



SENATE FISCAL OFFICE
REPORT

FY2026 BUDGET: CHANGES TO THE GOVERNOR

**2025-H-5076 SUBSTITUTE A
AS PASSED BY THE HOUSE FINANCE COMMITTEE**

JUNE 17, 2025

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EXECUTIVE SUMMARY

Executive Summary

The Budget represents the \$14.3 billion spending plan for the State for the fiscal year ending June 30, 2026, (FY2026). Also included is the revised spending plan for the current fiscal year ending June 30, 2025, (FY2025). The Budget Reserve and Cash Stabilization Account (Rainy Day Fund) would be fully-funded \$299.8 million. The following document summarizes key budget initiatives and changes.

Expenditures by Source	FY2025 Enacted	FY2025 Governor	FY2025 Supp.	Change to Enacted	FY2026 Governor	FY2026 Budget	Change to Enacted
General Revenue	\$5,594.9	\$5,610.7	\$5,597.6	\$2.7	\$5,743.1	\$5,807.8	\$213.0
Federal Funds	5,066.5	5,660.4	5,612.7	546.1	5,090.2	5,108.5	41.9
Restricted Receipts	463.1	491.0	491.6	28.5	446.2	455.0	(8.2)
Other Funds	2,838.7	3,171.1	3,065.7	227.0	2,936.6	2,963.4	124.7
Total	\$13,963.2	\$14,933.2	\$14,767.6	\$804.4	\$14,216.1	\$14,334.7	\$371.5
FTE Authorization	15,772.8	15,772.8	15,772.8	-	15,806.8	15,920.8	148.0

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

GENERAL REVENUE SURPLUS STATEMENT

	FY2023 Audited	FY2024 Audited	FY2025 Supplemental	FY2026 Budget
Opening Surplus				
Free Surplus	\$209,649,745	\$412,262,973	\$326,355,037	\$229,213,958
Adjustment to Opening Surplus	\$270,762,495	\$30,341,969		
Reappropriated Surplus	19,442,046	45,152,130	34,569,423	
Subtotal	\$499,854,286	\$487,757,072	\$360,924,460	\$229,213,958
Total Revenues	\$5,212,664,935	\$5,418,703,841	\$5,623,245,831	\$5,765,840,068
To Cash Stabilization Fund	(162,669,440)	(175,124,919)	(178,488,026)	(179,851,621)
From Cash Stabilization Fund				
Total Available Resources	\$5,549,849,781	\$5,731,335,994	\$5,805,682,265	\$5,815,202,405
Total Expenditures	\$5,074,929,246	\$5,236,111,578	\$5,597,598,073	\$5,807,838,121
Total Surplus	474,920,535	495,224,416	208,084,192	7,364,284
Transfer to IT/Historic/Other	(4,444,444)	(91,000,000)	(4,000,000)	(6,500,000)
Repeal transfer to SRD/Homeless			46,779,744	
Transfer to Retirement System	(6,530,494)	(21,649,978)	(21,649,978)	
Transfer to Supp. State Budget Reserve				
Fund	(6,530,494)	(21,649,978)		
Reappropriations	(45,152,130)	(34,569,423)		
Free Surplus	\$412,262,973	\$326,355,037	\$229,213,958	\$864,284
Rainy Day Fund	\$271,115,733	\$291,537,003	\$297,426,453	\$299,793,117

REVENUE CHANGES:

- **Excess Revenue Transfer to ERSRI:** Restores the \$21.6 million transfer of excess FY2024 revenues to the Employees Retirement System of RI.
- **OTP Tax on Nicotine Pouches:** The Budget clarifies general law definitions to subject nicotine pouches and similar products to the Other Tobacco Products (OTP) tax and realizes \$7.5 million of general revenue in FY2026 as a result. The Office of Revenue Analysis estimates that with an October 1, 2025, effective date, the State will collect \$7.5 million in FY2026 and \$12.0 million in FY2027.
- **Sales Tax on Parking:** The Budget expands the state's 7.0 percent sales tax to include short-term parking services. This is estimated to produce \$1.6 million in FY2026 and \$3.2 million in FY2027.
- **Motion Picture Tax Credit Cap:** The Budget adjusts the total program cap on the state's motion picture production tax credit program for tax years 2022 and 2023. This is included to address an oversubscription in credits in 2022 resulting from one project completing production significantly earlier than anticipated. This results in a revenue loss of \$3.2 million.
- **Real Estate Conveyance Tax Increase:** The Budget increases the first-tier of the real estate conveyance tax from \$2.30 for each \$500 to \$3.75. in the second-tier (portion above \$800,000 tax is increased from \$2.30 per \$500 to \$3.75. The Budget does not include the Governor's proposed third-tier of the RECT of \$1.65 per \$500 for the portion of sale value above \$800,000. Article 5 also shifts the distribution of the revenue as follows:

