



SENATE FISCAL OFFICE
REPORT

**GOVERNOR'S FY2027 AND FY2026
SUPPLEMENTAL BUDGET**

2026-H-7127 AND 2026-H-7126

ARTICLE SUMMARIES

FEBRUARY 13, 2026

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FY2026 SUPPLEMENTAL BUDGET ARTICLES

2026 – H-7126: Relating to Making Revised Appropriations in Support of FY2026

Article 1 outlines the appropriation amounts from all fund sources for the FY2026 Supplemental Budget. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. This article makes appropriations for general revenues, federal, restricted, 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 13,266.8 FTE positions reflecting a net decrease of 2,655.0 FTE positions as compared to the authorized level set in the FY2026 Budget as Enacted. These figures reflect the Governor's recommendation to eliminate the authorized FTE cap of 2,292.2 FTE positions for the University of Rhode Island and 378.8 FTE positions for the URI sponsored research positions. If the recommendation is not accepted, then the total authorized cap would be 15,937.8 reflecting a net increase of 16.0 FTE positions.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2026. In addition, the Office of the Postsecondary Commissioner shall provide \$7.5 million be allocated to the Rhode Island Promise Scholarship program, and \$5.2 million to support the Rhode Island Hope Scholarship Program, \$455,000 to support the Onward We Learn, \$100,000 to the Rhode Island School for Progressive Education, \$151,410 to support the State's membership in the New England Board of Higher Education, and \$75,000 to Best Buddies Rhode Island.
- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.4 million. It requires the Judiciary to provide \$500,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021.
- Amends federal funds, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund pursuant to the American Rescue Plan Act of 2021.
- Requires the Rhode Island Health and Educational Building Corporation to transfer \$2.5 million to the State Controller by June 30, 2026.
- Requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$2.0 million to the State Controller by June 30, 2026.
- Requires the Department of Revenue to transfer \$5.0 million from the Marijuana Trust Fund restricted receipt account to the State Controller by June 30, 2026.

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, 2026.

Expenditures by Source	FY2025 Actuals	FY2026 Enacted	FY2026 Governor	Change to Enacted
Federal Funds	\$5,045,160,589	\$5,108,485,986	\$5,508,863,972	\$400,377,986
General Revenue	5,534,306,228	5,809,363,121	5,825,010,910	15,647,789
Operating Transfers from Other Funds	283,902,658	591,861,684	709,319,971	117,458,287
Other Funds	2,319,970,408	2,368,123,335	2,574,906,609	206,783,274
Restricted Receipts	365,586,324	458,544,467	557,075,513	98,531,046
Total	\$13,548,926,207	\$14,336,378,593	\$15,175,176,975	\$838,798,382

\$ in millions. Totals may vary due to rounding.

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

- **Housing:** The Budget allocates \$100,000 in general revenue to support Sojourner House’s housing and rapid rehousing activities.
- **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.
- **Labor and Training – Hospitality Industry Training:** The article requires \$150,000 in restricted receipts be used to provide hospitality industry workforce training grants.
- **General Treasury – Medical Debt Relief Program:** Requires that all unexpended or unencumbered balances relating for the Medical Debt Relief Program as of June 30, 2026, be reappropriated to FY2027. The Supplemental Budget includes the reappropriation of \$880,999 for the for the Medical Debt Relief Program that was established in the FY2025 Budget as Enacted and administered by the Office of the General Treasurer for the purpose of contracting with a non-profit corporation to purchase, cancel, or otherwise forgive medical debt upon established requirements including that the individual be a citizen of the State and has a federal adjusted gross income is 400.0 percent or less than the federal poverty line, or whose debt is more than 5.0 percent of the individuals adjusted gross income.
- **EOHHS –** Continues to provide \$900,000 for Mobile Response and Stabilization Services, \$500,000 for the Thundermist Family Residency Program, and \$150,000 for an Olmstead Plan Coordinator.
- **EOHHS – H.R. 1 CMMS Compliance:** Provides \$1.9 million in federal funds for statewide interagency initiatives to implement and support the community engagement requirements of the federal bill H.R. 1 to be administered in coordination with the Department of Human Services, and the Department of Labor and Training.
- **BHDDH – DD Consent Decree:** The State has been under a Consent Decree with the United States Department of Justice since 2014, requiring the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to foster more supportive and less isolated employment opportunities and day services for individuals with intellectual and developmental disabilities. The State has agreed to an action plan to ensure that the requirements of the Consent Decree are fulfilled. Article 1 provides that of both general revenue and federal funds within the Services for the Developmentally Disabled program, an amount to be certified by the Department will be allocated to direct support professional wage increases. In addition, \$928,200 in general revenues and \$371,800 in federal funds are specified to be expended on a Transformation Fund for integrated day activities and supportive employment.
- **BHDDH – Opioid Stewardship:** Provides an additional \$36,850 in restricted receipts from the opioid stewardship to be distributed to the seven regional substance abuse prevention task forces. This results in a total appropriation of \$486,850 in restricted receipts.

- **Health:** Eliminates language requiring the Office of Policy, Information, and Communication allocate a total of \$200,000 to support the Professional Loan Repayment Program, specifically targeting primary care physicians and pediatricians.
- **RIDE – Learn365RI:** Requires that all unexpended or unencumbered balances from FY2026 relating to the Learn365RI program are automatically reappropriated to the following fiscal year.
- **RIDE Special Education Settlement:** Allocates \$1.9 million in general revenue toward a special education settlement to provide compensatory special education services, administration and attorneys' fees pursuant to a legal settlement.
- **RIDE - Rhode Island Vision Education and Services Program and Auditory Oral Program:** The Article requires that \$684,000 from the Department of Elementary and Secondary's administrative share of federal Individuals with Disabilities Education Act funds, be allocated to the Sherlock Center on Disabilities to support the Rhode Island Vision Services Program.
- **RIDE - Education Aid:** The Budget 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 – GO Team Program:** Provides \$558,089 of general revenue be allocated to support the Family Service of Rhode Island GO Team Program of on-scene support to children who are victims of violence and other traumas.
- **Public Safety - Body-worn Camera:** The article includes \$9.0 million of one-time general revenue to support the statewide body-worn camera program for law enforcement officers. On June 16, 2021, the State's political and law enforcement leadership announced support for a statewide program to put body-worn cameras on every frontline police officer and supervisor in Rhode Island. The statewide program is designed to equip approximately 1,700 of Rhode Island's uniformed patrol officers, across every municipal police department and the Rhode Island State Police, with body-worn cameras. All unexpended or unencumbered balances as of June 30, 2026, shall be reappropriated to FY2027.
- **Emergency Management – FIFA World Cup:** The article provides \$250,000 in general revenue for security expenses with the FIFA World Cup. It is expected that several of the teams playing at the Gillette Stadium in Foxboro, MA, will reside and train in Rhode Island.

FUND TRANSFERS

Sections 6, 7 and 8 pertain to fund transfers \$9.5 million from three quasi-public corporations to the State Controller by June 30, 2026.

Article 7, Section 9 of the FY2018 Budget as Enacted (RIGL 35-3-7(a)(2)) requires that when a state budget submitted to the General Assembly includes monetary transfers to the general fund from public corporations, it must be accompanied by alternative funding proposals that may be considered in lieu of the public corporation transfers. Within the Executive Summary of the budget, the Governor identifies two alternative funding proposals in lieu of the transfers to Rhode Island Infrastructure Bank (RIIB) and to the Rhode Island Health and Educational Building Corporation (RIHEBC). The alternative proposals include a funding reduction for economic development initiatives within the RI Commerce Corporation and a reduction in the special education categorical aid program at the Department of Elementary and Secondary Education.

- **Rhode Island Health and Educational Building Corporation:** The article requires the Rhode Island Health and Educational Building Corporation to transfer \$2.5 million to the General Fund by June 30, 2026. According to the Office of Management and Budget, the quasi-public agency had an unrestricted fund balance at the close of FY2025 of \$10.8 million.

- **Rhode Island Infrastructure Bank (RIIB):** The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$2.0 million to the General Fund by June 30, 2026. RIIB is a quasi-public agency that assists municipalities, businesses, and homeowners with financing infrastructure improvements through a revolving fund. It supports water and wastewater projects, roads and bridges, energy efficiency and renewable energy projects, and brownfield remediation. The Office of Management and Budget indicate that RIIB had unrestricted balances at the close of FY2025 of \$33.3 million.
- **Department of Revenue – Marijuana Trust Fund:** The Governor recommends a one-time transfer of \$5.0 million to general revenue from the marijuana trust fund, which has generated revenues exceeding what is required to administer the adult-use cannabis market. The budget documents indicate that this is treated as an intra-fund transfer from a restricted receipt account to general revenue within the general fund and therefore is to be recorded as a “fund balance adjustment” within the general fund and not recorded as additional general revenue.

INTERNAL SERVICE FUNDS

Article 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	FY2026 Enacted	FY2026 Governor	Change
Accounts and Control	\$0	\$0	\$0
State Assessed Fringe Benefits	37,255,808	37,350,512	94,704
Administration Central Utilities	30,366,642	30,366,642	-
State Central Mail	9,020,425	9,019,590	(835)
State Telecommunications	3,426,061	3,429,234	3,173
State Automotive Fleet	21,610,397	21,625,212	14,815
Surplus Property	44,789	44,789	-
Health Insurance	272,933,573	342,904,994	69,971,421
Other Post-Employment Benefits	63,854,008	40,415,154	(23,438,854)
Capitol Police	1,659,403	1,849,372	189,969
Corrections Central Distribution Center	8,679,440	8,759,253	79,813
Correctional Industries	8,477,292	8,529,653	52,361
Secretary of State Records Center	1,231,684	1,155,447	(76,237)
Human Resources Internal Service Fund	18,711,878	18,478,334	(233,544)
DCAMM Facilities Internal Service Fund	40,492,965	40,533,451	40,486
Information Technology Internal Service Fund	70,587,805	70,690,359	102,554
Total	\$588,352,170	\$635,151,996	\$46,799,826

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 no change in FTE positions as compared to the authorized level set in the FY2026 Budget as Enacted. The following table illustrates the FTE levels by government function:

FTE Positions by Function	FY2026 Enacted	FY2026 Governor	Change to Enacted
General Government	2,595.3	2,594.3	(1.0)
Human Services	3,859.5	3,875.5	16.0
Education*	4,348.8	2,056.6	(2,292.2)
Public Safety	3,347.4	3,348.4	1.0
Natural Resources	471.0	471.0	-
Transportation	755.0	755.0	-
Subtotal	15,377.0	13,100.8	(2,276.2)
<i>Higher Ed. Sponsored Positions</i>	<i>544.8</i>	<i>166.0</i>	<i>(378.8)</i>
Total FTE Positions	15,921.8	13,266.8	(2,655.0)

*** Analyst Note:** The Governor recommends the elimination of the FTE cap for the University of Rhode Island (URI). The numbers included above reflect the Governor's FY2026 Revised Budget amount of FTE positions for URI. However, including the URI FTE positions results in a total FTE authorization of 15,937.8 reflecting an increase of 16.0 FTE positions over the amount in the FY2026 Budget as Enacted.

STATE FISCAL RECOVERY FUNDS

Section 5 pertains to the authorization and appropriation of the State Fiscal Recovery Fund (SFRF) and Capital Projects Fund (CRF) federal funds.

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



FY2027 BUDGET ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2027

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

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 13,330.8 FTE positions reflecting a net decrease of 2,591.0 FTE positions as compared to the authorized level set in the FY2026 Budget as Enacted. These figures reflect the Governor's recommendation to eliminate the authorized FTE cap of 2,292.2 FTE positions for the University of Rhode Island and 378.8 FTE positions for the URI sponsored research positions. If the recommendation is not accepted, then the total authorized cap would be 16,001.8 reflecting a net increase of 80.0 FTE positions.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2028. In addition, the Office of the Postsecondary Commissioner shall provide \$8.1 million to the Rhode Island Promise Scholarship program, and \$7.1 million to the Rhode Island Hope Scholarship Program, \$455,000 to support the Onward We Learn, \$100,000 to the Rhode Island School for Progressive Education, \$151,410 to support the State's membership in the New England Board of Higher Education, and \$75,000 to Best Buddies Rhode Island.
- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.4 million. It requires the Judiciary to provide \$500,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Requires that Rhode Island Housing and Mortgage Finance Corporation continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report be provided to the Director of Administration, the Secretary of Housing, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and funding. The Article amends language regarding whom shall receive the annual report. The chair of the Housing Resources Commission is removed from the list and replaced with the Secretary of Housing.
- Clarifies that the federal funds do not include federal funds or assistance appropriated, authorized, allocated, or apportioned to the State from the State Fiscal Recovery Fund and Capital Projects Fund pursuant to the American Rescue Plan Act of 2021. Requires that all unexpended or unencumbered balances relating to the State Fiscal Recovery Fund and Capital Projects Fund be reappropriated to FY2028 and made available for the same purposes. It also outlines reporting requirements and a process for funding reallocation if projects complete or stall.
- Includes the appropriation mechanism necessary for incremental tax revenues collected from State economic activity taxes generated in Pawtucket's Downtown Redevelopment district to be made available to the City. Legislation enacted in 2019 established several geographical districts within downtown Pawtucket that would constitute the City of Pawtucket's Downtown Redevelopment project.

Any incremental tax revenues generated in these districts related to new economic development are to be made available to the City once an agreement is made between City and the State. This agreement was entered into in December 2020. Since the passage of the legislation, the Commerce Corporation has been certifying these revenues, and the Division of Taxation has segregated them into their own account. The language makes the formal appropriation in the Budget to disburse the funds to the City of Pawtucket.

APPROPRIATIONS

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

<u>Expenditures by Source</u>	<u>FY2025 Actuals</u>	<u>FY2026 Enacted</u>	<u>FY2027 Governor</u>	<u>Change to Enacted</u>
Federal Funds	\$5,045,160,589	\$5,108,485,986	\$5,506,004,485	\$397,518,499
General Revenue	5,534,306,228	5,809,363,121	5,954,722,537	145,359,416
Operating Transfers from Other Funds	283,902,658	591,861,684	465,961,696	(125,899,988)
Other Funds	2,319,970,408	2,368,123,335	2,472,502,344	104,379,009
Restricted Receipts	365,586,324	458,544,467	459,831,598	1,287,131
Total	\$13,548,926,207	\$14,336,378,593	\$14,859,022,660	\$522,644,067

\$ in millions. Totals may vary due to rounding.

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

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

- **Labor and Training – Direct Care Training:** The article requires \$600,000 in general revenue be used for enhanced training for direct care and support services staff to improve the quality of care for nursing facility residents.
- **Labor and Training – Hospitality Industry Training:** The article requires \$150,000 in restricted receipts be used to provide hospitality industry workforce training grants.
- **Housing:** Requires \$100,000 in general revenue be used to support Sojourner House’s supportive housing and rapid rehousing activities.
- **EOHHS - Mobile Response and Stabilization Services:** Includes language requiring that \$900,000 of the general revenue appropriation be used for Mobile Response and Stabilization Services for uninsured and underinsured child and youth.
- **EOHHS – Planned Parenthood:** Provides \$600,000 to Planned Parenthood of Southern New England for a one-time grant to support healthcare services.
- **Health:** Ensures that the Office of Policy, Information, and Communication allocates a total of \$200,000 to support the Professional Loan Repayment Program, specifically targeting primary care physicians and pediatricians.
- **RIDE - Individualized Education Programs (IEPs):** The article provides that \$450,000 and 3.0 FTE positions are allocated to support special education functions that facilitate IEPs and 504 services.
- **RIDE - Rhode Island Vision Education and Services Program:** The article requires that \$684,000 from the Department of Elementary and Secondary Education’s share of federal Individuals with Disabilities Education Act funds, be allocated to the Sherlock Center on Disabilities to support the Rhode Island Vision Services Program.
- **RIDE –** The article includes specific general revenue appropriations of \$2.0 million for the Learn365RI program, \$100,000 for the Rhode Island Afterschool Network, \$100,000 to Teach for America Ignite, and \$100,000 to Onward We Learn.

