month).
  - **Government-Led Initiatives:** There have been various state government-led initiatives to advance internet capacity and access in Rhode Island. The efforts, however, have not been sustained or consistent, or coordinated. From 2010-2015, the Rhode Island Economic Development Corporation oversaw a federally-funded program called BroadbandRI. From 2018 through 2019, the Rhode Island Office of Innovation, a Governor's program at Rhode Island College, ran a digital equity initiative called ConnectRI. More recently in November 2021, the EOC's Office of Housing and Community Development awarded $1.7 million in

TOC

federal Community Development Block grants to several communities to increase internet access for low- and moderate-income families.

- **Article 9 Changes:**
  - **Broadband Initiatives:** Article 9 charges EOC with providing oversight and coordination of all broadband and digital equity initiatives in Rhode Island. These include:
    - **Plan:** Creating a statewide broadband strategic plan
      - To consider speed, latency, affordability, access, sustainability, and digital equity,
      - Due December 31, 2022 and every 5 years after, and is to be
      - Submitted to the Governor, Speaker of the House, and Senate President.
    - **Interagency Coordination:** Coordinating with all state and quasi-public agencies on any broadband initiative.
    - **Staff:** Hiring a statewide broadband coordinator and supporting staff.

Analyst Note: The article indicates that the hiring of staff is "contingent on the availability of funds, whether through Rhode Island Commerce Corporation, the Department of Business Regulation, the Executive Office of Commerce, or a combination".

    - **Programming:** Creating grant and other programs that support localities, community anchor institutions, and public private partnerships with investment in "middle-mile" and "last-mile" broadband infrastructure improvements.
      - EOC may appoint any state agency or quasi-public agency to administer the program.
      - Administrating agency is authorized to promulgate rules and regulations and create funds to hold appropriated monies

Article 9 language is not definitive regarding the administrative structure, leaving it to the broad discretion of the EOC. Supporting budget documents also do not provide details on how the administration will be organized.

  - **Advisory Committee:** Article 9 establishes a broadband advisory committee of no more than 13 members. Members of the committee are to be appointed by the Governor. One member shall be appointed in "consultation" with the Speaker of the House and one shall be appointed in "consultation" with the President of the Senate. Consultation is not further defined. The committee is charged with advising the EOC on broadband implementation, planning, and investment strategies. The committee is charged with inviting experts and stakeholders to inform the committee. The EOC is charged with convening the committee no less than once a quarter.
- **Fiscal Impact:** Broadband-related expenditures included in the FY2022 Revised Budget and the Governor's FY2023 Budget recommendations are summarized in the following table.

		Revised	Governor's Proposal					
Initiative	**Source**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**Total**
Broadband - Assistance and Grants	ARP CPF	-	$15.4	$5.2	$4.4	-	-	**$25.0**
Statewide Broadband Planning and Mapping - Commerce RI Transfer	ARP SFRF	0.5	-	-	-	-	-	**0.5**
Total		**$0.5**	**$15.4**	**$5.2**	**$4.4**	-	-	**$25.5**

$ in millions

In January 2022, the General Assembly appropriated $500,000 of federal American Rescue Plan Act (ARPA) State Fiscal Relief Funds (SFRF) to the Executive Office of Commerce to support statewide strategic broadband planning and mapping ($400,000) and the hiring of a statewide broadband coordinator ($100,000) at the Rhode Island Commerce Corporation. In his FY2023 Budget proposal the Governor recommended a multi-year spending plan on broadband initiatives funded with ARPA SFRF and Capital Projects (CPF) funds totaling $25.5 million ($15.4 million in ARPA CPF in FY2023).

Analyst Note: In November 2021, the $1.2 trillion federal Infrastructure Investment and Jobs Act (IIJA) became law. The bill includes $65.0 billion to support broadband projects that improve internet access. Rhode Island has been appropriated $100.0 million under this category. The funds come with certain state matching requirements and the U.S. Treasury has indicated that ARP CPF and SFRF funds may be used to meet IIJA matching requirements. The Administration indicates that the $25.5 million recommended or appropriated for broadband initiatives would count towards the state match for the IIJA funding.

Article 10: Relating to Education

The article is intended to hold districts harmless from an education aid adjustment to the FY2023 distribution due to property valuation errors in the FY2022 data for the adjusted equalized weighted assessed valuation (EWAV). Additionally, should the $250.0 million general obligation bond referendum be approved by voters in November 2022, the article requires that $200.0 million in bond funds be offered to LEAs on pay-as-you-go basis, not as reimbursement of debt service, and requires the transfer of $50.0 million in bond funds to the School Building Authority (SBA) to help create facility equity.

Analyst Note: While it appears that the article is intended to hold districts harmless from the property tax adjustment, the current language does not hold districts harmless from an overpayment of aid. A technical amendment is expected to correct the error.

FISCAL IMPACT

The Budget includes $465,700 in general revenue education aid that would have been deducted from the FY2023 education aid distribution under current law to support the hold harmless provision.

ANALYSIS AND BACKGROUND

Education Aid Hold Harmless

The Education Adequacy Act distributes education aid funding based on local revenue generating capacity and overall poverty level through a state share ratio. The share ratio is based on the concentration of children living in poverty and the equalized weighted assessed valuation (EWAV) for each district. The EWAV is a wealth index based on each community's total assessed property value and median family income per student, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes.

Pursuant to law, the Division of Municipal Finance (Division) is required to submit a study of the finalized adjusted equalized weighted assessed valuation (EWAV) to the Department of Elementary and Secondary Education by August 1 each year. In reviewing the data for the FY2022 education aid distribution, errors were found in the data from Cumberland, West Warwick, Foster, and North Kingstown. Since the index is based on relative community wealth, the errors, once corrected, impacted the distribution of aid to numerous districts by varying degrees, resulting in an increase to some and a decrease to others. The table shows the districts that would have experienced decreases but were held harmless.

The amounts paid to districts in FY2023 due to an underpayment in FY2022 total $842,582, including Cumberland ($748,963), East Providence ($3,290), and Foster-Glocester ($5,233). Numerous charter schools received adjustments totaling $81,896. Davies Career and Technical School will receive $2,988, and the Urban Collaborative Accelerated Program (UCAP) will receive $212.