MPPTC Program Cap

Tax Year	Current Law	GBA #27
2022	\$30.0	\$35.0
2023	40.0	35.0
2024	40.0	4.0

\$ in millions

Fund	Current		Governor		Article 5	
	Portion < \$800K Per \$500	Portion > \$800K Per \$500	Portion < \$800K Per \$500	Portion > \$800K Per \$500	Portion < \$800K Per \$500	Portion > \$800K Per \$500
State	\$1.20	\$3.50	\$1.20	\$5.15	\$1.95	\$5.70
General Revenue	0.60	0.60	0.60	0.44	0.95	0.95
Distressed Communities	0.30	0.30	0.30	0.30	0.50	0.50
Housing Resources and Homelessness Fund	0.30	0.30	0.30	1.95	0.50	1.75
Housing Production Fund	-	2.30	-	2.46	-	2.50
Local Government	1.10	1.10	1.10	1.10	1.80	1.80
Total	\$2.30	\$4.60	\$2.30	\$6.25	\$3.75	\$7.50

The increase is expected to generate an additional \$8.4 million in general revenue in FY2026.

- **Primary Care Health Assessment:** The Budget includes \$15.0 million in additional revenue in FY2026 from a new assessment on insurance providers, similar to the child and adult immunization program assessment. This annualizes to \$30.0 million in FY2027 and later. The new revenue is intended to support primary care and other critical healthcare programs.
- **Governor's Proposals Not Included:** The Budget does not include the proposed digital advertising tax, the increase in the cigarette tax, or the sales tax on Firearm Safety Products.

STATEWIDE:

- **Protections Against Federal Budgetary Actions:** The Budget includes several provisions designed to buttress the State's revenue and healthcare policies from detrimental budgetary actions enacted by Congress. These include:
 - **Proactive Revenue Base Protection:** The Budget amends the definitions of net income for state business corporation tax purposes and Rhode Island income for state personal income tax purposes (beginning tax year 2025) to mean the amount of any income, deduction, or allowance that would be subject to federal income tax "but for the Congressional enactment of the One Big Beautiful Bill Act or any other similar Congressional enactment. The enactment of such changes or any IRS changes to forms, regulations, and other actions made during the current tax year and 6 months into

the next, shall be grounds for the promulgation of emergency regulations for the purpose of preserving the tax base.

▪ **Convening Advisory Working Groups:**

- **Revenue:** The first group will assist the Governor in reviewing and analyzing the potential impacts on state revenue of any adopted federal tax actions. Members include tax administrator, ORA chief, OMB director, designees from businesses, state agencies, healthcare, public sector unions, and advocates.
- **Medicaid:** Second group will assist the Governor on review and analysis of impact of federal actions related to Medicaid programs. Members include Secretary of HHS, Director of Management and Budget, and designees from state agencies, businesses, healthcare public sector unions, and advocates.
- **OMB Analysis:** Article 3 of the Budget directs the Office of Management and Budget to monitor federal grants and identify impacts of federal funding rescission or cuts and directs agencies to report on the reasons, the types of activities and FTEs impacted. OMB and DOA divisions are to coordinate administrative options to address the impacts.
- **Reporting:** All three groups must report to governor, speaker, and president its findings, recommendations, and options for consideration in order to become compliant with federal changes prior to Governor's budget submission. Due October 1, 2025.

GENERAL GOVERNMENT:

- **RICAP Adjustments:** The Budget includes a net decrease of \$52.6 million in RICAP funds based on current expenditures and projections on various projects, including the elimination of \$31.0 million for the acquisition, redevelopment, and moving costs of a 210,000 square foot commercial property located at 115 Tripps Lane in East Providence for state office use, and shifting \$26.1 million from FY2026 to FY2030 for the new Long-Term Acute Care Hospital (LTACH) on the Zambarano Campus.
- **Contract Reserve Distribution:** The Budget shifts the \$19.0 million in general revenue to the Department of Corrections, Department of Public Safety, and the Department of Elementary and Secondary Education, where the outstanding collective bargaining units have ratified the new contracts. In addition, there are corresponding COLA reserve shifts of \$1.0 million in federal funds, \$389,706 in other funds, and \$243,816 in restricted receipts.

There is a corresponding shift of \$11.2 million in general revenue as part of the FY2025 Revised Budget, based on a calculation using the same 12.0 percent COLA disbursement as agreed to by other contract bargaining units.