- **RIDE - Education Aid:** The article prioritizes the allocation of early childhood funds for prekindergarten seats and classrooms for four-year-olds with a family income at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low performing schools.
- **Public Safety:** Provides \$75,000 to the Rhode Island Police Officers Commission on Standards and Training to support administrative, information technology, and operating expenses.
- **Environmental Management:** The article provides \$150,000 for Marine Mammal Response activities to match federal funds.
- **Transportation- Rhode Restore:** The article provides \$10.0 million of gas tax other funds to the Department of Transportation for the Municipal Roads Grant program, now titled the Rhode Restore program. The program provides matching funds to municipalities for maintenance and construction of their roads, sidewalks, and bridges. Requires that sufficient funds from RIPTA's share of the gasoline tax, be allocated to the state paratransit program including the expansion pilot program, "ride anywhere."

INTERNAL SERVICE FUNDS

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

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

FTE POSITIONS

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Budget has a net increase of 80.0 FTE positions* from the FY2026 Budget as Enacted. The following table lists the FTE amounts by budget function:

FTE Positions by Function	FY2026 Enacted	FY2027 Governor	Change to Enacted
General Government	2,595.3	2,602.3	7.0
Human Services	3,859.5	3,923.5	64.0
Education*	4,348.8	2,057.6	(2,291.2)
Public Safety	3,347.4	3,352.4	5.0
Natural Resources	471.0	472.0	1.0
Transportation	755.0	757.0	2.0
Subtotal	15,377.0	13,164.8	(2,212.2)
<i>Higher Ed. Sponsored Positions</i>	<i>544.8</i>	<i>166.0</i>	<i>(378.8)</i>
Total FTE Positions	15,921.8	13,330.8	(2,591.0)

***Analyst Note:** *The Governor recommends the elimination of the FTE cap for the University of Rhode Island (URI). The numbers included above reflect the Governor's FY2027 Recommended Budget amount of FTE positions for URI. However, including the URI FTE positions results in a total FTE authorization of 16,001.8 reflecting an increase of 80.0 FTE positions over the amount in the FY2026 Budget as Enacted.*

COMMUNITY SERVICE OBJECTIVES

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

The FY2026 Budget as Enacted includes \$15.5 million in general revenue for CSO grant awards across 15 state agencies. The FY2027 Budget includes \$16.9 million in general revenue in FY2027, an increase of \$1.4 million from the previously enacted budget. The following table lists the Community Service Objective grant:

Agency	Grant Recipient	FY2026	FY2027	Change
		Enacted	Governor	
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	\$500,000	\$500,000	\$0
Executive Office of Commerce	Chafee Center at Bryant	476,200	476,200	-
Executive Office of Commerce	Urban Ventures	140,000	140,000	-
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	-
Executive Office of Commerce	Blackstone Valley Visitor Center	75,000	75,000	-
Secretary of State	Rhode Island Historical Society	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	-
Secretary of State	RI Council for the Humanities	100,000	100,000	-
Secretary of State	We the People Civics Challenge	50,000	50,000	-
Secretary of State	RI Black Heritage Society	25,000	25,000	-
OHHS	Thundermist	500,000	-	(500,000)
OHHS	Planned Parenthood	-	600,000	600,000
Health	Gloria Gemma Breast Cancer Research	50,000	50,000	-
Health	Psychiatry Resource Network	750,000	750,000	-
Housing	Sojourner House	100,000	100,000	-
Human Services - Healthy Aging	Diocese of Providence - Elder Services	325,000	325,000	-
Human Services - Healthy Aging	Alliance for Long Term Care Ombudsman Services	40,000	40,000	-
Human Services - Healthy Aging	Elderly Nutrition	50,000	50,000	-
Human Services - Healthy Aging	Meals on Wheels	680,000	680,000	-
Human Services - Healthy Aging	Senior Center Support	1,600,000	1,800,000	200,000
Human Services	Coalition Against Domestic Violence	400,000	400,000	-
Human Services	Project Reach - Boys and Girls Club	450,000	450,000	-
Human Services	Day One	300,000	300,000	-
Human Services	RI Community Food Bank	950,000	1,950,000	1,000,000
Human Services	New Bridges for Haitian Services	-	25,000	25,000
Human Services	Crossroads Rhode Island	500,000	500,000	-
Human Services	Crossroads Women's Shelter	360,000	360,000	-
Human Services	Institute for the Study and Practice of Nonviolence	250,000	250,000	-
Human Services - Veterans Services	Operation Stand Down	50,000	50,000	-
Human Services - Veterans Services	Veterans' Organizations	200,000	200,000	-
Human Services - Veterans Services	Veterans Services Officers Program	100,000	100,000	-
Human Services	Community Action Fund	600,000	600,000	-
Human Services	United Way's 211 System	200,000	200,000	-
Human Services	Higher Ground International	125,000	150,000	25,000
Human Services	Oasis International	-	25,000	25,000
Human Services	Refugee Dream Center	50,000	50,000	-
Human Services	Substance Use and Mental Health Leadership Council of RI	150,000	150,000	-
Human Services	Center for Southeast Asians	25,000	25,000	-
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	-
Education	City Year - Whole School Whole Child Program	130,000	130,000	-
Office of Postsecondary Commissioner	Onward We Learn	455,000	455,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	-
Office of Postsecondary Commissioner	RI School for Progressive Education	100,000	100,000	-
University of Rhode Island	Small Business Development Center	700,000	700,000	-
University of Rhode Island	Institute for Labor Studies and Research	125,000	125,000	-
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	-
Arts Council	WaterFire Providence	400,000	400,000	-
Arts Council	Other Grants	200,000	200,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	-
Historical Preservation	Rhode Island Slave History Medallions	25,000	25,000	-
Historical Preservation	Other Grants	17,000	17,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	500,000	500,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	-
Public Safety	Family Services of RI GO Team Program	400,000	400,000	-
Environmental Management	Wildlife Rehabilitators Association of RI	100,000	100,000	-
Environmental Management	Marine Mammal Response Activities	-	-	-
Environmental Management	Conservation Districts	180,000	180,000	-
Total		\$15,476,200	\$16,851,200	\$1,375,000

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, 2028, June 30, 2029, June 30, 2030, and June 30, 2031. These amounts supersede appropriations provided for FY2027 within the FY2026 Budget as Enacted.

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

STATE FISCAL RECOVERY FUNDS

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

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

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

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

Article 2: Relating to State Funds

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

- Exempts the Rhode Island Uninsured Protection Fund from the State's 15.0 percent indirect cost recovery assessment.
- Increases RIPTA's fixed statutory allocation of Highway Maintenance Account funds from \$5.0 million per year to \$14.3 million per year.

FISCAL IMPACT

Initiative	FY2026		FY2027	
	Revenues	Expenditures	Revenues	Expenditures
Exempting the Uninsured Protection Fund	-	-	-	-
Increasing RIPTA's HMA Funding by \$9.3 million	-	-	-	(\$9,300,000)*
Total	\$0	\$0	\$0	(\$9,300,000)*

* Increasing RIPTA's HMA funding by \$9.3 million would reduce the Department of Transportation's share by an equivalent amount.

ANALYSIS AND BACKGROUND

Uninsured Protection Fund

Section 1 of the article exempts the Rhode Island Uninsured Protection Fund from the State's 15.0 percent indirect cost recovery assessment. The Office of Management and Budget indicates that exempting the fund will not have a fiscal impact.

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

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

Article 2 Changes: The article amends RIGL 35-4-27 to add the Rhode Island Uninsured Protection Fund to the list of restricted receipt accounts that are not subject to the 15.0 percent Indirect Cost Recovery assessment. Upon passage, the article will take effect retroactively on July 1, 2025.

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

HMA Funding Increase to the Rhode Island Public Transit Authority

Section 2 of the article increases the Rhode Island Public Transit Authority’s annual fixed share of Highway Maintenance Account (HMA) funding by \$9.3 million, from the current amount of \$5.0 million to \$14.3 million. The increased funding in the article is part of a package of initiatives included by the Governor that resolves the Authority’s \$13.8 million deficit in FY2027.

Background: The State supports the Rhode Island Public Transit Authority (RIPTA) with two primary subsidies, receipts collected through taxes on motor fuel and receipts collected through the Highway Maintenance Account (HMA). Current law imposes a \$0.405 tax on each gallon of gasoline and provides \$0.1175 to RIPTA. The November 2025 estimate from the Office of Revenue Analysis (ORA) projects the State will collect \$174.5 million in motor fuel tax receipts in FY2027 and transfer \$50.6 million to the Authority.

The HMA is created in RIGL 39-18.1-4 and capitalized with various fees and surcharges primarily collected by the Division of Motor Vehicles (DMV), including vehicle registration fees, vehicle inspection fees, and licensing fees. The statute requires 5.0 percent of collections to be transferred to the general fund to partially offset the cost of collections to the DMV. The proceeds are deposited to the HMA and distributed pursuant to RIGL 39-18.1-5, which currently provides RIPTA with 10.0 percent of the available proceeds and a fixed \$5.0 million. The remaining funds are provided to the Department of Transportation. The November 2025 estimate from the ORA projects the State will collect \$128.2 million of HMA receipts in FY2027 and transfer \$17.2 million to the Authority.

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

Article 2 Changes: The article amends RIGL 39-18.1-5 to increase RIPTA’s fixed share of HMA funding by \$9.3 million, from the current amount of \$5.0 million to \$14.3 million, effective July 1, 2026.

Fiscal Impact: Passage of the article will not impact net HMA collections but will reduce the receipts transferred to the Department of Transportation by \$9.3 million in FY2027. The increase to RIPTA reduces the Authority’s deficit to \$4.5 million, which is further resolved through initiatives included in Article 5 and Article 1. The Governor recommends \$3.5 million of RICAP funds to serve as the state match towards bus purchases in Article 1. This funding is recommended annually in the capital budget through FY2031. The following table illustrates the initiatives and funding recommended by the Governor to resolve the Authority’s deficit.

RIPTA's Anticipated FY2027 Budget Deficit	(\$13,833,078)
Article 2 HMA Fixed Share Increase	9,300,000
Article 1 RICAP Increase for Bus Purchases	3,500,000
Article 5 Newport Cruise Fees	1,000,000
Balance	(\$33,078)

Article 3 – Relating to Government Reform and Reorganization

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

- **Executive Veto Power:** Requires the General Assembly to submit a proposition to the voters of the State to approve an amendment to the State Constitution pursuant to Section 1 Article XIV to allow the Governor the power of line-item veto to reduce or eliminate expenditures in the budget, as well as to disapprove non-appropriation items such as articles, sections, or subsections, with certain limitations. It also changes the required vote counts to override a veto.
- **RI Paint Recycling Program:** Modifies the paint recycling program to require the representative organization to submit an updated plan for review and approval every five years, beginning with an update due December 31, 2026. Currently, a third-party organization, known as PaintCare, represents paint manufacturers in operating the paint recycling program, and setting recycling fees to fund operating expenses as well as cash reserve. PaintCare operates in twelve states and in the District of Columbia. The program in Rhode Island began in June 2014. The fee is \$0.35 on pint and quart containers, \$0.75 on gallon containers, and \$1.60 on five-gallon containers.
- **Green Buildings Advisory Council:** Amends RIGL 37-24-5 to transfer the administrative authority for the Green Buildings Advisory Council (GBAC) and the Green Buildings Act (GBA) from the Department of Administration (DOA) to the Department of Business Regulation (DBR). The article requires the DOA to commission a report to analyze costs and benefits of Leadership in Energy and Environmental Design (LEED) certification compared to equivalent standards.
- **Weatherization Assistance Program:** Transfers the administration and management of the Weatherization Assistance Program (WAP) and 4.0 FTE positions, as well as a portion of the federal Low-Income Home Energy Assistance Program (LIHEAP) from the Department of Human Services to the Office of Energy Resources.
- **Economic Development Incentive Changes:** Increases the maximum aggregate amount of combined Rebuild Rhode Island tax credits and sales tax exemptions from \$225.0 million to \$250.0 million. Sections 8 through 15 and Section 18 reauthorize the Executive Office of Commerce's (EOC) various incentive programs for an additional year, by extending the statutory sunset provisions placed on them from December 31, 2026, to December 31, 2027.
- **Big River Management Area:** Transfers administrative and regulatory authority over the Big River Reservoir lands from the Water Resources Board (WRB) to the Department of Environmental Management (DEM). Language is included to clarify that the transfer does not affect the WRB's authority over freshwater resource management as provided in RIGL 46-15, entitled "Water Resources Management", and 46-15.1, entitled "Water Supply Facilities".
- **Energy Benchmarking:** Amends RIGL 42-140-13, the Rhode Island Energy Resources Act, to establish new implementation and reporting requirements for energy benchmarking and performance standards of state-owned buildings. Beginning March 29, 2029, and recurring annually afterwards, state departments shall report to the Office of Energy Resources (OER) on energy use data for each state-owned building and facility listing the fuel used and total emissions. The article requires the OER to provide technical and financial assistance to municipalities implementing energy benchmarking of municipal-owned public buildings
- **RI Energy Resources Act:** Amends RIGL 42-140-13, the Rhode Island Energy Resources Act, to include new responsibilities for the Office of Energy Resources (OER) including the administration of the federal Weatherization Assistance Program (WAP) and other similar State or other funded weatherization programs. Section 4 of the article would transfer the administration and management of the WAP, as well as a portion of the federal Low-Income Home Energy Assistance Program (LIHEAP)

from the Department of Human Services to OER. The article authorizes OER to administer all approved state energy bonds.

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

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

FISCAL IMPACT

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

- **Green Buildings Advisory Council:** Amends RIGL 37-24-5 to transfer the administrative authority for the Green Buildings Advisory Council (GBAC) and the Green Buildings Act (GBA) from the Department of Administration (DOA) to the Department of Business Regulation (DBR). The article requires the DOA to commission a report to analyze costs and benefits of Leadership in Energy and Environmental Design (LEED) certification compared to equivalent standards and includes an appropriation of \$50,000 in general revenue within DBR to fund the report.

ANALYSIS AND BACKGROUND:

Executive Veto Power

The article requires the General Assembly to submit a proposition to the voters of the State to approve an amendment to the State Constitution pursuant to Section 1 Article XIV to allow the Governor the power of line-item veto to reduce or eliminate expenditures in the budget, as well as to disapprove non-appropriation items such as articles, sections, or subsections, with certain limitations. Currently, the Constitution requires the Governor to approve or disapprove (veto) a bill in its entirety. Passage of this amendment would transfer a portion of the constitutional power of the purse from the General Assembly to the Executive.

There are only six states that do not have Gubernatorial line item veto power. They are Indiana, Nevada, New Hampshire, North Carolina, Rhode Island, and Vermont.

The amendment allows a Governor to reduce or eliminate an appropriation item or requirement but would still prohibit a Governor to add or redirect an appropriation.

Current law requires both houses of the General Assembly to override each line-item veto separately by a vote of three-fifths of the members present. If all members were present at the time of the vote, the override would require an affirmative vote of 45 members in the House of Representatives and 23 members in the Senate.

The proposal adds new language impacting the override vote on an appropriation item. The proposed revision requires both houses of the General Assembly to override each line-item veto separately by a vote of two-thirds of the members elected for appropriation items. If approved, such an override would require an affirmative vote of 50 members in the House of Representatives and 26 members in the Senate.

Article 3 Proposed Change	House	Senate
Total # of Members	75	38
Current 3/5 of Members Present Veto Requirement*	45	23
Proposed 3/5 of Members Elected Veto Requirement on a Non-Appropriation Item	45	23
Proposed 2/3 of Members Elected Veto Requirement on an Appropriation Item	50	26

** Assumes all members present during a veto override*

Furthermore, passage of this amendment may grant the Governor the power over the budgets of the General Assembly and of the Judiciary, which is currently prohibited under RIGL 35-3-5. Language within the resolution states that “any bill presented to the Governor shall address the appropriation of money, the Governor may” reduce, eliminate, or disapprove using the line-item veto. Lastly, such veto power could impact on the intent of an appropriation that was not approved by the General Assembly.