FY2022 Property Tax Adjustment Hold Harmless

Districts	Amount
Barrington	($21,460)
Burrillville	(13,399)
Coventry	(27,535)
East Greenwich	(15,188)
East Providence	(30,104)
Glocester	(3,535)
Hopkinton	(7,234)
Johnston	(18,625)
Lincoln	(19,565)
Middletown	(10,378)
North Kingstown	(132,843)
North Providence	(21,299)
North Smithfield	(10,191)
Richmond	(7,227)
Scituate	(7,077)
South Kingstown	(655)
Tiverton	(9,980)
Warwick	(45,365)
West Warwick	(21,912)
Bristol-Warren	(15,867)
Exeter-West Greenwich	(12,913)
Foster-Glocester	(4,993)
District Total	**($457,344)**
Charter School Total	(7,683)
Met School	(674)
Total	**($465,700)**

TOC

School Building Authority

The article provides that, if the voters approve the $250.0 million school construction general obligation bond referendum in November 2022, $200.0 million in proceeds will be offered to districts on a pay-as-you-go basis, instead of as a reimbursement, for approved school construction projects. This will allow projects to move forward without the district having to borrow the state share of project costs and will reduce debt service obligations.

Furthermore, if the bond is approved, $50.0 million will be transferred to the School Building Authority Capital Fund to address high-priority projects including upgrades to lighting, heating, and ventilation systems to create facility equity among Rhode Island students.

The article limits the transfer of excess funds transferred to the School Building Authority Capital Fund to five percent in any given year, as was provided for the 2018 bond referendum; however, it does not limit the annual issuance of bonds.

Article 11: Relating to Adult-Use Marijuana

This article proposes the legalization of marijuana for adult-use. The proposed changes are estimated to generate $827,926 in net revenue in FY2023, based on an anticipated retail sales start date of May 2023. In FY2024, the first full year of retail sales, the anticipated net revenues increase to $16.9 million. Revenue estimates were completed by the Office of Management and Budget (OMB) based on Rhode Island population data and adult-use marijuana revenues in other states. Specifically, the article:

- Legalizes the recreational use and purchase of marijuana for individuals aged twenty-one or older.
- Establishes the Marijuana Trust Fund, funded by taxes and fees collected from marijuana revenues, to distribute funds to municipalities, for state expenditures related to the market, and to general revenues.
- Establishes an overall tax rate on adult-use marijuana of approximately 20.0 percent, comprised of excise taxes and retail sales taxes.
- Establishes a timeline for no-fee automatic expungement of marijuana convictions that would no longer be criminal offenses.
- Includes provisions designed to ensure minority access to the industry and to ensure medical marijuana patients are not adversely impacted by the implementation of an adult-use market.

FISCAL IMPACT

The general revenue impact of Article 11 is summarized in the following tables:

Article 11 Revenues

Initiative	FY2023	FY2024
Licensing Fees	$3,800,000	$2,690,000
Retail Excise Tax	2,354,579	9,418,317
Retail Sales Tax	1,648,206	6,592,822
Cultivator Excise Tax - Flower	1,231,783	4,927,133
Medical Cultivator Excise Tax	1,235,706	2,471,411
Cultivator Excise Tax - Trim	524,911	2,099,643
Total	**$10,795,185**	**$28,199,326**

Article 11 Net Impact

Initiative	FY2023	FY2024
Total Revenues	$10,795,185	$28,199,326
State Expenditures	(2,698,796)	(7,049,832)
Additional Expenditures in Year 1	(5,287,137)	-
Share Dedicated to Municipalities	(1,619,109)	(4,229,899)
Auto-Expungement Revenue Loss	(362,048)	-
Annual General Revenue Transfer	**$827,926**	**$16,919,596**

Totals may vary due to rounding.

Analyst Note: Out year projections for the article's impact do not account for a court fee revenue loss in FY2024, however, since expungements are not scheduled to be completed until calendar year 2025, there will likely be some fee revenue lost from auto-expungements in FY2024.

ANALYSIS AND BACKGROUND

Adult-Use Marijuana: The article legalizes marijuana use for those aged twenty-one and older, sets possession limitations, and provides the Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR) with the authority to oversee the proposed adult-use. The article would allow individuals twenty-one or older to purchase up to one ounce of marijuana per day, and allows storage of up to five ounces of marijuana in a secured, locked container in their home. In households with two or more individuals aged over twenty-one, adults would be permitted to have up to ten ounces secured in a locked container. OCR would be responsible for overseeing the regulation, licensing, and control of the market. OCR will work in coordination with other impacted agencies, offer guidance to municipalities, and work in coordination with other states with a legal market.

The article provides DBR with the authority to limit the potency of products cultivated and sold, with a planned potency limit of 50.0 percent. Potency limitations would decrease production by approximately 12.9 percent. The article limits the amount of tetrahydrocannabinol (THC), which is the part of the marijuana plant that produces a high, to 5mg per serving, or 100mg per edible package. Marijuana products must not be packaged in a way that it is easy for a child to open and cannot be shaped in a way that children may find attractive, such as animals or vehicles.

The article prohibits the use of marijuana in public places, multi-unit housing (unless with explicit permission from the property owner), and places of business. The article does not permit the smoking or vaping of marijuana on public housing properties due to Housing and Urban Development (HUD) requirements for smoke-free public housing to prevent the risk of fire. While HUD does prohibit smoking on property, it does not explicitly prohibit vaping on properties and allows Public Housing Authorities to use their discretion.

Only licensed cultivators are permitted to cultivate marijuana and the article outlines penalties associated with the possession of marijuana plants without a cultivator license. Penalties range from financial penalties starting at $2,000 per plant to criminal penalties for possession of more than twenty plants. Possessing marijuana in excess of permitted amounts is subject to an administrative penalty of $2,000 per ounce and the forfeiture and/or destruction of the excess marijuana. Distribution to minors is a felony offense and is subject to a $10,000 fine per violation.

The article includes provisions to automatically expunge marijuana-related convictions for offenses that have been decriminalized since the conviction date. The article outlines a schedule for automatic, no-fee expungements beginning upon passage. Convictions from 2014 onward must be expunged by January 1, 2023. Convictions occurring between 2001-2014 must be expunged by January 1, 2024, and any records prior to 2001 must be expunged by January 1, 2025. The article also stipulates that expunged convictions may not prevent an individual from partaking in the cannabis industry or any government assistance programs.

The article establishes the Governor's Cannabis Reinvestment Task Force, comprised of 15 uncompensated members with one-year terms. The task force would include representatives from municipalities, faith-based organizations, small business owners, and at least two members of the industry. The task force must report findings and recommendations to OCR and OMB by July 1, 2023.

Massachusetts legalized adult-use marijuana in 2016, with sales beginning in 2018. There are a number of marijuana retailers close to the Rhode Island border including Fall River, Attleboro, and Uxbridge. In 2020, Massachusetts had $702.4 million in total adult-use retail sales. Connecticut recently legalized adult-use marijuana, and anticipates retail sales to begin in late 2022.