Rhode Island Paint Recycling Program

The article modifies the paint recycling program to require the representative organization to submit an updated plan for review and approval every five years, beginning with an update due December 31, 2026. Under current law, the representative organization is only required to submit a new plan or amendment to the Department of Environmental Management (DEM) when there is a:

- change to the amount of the fee charged on the paint collected;
- an addition to the products collected; or
- a revision of the stewardship organization’s goals.

The proposed implementation of the five-year review and approval cycle is intended to ensure that the fees charged will be sufficient to cover the program costs while allowing Rhode Island paint vendors to remain competitive with Massachusetts where no paint recycling fee is charged.

Currently, a third-party organization, known as PaintCare, represents paint manufacturers in operating the paint recycling program, and setting recycling fees to fund operating expenses as well as cash reserve. PaintCare operates programs in twelve states and in the District of Columbia. The program in Rhode Island began in June 2014. The fee is \$0.35 on pint and quart containers, \$0.75 on gallon containers, and \$1.60 on five-gallon containers. Based on the 2024 Annual Report, the program has 27 drop-off sites around the State, including 23 retailers and four transfer stations, which collected 71,573 gallons of paint. The program collected \$820,714 in revenue from the fee on approximately 1.4 million gallons of paint sales, while expenses including paint transportation and processing, communications, and administration totaled \$794,938. The program ended the year with net assets totaling \$771,938.

Green Buildings Advisory Council

The article amends RIGL 37-24-5 to transfer the administrative authority for the Green Buildings Advisory Council (GBAC) and the Green Buildings Act (GBA) from the Department of Administration (DOA) to the Department of Business Regulation (DBR). When the Green Buildings Advisory Council was established, the State Building Code Commission was within the Department of Administration but has since transferred to the Department of Business Regulation. The Department of Administration no longer possesses staff to facilitate the needs of the GBAC. The article requires the DOA to commission a report to analyze costs and benefits of Leadership in Energy and Environmental Design (LEED) certification compared to equivalent standards and includes an appropriation of \$50,000 in general revenue within the DBR budget.

Weatherization Assistance Program

Article 3 transfers the administration and management of the Weatherization Assistance Program (WAP) and 4.0 FTE positions, as well as a portion of the federal Low-Income Home Energy Assistance Program, (LIHEAP) from the Department of Human Services to the Office of Energy Resources. The WAP program was originally under the OER when the Office was a program in the Department of Administration and was transferred to DHS in 2013.

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

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

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

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

\$ in millions

Economic Development Incentive Changes

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

- **Reauthorization of Incentives:** Sections 8 through 15 and Section 18 reauthorize the Executive Office of Commerce's (EOC) various incentive programs for an additional year by extending the statutory sunset provisions placed on them from December 31, 2026, to December 31, 2027. The Incentive programs are:
 - Rebuild Rhode Island Tax Credit Act RIGL 42-64.20
 - Rhode Island Tax Increment Financing RIGL 42-64.21-9
 - Tax Stabilization Incentive RIGL 42-64.22-15
 - First Wave Closing Fund Act RIGL 42-64.23-8
 - I-195 Redevelopment Project Fund Act RIGL 42-64.24-8
 - Stay Invested in RI Wavemaker Fellowships RIGL 42-64.26-12
 - Main Stret Rhode Island Streetscape Improvement Fund RIGL 42-64.27-6
 - Innovation Initiative RIGL 42-64.28-10
 - Rhode Island New Qualified Jobs Incentive Act RIGL 44-48.3-14

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

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

- **Status:** Commerce's board has approved \$188.7 million in Rebuild RI tax credits and \$44.8 million in sales tax exemptions across 56 projects, for a combined total of \$233.5 million, or 103.8 percent over the current \$225.0 million statutory program cap. In its testimony at the November 2025 Revenue Estimating Conference, Commerce indicated that the actual estimated use of the awarded credits and exemptions amounts to only \$218.5 million (or 97.1 percent of the cap). According to Commerce the lower amount reflects projects electing to redeem credits at 90.0 percent of their cash value (which is allowed by the program) and anticipated unused sales tax exemptions.

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

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

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

[^] Appropriation levels for FY2028 through FY2033 have been chosen for demonstration purposes only.

Consideration was given to keeping annual appropriations below \$25.0 million, while covering the draw downs, and leaving a reasonable ending balance (Senate Fiscal Staff estimates).

- **Tax Credit Details:** Under Rebuild RI the Secretary of Commerce may issue a tax credit up to \$15.0 million, based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gaps. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of the credit exceeds a taxpayer's liability in each year, the credit may be carried forward up to four years or until the full credit is used, whichever occurs first. Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. A project is permitted to elect to take a 90.0 percent cash value redemption in lieu of the full credit.
- **Sales Tax Exemption Details:** Commerce also has the authority to provide qualifying projects with sales tax exemptions on certain qualified purchases that are related to the project's development. These purchases can include construction materials and services as well as furnishings and other interior improvements. To receive these exemptions, the developer must make application to Commerce and if approved, will receive a rebate those expenditures certified by Commerce. Most of the current Rebuild projects have a sales tax rebate incentive in addition to the Rebuild tax credits.
- **Rebuild RI Fund:** When Rebuild credits and exemptions are exercised by a developer, they negatively impact State revenue. To mitigate this impact, State law requires the state General Fund be reimbursed for the amount of the credits and exemptions from the Rebuild RI Fund. On an annual basis, Commerce works with the EOC, the Department of Administration, and the Division of Taxation to determine the availability of funds to award new tax credits. Each year, the Director of Revenue requests the amounts necessary to pay for the redemption of tax credits and sales tax rebates. This fund is capitalized by

annual appropriations by the General Assembly. Since 2016, the Rebuild RI Fund has received \$199.7 million in appropriations through FY2026, or 91.4 percent of the \$218.5 million in current Rebuild obligations.

Big River Management Area

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

Rhode Island Energy Resources Act

Article 3 amends RIGL 42-140-3, the Rhode Island Energy Resources Act, to include new responsibilities for the Office of Energy Resources (OER) such as the administration of the federal Weatherization Assistance Program (WAP) and other similar State or other funded weatherization programs, as previously described under the Weatherization Assistance Program section. Section 4 of this article transfers the administration and management of the WAP, as well as a portion of the federal Low-Income Home Energy Assistance Program (LIHEAP) from the Department of Human Services to OER. This section of the article authorizes OER to administer all approved state energy bonds.

Analyst Note: Question 5 under Article 6, if approved, would provide a \$10.0 million bond for activities for energy efficient infrastructure.

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

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

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

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

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

Bays, Rivers, and Watersheds Fund			
	FY2023	FY2024	FY2025
Beginning Balance	\$948,923	\$1,109,463	\$1,405,125
Revenue	966,279	725,283	922,251
Expenditures	(805,739)	(429,622)	(1,461,605)
Net Income (loss)	160,540	295,661	(539,353)
Ending Balance Carry Forward	\$1,109,463	\$1,405,125	\$865,771

Bays, Rivers, and Watersheds Fund			
Percentage of Expenditures by Category			
	FY2023	FY2024	FY2025
Grants and Aid	0.0%	16.6%	2.6%
Operating and Capital	2.0%	22.2%	2.6%
Contract Services	50.8%	61.2%	50.9%
Salaries and Benenfits	47.2%	0.0%	43.9%

Article 4: Relating to Debt Management Act Joint Resolutions

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

Rhode Island College – Residential Life Renovations

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

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

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

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

University of Rhode Island – Repaving Hardscape Improvements

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

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

University of Rhode Island – Automotive and Administrative Services

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

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

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

Article 5: Relating to Taxes and Fees

This article establishes an additional personal income tax bracket, phases out the taxation of social security income, provides for a refundable child tax credit, makes certain changes to tobacco-related excise taxes including increasing the cigarette tax, and makes several other additional tax and fee changes. Specifically, the article:

- **New High Earner Tax Bracket:** Establishes a fourth personal income tax bracket beginning tax year 2027 that taxes income over \$1.0 million at a rate of 8.99 percent.
- **Tax Amnesty:** Provides a tax amnesty program for a 75-day period ending February 15, 2027.
- **Decoupling from R&D Expensing:** Decouples State's policy from certain new federal rules related to how a business' income is determined for tax purposes.
- **Refundable Child Tax Credit:** Establishes a new refundable child tax credit for certain eligible taxpayers to be used to offset personal income taxes or, in certain circumstances, increase personal income.
- **Cigarette and Other Tobacco Initiatives:** Includes several tobacco-related revenue initiatives including increasing the excise tax on cigarettes.
- **Phase-out of Social Security Taxation:** Phases out the taxation of social security income over the course of three tax years.
- **State Aid to Municipalities – Car Tax – Sales Tax Adjustment:** Eliminates the annual sales tax growth adjustment that is provided to municipalities as part of the Motor Vehicle Excise Tax State Aid program.
- **Newport Cruise Fee:** Increases the landing and boarding fees imposed on cruise vessels landing in Newport by \$5.00 per passenger and dedicates the additional revenue to the Rhode Island Public Transit Authority (RIPTA).

FISCAL IMPACT

The fiscal impact of Article 5 general revenue changes are summarized in the table below. For more details see below in the analysis and background section.

Initiative	General Revenue Impact			
	FY2027		FY2028	
	Revenues	Expenditures	Revenues	Expenditures
New Higher Earner Tax Bracket	\$67.1	-	\$135.3	-
Tax Amnesty	26.3	-	-	-
Decoupling of R&D Expensing	22.6	-	10.9	-
Refundable Child Tax Credit	(14.7)	-	(29.7)	-
Cigarette and Other Tobacco Initiatives	8.0	-	6.4	-
Phase-out of Social Security Taxation	(3.0)	-	(14.6)	-
State Aid - Car Tax - Sales Tax Adjustment	-	(4.8)	-	(9.7)
Total	\$106.3	(\$4.8)	\$108.3	(\$9.7)

\$ in millions

In addition to the general revenue impact summarized above, the increase in the passenger fee on cruise ships in Newport Harbor (section 8) is estimated to generate \$1.0 million in FY2027 and FY2028.

ANALYSIS AND BACKGROUND

New High Earner Tax Bracket

Article 5 amends Rhode Island's tax statutes to establish a high earner tax bracket beginning tax year 2027.

Personal Income Tax Bracket Established: Section 6 of the article amends RIGL 44-30-2.6(c)(3)(A)(I) and (II) by adding a fourth tax bracket with a rate of 8.99 percent on personal income over \$1.0 million and trust/estate income of over \$17,852.

Analyst Note: The statute RIGL 44-30-2.6(c)(3)(A) is constructed in such a way that requires the amendment to state the new top bracket income thresholds in tax year (TY) 2011 dollars. The TY2011 income thresholds included in Article 5 (\$648,398 and \$7,022 for personal income and trusts/estates, respectively) were selected so that when adjusting for inflation results in at top threshold of \$1.0 million for personal income tax (and \$17,852 for trusts/estates) in TY2027

The following tables illustrate how the tax brackets are adjusted under the article.

Article 5 Tax Rate Schedule (personal income)*

Taxable Income

Over	But not over	Pay	Plus percent on excess	of the amount over
\$0	\$82,050	\$0	3.75%	\$0
82,050	186,450	3,077	4.75%	82,050
186,450	1,000,000	8,036	5.99%	186,450
1,000,000	-	56,768	8.99%	1,000,000

** This table is for illustrative purposes only and is based on the existing TY2026 adjusted thresholds. The new bracket does not go into effect until TY2027, at which time the threshold amounts for the first three brackets will have been adjusted for inflation.*

Article 5 Tax Rate Schedule (trusts and estates)*

Taxable Income

Over	But not over	Pay	Plus percent on excess	of the amount over
\$0	\$3,200	\$0	3.75%	\$0
3,200	10,200	120	4.75%	3,200
10,200	17,852	453	5.99%	10,200
17,852	-	911	8.99%	17,852

** This table is for illustrative purposes only and is based on the existing TY2026 adjusted thresholds. The new bracket does not go into effect until TY2027, at which time the threshold amounts for the first three brackets will have been adjusted for inflation.*

Pass-through Entity Changes: Section 2 of the article amends RIGL 44-11-3(a)(2) by increasing the rate, beginning in tax year 2027, that a pass-through entity (PTE) is subject to when members elect to pay their tax liability at the entity level as opposed to their personal income tax. The rate increases from 5.99 percent to 8.99 percent.

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

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

Fiscal Impact: ORA estimates the fiscal impact of a new high earner tax bracket to be \$67.1 million in FY2027 (one-half year impact). The following table summarizes the out-year revenue growth from the new tax rate.

Fiscal Year	Fiscal Impact
FY2027	\$67,090,404
FY2028	135,345,519
FY2029	138,411,784
FY2030	142,323,432
FY2031	146,626,622

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

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

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

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

Background

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

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

According to the State's Office of Revenue Analysis there exists considerable debate about the impacts of higher income tax rates on how taxpayers choose to realize their income and where they choose to locate.

ORA notes that some studies show taxpayer migration out of high tax jurisdictions while other studies have shown little to no effect.

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

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

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

Taxable Income

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

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

Taxable Income

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

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

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

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

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

Rhode Island Tax Filers by Entity - TY2022

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

Source: IRS 2022 Statistic of Income per ORA

Analyst Note: The impact of Article 5 on pass-through entities is complicated to determine. ORA offers an example to illustrate the complexity: a dental practice has \$5.0 million in annual revenue. Initially it looks like they're well into the new fourth bracket. But pass-through entities pass through income net of expenses. Say this firm has \$4M in expenses, so they're still passing through \$1M of income. But the practice includes two dentists who are partners, so each receives \$500,000 in income. At this level the income does not qualify for the new bracket. But each dentist pays themselves a salary of \$100,000 (still not over the \$1.0 million threshold). Let's also say one of the dentists owns a real estate LLC that provides \$300,000 in annual income and has \$100,000 in capital gains and dividend earnings in a typical year. In this example, one dentist has earned \$600,000, and the other dentist has earned \$1.0 million. How many pass-through entities should be counted as "impacted" by the millionaire's tax? One for the dental practice, two including the dental practice and the real estate LLC, or zero because none of those entities pass through \$1M of income to any one partner? According to ORA, every Rhode Island millionaire has some pass-through income, although most filers with pass-through income are not millionaires.

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

Highest Tax Bracket Rate - New England

State	Rate
Massachusetts	9.00%
Vermont	8.75%
Maine	7.15%
Connecticut	6.99%
Rhode Island	5.99%
New Hampshire	0.00%

Tax Amnesty

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

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

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

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

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

\$ in millions

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

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

- **Definitions:** A new proposed statute, 44-6.6-2, sets forth relevant definitions to implement the tax amnesty, including “Taxable Period” (any period for which a return is required) and “Taxpayer” (any person, corporation, or entity subject to any state tax).
- **Amnesty Program Established:** A new proposed statute, 44-6.6-3, provides the Tax Administrator with the authority to establish the amnesty program.
 - The program shall be conducted for a 75-day period ending February 15, 2027 (begins December 2, 2026),
 - For those Taxpayers that apply to Taxation and make payment of all tax and interest due from the taxpayer to the State for any taxable period ending on or before December 31, 2025, the Tax Administrator is directed to not seek applicable penalties or criminal or civil prosecution. This is also true for those taxpayers that enter a payment plan (for reasons of financial hardship) through the same process and during the same period. Amnesty is not granted to those taxpayers under existing criminal or civil investigation or are party to existing court proceedings.
- **Interest Under Tax Amnesty:** A new proposed statute, RIGL 44-6.6-4, calculates the interest to be paid on taxes paid during the amnesty period by applying the statutory rate (18.0 percent on trust fund taxes such as sales tax, and 12.0 percent for all other taxes), and then reducing the amount by 25.0 percent.
- **Administration:** The remaining proposed statutes under Article 5 provide the Tax Administrator with the typical authorization necessary to implement a tax-related program. These include the ability to promulgate rules and regulations, create forms, designate where funds are to be deposited, and reporting requirements.

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

- **Amnesty Receivable Estimate:** In calculating how much is estimated to be collected against the tax receivables, ORA looked at the receivable collections two years prior to the date of the amnesty programs and compared it to that which took place during the amnesty and came up with a collection rate for each tax type and for each amnesty year. ORA then averaged the rates from each amnesty year and applied them to known tax receivable for each tax type as of June 2025.
- **Amnesty New Revenue Estimate:** In calculating an estimate for new revenue under the proposed amnesty program ORA averaged the new revenue collections by tax type as reported out from the FY2018 and FY2013 amnesty programs and calculated a collections rate (FY2007 was excluded due to elapsed time and the overall growth in collections since then). ORA used this rate, unadjusted for growth, to create a conservative estimate for new revenue collection under the proposed amnesty.
- **Existing Debts (Receivable)/New Revenue Estimate:** The following table summarizes ORA's estimated collections by tax type and by debts collected against the receivable and new revenue:

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

The Governor recommends \$750,000 in operating and contract services expenditures to implement the program in FY2027.

Decoupling from R&D Expensing

Article 5 includes provisions that decouple the State's tax code from certain portions of the federal tax code that were amended with the passage of HR 1.

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

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

HR1: In 2025, Congress enacted legislation, known as HR1, that included sweeping tax changes estimated to significantly impact state revenue collection in Rhode Island. In anticipation of these changes, the General Assembly enacted several preemptive protections in its FY2026 Budget. First, it preserved the pre-HR1 definitions of taxable income for tax year 2025. It also required the Department of Revenue (DOR) to do an analysis of the likely fiscal impact HR1 would have on out-year revenue.

DOR's Analysis: The DOR issued its report in October 2025. According to the report, absent the decoupling from HR1 definitions as directed by the FY2026 Budget as Enacted, Rhode Island would have realized a revenue loss of \$65.8 million. HR1 permanently codified the tax provisions under the federal Tax Cuts and Jobs Act (TCJA) of 2017 that had been set to sunset at the end of 2025. The report looks at the fiscal impact of the continuation of these provisions as well as all new tax changes. Of all the HR1 provisions, the

research and development expensing policy has the highest estimated fiscal impact. This and the other fiscal impact estimates from the report are summarized in the following table:

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

\$ in millions

Totals may vary due to rounding

Source: [Analysis of HRI Provisions - RI Department of Revenue](#)

Article 5 Changes: Sections 2 and 6 of Article 5 amend the State's tax statutes in a manner that formally decouples the state tax code from the research and development expensing provisions of the federal tax code.

- **Business Corporation Tax Changes:** Section 2 of the article amends the business corporation tax statutory definition of net income for purposes of calculating a business's tax liability by adding language that preserves the pre-HR1 treatment of R&D expenses for tax years 2026 and beyond. It also adjusts the statute to preserve the decoupling originally provided for tax year 2025 in the FY2026 Budget as Enacted.
- **Personal Income Tax Changes:** Section 6 of the article similarly amends the personal income tax statutory definition of income of a resident individual for purposes of calculating tax liability by adding language that preserves the pre-HR1 treatment of R&D expenses for tax years 2026 and beyond. This is primarily for members of pass-through entities that elect to pay taxes at the individual level.

Fiscal Impact: The Office of Revenue Analysis (ORA) based its fiscal impact estimate on the October 2025 DOR report and that the sections take effect upon passage. According to ORA the report utilized the revenue loss estimates for the R&D expensing policy change calculated by Congress' Joint Committee on Taxation. These were proportionately reduced based on size of Rhode Island's corporate tax base and adjusted for federal and state fiscal years. The original revenue losses were included in the November 2025 revenue estimates. The ORA assumes that by reverting to pre-HR1 treatment of R&D expensing, the estimate would simply add back the original forecasted loss. The following shows the impact through FY2030.

	FY2026	FY2027	FY2028	FY2029	FY2030
R&D Expensing	\$22.6	\$22.6	\$10.9	\$8.0	\$2.8

\$ in millions

Research and Development Expensing Background: An important aspect of the federal tax code impacted by HR1 is how a business' expenses related to domestic research and development (R&D) activity are

treated when determining taxable income. Historically, the federal tax code (26 USC §174A) allows a business to deduct qualified research expenses in the year it incurred those costs. These include such costs as researcher wages, research supplies, and research facility operational expenses. The rationale is encouraging innovation, especially by smaller, newer firms. Also, the benefits of such investment can take time to be realized, if at all.

In 2017, the federal TCJA Act ended immediate deduction of R&D expenses and required businesses to amortize the expenses over a five-year period beginning in 2022. HR1 reverses this, once again allowing the expensing of qualified R&D costs in the year they occurred, beginning in 2025. HR1 allows taxpayers to accelerate expensing costs from tax years 2022-2024 over a one-year period beginning with tax year 2025. Smaller businesses (\$31.0 million gross receipts or less) are allowed to file amended returns going back to tax year 2022.

According to the DOR, this policy change impacts taxable income levels, and thereby state revenue, several ways. In year 1 of HR1, when 100.0 percent of R&D expenses are permitted to be deducted, taxable income and the related state revenue decrease dramatically compared to the previous year when only 20.0 percent was allowed. The out-year revenue is also impacted because previously amortized expenses fade away over five years.

According to DOR's report, the change in R&D expensing policy results in the largest estimated revenue loss for Rhode Island of all the tax provisions in HR1. In both FY2026 and FY2027, the State is estimated to lose \$22.6 million (with this tapering in the out-years).

Refundable Child Tax Credit

Article 5 establishes a new refundable child tax credit (CTC) valued at \$325 per child in TY2027 for certain eligible taxpayers. The credit value is subject to an annual adjustment for inflation.

Child Tax Credit: Section 5 of the Article provides the codifies a new child tax credit within the State's personal income statute (RIGL 44-30).

Definitions: A new proposed statute, RIGL 44-30-104, sets forth relevant definitions for the child tax credit. A "child" is defined as an individual who is 18 or younger as of December 31 of the tax year. An "eligible taxpayer" is a person domiciled in the state who filed a Rhode Island state personal income tax return for the tax year.

- **Credit Established:** Section 5 provides that for tax years beginning on or after TY2027 a tax credit on the resident tax return of the eligible taxpayer in the amount of \$320 (TY2026 dollars) shall be allowed for each child where the dependent exemption amount is zero.

*Analyst Note: According to budget documents the \$320 amount is equal to the current dependent exemption (TY2026=\$5,250) multiplied by the top income tax rate of 5.99 percent. For TY2026, the calculation would be \$314, which in Article 5 is rounded. Since the effective date is TY2027, the \$320 would be increased by inflation to **\$325**.*

- **Phase Out Thresholds:** Section 5 further provides that for an eligible taxpayer with modified federal adjusted gross income above \$261,000, the credit will be reduced by 20 percentage points for each \$7,450 (or fraction thereof) of income above \$261,000.
- **Inflation Adjustment:** Section 5 provides for an annual inflation adjustment (using the Consumer Price Index for Urban Consumers) to the credit amount, with a base year of 2026.

Refundability: Section 6 authorizes the child tax credit to be used on personal income tax return filings for tax years 2027 and beyond. The credit is fully refundable, meaning that it reduces tax liability dollar for dollar and results in refund payments even if the filer's tax liability is zero.

Dependent Exemption: For tax years beginning on and after January 1, 2027, section 6 of the article eliminates the exemption for dependents for that taxpayer claiming the new child tax credit, by setting the amount to zero.

Rhode Island provides taxpayers with dependents an exemption for each dependent. The base amount of the exemption is adjusted annually for inflation and is currently \$5,250 (TY2026). The value of the exemption is determined by the taxpayer's marginal tax rate multiplied by the base amount. According to ORA, the exemption has a higher value for those taxpayers at higher-income tax brackets than lower-income taxpayers. The following table illustrates this for TY2026:

Dependent Exemption Benefit (TY2026)			
Income	Tax Rate	Dependent Exemption	Reduces Taxable Income By
\$0 and \$82,050	3.75%	\$5,250	\$196.88
\$82,050 and \$186,450	4.75%	5,250	249.38
\$186,450 and above	5.99%	5,250	314.48

The exemption phases out between \$261,000 and \$290,800 with a 20.0 percent decrease per \$7,500 increments.

Fiscal Impact: ORA estimates the revenue loss associated with the child tax credit in FY2027 to be \$14.7 million. The out-year impact is summarized in the following table:

Initiative	FY2027	FY2028	FY2029	FY2030	FY2031
Child Tax Credit	(\$14,701,176)	(\$29,657,570)	(\$30,329,465)	(\$31,186,604)	(\$32,129,540)

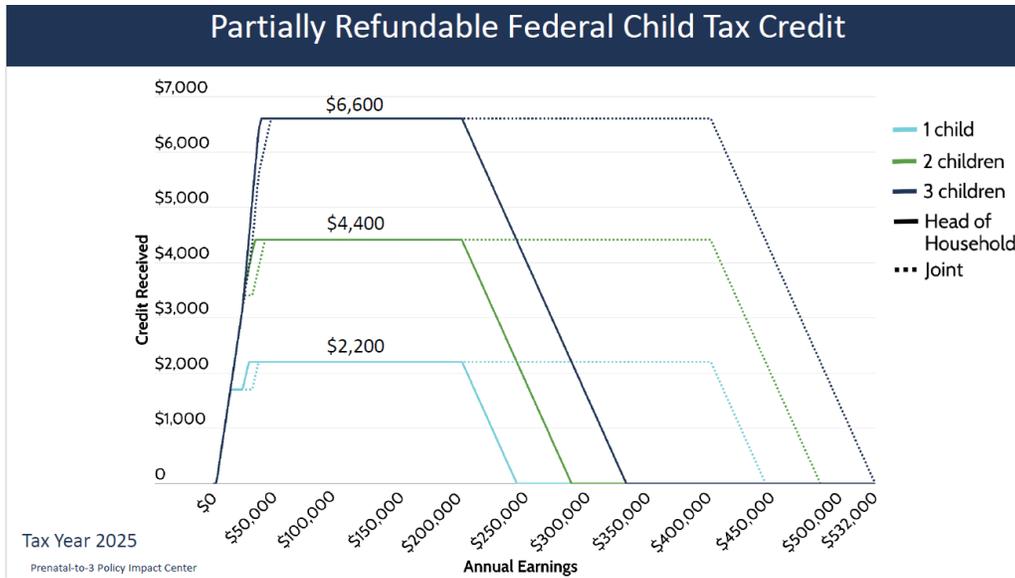
When evaluating the fiscal impact of the child tax credit, ORA used a personal income tax simulation model that uses the latest full set of tax return data (TY2023). TY 2023 dependent exemption data shows that there were 196,600 total dependents 18 years old or younger claimed on resident personal income tax returns (overall total of 120,900 resident tax returns claimed at least one dependent 18 or younger). The simulation model indicates that 110,500 filers would benefit from how the child tax credit is structured.

ORA also indicates that the amount of tax relief will vary greatly under the new structure. It will vary on the number of dependents and the level of benefit received from the current exemption. In TY2023 there were 31,200 resident tax returns with at least one child dependent who received no benefit from the current dependent exemption, meaning they even without the exemption, the taxpayer's liability was zero. The refundability of the credit provides these individuals with the greatest benefit, with the credit increasing their household income.

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

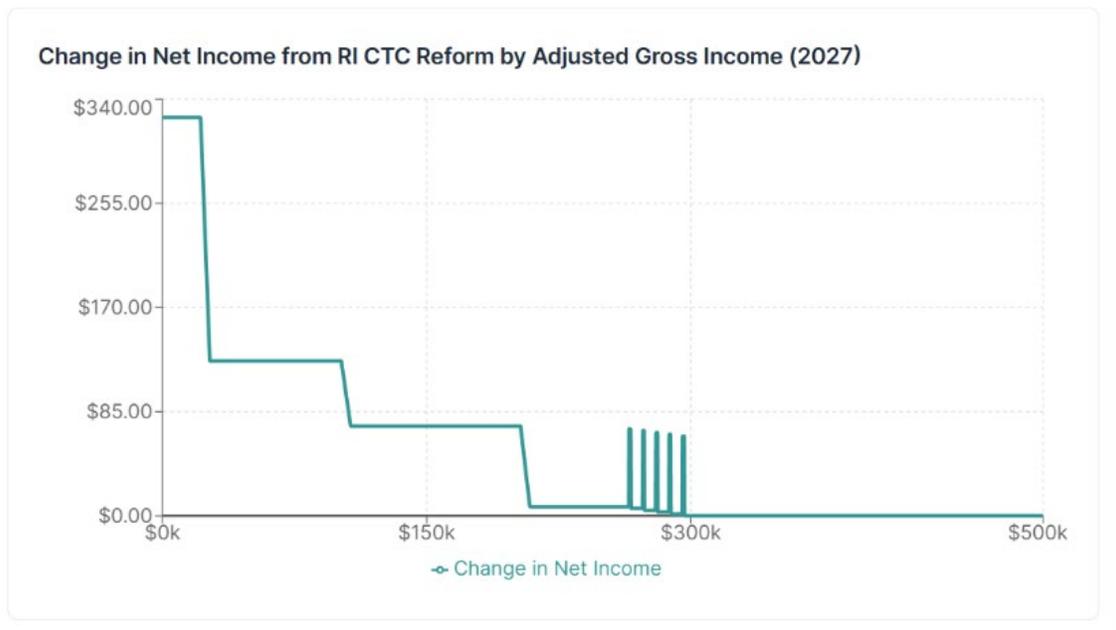
Impact of CTC on Incidence of Child Poverty: Proponents of using tax policy as a method of reducing child poverty often cite child tax credits as an effective tool. According to Vanderbilt University's Prenatal-to-3 Policy Impact Center, research and evidence supporting this is primarily around the federal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

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



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

The Prenatal-to-3 Policy Impact Center modeled the CTC as proposed in Article 5. The following¹ shows the change in net income for taxpayers:



¹ According to the Center, the phase-out of the CTC does not perfectly align with the personal exemption, leading to instances where net income jumps suddenly. This may be due to the inflation adjustment of the CTC's phase-out parameters being rounded to a different number than the personal exemption.

Cigarette and Other Tobacco Initiatives

Sections 3 and 4 of Article 5 include excise tax changes related to cigarettes and other tobacco.

Cigarette and Other Tobacco Initiatives - Fiscal Impact	
Initiative	Fiscal Impact
Cigarette Tax Increase	\$4,540,374
Floor Tax	2,467,926
Eliminate Stamp Discount	762,064
Cigar Tax Cap Increase	621,090
Sales Tax Elasticity	(433,335)
Total	\$7,958,119

Cigarette Excise Tax Increase: Sections 3 and 4 of the article amends RIGL 44-20-12 to increase the excise tax on packs of cigarettes by \$0.75, from \$4.50 to \$5.25. Additionally, the article adds RIGL 44-20-12.8 which assesses an equivalent floor stock tax of \$0.75 for each pack held in inventory by dealers and distributors. The article's effective date is September 1, 2026. At \$5.25 per pack, Rhode Island would have the second-highest state excise tax in the nation.

- **Fiscal Impact:** The ORA estimates that passage of this section will increase revenue by \$6.6 million in FY2027, of which \$4.5 million represents excise tax revenue and \$2.5 million reflects revenue collected from the floor stock tax. The collections are offset by a \$433,335 reduction in sales and use tax, related to consumer behavior from increased pricing. The estimate reflects a partial year, as the effective date of September 1, 2026, occurs late in the first quarter of FY2027.

For budget out-year FY2028, the legislation is expected to increase collections by \$4.5 million, representing a \$2.1 million reduction from the FY2027 estimate. The reduction is primarily due to the floor stock revenue occurring in FY2027 and an applied growth rate of -10.7 percent. The following table illustrates the fiscal impact of the section for FY2026-FY2028.