Medical Marijuana: The article includes provisions that are intended to protect the viability of the medical marijuana program and mitigate any negative impacts on medical marijuana patients. The article permits licensed compassion centers to apply for a hybrid license, which would permit the licensee to have both a compassion center license and a retail adult-use market. A medical marijuana cultivator may also apply for a hybrid cultivator license to cultivate marijuana for both the medical marijuana program and the adult-use market. Applicants must be able to demonstrate that their expansion into the adult-use market will have no adverse impacts on the medical market or patients.

The article requires DBR, in collaboration with the Department of Health (DOH), and the Office of Management and Budget (OMB), to complete and deliver a study to the Governor, the Speaker of the House, and the President of the Senate by April 1, 2024. The study must analyze the impact that implementation of an adult-use market has had on the existing medical marijuana program and offer recommendations for avoiding adverse impacts on the medical marijuana program.

The article establishes a new weight-based cultivator excise tax, applicable to both medical and adult-use cultivators. Medical marijuana cultivators are not currently taxed. The cultivator excise tax is $10 per ounce of flower, which is used to make products that are smoked, and $3 per ounce of trim, which is used to make other marijuana products. The tax would be paid by the cultivator upon the transfer of marijuana. The new fee has an effective date of January 1, 2023, and is anticipated to generate $1.2 million in revenue from the existing medical marijuana market.

Equal Opportunity Provisions: The article requires adherence with existing equal opportunity laws in the Hemp Growth Act. The article prohibits denial of cannabidiol (CBD) and any marijuana-related licenses on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, age, national origin, or disability. In addition, the article requires that at least five or 20.0 percent, whichever is greater, of all the marijuana establishment licenses, must be awarded to qualifying Minority Business Enterprises (MBEs).

Marijuana Trust Fund: The article establishes the Marijuana Trust Fund as a restricted receipt account. All adult-use marijuana revenue would be deposited into the Marijuana Trust Fund; 25.0 percent of the funds would be allocated for state expenditures to be allocated to the appropriate agencies based on need, 15.0 percent of funds are dedicated to municipalities, and 60.0 percent of funds would be transferred to the general fund. The Budget allocates $5.3 million in funding from the trust fund for expenditures related to adult-use marijuana for first-year expenditures of the adult-use marijuana program. First-year expenditures include additional training and resources for public safety departments and funding for substance use disorder prevention.

The Marijuana Trust Fund would be exempt from the indirect cost recovery provision of RIGL 35-4-27. The exclusion of the fund from indirect cost recovery requirements prevents 10.0 percent of the fund's balance from being deposited as general revenues.

Municipalities: The article outlines mechanisms for municipalities to prohibit some or all marijuana-related activities. Municipalities would have the opportunity to ban any or all marijuana licenses through zoning ordinances within their jurisdiction, but such ordinances may only remain in effect until November 8, 2022. At that point, a referendum would need to be conducted to continue the prohibitions, with a separate question for each type of license. If a referendum prohibiting a specific license were approved by a simple majority, no application for that license would be approved. For example, if a municipality prohibits retail licenses within their jurisdiction, OCR would not approve that license.

The Marijuana Trust Fund allocates 15.0 percent of revenues to municipalities, of which all municipalities would receive 25.0 percent regardless of their sales or license volume, an estimated $10,379 per municipality in FY2023 and $27,115 in FY2024. The remaining funding would be based on volume; 25.0 percent of the municipality allocation would be allocated based on license volume and the remaining 50.0 percent would be allocated based on sales volume. The following tables display the total municipality allocation for FY2023 and FY2024.

Estimated Municipality Distribution

Allocation	FY2023	FY2024
Sales Volume (50%)	$809,555	$2,114,950
License Volume (25%)	404,777	1,057,475
All Municipalities (25%)	404,777	1,057,475
Total	**$1,619,109**	**$4,229,899**

Public Safety: The article allows the testimony of certified drug recognition experts as evidence in cases of driving under the influence of drugs or alcohol and allows for the chemical analysis of saliva. The article amends RIGL 37-27-2.1 to add saliva to the list of chemical tests that drivers are deemed to have given consent to. The article requires a course on driving under the influence or a program for convicted individuals that meets the standards established by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH).

The Department of Public Safety and municipal police departments would require additional resources to train officers on recognizing individuals who are impaired by marijuana. The Budget allocates $1.1 million in restricted receipts from adult-use marijuana revenues in FY2023, including $500,000 for local police departments and $395,931 for personnel and training, and $184,133 for operating expenses to enforce provisions prohibiting driving under the influence.

Tax Administration: The article establishes tax rates on the retail sale of adult-use marijuana. An excise tax of $10 per ounce of flower, which is used to make products that are smoked, is anticipated to generate $1.2 million in FY2023 and $4.9 million in FY2024. An excise tax of $3 per ounce of trim, parts of the plant that can be used to make other products, is anticipated to generate $524,911 in FY2023 and $2.1 million in FY2024. The two weight-based excise taxes on flowers and trims equal approximately a 3.0 percent effective tax rate and would be paid upon the transfer of marijuana from the cultivator to the processor or retailer.

Retail sales would be taxed at the state sales tax rate of 7.0 percent and a 10.0 percent retail excise tax. The Budget assumes adult-use marijuana will increase sales tax revenues by $2.3 million in FY2023 and $6.6 million in FY2024. The retail excise tax is anticipated to generate $2.4 million in FY2023 and $9.4 million in FY2024. A 10.0 percent surcharge on tax payments made in cash will be collected from retail locations and deposited into a restricted receipt account for the handling of cash payments. The Budget did not assume any revenues from the cash surcharge.

Proposed Tax Rates on Adult-Use Marijuana

Initiative	Rate	FY2023	FY2024
Flower Excise Tax (per ounce)	$10	$1,231,783	$4,927,133
Trim Excise Tax (per ounce)	$3	524,911	2,099,643
Retail Excise Tax	10%	2,354,579	9,418,317
Sales Tax	7%	1,648,206	6,592,822
Total	**20%**	**$5,759,479**	**$23,037,915**

License and Application Fees: The article authorizes OCR to establish new licenses and the fees associated with applying for and obtaining licenses for adult-use marijuana retailers, labs, processors, cultivators, manufacturers, employees who work in the marijuana industry, and other ancillary licenses. The proposed licenses are separate from the existing medical marijuana cultivator and compassion center licenses. Hybrid licensees would be required to pay license fees for both the medical marijuana and adult-use markets. The anticipated revenues were estimated based on assumed regulations and are anticipated to generate $3.8 million in FY2023 and $2.7 million in FY2024.