Revenue Type	FY2026	FY2027	FY2028
Cigarette Excise	\$0	\$4,540,374	\$4,966,883
Sales and Use	-	(433,335)	(474,042)
Floor Stock	-	2,467,926	-
Total	\$0	\$6,574,965	\$4,492,841

Source: Office of Revenue Analysis

- **Background:** Rhode Island levies taxes on cigarettes sold or held in the State. Cigarettes are currently taxed at \$4.50 per pack, equivalent to \$0.23 per cigarette. Dealers and distributors are required to purchase cigarette stamps, which are affixed to packages of cigarettes and provide proof of tax payment. The State discounts stamp rolls for bulk purchases as a means of compensation for the costs associated with affixing the tax stamps.

The excise tax was last increased in FY2025 by \$0.25 per pack, from \$4.25 to \$4.50. When tax increases occur, existing stocks of cigarettes that remain unsold in stores may be assessed a floor stock tax. Taxes are due upon purchase of the tax stamps. Sales and use taxes are also assessed on tobacco products, applied after inclusion of the tobacco taxes into the price.

At \$4.50 per pack, Rhode Island is tied with Washington DC for the third highest cigarette excise tax in the nation, trailing New York and Maryland, which assess respective taxes of \$5.35 and \$5.00 per pack. However, the total cost of a pack of cigarettes can vary based upon minimum markup, local excise taxes and other pricing provisions. The following table compares the excise tax assessed on cigarettes in Rhode Island with the other New England states.

Cigarette Excise Taxes in New England (per pack)

State	Tax	Ranking	
		New England	National
Rhode Island	\$4.50	1	3
Connecticut	4.35	2	5
Massachusetts	3.51	3	7
Maine	3.50	4	8
Vermont	3.08	5	10
New Hampshire	1.78	6	27

Source: Campaign for Tobacco Free Kids, January 2026

Cigar Tax Cap: The article increases the maximum amount of excise tax the state may assess on a single cigar by \$1.50, from the current amount of \$0.50 per cigar to \$2.00, effective September 1, 2026. The Office of Revenue Analysis (ORA) estimates that passage of this section will increase revenue by \$621,090 in FY2027, reflecting partial year collections due to the September 1, 2026, implementation date. The proposal will have no impact in FY2026.

- **Article 5 Changes:** The article amends RIGL 44-20-13.2 to increase the maximum excise tax assessed on cigars by \$1.50, from the current amount of \$0.50 to \$2.00 for each cigar. Currently, any cigar with a wholesale cost of \$0.63 or greater is assessed an excise tax of \$0.50. The Governor's proposal subjects any cigar with a wholesale cost above \$0.63 and below \$2.50 to the State's 80.0 percent excise tax. Cigars with a wholesale cost of \$2.50 or above, would be subject to the maximum amount of \$2.00. The following table compares the excise tax currently assessed on cigars with the Governor's proposal.

Wholesale Price	Current Tax Assessment	Governor's Proposed Assessment
\$0.62 or Less	80%	80%
\$0.63 - \$2.49	\$0.50	80%
\$2.50 or Above	\$0.50	\$2.00

- **Fiscal Impact:** Assuming the implementation date of September 1, 2026, the Office of Revenue Analysis estimates that passage of this section will increase general revenue by \$621,090 in partial year FY2027 and \$974,262 in budget out-year FY2028. The proposal will not impact FY2026.

To estimate the fiscal impact, the Office of Revenue Analysis (ORA) utilized data from Vermont's tiered tax structure. Vermont classifies cigars with a wholesale price of \$2.17 or below as Category 1, cigars with a wholesale cost above \$2.17 and below \$10.00 as Category 2, and cigars with a wholesale cost above \$10 as Category 3. ORA's calculations indicate that 98.1 percent of cigar sales in Vermont reflect Category 1 cigars and assumed equivalent behavior amongst the two populations.

- **Background:** Pursuant to RIGL 44-20-13.2, Rhode Island assesses an 80.0 percent excise tax on the wholesale cost of cigars, chewing tobacco, nicotine pouches, pipe tobacco, and other products classified as Other Tobacco Products (OTP). The statute has a special provision for cigars, capping the excise tax at \$0.50 per cigar. Therefore, all cigars with a wholesale value equal to or above \$0.63, are assessed an excise tax of \$0.50, regardless of their face value.

Capping the excise tax for cigars is not an uncommon practice and is utilized by other states in New England. Connecticut caps the excise tax for each cigar at \$0.50, which is assessed at 50.0 percent of the wholesale value. Vermont has a tiered system, which assesses a 92.0 percent tax on cigars with a wholesale cost of \$2.17 or less and a flat tax on cigars with a cost of \$2.18 or above. Cigars with a cost below \$10.00 are taxed at \$2.00 each and cigars with a cost of \$10.00 or more are taxed at \$4.00 each. Maine, Massachusetts, and New Hampshire do not cap the excise tax for cigars. Massachusetts imposes

a 40.0 percent tax on each cigar's wholesale value and Maine imposes a 75.0 percent tax on each cigar's cost price. New Hampshire does not tax premium cigars, which are handmade from all-natural tobacco and imposes a 65.03 percent tax on the wholesale price for non-premium cigars. The following table compares the current law in Rhode Island with

State	Excise Tax	Price Assessed	Maximum Excise Tax
Connecticut	50.0%	Wholesale Price	\$0.50 per cigar
Maine	75.0%	Cost Price	No maximum assessment
Massachusetts	40.0%	Wholesale Price	No maximum assessment
New Hampshire	65.03%	Wholesale Price	No tax on premium cigars
<i>Rhode Island</i>	<i>0.8</i>	<i>Wholesale Price</i>	<i>\$0.50 per cigar</i>
Vermont*	92.0%	Wholesale Price	Cigars priced at \$2.17 or below are taxed at 92.0%
Vermont*	\$2.00 Flat	Wholesale Price	Cigars priced above \$2.17 and below \$10.00
Vermont*	\$4.00 Flat	Wholesale Price	Cigars priced above \$10.00

Source: Campaign for Tobacco Free Kids, January 2026

* Vermont has a tiered excise tax structure and the assessment is based on the wholesale price of the

Cigarette Stamp Discount Elimination: The article eliminates the provision that allows licensed distributors to purchase cigarette stamps at 98.75 percent of face value, effective September 1, 2026. The Office of Revenue Analysis (ORA) estimates that passage of this section will increase revenue by \$762,064 in FY2027.

- **Article 5 Changes:** The article amends RIGL 44-20-19 to direct the Tax Administrator to sell cigarette stamps at face value, effective September 1, 2026. The article eliminates the discount on cigarette stamps provided to licensed distributors and requires that 100.0 percent of the revenue is transferred to the general fund.
- **Fiscal Impact:** Passage of this section will generate an estimated \$762,064 in FY2027 and \$974,262 in budget out-year FY2028. The section will not have an impact on FY2026 due to the implementation date. To estimate the revenue forgone through the discount in FY2027, the Office of Revenue Analysis (ORA) first estimated the forgone revenue in FY2026. The ORA utilized a -10.6 percent growth rate, which was determined at the November 2025 Revenue and Estimating Conference for FY2026 (REC), and collections data from FY2025 to determine that \$1.2 million of revenue was forgone in FY2026. For FY2027, the ORA applied the -9.2 percent year over year growth rate determined at the REC to the \$1.2 million forgone in FY2026, resulting in a \$1.1 million full-year estimate for FY2027. The ORA downwardly adjusted the \$1.1 million to account for increased sales before the discount's elimination and to pro-rate for the implementation date, resulting in an estimate of \$762,064.
- **Background:** Pursuant to RIGL 44-20-19, the Rhode Island tax administrator sells cigarette tax stamp rolls in bulk to licensed distributors at a 1.25 percent discount. The stamps serve as evidence that both the cigarette excise tax and sales and use tax have been paid and the discount compensates distributors for affixing the stamps to the cigarette package. Revenue collected through the sale of cigarette stamps is transferred to the general fund.

All New England States except New Hampshire currently offer discounts to distributors or wholesalers on cigarette stamp rolls. Maine is currently phasing out the discount, which was reduced from 1.15 percent to 0.66 percent in January 2026 and will be eliminated in April 2026. Massachusetts' discount ranges from 1.0 percent to 3.0 percent and is determined by the size of the stamp roll purchased. Rolls of 1,200 stamps include a \$12.00 discount (1.0 percent) and rolls of 30,000 stamps include a \$600 discount for the first 50 rolls purchased and \$200 for each additional 30,000 stamp roll. The following table illustrates the discounts provided throughout New England.

State	Excise Tax	Discount	Savings (per pack)
Connecticut	\$4.35	1.00%	\$0.044
Maine*	3.50	0.66%	0.023
Massachusetts†	3.51	Varies	-
New Hampshire	1.78	0.00%	-
Rhode Island	4.50	1.25%	0.056
Vermont	3.08	2.30%	0.071

Source: Federation of Tax Administrators, November 2025

*Maine eliminates the discount in April 2026.

†Massachusetts' discount ranges from 1-3% and is determined by the amount purchased.

Phase-Out of Social Security Taxation

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

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

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

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

Ending State Taxation of Social Security Benefits: Section 6 of Article 5 eliminates the State's taxation of social security benefits by tax year 2029. It accomplishes this in phases over three consecutive tax years beginning January 1, 2027, and utilizes the State's existing social security income tax modification as the mechanism to do so.

- **Phase 1:** For tax year 2027, Section 6 of the article amends the eligibility requirements for the current modification by eliminating the need to have reached full Social Security retirement age.
- **Phase 2:** For tax year 2028, Section 6 further amends the eligibility requirements by increasing the income thresholds stated in TY2016 values from \$100,000 to \$206,550 for married couples filing jointly, and from \$80,000 to \$165,200 for all other filers.

According to budget documents these threshold values, when adjusted for estimated inflation growth for TY2028, will make the modification available to approximately half of the remaining taxpayers that would otherwise have had their benefits taxed.

- **Phase 3:** For Tax Year 2029 and after, Section 6 amends the eligibility requirements by eliminating the income thresholds for all taxpayers. This has the practical effect of eliminating state taxation of Social Security retirement benefits in Rhode Island.

Article 5 - Eligibility Requirement Changes *

	Current	TY2027 Phase 1	TY2028 Phase 2	TY2029 Phase 3
<i>Income Thresholds</i>				
Single	\$107,000	\$161,566	\$165,200	-
Married Filing Jointly	133,750	202,006	206,550	-
Head of Household	107,000	161,566	165,200	-
Married Filing Separately	107,000	161,566	165,200	-
<i>Age Requirement</i>				
	67	-	-	-

**Thresholds are estimates based on ORA inflation methodology*

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

Fiscal Impact: The revenue loss associated with the phased ending of the taxation of Social Security retirement benefits is summarized in the following table.

Initiative	FY2027	FY2028	FY2029	FY2030	FY2031
SS Tax Phase-Out	(\$2,976,997)	(\$14,638,767)	(\$41,282,869)	(\$60,090,887)	(\$61,907,752)

The Office of Revenue Analysis based its estimates on several assumptions and variables. Using data from the most complete tax return data (TY2023), ORA determined that there will be an estimated 39,700 total taxpayers who will experience relief from the elimination of the tax on benefits. The following table shows the impact by phase:

Taxpayer	Taxpayers Experiencing Relief from SS Taxation			Total
	Phase 1 TY2027	Phase 2 TY2028	Phase 3 TY2029	
resident	9,200	11,600	11,200	32,000
non-resident	1,400	1,900	4,400	7,700
Total	10,600	13,500	15,600	39,700

Source: ORA, based on data from TY2023 tax returns

The TY2023 data was used by ORA to produce a simulation for each of the phases described above. Estimated threshold amounts similarly were derived from TY2023 levels and adjusted for inflation and policy changes. ORA takes the tax simulation results and then converts them from tax years to fiscal years. For the out-year impacts ORA incorporates data from the November 2025 revenue estimating conference as well as the Governor’s Recommended Budget out-year projections.

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

Social Security and Taxation

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

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

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

Sales Tax Adjustment – Motor Vehicle Excise Tax State Aid Program

Section 7 of Article 5 makes statutory changes that permit the sales tax adjustment to take place and be distributed through FY2026 only and then locks in the reimbursement to the FY2026 amount.

Fiscal Impact: The annual sales tax growth adjustment first has a fiscal impact in FY2026. The out-year impact is summarized in the following table.

Fiscal Impact Relative to FY2026 Current Law vs. Article 5						
Scenario	FY2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Motor Vehicle Aid w/Adjustment	\$239.6	\$244.4	\$249.3	\$254.3	\$259.3	\$264.5
Motor Vehicle Aid w/o Adjustment	239.6	239.6	239.6	239.6	239.6	239.6
Change from FY2026	-	(\$4.8)	(\$9.7)	(\$14.7)	(\$19.7)	(\$24.9)

\$ in millions

Background: In FY2023, the General Assembly eliminated local motor vehicle excise taxes (“car taxes”) throughout the State. This was the culmination of an extended phase-out period that began with the Motor Vehicle and Trailer 4 Tax Elimination Act of 1998 (MVET Act), was paused for seven years, was reinstated in FY2018, and then finally completed in FY2023, a year earlier than originally contemplated. Throughout the phase-out, the State has provided municipalities with general revenue-funded formula aid that increasingly offset losses in local revenue. The final annual aid distribution amounts by municipality total \$234.7 million (equal to the FY2024 levy) and are codified in RIGL 44-34.1-2.

Current law (RIGL 44-34.1-2 (c)) also provides that beginning in FY2026, the car tax reimbursement provided to municipalities will include an annual adjustment indexed to growth in the state sales tax and subject to a cap of 2.0 percentage point increase from the previous year. This adjustment was originally enacted to mitigate potential foregone revenue loss subsequent to the elimination of the car tax due to changes in the economy. As sales tax revenue grows (or decreases), the State reimbursement to municipalities grows (or decreases), proportionately. The estimated final annual aid distribution in FY2026, inclusive of the sales tax adjustment totals \$239.6 million.

Newport Cruise Passenger Fee Increase

Section 8 of the article amends RIGL 45-2-35.1 to increase the landing and embarking fees that the City of Newport imposes on cruise vessels by \$5.00, from the current amount of \$10.00 per passenger to \$15.00. The article provides the revenue collected through the increase to RIPTA and directs the Authority to utilize the increased funding to support operations in Newport and on Aquidneck Island. The article takes effect upon passage.

Fiscal Impact: Passage of this section will provide RIPTA with an estimated \$1.0 million in FY2027 and have no impact on FY2026. The proposal increases both the landing and embarking fees by \$5.00, or \$10.00 per passenger. The ORA assumed 100,000 passengers will be subject to the \$10.00 increase, providing \$1.0 million of revenue for RIPTA in FY2027.

Background: RIGL 45-2-35.1 authorizes Newport to impose a \$10.00 per-passenger fee on cruise vessels that land in the city, as well as an equivalent passenger fee for each vessel that embarks. Ferries, water carriers, and other vessels doing business as common carriers operating upon waters within the state are exempt from the fees. Tourists arriving on cruise ships differ from traditional tourists, as they tend to sleep and dine aboard the ship. The fees replace revenue that would traditionally be collected by the city through hotel and tourism fees. Boston is introducing a similar fee for cruise passengers arriving in the city's Flynn Cruiseport in 2026. Boston's fee starts at \$3.00 per passenger and increases by \$3.00 annually until it caps at \$15.00 in 2031. The funding supports the various infrastructure improvements occurring at the port due to increased traffic.

The State last authorized an increase for Newport's cruise fees in 2024, from \$3.00 per passenger to \$10.00, all of which is retained by the city. At the hearing for the 2024 increase the Mayor of Newport indicated that the increased fee will support debt service on infrastructure improvements at Perrotti Park, which welcomes passengers from cruise ships upon arrival. The Office of Revenue Analysis (ORA) estimates that 116,530 passengers docked in Newport in CY2024 and 83,228 in CY2025. The reduction in CY2025 is primarily related to several tropical storms that impacted itineraries.

Article 6: Relating to Capital Development Program

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

Article 6: Relating to Capital Development Program	
Higher Education Facilities	\$215.0
<i>URI Integrated Health Building</i>	105.0
<i>RIC Adams Library</i>	50.0
<i>CCRI Workforce Innovation Center</i>	60.0
Housing and Community Development	\$120.0
Economic Development	\$115.0
<i>Site Development</i>	70.0
<i>Growth Industry Infrastructure</i>	45.0
Career and Technical Education	\$50.0
Green Economy and Clean Energy Bonds	\$50.0
<i>Brownfields Remediation</i>	3.0
<i>Facility Improvements</i>	8.0
<i>Local Recreation Grants</i>	1.0
<i>Marine Infrastructure Development</i>	1.0
<i>Resilient Rhody Infrastructure Fund</i>	20.0
<i>Narragansett Bay Watershed Restoration</i>	7.0
<i>Energy Efficiency</i>	10.0
Cultural Economy	\$50.0
<i>State History Center</i>	45.0
<i>State Preservation Grants Program</i>	5.0
Total	\$600.0

FISCAL IMPACT

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

BACKGROUND

Higher Education Facilities

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

- **University of Rhode Island Integrated Health Building (\$105.0 million):** \$105.0 million for the construction of the new integrated health building on the University's Kingston campus to advance health education, clinical training, and workforce development. The project meets the growing demand for highly trained health care professionals and facilitates greater interdisciplinary collaboration across URI's health-related disciplines. The project also aligns with URI's commitment to strengthening the State's healthcare workforce through health innovation, workforce development, and economic growth.

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

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

The new space will include:

- Career and career readiness development and suites
- Integrated academic support services
- Digital resource access
- Collaborative innovation labs
- Student navigation hub

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

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

Housing and Community Opportunity

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

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

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

\$ in millions

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

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

\$ in millions

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

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

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

Economic Development

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

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

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

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

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

Career and Technical Education

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

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

Green Economy and Clean Energy Bonds

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

- **Brownfields Remediation and Economic Development (\$3.0 million):** Provide funding for matching grants of up to 80.0 percent of project costs to public, private, and/or nonprofit entities for the cleanup, reinvestment, and re-use of brownfield sites to create and attract jobs, protect the urban environment, remove hazards, and reduce the cost of storm water flooding. According to the Department, between 10,000 and 12,000 abandoned industrial sites lie idle across the State. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. The program funds will clean up blighted properties, create jobs, open valuable real estate, and promote public health. This

grant program, which helps accelerate redevelopment and supports smart growth, provides critical resources to facilitate the return of these sites to productive use. Grants will provide for both site preparation and redevelopment projects and can be used to fill gaps that exist in supporting data and/or to develop and analyze potential remedial strategies necessary to clean up and develop the site.

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

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

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

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

- **Narragansett Bay Watershed Restoration (\$7.0 million):** Provides funding to state and local agencies, and nonprofit and for-profit businesses for nonpoint source pollution abatement projects. Funded activities include storm water management, nutrient load abatement, industrial and agricultural pollution abatement, and riparian buffer and ecosystem protection projects. The Department of Environmental Management (DEM) has worked with municipalities and non-profits to complete over 30 projects across the State to improve water quality in Narragansett Bay and other watersheds. The fund generally aids with projects that may not otherwise qualify for Rhode Island's other clean water financial assistance program. Since 2004, voters have approved \$15.5 million in general obligation bond proceeds for Narragansett Bay Watershed Restoration, including the most recent approval in 2022. The most recent [grant awards](#) were announced in August 2024. As of January 21, 2026, \$24,958 of these funds were unobligated.
- **Energy Efficiency (\$10.0 million):** Provides \$10.0 million for activities for energy efficient infrastructure. The Office of Energy Resources would administer the energy efficiency infrastructure bond for use in the state's energy efficiency program efforts. The state bond would support energy efficiency measures, i.e. lighting, HVAC improvements, insulation, and heat pumps, to improve energy usage within households, businesses, schools, non-profits, and municipalities and provide long-term energy bill savings for those respective properties, as well as contribute to the state's ongoing decarbonization efforts with Act on Climate.

Cultural Economy

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

- **State History Center (\$45.0 million):** The article provides financing of up to \$45.0 million for the construction of a new State History Center. The State History will include exhibit and meeting space as well as storing the State's most valuable documents. The Budget proposes \$5.0 million from the RI Capital Plan Fund in FY2028 and \$45.0 million in general obligation bonds to be placed on the November 2026 ballot for voter approval for the planning and construction of the Rhode Island Archives and History Center. The new building would serve as a permanent home for the State's archives, currently located in leased space in the City of Providence, and would provide for the display of historical documents and artifacts.
- **State Preservation Grants Program (\$5.0 million):** The article provides financing of up to \$5.0 million in general obligation bonds for the State Preservation Grant Program. The State Preservation Grant Program was established to improve and/or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites. The Historic Preservation and Heritage Commission states that requests for these funds have outstripped available funding in every one of the nine SPG grants cycles that we have run over the past 23 years. The following highlights the status of the last two issuance of the State Preservation Grant Program:
 - In November of 2014, voters approved \$5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. Through FY2022, the Commission supported 58 projects awarding \$4.6 million in funds.
 - In March of 2021, a statewide bond referendum passed that allocated an additional \$1.0 million to the State Preservation Grant program in general obligation bonds. The Commission is supporting 18 grants for new projects totaling \$1.2 million. According to HPHC the additional funds over the total bond amount reflect a rollover of remaining funds from the previous bond issue, i.e. the previous issue totals \$5.0 million but the awards totaled \$4.6 million.
 - As of February 3, 2026, a total of \$5.5 million has been disbursed to 76 projects leaving a balance of \$332,441, and three ongoing projects.

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

Article 7: Relating to Education

The article modifies the statutes governing the school housing aid program, increases the student success factor weight in the education aid funding formula from 40.0 percent to 43.0 percent for all districts, and eliminates the sunset of the Hope Scholarship Program at Rhode Island College making the initiative a permanent program.

FISCAL IMPACT

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

Increasing in the student success factor (SSF) weight from 40.0 percent to 43.0 percent increased the Governor's education aid recommendation, which is based on October 2025 enrollments, by \$14.1 million across all the districts. The largest impact is in Providence with an additional \$4.3 million, while the lowest is in New Shoreham at \$374.

ANALYSIS AND BACKGROUND

School Housing Aid Program

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

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

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

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

Transfer of Excess Appropriations to the SBA: The article repeals the requirement that surplus funds appropriated to the school housing aid program be deposited into the School Building Authority Capital Fund (Capital Fund) for distribution by the School Building Authority (SBA).

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

Prior to FY2023, the school construction program funding of \$80.0 million was effectively built into the base budget; however, with the issuance of state general obligation bonds stimulating increased construction, in the FY2023 Budget as Enacted the aid projection was estimated to exceed the fixed annual appropriation at \$88.5 million and the aid was estimated to increase in subsequent budgets. The FY2026 Budget as Enacted contained \$119.9 and the FY2027 budget is estimated at \$102.9 million. The table to the right shows difference between annual housing aid appropriations and housing aid commitment amounts that were deposited into the Capital Fund. While funding estimates are based on the best information available at the time, project delays are an unavoidable reality of construction projects that push state reimbursement obligations into future fiscal years. According to OMB, in FY2026 the housing aid appropriation is projected to exceed the actual reimbursements by about \$5.9 million due primarily to project delays. OMB asserts that project delays, not permanent cost savings, are primarily responsible for the “excess” appropriations. The change in the article is intended to ensure that funds appropriated for school construction reimbursements are available for reimbursement obligation regardless of project delays.

**Transfers to the Capital
Fund from the
Foundation Program**

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

*Source: Budget
databases. \$ in millions*

Education Aid Student Success Factor

Beginning in FY2012, the formula established a per-pupil spending amount and allocated this funding based on student enrollment, adjusting for poverty. The poverty adjustment is a weight, known as the student success actor (SSF), applied to the core instruction per-pupil amount for each child whose family income is at or below 185.0 percent of the federal poverty guidelines. The article increases this weight from 40.0 percent to 43.0 percent. Based on October 2025 enrollments, the increase in the SSF costs \$14.1 million across all the districts. The largest impact is in Providence with an additional \$4.3 million, while the lowest is in New Shoreham at \$374.

Rhode Island Hope Scholarship Program

Article 7 repeals the Hope Scholarship sunset, making the Hope scholarship a permanent, state-funded scholarship program for Rhode Island College juniors and seniors, while maintaining the reporting requirements.

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

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

Since its inception, the program has been extended once. Rhode Island College reports that enrollment has grown by 7.0 percent for each of the past two fall semesters, partially attributable to the Hope Scholarship.

The College has experienced difficulty recruiting in the current year as many high school seniors are unsure whether they will receive the Hope Scholarship due to the program expiration date. The College reports a 29.0 percent four-year graduation rate for the program's first cohort, which is an increase of 4.1 percentage points (24.9 percent) from the college's previous year graduates. The Budget includes \$7.1 million in general revenue to support the Hope Scholarship, an increase of \$1.6 million from FY2026, and \$3.7 million more than FY2025.

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

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

Article 8: Relating to Medical Assistance

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

FISCAL IMPACT

The article continues the Hospital Licensing Fee (HLF) into FY2027 with the base year for non-governmental hospitals of 2023. In addition, the article freezes rate increases to nursing homes and hospitals at the state revenue growth level of 2.5 percent. Disproportionate Share Hospitals (DSH) payments are carried into FY2027 and capped at \$23.9 million, including a limit of \$12.9 million for government-owned hospitals, consistent with FY2026, and \$11.0 million for other participating hospitals, an increase of \$10.0 million over FY2026. Through the annual Medicaid Resolution, the article directs the Secretary of the Executive Office of Health and Human Services to implement state plan amendments needed to establish an interprofessional consultation (e-Consult) program effective October 1, 2026.

Article 8 Fiscal Impact Change Relative to November 2025 CEC

	General	
	Revenue	All Funds
Medicaid Rate Reduction for Nursing Facility	(\$2.1)	\$5.0
Medicaid Rate Reduction for Hospitals	(0.5)	(1.1)
DSH payments	4.2	10.0
Net Impact	\$1.7	\$14.0

\$ in millions. Total may not add due to rounding

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

ANALYSIS AND BACKGROUND

Hospital Licensing Fee (HLF)

The article includes technical amendments to remove outdated language and continues the fee into FY2027 with no advancement in the base year, thus holding the FY2027 revenue estimate at \$232.5 million, consistent with the FY2026 level and the November 2025 Revenue Estimating Conference.

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

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

Hospital Tax Tiers

Tier	Inpatient	Outpatient	Hospital Types Included in Tier
	Tax Rate	Tax Rate	
I	13.12%	13.30%	Hospitals that do not meet the description of Tiers II or III, including Bradley, Butler, Kent, Newport
II	2.63%	2.66%	<ul style="list-style-type: none"> Acute care hospitals with high Medicaid/Uninsured costs, including Landmark, OLF, RIH, RWMC, and W&I Independent Hospitals not part of a multi-hospital system, such as South County Hospital
III	1.31%	1.33%	Medicaid designate "low volume" hospitals, such as Westerly, Rehabilitative Hospitals, and the Rehabilitative Hospital of RI

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

Medicaid Rates for Nursing Facilities and Hospitals

As a cost containment measure, section 2 of the article reduces the annual inflationary increases on rates paid to hospitals and nursing facilities to 2.5 percent to match state revenue growth, saving \$2.6 million in general revenue and \$4.0 million in federal funds relative to the November Caseload Estimating Conference (CEC). The CEC adopted estimates based on inpatient and outpatient inflationary rate increases to hospitals of 3.3 percent for fee-for-service and 2.6 percent for managed care, and to nursing facilities of 3.2 percent.

In addition, the article creates a restricted receipt account, entitled “Nursing Facility Rate Adjustment Wage Pass-through Compliance”, to collect penalties from the

Hospitals		Nursing Facilities		State General Revenue Growth	
Date	Rate Increase ¹	Date	Rate Increase	Fiscal Year	Percentage Growth
SFY2021	2.6%	1-Oct-20	2.4%	2021	9.1%
SFY2022	2.4%	1-Oct-21	2.7%	2022	17.4%
SFY2023	5.0%	1-Oct-22	4.0%	2023	0.1%
SFY2024	4.1%	1-Oct-23	6.9%	2024	3.0%
SFY2025	3.3%	1-Oct-24	14.5%	2025	3.5%
SFY2026	3.4%	2-Oct-25	5.3%	2026	3.3%
Average	3.5%		6.0%		6.1%

¹for Inpatient and Outpatient services

wage pass-through penalty provision of the minimum staffing statute and limits appropriations from the account to workforce development and compliance assistance programs. Pursuant to current law, funds not spent in compliance with the minimum staffing statute are subject to clawback and a 25.0 percent penalty of unspent or impermissibly spent funds. Article 10 of the FY2026 Budget as Enacted amended the minimum staffing level compliance and enforcement program, RIGL 23-17.5-33, to require that funds recovered through payment adjustments be allocated to workforce development and compliance assistance; however, the Budget did not create a restricted receipt account to receive the funds for distribution.

Disproportionate Share Hospital (DSH) Payments

The Disproportionate Share Hospitals (DSH) payments are required under federal statute and intended to offset uncompensated care costs for hospitals in order to improve access for Medicaid and uninsured patients, as well as improving the financial stability of safety-net hospitals. The article adds a base year to

allow payments in FY2027, based on financial data from 2025, in an aggregate amount not to exceed \$23.9 million, including a limit of \$12.9 million to government-owned hospitals and \$11.0 million for other participating hospitals. This represents an increase of \$10.0 million, including \$4.2 million in general revenue and \$5.8 million in federal funds, for nongovernment-owned hospitals over the FY2026 Budget as Enacted. Payments to both government-owned and other participating hospitals must be made by June 30, 2027. This section also removes outdated references for FFY2024 DSH payments.

The Governor recommends the \$10.0 million increase as part of the response to the federal House Resolution-1 (HR-1) bill to offset a portion of the increased costs associated with uncompensated care. Through the narrowing of “qualified alien” categories for Medicaid and CHIP, effective October 1, 2026, and the implementation of Medicaid work and community engagement requirements, effective December 31, 2026, roughly 33,000 individuals are at risk of losing Medicaid coverage.

Achieving Healthcare Efficiency through Accountable Design (AHEAD)

The article requires the Secretary of Health and Human Services to carry out pre- planning and readiness activities and implement the AHEAD Model Grant program, in coordination with the Health Insurance Commissioner, and report to the General Assembly on the program’s activities by October 31, 2026, and annually thereafter. The reports are to outline activities and funding from the previous year; any legislative authority needed for implementation; stakeholder interest and participation; and the long-term value of implementing alternative payment models. The Budget includes federal funding of \$581,260 in FY2026 and \$1.4 million in FY2027 for this initiative.

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

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

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

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

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

- Implementation of state accountability targets, such as TCOC growth, primary care investments, and population health accountability plans;
- Hospital global budgets that provide a pre-determined, fixed annual budget;
- Primary Care AHEAD, which is the primary care component of the model; and

- Cooperative Funding Agreement which provides up to \$2.0 million in annual, federal funding over the first five to six years of phased implementation, contingent on CMS approval and state participation milestones.

While EOHHS is still analyzing the initiative, it is unlikely the federal funding will cover all the costs of implementation or the Medicaid hospital and primary care investments requested by stakeholders and recommended by CMS.

Family Care Community Partnerships (FCCP) Region Establishment

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

According to the [National Institutes of Health](#), regionalized planning can help health departments avoid duplicated efforts, share resources, set priorities across regions, develop mutual aid agreements, and achieve consistency among local, regional, and state planning. Regionalization promotes collaboration, strategic planning, and emergency preparedness, and often addresses broader community health issues such as transportation, housing, and access to care. [Care fragmentation and low-quality care are longstanding problems in the United States](#), and the adoption of regional health delivery is an emerging strategy to provide quality and affordable care. The Accelerating Care Transformation Center (ACT) found that regionalization engages consumers and educates the public to be more informed, improved care delivery, and aligned provider payment and patient benefits so they can support higher-quality and more efficient care.