- **Cultivator License:** In order to cultivate marijuana, an entity would be required to have a cultivator license with an application fee of $5,000. Medical marijuana cultivators may apply for a hybrid license that would permit them to cultivate for both the adult-use and medical markets, however, they must demonstrate that doing so will not adversely impact the medical marijuana market. The cultivator licensing and application fees are projected to generate $1.4 in revenues for FY2023.

- **Manufacturer License:** Manufacturers, or those who compound controlled substances to be sold or dispensed, would be required to pay an application fee of $5,000 and an average license fee of $15,000. The manufacturer licensing and application fees are projected to generate $1.0 million in revenues for FY2023.

TOC

- **Retail License:** A retail license will be required to sell marijuana for adult-use. There would be a limit of 25 licenses issued per year for the first three years, for a maximum of 75 retail licenses. The retail license application fee would be $5,000 and the license fee would be an additional $15,000. The State estimates they will receive one-hundred applications and will approve 34 applicants, including nine hybrid licenses. Locations for marijuana retail sales cannot be within 1,000 feet of the property line of school, and must be permitted by zoning classifications or receive specific zoning approval. Retailers must have security measures in place, including video surveillance and alarms, a record-keeping system, and inventory tracking. Applications for retail locations that are in areas where residents have passed a majority referendum banning the retail sale of marijuana will be denied. The retail license fees are projected to generate $1.0 million in revenues for FY2023.
- **Employee License:** The State estimates there would be an average of 20 employees per business, equaling 1,300 total new employee licenses. Employees must obtain an employee card at a cost of $100 annually. The employee registration fees would generate a projected $130,000 in revenues for FY2023.
- **Lab Testing:** Testing facilities are required to obtain a lab license with an associated application fee of $5,000 and a license fee of $20,000. The Budget anticipates they would receive three applications and approve two applications. The lab testing facility fees would generate $55,000 in revenue in FY2023.
- **Ancillary Licenses:** Ancillary licenses are required by any other company providing products or services to the industry. Ancillary license fees are anticipated to generate $225,000 at a fee of $9,000 per license in FY2023.

Article 12: Relating to Medical Assistance

This article modifies the financing and delivery of the medical assistance (Medicaid) program. The article also includes a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) to undertake various reforms within the Medicaid program that require amendments to the State's 1115 waiver, Medicaid State Plan, rules and regulations, or managed care contracts. Specifically, the article:

- Allows the State to send National Fingerprint Background Checks to the FBI for high-risk providers and personal care attendants to ensure the safety of Medicaid beneficiaries receiving services at home.
- Reauthorizes the collection of the hospital license fee in FY2023.
- Authorizes the disbursement of Disproportionate Share Hospital (DSH) payments for uncompensated care to community hospitals, excluding the State-run Eleanor Slater Hospital, in federal fiscal years (FFY) 2022 and 2023.
- Authorizes an additional 1.1 percent rate increase to nursing facilities, effective October 1, 2022, for a total inflationary increase of 3.0 percent.
- Allows for investments that are equal or greater already being made from the enhanced Home and Community Based Services to be made in lieu of the "Perry Sullivan" provision in FY2023.
- Extends Medicaid coverage for pregnant individuals from 60 days to 12 months postpartum and expands coverage to include individuals who would otherwise be eligible if not for their immigration status.
- Expands Medicaid coverage to children who would otherwise be eligible if not for their immigration status.
- Authorizes EOHHS to seek CMS approval to provide cultural and therapeutic meals, and to increase the rate paid for Meals on Wheels services.
- Authorizes EOHHS to establish an auto-enrollment program in conjunction with Healthsource RI, which would automatically enroll individuals into a qualified health plan when they lose Medicaid coverage due to the expiration of the public health emergency.

FISCAL IMPACT

The changes result in a net general revenue expenditure increase of $7.7 million ($12.8 million all funds) in FY2023 relative to the November 2021 Caseload Estimating Conference (CEC) estimates.

Article 12 Expenditure Impact

Initiative	General Revenue	All Funds
Postpartum Extension	$4,252,695	$6,615,000
Cover All Kids	1,923,356	2,362,338
Nursing Home Rate Increase	1,396,520	3,114,671
Meals on Wheels	165,129	360,466
Healthsource RI Auto-Enrollment	-	339,079
Total	**$7,737,700**	**$12,791,554**

ANALYSIS AND BACKGROUND

Article 12 includes two primary components. First, Article 12 amends current law to make the statutory changes necessary to implement Medicaid budget initiatives where required. However, many aspects of the Medicaid program are not codified in statute; they are instead governed by separate documents submitted to the federal government, such as the State Plan and Section 1115 waiver, and by State rules and regulations and certain contractual agreements. State law requires that the Executive Office of Health and Human Services (EOHHS) seek authority from the General Assembly in order to pursue any significant changes to the Medicaid program by submitting a joint resolution. Accordingly, Article 12 includes the joint resolution authorizing EOHHS to amend the State Plan, the special terms and conditions of the Section 1115 waiver, rules and regulations, and/or the terms of managed care contracts. The combined authority from the statutory changes and joint resolution included in Article 12 enables EOHHS to undertake all actions required to realize the funding levels included in Article 1.

Background Checks

Article 12 allows the State to conduct criminal background checks on high-risk providers and personal care attendants, as required by CMS, to ensure the safety of Medicaid beneficiaries receiving services. Providers are deemed high-risk if they pose an increased risk of fraud, waste, and/or abuse, including newly enrolled providers and providers with a history of overpayment. Rhode Island is one of five states that do not currently conduct criminal background checks on high-risk providers, exposing the State to legal and fiscal risks. Without the changes to the statute, the Federal Bureau of Investigations (FBI) will not conduct background checks on high-risk providers. The proposed changes have been reviewed and accepted by the Rhode Island Office of the Attorney General and the FBI. The article also outlines offenses, including murder, manslaughter, assault, patient abuse, arson, robbery, exploitation, neglect, and monetary crimes, that would disqualify providers and personal care attendants from providing services reimbursable by Medicaid. This initiative has no budgetary impact.

Hospital License Fee

The hospital license fee is a provider tax that the State levies on hospitals. This fee is federally capped at 6.0 percent and requires annual legislative action in order to continue. It is calculated as a percent of gross patient services revenue, which includes revenues from patient care activity but excludes other activities such as research or investment earnings. It is assessed against all community hospitals in Rhode Island, including the State-run Eleanor Slater Hospital. Bradley and Butler Hospitals and the Rehabilitation Hospital of Rhode Island are exempt because their primary services and patient beds are psychiatric in nature. Hospitals pay the fee each July but the revenues are booked as a receivable to the prior fiscal year.

Because the State's largest hospitals are non-profit and do not pay corporate income or property taxes, the hospital license fee is a considerable source of revenue for the State. In past fiscal years, the hospital license fee has been used as a mechanism to generate State funds, approximately one-third of which are then matched with federal Medicaid funds and returned to hospitals to offset uncompensated care costs through the Disproportionate Share Hospital (DSH) program. The hospital license fee and DSH are usually reauthorized at the same time; the Budget reauthorizes DSH payments in Article 12.

Fiscal Year	Fee	Revenue
FY2016	5.862%	$169.0
FY2017	5.652%	168.8
FY2018	5.856%	182.0
FY2019	6.000%	180.8
FY2020	6.000%	193.8
FY2021	5.000%	162.5
FY2022 Gov.	5.725%	170.2
FY2023 Gov.	5.725%	170.2

$ in millions

Article 12 authorizes the hospital license fee at 5.725 percent in FY2022 and FY2023, consistent with the FY2022 Enacted Budget. The rate is discounted by 37.0 percent in both years for hospitals located in Washington County (South County and Westerly Hospitals). The fee is assessed on hospital fiscal year 2020 revenues for FY2022 and hospital fiscal year 2021 revenues for FY2023. The Budget assumes revenues of $170.2 million for FY2022 and FY2023.

TOC

Hospital	2020 Hospital Revenues	FY2022 Fee	FY2022 Revenue	2021 Hospital Revenues (Est.)	FY2023 Fee	FY2023 Revenue
Eleanor Slater Hospital	$6,142,948	5.725%	$351,684	$6,142,948	5.725%	$351,684
Kent Hospital	300,104,400	5.725%	17,180,977	300,104,400	5.725%	17,180,977
Landmark Medical Center	127,911,320	5.725%	7,322,923	127,911,320	5.725%	7,322,923
Miriam Hospital	388,439,509	5.725%	22,238,162	388,439,509	5.725%	22,238,162
Newport Hospital	109,880,896	5.725%	6,290,681	109,880,896	5.725%	6,290,681
Rhode Island Hospital	1,224,954,729	5.725%	70,128,658	1,224,954,729	5.725%	70,128,658
Roger Williams	154,875,510	5.725%	8,866,623	154,875,510	5.725%	8,866,623
St. Joseph's	114,525,578	5.725%	6,556,589	114,525,578	5.725%	6,556,589
South County Hospital	163,641,262	3.607%	5,902,131	163,641,262	3.607%	5,902,131
Westerly Hospital	81,392,254	3.607%	2,935,615	81,392,254	3.607%	2,935,615
Women & Infants	392,537,766	5.725%	22,472,787	392,537,766	5.725%	22,472,787
Total	**$3,064,406,172**		**$170,246,831**	**$3,064,406,172**		**$170,246,831**

Source: Hospital Association of Rhode Island

Hospital Payments

Article 12 includes $64.3 million in general revenue ($142.5 million all funds) for payments to hospitals in FY2023, consistent with the November 2021 caseload estimate.

DSH Payment	FY2022 Enacted	FY2023 November CEC	FY2023 Governor	Change to Enacted	Change to CEC
General Revenue	$65,418,986	$64,293,284	$64,293,284	*($1,125,702)*	*$0*
Federal Funds	77,074,994	78,200,696	78,200,696	*1,125,702*	-
Total	**$142,493,980**	**$142,493,980**	**$142,493,980**	***$0***	***$0***

- **Disproportionate Share Hospitals:** Article 12 authorizes the disbursement of Medicaid Disproportionate Share Hospital (DSH) payments to qualifying community hospitals in federal fiscal years (FFY) 2022 and 2023. These payments will be made in State FY2023 and FY2024, respectively. The article limits the aggregate amount of the payments to $142.5 million all funds in FY2023 and FY2024.

  Federal law requires that state Medicaid programs make DSH payments to qualifying community hospitals that serve a large number of Medicaid and uninsured patients. The DSH program subsidizes hospitals with high uncompensated care costs, which include certain expenses that are not covered by Medicaid or other sources. DSH payments are lump-sum disbursements issued each July and are subject to the applicable Federal Medical Assistance Percentage (FMAP) at the time of issuance. Funds are distributed in proportion to each hospital's share of statewide uncompensated care. The State share is funded through revenues generated by the hospital licensing fee. The November 2021 CEC estimate already includes $63.4 million from general revenues and $79.1 million from federal funds in FY2023 to fund the maximum $142.5 million payment authorized by the article.

DSH Payments

State	Federal	Limit	State Share
FY2018	FY2017	139.7	48.98%
FY2019	FY2018	138.6	45.85%
FY2020	FY2019	142.4	47.43%
FY2021	FY2020	142.4	47.05%
FY2022	FY2021	142.5	45.91%
FY2023	FY2022	142.5	45.12%
FY2024	FY2023	142.5	44.46%

$ in millions

Nursing Home Rates

In 2013, Rhode Island transitioned from a cost-based reimbursement system to an acuity-based, resource utilization group (RUG) reimbursement system. RIGL 40-8-19 stipulates that reimbursement rates be adjusted annually by an inflation rate. The November 2021 Caseload Estimating Conference assumed an

TOC

inflation rate of 1.9 percent for FY2023, which the article increases to 3.0 percent. The Budget includes $1.4 million in additional general revenue costs ($3.1 million all funds) to reflect the increase.

Perry Sullivan

The November 2021 Caseload Estimating Conference included $17.7 million in general revenue ($38.6 million all funds) for the statute commonly referred to as “Perry Sullivan”. Rhode Island general laws require the State to include an additional appropriation for Medicaid Home and Community Based Services (HCBS) equivalent to any savings from a reduction in nursing home days, if any, over the prior two completed fiscal years. The calculation uses the bed day reduction multiplied by the average per diem assumed in the subsequent fiscal year. The statutory purpose is to ensure that savings resulting from a reduction in nursing home utilization are allocated for the express purpose of promoting and strengthening community-based alternatives.

The article allows for investments in HCBS equal or greater than the Perry Sullivan calculated appropriation to be made in lieu of the appropriation. The State received an enhanced FMAP on HCBS from the American Rescue Plan Act (ARPA). The Budget proposes using these restricted receipt funds for matchable home and community based services to further invest in HCBS. The Budget reduces general revenues by $17.7 million ($38.6 million all funds) to reflect the exclusion of this requirement in FY2023. The provision is satisfied by a $25.8 million increase in restricted receipts ($47.6 million all funds) from the ARPA enhanced FMAP for additional investments into HCBS.