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

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

Medicaid Resolution

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

- Alignment of nursing facility, hospital, and Federally Qualified Health Center (FQHC) rate increases in SFY2027 with state revenue growth, 2.5 percent
- Elimination of annual rate increases for substance abuse residential services
- Pursue and implement reimbursements rates resulting from the Children’s Services Rate Setting project
- Implement Medicaid provider reimbursement rate increases limited to the lower of one half the increase recommended or 100 percent of the Medicare rate
- Removal of Medicaid coverage for Glucagon-like Peptide-1 (GPL-1), except if prescribed to treat type 2 diabetes
- Allows EOHHS to pursue any changes that “promote, increase and enhance service quality, access and cost-effectiveness”, provided any such action does not have an adverse impact on beneficiaries or increased expenditures beyond the FY2027 state appropriation.

Article 9: Relating to Leases

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

FISCAL IMPACT

State Agency	Renewal or	Location	Sq. Ft.	Lease	Aggregate Rent	Max.
	New Lease			Term		Annualized
Rhode Island Department of State	Renewal	148 West River Street, Providence	12,152	10-years	\$2,927,085.15	\$261,268 [*]
Dept. of Environmental Management	New	235 Promenade Street, Providence	115,328	10-years	27,000,000.00	2,600,000 [†]
Office of the Public Defender	Renewal	160 Pine Street, Providence	19,777	5-years	2,175,469.80	435,093.96

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

[†] Rent is not to exceed \$2.6 million in the first five years and shall not exceed \$2.8 million in the remaining 5 years.

ANALYSIS AND BACKGROUND

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

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

The article authorizes the following two lease renewals and one new lease agreement.

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

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

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

Department of Environmental Management – 235 Promenade Street, Providence

The article provides General Assembly approval of a new, ten-year lease for 115,328 square feet at 235 Promenade Street that is currently occupied by the Department of Environmental Management (DEM). This is a decrease in space from the existing rent agreement which provides 126,184 square feet and expires on June 30, 2026. The new lease agreement will provide for annual, fixed rent for the first 5 years that will not exceed \$2.6 million or \$2.8 million for the remaining five years. The term of the lease may not exceed 10 years, and the aggregate rent may not exceed \$27.0 million. For the current fiscal year, the rent is slightly under \$2.6 million. As part of the lease renewal, DEM will be reconfiguring office space to be more efficient, and customer-facing. Consistent with the current agreement, the new lease agreement includes all

improvements, parking, security, cleaning, shuttle service, and gas/water/sewer. The decrease in square footage increases the cost per square foot from \$20.50 to about \$22.54, or 10.0 percent.

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

Office of the Public Defender – 160 Pine Street, Providence

The article authorizes the Office of the Public Defender to renew a lease agreement with PK Lamb Properties, Inc. for approximately 19,777 square feet of office space at 160 Pine Street, Providence. The property serves as the agency’s main office with a long-term lease set to expire on July 31, 2026. The article stipulates that the aggregate fixed rent is not to exceed \$2,175,469.80 for a term not to exceed five (5) years. The annual rent during the renewal term is not to exceed \$435,093.96.

The Office further indicates that the current lease is set to expire in March of 2026, and they plan to extend the terms to July 31, 2026, before entering into the 5-year agreement. The shift to July will align the contract’s expiration closer to the fiscal year.

Article 10: Relating to Health and Human Services

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

- **988 Suicide & Crisis Lifeline:** Codifies the State's 988 National Suicide Prevention Hotline program and provides the Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) with the statutory authority to administer it.
- **Pay for Success Pilot:** Extends the State's Pay for Success pilot program from five to six years, ending the pilot program in 2027, and allows the Executive Office of Health and Human Services (EOHHS) to collaborate with certain qualified organizations to assist in providing annual reports.
- **Ladders to Licensure:** Loosens restrictions on the use of funds for the State's Ladders to Licensure by decreasing the number of grant partnerships required from three to four to at least two and eliminating the need for the grantees to be private sector organizations.

FISCAL IMPACT

The initiatives proposed in Article 10 have no direct fiscal impact on the State.

988 Suicide & Crisis Lifeline

Sections 1 and 2 of Article 10 establish the Rhode Island 988 Suicide & Crisis Lifeline in statute and authorize BHDDH to administer it.

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

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

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

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

RI 988 Suicide & Crisis Lifeline Funding

Grant/Appropriation	Source (Fed,GR, RR)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
								Projected	Projected
SFRF	Federal	-	-	-	\$426,432	\$1,421,200	\$1,126,371	\$2,375,997	-
SAMHSA 9-8-8 Connect to Care Grant	Federal	-	-	-	-	16,500	595,771	898,579	193,766
ARPA DIRECT: Mental Health Block Grant	Federal	-	-	-	-	-	625,000	96,971	-
Community Mental Health Services Block Grant	Federal	-	-	-	-	-	-	252,669	1,152,741
Substance Abuse Block Grant	Federal	-	-	-	-	-	-	24,989	114,007
Transformation Transfer Initiative Grant	Federal	-	-	-	-	-	114,054	125,000	90,000
EOHHS SAMHSA Grant	Federal	-	-	-	-	-	-	350,000	-
Opioid Stewardship Fund Allocation (BHDDH)	Restricted Receipts	-	-	-	-	-	-	92,921	150,005
MMIS IAPD State Share*	General Revenue	-	-	-	-	-	-	-	-
MMIS IAPD Federal Share	Federal	-	-	-	-	-	-	746,189	553,886
988 Medicaid Admin State	General Revenue	-	-	-	-	-	-	217,986	1,653,740
988 Medicaid Admin Federal	Federal	-	-	-	-	-	-	217,986	1,653,740
Marjuana Trust Fund	General Revenue	-	-	-	-	-	-	-	-
Total		-	-	-	\$426,432	\$1,437,700	\$2,461,196	\$5,399,287	\$5,561,885

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

- **BHDDH Authority (Section 1):** Providing BHDDH with the authority to “establish, operate, and/or designate a RI 9-8-8 Suicide & Crisis Lifeline center or centers” to provide intervention and crisis care services. It does this by amending RIGL 40.1-1-13.
- **Codification of Rhode Island 9-8-8 Suicide & Crisis Lifeline (Section 2):** Codifying the State’s 988 system by creating a new chapter (8.6), under RIGL 40.1.
 - **Definitions:** A new proposed statute, RIGL 40.1-8.6-1, sets forth relevant definitions for the 988-system to be used throughout the chapter. These include the “9-8-8 Suicide & Crisis Lifeline”, “National Suicide Prevention Lifeline”, and “Rhode Island (RI) 9-8-8 Suicide & Crisis Lifeline”.
 - **Establishment of Lifeline:** A new proposed statute, RIGL 40.1-8.6-2, formally establishes Rhode Island (RI) 9-8-8 Suicide & Crisis Lifeline centers in law. It does so by:
 - Directing BHDDH to establish, operate, and promulgate regulations to support the program.
 - Requiring the centers to have active agreements with the administrator of the SAMHSA’s National Suicide Prevention Lifeline (NPSL).
 - Requiring centers to meet SAMHSA’s requirements and best practices.
 - Requiring centers to report relevant data and participate in evaluations as required by BHDDH.
 - Requiring centers to make referrals to follow-up services for individuals accessing the Lifeline.
 - Requiring BHDDH to consult with the Department of Children, Youth, and Families regarding services for relevant clientele.
 - **Implementation:** A new proposed statute, RIGL 40.1-8.6-4, requires BHDDH to designate a RI 9-8-8 state administrator. This administrator may be a state employee within BHDDH or a contractor with the Department. The new statute also requires all Rhode Island state public agencies to provide BHDDH with data/information required to comply with federal and state mandated reporting requirements.
 - **Funding:** A new statute, RIGL 40.1-8.6-3, provides BHDDH with the authority to expend all funds allocated to support the operations of the 9-8-8 Suicide & Crisis Lifeline.

Pay for Success Pilot Program

Section 3 of Article 10 makes changes to the State’s Pay for Success (PFS) supportive housing program, including extending the pilot and expanding the organizations with whom EOHHS can collaborate in providing annual progress reports. According to EOHHS, the language to allow EOHHS to collaborate

with other organizations was intended to be broader than for reporting and to ensure continuity should circumstances with Rhode Island Coalition to End Homelessness RICEH change their ability to participate.

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

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

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

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

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

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

Ladders to Licensure

Section 4 of the article loosens restrictions on the use of funds for the Ladders to Licensure program.

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

Article 11 directs the Executive Office of Health and Human Services (EOHHS) to establish the Ladders to Licensure Grant Program, as a public-private partnership, to increase the number and diversity of health professionals by providing academic, financial, and wrap-around supports to enable working adults to become licensed health care professionals. The partnerships will consist of private sector health and human services employer organizations and education providers, with at least one focused on behavioral health and one on nursing. Employers will be required to contribute a 25.0 percent in-kind match and a 10.0 percent cash match.

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

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

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

Article 10 Changes: Section 4 of the article loosens restrictions on the use of funds for the Ladders to Licensure program by decreasing the number of grant partnerships required from three to four to at least two and eliminating the need for the grantees to be private sector organizations. According to budget documents, the current statutory language is too restrictive and the amendment is intended to allow EOHHS to make the program more responsive to the State’s changing workforce needs through targeted investments for healthcare providers, workers, and patients.

Article 11 – Relating to Affordability

Article 11 establishes the Pharmacy Benefit Manager Transparency Reporting and Study Act, reduces the motor fuel tax from \$0.40 per gallon to \$0.38 per gallon, and updates State energy laws to address affordability while supporting emissions reduction and clean energy efforts. This Article also establishes a Health Spending Accountability and Transparency Program within the Office of the Health Insurance Commissioner and authorizes HealthSource RI to establish and regulate a new State affordability program.

- **Pharmacy Benefit Managers:** Article 11 establishes the Pharmacy Benefit Manager Transparency Reporting and Study Act which requires Pharmacy Benefit Managers to provide the Office of the Health Insurance Commissioner with a transparency report detailing financial business information related to practices amongst pharmacy benefit managers in RI. The Office will utilize this information to conduct its own study on PBMs and make recommendations for industry regulations to the General Assembly.
- **Reduction to the Motor Fuel Tax Rate:** The article amends RIGL 31-36-7 to lower the motor fuel tax rate to \$0.38 per gallon at the start of FY2027, reflecting a \$0.02 reduction from the enacted rate of \$0.40 per gallon. Currently, the State assesses a \$0.40 per gallon tax on motor fuel, of which \$0.02 funds debt service for the State's motor fuel bonds. The Office of Management and Budget indicates that the current series of bonds was defeased in December 2025 and the revenue is no longer needed to service their debt. The proposal does not have a fiscal impact for FY2026 but creates revenue losses of \$8.6 million in FY2027 and \$8.5 million in FY2028.
- **Ratepayer Relief:** The article amends the State's energy policy in response to increasing electricity costs and recent federal clean-energy incentive changes which have introduced uncertainty into energy markets. The Budget projects these changes will save state ratepayers \$151.8 million in FY2027 and \$1.0 billion over the next 5-years, leaving the average household with an annual savings of \$180 off their energy bills.
- **Health Spending and Transparency Program:** Article 11 codifies the Health Spending and Transparency Program within the Office of the Health Insurance Commissioner to address health care affordability, specifically codifying the cost growth target program. The program was originally launched in 2019 by Executive Order 19-03. The Office reviewed other cost growth target programs and found Rhode Island can improve the program through the codification of common statutes that better performing states share.
- **Rhode Island Marketplace Affordability Program Act:** The article establishes the Rhode Island Marketplace Affordability Program, which is a State-based subsidy program, appropriating \$9.5 million in general revenue for half a fiscal year, which will partially replace the expired enhanced advanced premium tax credits (eAPTC). The program prioritizes households with incomes below 200.0 percent of the federal poverty level in the first year of the program and is estimated to aid approximately 20,000 individuals.

FISCAL IMPACT

Ratepayer Relief

Passage of Article 11 is projected to produce \$151.8 million in ratepayer savings in CY2027, including \$146.0 million from energy savings initiatives and \$5.8 million from a reduction in utility companies' gross earnings tax. The Office of Revenue Analysis estimates the reduction in public utility gross earnings tax receipts from electric companies based on the Governor's proposals will be \$2.3 million in FY2027 and \$4.8 million in FY2028.

The following table summarizes the proposed savings to ratepayers for each initiative by the Office of Energy Resources, which projects state ratepayer savings of \$151.8 million in CY2027 and \$1.0 billion over the next 5-years.

Energy Affordability Initiatives		
Energy Initiative	CY2027 Ratepayer Savings	Projected 5-Year Savings CY2027 - CY2031
Renewable Energy Standard	\$63.8	\$572.2
Net Metering Program	35.0	175.0
Energy Efficiency Programs	23.5	117.5
Accounting Standards	16.0	60.0
RIIB Allocation	5.0	25.0
Long Term Contracting Incentive	2.5	12.3
ISO New England Incentive	0.2	0.9
Total Initiatives	\$146.0	\$962.9
Gross Earnings Tax Savings	5.8	38.5
Total Ratepayer Savings	\$151.8	\$1,001.4

\$ in millions

Analyst Note: A request has been made to Governor's Office via the OER to obtain a copy of the consultant's report that projects the cost saving projections as anticipated with passage of Article 11. To date the report has not been received by the Senate Fiscal Office.

Rhode Island Marketplace Affordability Program

Article 11 establishes the Rhode Island Marketplace Affordability Program, a State-based subsidy program created to partially replace expired enhanced advanced premium tax credits (eAPTCs). The FY2027 Budget includes \$9.5 million in general revenue to partially replace the expired enhanced advanced premium tax credits (eAPTC), which increases in the out years.

Funding Source	FY2027	FY2028	FY2029	FY2030	FY2031
General Revenue	\$9.5	\$17.7	\$18.7	\$19.7	\$20.2

\$ in millions

Reduction to the Motor Fuel Tax Rate

Passage of Section of Article 11 relating to the Motor Fuel Tax reduction will have no impact in FY2026 but will reduce motor fuel tax receipts by \$8.6 million in FY2027.

ANALYSIS AND BACKGROUND:

Pharmacy Benefit Managers

Section 1 establishes the Pharmacy Benefit Manager Transparency Reporting and Study Act which requires Pharmacy Benefit Managers (PBMs) to provide the Office of the Health Insurance Commissioner (OHIC) with a transparency report detailing financial business information related to practices amongst PBMs in RI. OHIC will use this information to conduct its own study on PBMs and make recommendations related to industry regulations to the General Assembly.

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

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

While Article 11 does not establish any laws regulating PBMs, it does require them to provide information related to:

- Rebates received from all pharmaceutical manufacturers
- Administrative fees received from all manufacturers
- Aggregate retained rebates that PBMs received from all pharmaceutical manufacturers that did not pass through to health carriers
- Retained rebate percentage
- The highest, lowest, and mean retained rebate percentage for all health care carriers and for each health carrier client
- Additional questions developed by the Office of the Health Insurance Commissioner regarding business practices, including, but not limited to, rebate pass through practices, spread pricing, pharmacy network development, and utilization management.

Rhode Islands' three largest pharmacy benefit managers, CVSCaremark, Express Scripts, and OptumRX, control 80.0 percent of Rhode Island's market, and control 56.6 percent of the national market.

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

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

Reduction to the Motor Fuel Tax Rate

Pursuant to RIGL 31-36-7, Rhode Island assesses a state motor fuel tax of \$0.40 /gallon in FY2026 and FY2027. In addition, the State assesses a \$0.01 /gallon Environmental Protection Fee, of which 50.0 percent is transferred to the Underground Storage Tank Trust Fund and is not considered motor fuel tax revenue for budgetary purposes. Essentially, consumers pay an effective state tax rate of \$0.405 /gallon at the pump.

RIGL 31-36-20 determines the disposition of the revenue and specifies where each cent of the effective per gallon rate is transferred. The statute currently provides the Rhode Island Public Transit Authority with \$0.1175 /gallon, the Rhode Island Bridge and Turnpike Authority with \$0.035 /gallon, the Office of Healthy Aging with \$0.01 /gallon, and all remaining funds to the Department of Transportation. Additionally,

subsection 3 authorizes the Department of Transportation to service debt incurred from previously issued bonds, utilizing funding equivalent to \$0.02 /gallon or less of collections. The debt service currently supports Motor Fuel Tax Revenue Refunding Bonds Series 2017A. The following table illustrates the current disposition projected through FY2030.