Medicaid Postpartum Coverage

The article expands Medicaid coverage for individuals from 60 days to 12 months postpartum. The coverage would apply to individuals who do not qualify for Medicaid under other eligibility categories or do not qualify due to immigration status. Currently, individuals covered by Medicaid at birth continue coverage for 60 days, but the article would extend coverage to 12 months postpartum. Estimates assume this will impact 1,500 individuals, 500 of which would be funded through state-only funds. The Budget includes an additional $4.3 million in general revenue ($6.6 million all funds) as compared to the November 2021 Caseload Estimating Conference to reflect the expanded eligibility.

Cover All Kids

The article extends Medicaid coverage to children that would be eligible if not for their immigration status, with an anticipated start date of October 1, 2022. Children with a family income of up to 250.0 percent of the federal poverty level would qualify for Medicaid coverage, regardless of their immigration status. The expansion would be fully funded by state dollars and the Budget adds $1.9 million in general revenue in FY2023 to reflect the expansion. The Budget assumes an estimated 1,446 eligible children, with a take-up rate of 30.0 percent in year one, increasing to 100.0 percent by FY2025. The table below illustrates the out-year projections of the expansion.

	FY2023	FY2024	FY2025	FY2026	FY2027
Population Assumptions					
Population	434	868	1,446	1,446	1,446
Utilization	30.0%	60.0%	100.0%	100.0%	100.0%
Expenditure Estimation					
RiteCare	$1,208,712	$3,553,612	$6,215,956	$6,526,754	$6,853,091
RiteSmiles	$84,721	$249,080	$435,689	$457,474	$480,348
Technology Investment	660,000	-	-	-	-
Associated Savings					
Emergency Medicaid (GR)	(20,615)	(45,455)	(79,546)	(83,524)	(87,700)
Emergency Medicaid (FF)	(18,289)	(53,770)	(94,098)	(98,802)	(103,743)
General Revenue Total	**$1,932,818**	**$3,757,237**	**$6,572,099**	**$6,900,704**	**$7,245,739**
All Funds Total	**$1,914,529**	**$3,703,467**	**$6,478,001**	**$6,801,902**	**$7,141,996**

Source: Office of Management and Budget

Meals on Wheels

The article authorizes EOHHS to seek CMS approval to provide cultural and therapeutic meals, and to increase the rate paid for Meals on Wheels services to account for rising costs of food and delivery. Therapeutic meals are meals designed to meet the dietary needs of individuals who may have a specific needs due to their own health, such as diabetic, renal and cardiac needs. Cultural meals are created to incorporate specific foods applicable to certain cuisines. The article also ties future rate increases to the Consumer Price Index to account for future inflation. The Budget includes $165,129 in general revenue ($360,466 all funds) for the rate increase and expanded services which are detailed in the table below.

	General Revenue	Federal Funds	All Funds
Rate Increase	$98,839	$116,919	$215,758
Therapeautic Meals	66,291	78,417	144,708
Total	**$165,129**	**$195,336**	**$360,466**

Healthsource RI Auto-Enrollment:

The article authorizes EOHHS to enter into a memorandum of understanding (MOU) with Healthsource RI (HSRI) to establish a program to automatically enroll individuals who lose Medicaid coverage upon the expiration of the public health emergency (PHE). The PHE has paused eligibility redeterminations, keeping individuals covered by Medicaid when they may otherwise have lost eligibility. Upon expiration of the PHE, individuals who lose Medicaid coverage would automatically be enrolled into one of Healthsource RI's qualified health plans (QHP) if they lack employer coverage.

HSRI will pay for the first month of coverage. According to HSRI, after the first month, the individual will likely have a very low monthly premium after tax credits. Billing will be the same as for other customers, which are mailed out monthly. If the individual were to fall behind on payment, they have a 90-day grace period to catch up before HSRI takes action, but they can only use the coverage for the first 30 days unpaid.

The amount owed will vary based on income and family size, but many will owe $1 or less per month, with an average monthly premium of $11 per month. The Budget includes $339,079 in federal ARPA funds to pay for the first month of premiums.

1115 Wavier Extension

The article authorizes EOHHS to seek approval of an extension of the State's 1115 Demonstration Waiver. The Medicaid 1115 Waiver provides authorization to the State by federal government to pursue innovations that improve health care access, quality, and outcomes, and further the goals of the Medicaid and CHIP Programs. Without this authorization, the State would have to submit a new 1115 Demonstration Waiver application, which can take months for approval. During the application period, many Medicaid services would be unavailable. The current waiver was last extended in 2019, and is due to expire on December 31, 2023.

ARPA Spending

The article authorizes EOHHS to seek CMS approval of any necessary amendments to the Rhode Island State Plan or the 1115 Demonstration Waiver to implement the spending plan for ARPA funds.

Federal Financing Opportunities

The resolution allows EOHHS to pursue any changes to the Medicaid program which improve quality, access, and cost-effective delivery, so long as the changes do not have an adverse impact on beneficiaries or increase expenditures beyond appropriations for FY2023. This language is included annually as part of the Medicaid resolution.

Article 13: Relating to Human Services

This article makes a number of changes to the Department of Human Services. Specifically the article:

- Amends the child care reimbursement rates for licensed child care centers providing care for infants/toddlers, preschool-aged, and school-aged children.
- Amends the Child Care Assistance program to increase the income limit for eligible families from 180.0 percent to 200.0 percent of the Federal Poverty Level (FPL) and removes the sunset provision, which would have ended this expansion on June 30, 2022.
- Amends the Income section of the RI Works program to increase the resource limit for eligible families from $1,000 to $5,000, and increases the monthly earned income disregard from $170 to $300.

FISCAL IMPACT

Article 13	Expenditures	Fund
Child Care Rates	$4,656,596	ARPA CCDF
Postsecondard Child Care Assistance - FPL Increase	2,680,900	ARPA CCDF
Postsecondard Child Care Assistance - Remove Sunset	375,000	TANF
RI Works - Resource Limit Increase	100,000	TANF
RI Works - Earned Income Disregard Increase	150,000	TANF
Total	**$7,962,496**	

The Governor includes an additional $8.0 million in federal funds: $7.3 million in American Rescue Plan Act (ARPA) Child Care Development Block Grant funds, and $625,000 in Temporary Assistance to Needy Families (TANF) funds to support initiatives in Article 13.

ANALYSIS AND BACKGROUND

Child Care Rates

The article amends RIGL 40-6.2-1.1 to increase child care reimbursement rates for licensed child care centers. The base rate will be set at the 40th percentile of the 2021 weekly market rate for infant/toddler, preschool, and school aged child care. Previously, the base rate was set at the 25th percentile of the 2018 weekly market rate. The maximum reimbursement rates for infant/toddler, preschool, and school aged care for licensed child care centers will continue be paid on a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system. The Budget includes $4.7 million in American Rescue Plan Act (ARPA) Child Care Development Block Grant (CCDF) funds to support the increased child care reimbursement rates.

Minimum base reimbursement rates for licensed family child care providers caring for infants/toddlers and preschool aged children will continue to be determined through a collective bargaining agreement. Like licensed child care centers, the maximum reimbursement rates for infant/toddler and preschool care paid to licensed family child care providers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system.

The following table illustrate the changes in reimbursement rates for infants/toddlers, preschool-aged, and school age children since FY2019. Pandemic enhanced rates were authorized by Executive Order from May 2020 – December 2021. FY2022 reimbursement rates began in January 2022. The new rates described in this article will take effect July 1, 2022.

TOC

Weekly Child Care Reimbursement Rates

Licensed Child Care Centers Infant/Toddler Rates	FY2019 Infant/Toddler Rates	FY2021/FY2022 Pandemic Enhanced Rates	FY2022 Infant/Toddler Rates	Art. 13 Infant/Toddler Rates	*Change from FY2022*	
Tier 1	$198.48	$257.54	$236.36	$260.00	*$23.64*	*10.0%*
Tier 2	203.32	257.54	244.88	265.00	*20.12*	*8.2%*
Tier 3	218.81	257.54	257.15	270.00	*12.85*	*5.0%*
Tier 4	232.37	257.54	268.74	289.00	*20.26*	*7.5%*
Tier 5	257.54	273.00	284.39	300.00	*15.61*	*5.5%*

Licensed Child Care Centers Preschool Rates	FY2019 Preschool Rates	FY2021/FY2022 Pandemic Enhanced Rates	FY2022 Preschool Rates	Art. 13 Preschool Rates	*Change from FY2022*	
Tier 1	$165.75	$195.67	$207.51	$217.00	*$9.49*	*4.6%*
Tier 2	169.80	195.67	212.27	222.00	*9.73*	*4.6%*
Tier 3	177.88	195.67	218.45	225.00	*6.55*	*3.0%*
Tier 4	182.73	195.67	223.50	250.00	*26.50*	*11.9%*
Tier 5	195.67	260.00	231.39	260.00	*28.61*	*12.4%*

Licensed Child Care Centers School Age Rates	FY2019 School Age Rates	FY2021/FY2022 Pandemic Enhanced Rates	FY2022 School Age Rates	Art. 13 School Age Rates	*Change from FY2022*	
Tier 1	$146.26	$200.00	$180.38	$188.00	*$7.62*	*4.2%*
Tier 2	146.26	200.00	182.77	196.00	*13.23*	*7.2%*
Tier 3	146.26	200.00	185.17	200.00	*14.83*	*8.0%*
Tier 4	146.26	200.00	187.57	205.00	*17.43*	*9.3%*
Tier 5	146.26	245.00	189.97	210.00	*20.03*	*10.5%*

Note: Pandemic Enhanced Rates were authorized by Executive Order from May 2020 - December 2021.

Analyst Note: On May 27, 2020, Governor Raimondo issued Executive Order 20-39 which allowed child care centers that reopened during the pandemic to be reimbursed at a higher rate. Child care providers below the 5th tier, as determined by the State's Quality Rating system, are now reimbursed at the 5th tier level. Providers that were at the 5th tier, are now reimbursed at the 90th percentile. This executive order was extended until December 2021. Beginning in January 2022, child care centers are reimbursed based on rates set in RIGL 40-6.2-1.1.

Postsecondary Child Care Assistance

Section 2 of the article amends RIGL 40-5.2-20, Childcare Assistance, to increase the income limit for eligible families from 180.0 percent to 200.0 percent of the Federal Poverty Level (FPL). According to the U.S. Department of Health and Human Services, for a family of 3 in 2021, 180.0 percent of the FPL is $39,528 and 200.0 percent of the FPL is $43,920. The Budget includes an additional $2.7 million in American Rescue Plan Act (ARPA) Child Care Development Block Grant funds for this expansion. The Office of Management and Budget anticipates an additional 282 subsidies would be eligible for the Child Care Assistance Program (CCAP) due to this increase.

The article also removes the sunset provision, which would have ended this expansion on June 30, 2022. An additional $375,000 in TANF Block Grant funds are included to continue funding this program.

The Department of Human Services (DHS) administers the child care assistance program, which currently provides child care to families with incomes at or below 180.0 percent of the federal poverty level so that parents are able to continue working at a paid employment position or participate in a short-term training apprenticeship or job readiness program. The beneficiary must attend a Rhode Island-based accredited post-secondary educational institute on a full-time basis, or on a part-time basis in conjunction with employment as approved by DHS. Under current law, this expansion is effective from January 1, 2021, through June 30, 2022.

RI Works

Rhode Island Works provides cash assistance and employment support services, including child care assistance, to enable working parents with children to support their families. Under current law, applicants may have up to $1,000 in resources (excluding a home) and one vehicle per adult. Each month a typical family of three would receive about $554 in assistance. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. This program is funded through the federal Temporary Assistance to Needy Families (TANF) program.

RI Works Earned Income Disregard: Section 1 amends RIGL 40-5.2-10, the income section of the RI Works program, to increase the monthly earned income disregard from $170 to $300 of gross earnings. The current earned income disregard amount has not changed since 2008 when RI Works was introduced. Under current law, the earned income disregard allows the first $170 of gross earnings, plus 50.0 percent of the gross earnings of the family in excess of $170 earned during a month, to be excluded from the family's income when determining eligibility for the RI Works program. Increasing the earned income disregard amount will allow more working families to access RI Works benefits while seeking work opportunities in higher wage positions or working more hours. The Budget includes $150,000 in TANF funds to support this increase. The Office of Management and Budget anticipates an additional 60 cases would receive RI Works benefits.

RI Works Resource Limit Increase: Section 1 further amends RIGL 40-5.2-10, the income section of the RI Works program, to increase the allowable resource limit from $1,000 to $5,000. The current resource limit amount has not changed since 2008 when RI Works was introduced. In 2021, the Federal Government determined that the Child Tax Credit should be excluded from counting as income or resource for families; consequently, the Department of Human Services (DHS) must manually remove child tax credit dollars from eligible family's applications. Increasing the resource limit will allow the Department to more easily ensure compliance with the Child Tax Credit as well as allowing eligible families to save for their future. The Budget includes $100,000 in TANF funds to support this increase. The Office of Management and Budget anticipates an additional 23 cases would receive RI Works benefits. This estimate is based on the number of cases denied RI Works benefits due to resources to exceeding the current limit.