Motor Fuel Tax Revenue Disposition (In Cents)	FY2026 Enacted	FY2027 Projected	FY2028 Projected*	FY2029 Projected	FY2030 Projected*
Department of Transportation	22.25¢	22.25¢	24.25¢	24.25¢	26.25¢
Rhode Island Public Transit Authority†	11.75	11.75	11.75	11.75	11.75
Rhode Island Turnpike and Bridge Authority	3.50	3.50	3.50	3.50	3.50
GARVEE Motor Fuel Bond Debt Service	2.00	2.00	2.00	2.00	2.00
Office of Healthy Aging	1.00	1.00	1.00	1.00	1.00
Total	40.5¢	40.5¢	42.5¢	42.5¢	44.5¢

Source: Office of Revenue Analysis, November 2025

*Indicates a projected rate increase

†RIPTA figures include the \$0.005/gallon share of the Environmental Protection Fee

The FY2026 Budget as Enacted includes \$8.7 million of gas tax receipts for debt service, which was based off projections made by the Office of Revenue Analysis (ORA) in May of 2025 and a per penny yield of \$4.35 million. The ORA's November 2025 projection estimates a per penny yield of \$4.3 million for FY2027 and \$8.6 million for debt service payments.

The Office of Management and Budget indicates in a memo dated January 8, 2026, that "The original aggregate principal amount of the Motor Fuel Tax Revenue Refunding Bonds, Series 2017A, was \$35,020,000. Of this amount, the entire remaining outstanding principal balance of \$6,110,000 was defeased as part of the December 1, 2025, transactions."

Article Changes: Section 2 of the article amends RIGL 31-36-7 to reduce the motor fuel rate from \$0.40 to \$0.38 /gallon, eliminating the \$0.02 /gallon that supports debt service at the start of FY2027. The Environmental Protection Fee is unchanged. The Office of Revenue Analysis projects in the November 2025 Gas Tax Projections that each cent of the motor fuel tax will yield \$4.3 million in FY2027. Passage of this section of the article will have no impact in FY2026 and reduce motor fuel receipts for the Department of Transportation by \$8.6 million in FY2027. The following table compares the motor fuel tax receipts projected in the FY2026 Budget as Enacted with the FY2027 Governor's Recommended Budget. The revenue loss beyond \$8.6 million reflects the decline in the tax's yield.

Motor Fuel Tax	FY2026 Enacted	FY2027 Governor	Change
Department of Transportation	\$96,992,489	\$95,884,729	(\$1,107,761)
Rhode Island Public Transit Authority*	51,220,753	50,635,756	(584,997)
Rhode Island Turnpike and Bridge Authority	15,257,246	15,082,991	(174,255)
GARVEE Motor Fuel Bond Debt Service	8,718,426	-	(8,718,426)
Office of Healthy Aging†	4,359,213	4,309,426	(49,787)
Total	\$176,548,127	\$165,912,901	(\$10,635,226)

* RIPTA figures include the \$0.005/gallon share of the Environmental Protection Fee

† Funding is appropriated directly to the Office of Healthy Aging.

Source: Office of Revenue Analysis, November 2025

Analyst Note: Receipts collected through the motor fuel tax are eligible to be matched 4 to 1 with federal funds. If the Department utilized the \$8.6 million for federal match, the State would receive \$34.5 million for a total amount of \$43.1 million.

Energy Ratepayer Relief

Sections 3 through 11 amend the State's energy policy in response to increasing electricity costs and recent federal clean-energy incentive changes which have introduced uncertainty into energy markets. These sections attempt "to preserve long-term decarbonization objectives while moderating near-term cost pressures borne by ratepayers and aligning State policy more closely with regional practice." The Governor projects these changes will save state ratepayers \$151.8 million in CY2027 and \$1.0 billion over the next five years, leaving the average household with an annual savings of \$180 off their energy bills.

Energy Affordability Initiatives

Energy Initiative	CY2027 Ratepayer Savings	Projected 5-Year Savings CY2027 - CY2031
Renewable Energy Standard	\$63.8	\$572.2
Net Metering Program	35.0	175.0
Energy Efficiency Programs	23.5	117.5
Accounting Standards	16.0	60.0
RIIB Allocation	5.0	25.0
Long Term Contracting Incentive	2.5	12.3
ISO New England Incentive	0.2	0.9
Total Initiatives	\$146.0	\$962.9
Gross Earnings Tax Savings	5.8	38.5
Total Ratepayer Savings	\$151.8	\$1,001.4

\$ in millions

Analyst Note: On February 9, 2026, the Governor issued Executive Order 26-01 instructing the OER in consultation with the DPUC, the PUC, utility distribution companies and stakeholders, to conduct a comprehensive review of the State's net-metering program to control costs to electric ratepayers and ensure such programs do not impose an undue burden on ratepayers, while maintain a commitment to the state's emission reduction commitments. In addition, the Governor instructs OER to submit supplemental budget article amendment options relating to the State's virtual net metering program to the House and Senate Finance Committees by May 1, 2026.

Furthermore, the Governor instructs the DPUC to evaluate and communicate anticipated ratepayer impacts of all significant energy legislation within the General Assembly to provide an understanding to the possible impacts of such proposed legislation. The Ratepayer Impact Notes will be made available in a timely manner, to the legislative leadership and relevant committees. The DPUC shall have discretion to determine which legislation warrants the issuance of a Ratepayer Impact Note.

- **Energy Efficiency Programs:** Sections 3 and 5 propose to modernize the State's energy efficiency programs through administrative and budgeting framework adjustments which may reduce administrative costs.

Section 3 proposes a \$225.0 million cap on the triennial Energy Efficiency Program. This cap would reduce the annual collection for the Energy Efficiency Program from the current \$96.0 million budget to a \$75.0 million per year cap, resulting in ratepayer savings of approximately \$21.0 million each year. Current law requires RI Energy file with the PUC a 3-year plan (triennial plan) and annual plans to implement the 3-year plan over 3 consecutive years. All parties, the Energy Efficiency and Resource Management Council (EERMC), RI Energy, Office of Energy Resources (OER) and the Division of Public Utilities and Carriers (DPUC) support eliminating the annual plans and streamlining and reducing the administrative costs associated with separate, annual plans.

- **RIIB Allocation:** The Budget would reduce the annual ratepayer-funded energy efficiency allocation to the Rhode Island Infrastructure Bank (RIIB) from \$5.0 million to \$2.5 million, resulting in a \$2.5 million savings for ratepayers. This reduction is intended to be offset by increases in other resources available for similar purposes such as Alternative Compliance Payments through the proposed amendments to the Renewable Energy Standard. The Office of Energy Resources (OER) is expected to administer alternative compliance payment revenues and additional funding is expected to be provided through the proposed Green Economy and Clean Energy Bonds included in Article 6. Together, these two initiatives are projected to save ratepayers \$23.5 million in FY2027, and \$117.5 million over 5 years.
- **Renewable Energy Fund:** The Governor proposes extending the annual \$2.3 million Renewable Energy Fund (REF) program through the end of December 2031. Under the current statute, the REF program is set to expire on December 31, 2028. Article 11 extends the termination date of the REF program three years to December 31, 2031. In addition, the Governor intends to have the REF support the full deployment of remaining federal Solar for All (SFA) energy funds leveraged through the State program. The purpose is to keep the REF program dates in-line with the SFA expiration date of 2031 in order for the REF to provide funds in the event the litigation outcome maintains the SFA program.

Analyst Note: The federal Solar for All program was terminated under the federal H.R. 1 legislation. However, the program termination is under pending litigation.

- **ISO New England Membership:** Section 4 requires all eligible electric distribution companies located in Rhode Island, to join or be a member of Independent System Operator (ISO) New England. According to the Budget Office this change should result in the elimination of the 50-basis-point Return on Equity incentive associated with such companies' voluntary participation in the regional transmission organization (RTO). The Budget Office estimates this change could result in approximately \$175,000 in annual ratepayer savings and \$875,000 over 5 years.
- **Accounting Standards:** Section 6 requires public utilities and utility facilities to apply generally accepted accounting principles (GAAP) to ensure reliance upon applicable Federal Energy Regulatory Commission (FERC) guidance. Public utilities and utility facilities are responsible for the complete repaving and repair of any roadway that they excavate, disrupt, or disturb from curblineline to curblineline. Currently, utilities expense these repaving costs as an operating expense and charge ratepayers over one-year. Article 11 amends RIGL 39-2.2-2 to require utilities to amortize these expenses as capital expenditures over a longer period, such as thirty-years, instead of as an immediate more costly expense. According to the Budget Office, compliance with this requirement may reduce near-term ratepayer charges, i.e. the difference between capitalizing the costs versus expensing these costs, with estimates suggesting \$16.0 million in ratepayer savings in CY2027 and approximately \$60.0 million over five years.
- **Renewable Energy Standards:** Sections 7 and 8 include changes to the State's Renewable Energy Standard (RES) with the goals of reducing upward pressure on renewable energy certification (REC) prices during periods of elevated electricity costs, which may otherwise be passed through to ratepayers, while maintaining the Act on Climate objective of reaching net-zero emissions by 2050.
 - **Renewable Energy Act of 2004:** The Act implemented a Renewable Energy Standard (RES) in Rhode Island. The Act requires electricity providers to supply 100.0 percent of their retail electricity sales from renewable resources by 2033. The requirement began at 3.0 percent in 2007, increasing each year in incremental rates to the goal of 100.0 percent goal in 2033.
 - **Renewable Energy Certificate (REC):** REC is a market-based, tradable instrument representing the environmental and non-power attributes of one megawatt-hour (MWh) of electricity generated from a renewable source. Utilities use these RECs to achieve the state mandated RES each year.

The proposed changes in this article include expanding the pool of eligible zero-emission energy sources to include nuclear and large-scale hydroelectric generation; moderates the trajectory for the State to achieve 100.0 percent renewable energy supply from 2033 to 2050; increases the banking of excess RECs from 2 years to 3 years; and creates a new alternative compliance payment (ACP) category. Preliminary third-party estimates provided by OER suggest the proposed changes to the State's RES could reduce ratepayer costs by approximately \$63.8 million in calendar year 2027, and \$572.2 million over five years.

- **Contracting Requirements:** Section 9 repeals RIGL 39-26.1-4 eliminating a financial incentive to the electric distribution company for executing contracts for renewable energy. The incentive provides compensation to energy utilities to take on the financial obligation for long-term renewable energy contracts. The incentive allows an electric distribution company to charge 2.75 percent above the actual annual payment made by the company for the long-term contracts made prior to January 1, 2022, and charge 1.0 percent above the actual cost for contracts made after January 1, 2022, through December 31, 2026. Preliminary third-party estimates prepared for OER and provided to the Budget Office suggest that the repeal of this general law could reduce annual ratepayer costs by approximately \$2.5 million in CY2027 and by \$12.3 million over five years.

Analyst Note: The difference between the proposed changes of RIGL 39-26.1 under section 9 and RIGL 39-31 under section 11 is the former is a state procurement, and the latter is a regional procurement. Specifically, RIGL 39-26.1 authorizes RI Energy to independently issue bids for renewable energy and enter into PPAs. RIGL 39-31 authorizes RI Energy to participate in regional procurements with other New England states and enter into PPAs.

- **Net Metering:** Section 10 makes various changes to the State's net-metering program, by which Rhode Island ratepayers with solar or other on-site generation currently receive bill credits, often near the full retail rate, for excess electricity they export to the grid (renewable energy systems that offset their energy bills by generating their own electricity including selling energy back to the grid). Preliminary third-party estimates provided to the Budget Office suggest that the proposed grid access fee could contribute approximately \$20.0 million toward ratepayer relief annually. Large electric solar project developers do not pay an access fee. The purpose of this change is to shift approximately 25.0 percent of a residential ratepayer's bill over to the large-scale developers, thereby lowering the cost burden on residential ratepayers for the grid infrastructure. The proposed article includes language stating that the access fee payment must be used to offset distribution costs associated with net metering systems that would otherwise be paid by ratepayers.

The section also freezes the virtual net metering credit at July 1, 2026, levels to limit future cost escalation. Passage of this change could provide approximately \$15.0 million toward ratepayer savings. Together these two initiatives are projected to save ratepayers \$35.0 million in CY2027, and \$175.0 million over 5 years.

- **Regional Power Purchase Agreement:** Section 11 repeals RIGL 39-31-11 of the Affordable Clean Energy Security Act and terminates the Public Utility's authority to approve an incentive to a distribution utility for executing a regional purchased power agreement. The Budget Office does not anticipate this will have any ratepayer savings. This is a mechanism to reign in utility profits by eliminating the utility distribution company to collect the 1.0 percent incentive fee (a bonus) to enter into long-term renewable energy contracts. The utilities argue that such long-term contracts hurt their investors and could possibly hinder their ability when issuing bonds. The PUC has previously rejected this claim as such costs are always passed on to the ratepayer.

Health Spending and Transparency Program

Article 11 codifies the Health Spending and Transparency Program within the Office of the Health Insurance Commissioner which addresses health care affordability through the utilization of a cost growth target program. The program was originally launched in 2019 by Executive Order 19-03 and represents a

voluntary commitment by health care stakeholders to take all steps to annually keep cost growth below the target while maintaining quality and accessibility. In addition to codifying the program, the article also includes new powers to the office, such as:

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

Article 11 also formally establishes the affordability advisory committee, which is comprised of officials without direct financial interests in the healthcare system. The Article requires the following.

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

Article 11 also requires a stakeholder advisory council comprised of representatives of hospitals, health insurers, providers, pharmaceutical manufacturers, independent healthy policy experts, consumers or consumer representatives, employers or employer representatives, and representatives or organized labor.

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

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

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

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

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

Rhode Island Marketplace Affordability Program Act:

Section 14 establishes the Rhode Island Marketplace Affordability Program, a State-based subsidy program created to partially replace expired enhanced advanced premium tax credits (eAPTCs). The budget appropriates \$9.5 million in general revenue to partially replace the expired eAPTC, prioritizing households with incomes below 200.0 percent of the federal poverty line in the first year of the program. This is estimated to aid approximately 20,000 individuals. According to HSRI, this budget item will allow Rhode Island to retain \$44.0 million in base tax credits that current customers remain eligible for. Additionally, the recommendation protects individuals from the financial and health-related costs of uninsurance and underinsurance, protects the stability of the market, and protects the healthcare system from costs associated with rising rates of uninsurance and underinsurance.

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

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

Article 12 - Relating to Effective Date

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

Senate Fiscal Office

Stephen H. Whitney
Senate Fiscal Advisor

Emmery Brakke-Lautman
Legislative Fiscal Analyst I

Arts Council
Behavioral Healthcare, Developmental
Disabilities, and Hospitals
Children, Youth, and Families
Child Advocate
Department of Housing
Mental Health Advocate
RIHMFC (RI Housing)

Robert C. Bromley
Senior Legislative Fiscal Analyst

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

Kelly M. Carpenter
Senior Legislative Fiscal Analyst

Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Executive Office of Health and Human Services
Health & Educational Building Corporation
Judiciary
Narragansett Bay Commission
Resource Recovery Corporation
RI Infrastructure Bank

MaKenzie Pratt
Legislative Fiscal Analyst I

Atomic Energy Commission
Business Regulation
Commission on Deaf and Hard of Hearing
Ethics Commission
Health
HealthSource RI
Higher Education
Human Services
Student Loan Authority

David Schultz
Legislative Fiscal Analyst I

Attorney General
Corrections
Labor and Training
Public Defender
Public Safety
RI Airport Corporation
RI Public Transit Authority
RI Turnpike & Bridge Authority
Transportation

David Tremblay
Deputy Senate Fiscal Advisor

Executive Office of Commerce
Legislature
Revenue
RI Commerce Corporation