Article 14: Relating to Lease Agreements for Leased Office and Operating Space

This article reports new lease or rental provisions as required by RIGL 37-6-2(d), which requires legislative approval of State lease or rental agreements that meet certain conditions. Of the proposed leases, three are renewals and two are Request for Proposals for entirely new spaces to lease.

FISCAL IMPACT

State Agency	Renewal or New Lease	Location	Sq. Ft.	Lease Term	Aggregate Rent	Max. Annualized	Current Lease Expires
Commerce	Renewal	555 Valley Street, Providence	2,983	5-years	$382,883	$76,577	June 30, 2022
Corrections	New Lease	TBD	5,000	10- years	$1,100,000	$110,000	January 31, 2023
Human Services	New Lease	TBD	7,500	10- years	$1,650,000	$165,000	N/A
URI- Communicative Disorders Program	Renewal	25 West Independence Way, Kingston	4,300	10- years	$758,692	$75,869	January 31, 2023
URI- Physical Therapy Program	Renewal	26 West Independence Way, Kingston	16,400	10- years	$2,871,695	$287,170	February 28, 2023

ANALYSIS AND BACKGROUND

This article authorizes the following lease agreements pursuant to RIGL 37-6-2(d), which requires "for any lease, rental agreement, or extension of an existing rental agreement for leased office and operating space that carries a term of five (5) years or longer, including any options or extensions that bring the total term to five (5) years or longer, where the state is the tenant and the aggregate rent of the terms exceeds five hundred thousand dollars ($500,000), the state properties committee shall request approval of the general assembly prior to entering into any new agreements or signing any extensions with existing landlords."

Rhode Island General Law further specifies that, "the state properties committee, in the form of a resolution, shall provide information relating to the purpose of the lease or rental agreement, the agency's current lease or rental costs, the expiration date of any present lease or rental agreement, the range of costs of a new lease or rental agreement, the proposed term of a new agreement, and the location and owner of the desired property."

The article authorizes the following lease agreements and Request for Proposals to enter into new leases that are explained in detail below.

Executive Office of Commerce – 555 Valley Street, Providence

The Article authorizes the Executive Office of Commerce (EOC) to renew a lease agreement with Foundry ALCO Members, LLC for a five-year period, for a 2,983 square foot office space located at 555 Valley Street in Providence. The State currently holds a lease agreement with Foundry ALCO Members, LLC, which expires June 30, 2022. The current annual lease cost is $71,234. The article provides that aggregate rent for a five-year lease term in the lease agreement will be no greater than $382,833. The lease is included in the authorization because the value of the lease, inclusive of extensions, exceeds the $500,000 threshold outlined in RIGL 37-6-29(d).

Department of Corrections – 49 Pavilion Avenue, Providence

The Department of Corrections (DOC) currently leases 5,086 square feet of office space at 49 Pavilion Avenue in Providence. This lease expires on January 31, 2023. This article authorizes the DOC to advertise a Request for Proposals seeking approximately 5,000 square feet of office space in Providence, allowing them to relocate from their current office space. The article provides the aggregate rent for a ten-year lease term not to exceed 1.1 million, with an annual rent not to exceed $110,000. The current annual lease cost of the space at 49 Pavilion Avenue is $108,690.

TOC

Department of Human Services – New Lease

The article authorizes the Department of Human Services (DHS) to advertise a Request for Proposals seeking approximately 7,500 square feet of office space in Providence, allowing them to consolidate their Providence offices and customer facing space. The article provides the aggregate rent for a ten-year lease term not to exceed $1.7 million, with an annual rent not to exceed $165,000.

University of Rhode Island (URI) – Communicative Disorders Program Lease Renewal

The article renews the lease with the Independence Square Foundation for 4,300 square feet of space located in Building II at 25 West Independence Way on the Kingston Campus of URI. The renewal will commence on February 1, 2023, and terminate on January 31, 2034. The lease payments will not exceed $758,692 plus the proportionate share of building operating expenses, over the term of the renewal. According to URI, the students and faculty associated with the Communicative Disorders Program have benefited from the quality, accessible, and well-maintained facilities for the duration of the lease executed on May 24, 2002, and terminating on January 31, 2023.

University of Rhode Island (URI) – Physical Therapy Program Lease Renewal

The article renews the lease with the Independence Square Foundation for 16,400 square feet of space located in Building II at 25 West Independence Way on the Kingston Campus of URI. The renewal will commence on March 1, 2023, and terminate on January 31, 2034. The lease payments will not exceed $2,871,695 plus the proportionate share of building operating expenses, over the term of the renewal. According to URI, the students and faculty associated with the Physical Therapy Program have benefited from the quality, accessible, and well-maintained facilities for the duration of the lease executed on February 1, 2014, and terminating on February 28, 2023.

Article 15 - Relating to Effective Date

This article provides that the Act will take effect on July 1, 2022, except as otherwise provided herein.

Senate Fiscal Office

Stephen H. Whitney
Senate Fiscal Advisor

Children, Youth, and Families
Child Advocate

Robert C. Bromley
Senior Legislative Fiscal Analyst

Administration
Board of Elections
Commission on Disabilities
Convention Center Authority
Ethics Commission
General Treasurer
Governor
Health
Human Rights Commission
I-195 Redevelopment Commission
Lieutenant Governor
Military Staff
Public Defender
Public Utilities Commission
Quonset Development Corporation
RI Emergency Management Agency
Secretary of State

Kelly M. Carpenter
Senior Legislative Fiscal Analyst

Arts Council
Atomic Energy Commission
Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Health & Educational Building Corporation
Higher Education
Judiciary
Narragansett Bay Commission
Resource Recovery Corporation
RI Infrastructure Bank
Student Loan Authority
Revenue
RI Commerce Corporation
RIHMFC (RI Housing)

Brittany A. Church
Legislative Fiscal Analyst I

Behavioral Healthcare, Developmental Disabilities, and Hospitals
Business Regulation
Commission on Deaf and Hard of Hearing
Executive Office of Health and Human Services
HealthSource RI
Mental Health Advocate

David Tremblay
Deputy Senate Fiscal Advisor

Executive Office of Commerce
Legislature
Public Safety
Revenue
RI Commerce Corporation
RIHMFC (RI Housing)

Shanna Vecchio-Schubert
Legislative Fiscal Analyst I

Attorney General
Corrections
Historic Preservation and Heritage Commission
Human Services
Labor and Training
RI Airport Corporation
RI Public Transit Authority
RI Turnpike & Bridge Authority
Transportation