- **FEMA Contingency Reserve:** The Budget includes \$2.5 million contingency reserve funding for FEMA reserve and contingency payments in the event that the federal FEMA reimbursements for COVID-19 response costs differ from the State estimation and assumptions.
- **DCAMM Project Managers:** Restores \$2.0 million in general revenue personnel costs at DCAMM that were removed by the Governor to reflect a policy change to charge project manager personnel costs.
- **Primary Care Health Assessment State Cost:** The Budget adds \$750,000 in general revenue reflecting the State's cost as an employer for the primary care health assessment. The Budget contains legislation establishing an assessment, similar to the child and adult immunization program assessments, to generate \$30.0 million annually to support primary care and other critical healthcare programs. The current assessments are based on a per member per month fee applied to all covered lives including self-insured. The State's cost as an employer is \$1.4 million, of which \$750,000 is from general revenues.

- **Statewide Voter List:** The Budget includes \$750,000 in general revenues to conduct a statewide mailing to update the state's voter registration list to ensure that state voter rolls are as accurate as possible for future elections. The mailing would be a one-time expense in a non-election year.
- **Work-Based Learning Initiative:** The Budget reduces general revenue in the Department of Labor and Training by \$2.0 million and removes the work-based learning initiative for Rhode Island's youth that was proposed by the Governor.
- **Expansion of JDF Assessment to Non-Profit Employers:** The Budget reduces restricted receipts in the Department of Labor and Training by \$2.6 million and removes the Governor's proposal to subject non-profit employers to the Job Development Fund (JDF) assessment.
- **Livable Home Modification Grant Program:** The Budget decreases the grant program at the Governor's Commission on Disabilities by \$250,000 in general revenue to reflect current service levels. The FY2025 Revised Budget continues funding for the Livable Home Modification Grant Program and includes \$1.4 million in general revenue to support the program. The FY2025 Budget includes proviso language requiring all unexpended or unencumbered funds be reappropriated to the ensuing fiscal year.

ECONOMIC AND WORKFORCE DEVELOPMENT:

- **Rebuild RI - Superman Building:** Article 6 of the Budget modifies the Rebuild RI Tax Credit incentive by allowing the developers of projects that include affordable housing such as the Superman Building project to access an additional 30.0 percent in sales tax exemptions on qualified expenses even if they have reached their maximum project cap. The total program cap remains unchanged at \$225.0 million total program.
- **Wavemaker Fellowship – Cohorts:** The Budget provides \$2.6 million for the Stay Invested in RI Wavemaker Fellowship program, \$1.6 million more than the Governor's recommendation. The original funding was estimated to cover current cohorts of fellows and an additional 85 spots to accommodate the recent expansion to include primary care healthcare practitioners. Article 6 continues the expansion of the program to include healthcare providers that operate as sole proprietors or L.L.C.'s
- **Reauthorization of Incentives:** Reauthorizes 10 economic development incentives.

HOUSING:

- **Housing Resources and Homelessness Shift:** Shifts \$4.0 million from FY2025 to FY2026 in the Housing Resources and Homelessness restricted receipt account to align each year's expenditures with the Department's third quarter report.
- **Housing Production Fund Dedicated Revenue:** Adds a dedicated revenue stream for the Housing Production Fund resulting from increases of both the first and second-tier real estate conveyance tax to 0.75 percent. The revenue stream adds \$281,139 in restricted receipts funding for the Housing Production Fund in FY2026.
- **Housing Resources and Homelessness Fund Dedicated Revenue:** Retains the proposed two new dedicated revenue streams for the Housing Resources and Homelessness restricted receipt account for a total of \$5.9 million in dedicated restricted receipts funding in FY2026. The FY2026 funding reflects a \$1.5 million increase as compared to the Governor's proposed budget due to updates to the format of both revenue streams. The 5.0 percent whole-home short-term rental tax extension is updated to provide 50.0 percent of revenues for the restricted receipt account and 25.0 percent each for the municipalities and tourism districts, resulting in a decrease of \$1.0 million as compared to the Governor's proposed budget. The real-estate conveyance tax is updated from an increase of only the second-tier on the portion of a residential property's value above \$800,000 to an increase of both the first and second-tier to 0.75 percent, an increase of \$2.5 million.

- **LIHTC Fund Transfer:** Shifts \$4.0 million in general revenues into the Low-Income Housing Tax Credit (LIHTC) Fund restricted receipt account. The FY2024 allocation of LIHTC funds was reclassified as a fund transfer rather than a general revenue expenditure as authorized in FY2023, but the Governor's FY2025 revised and FY2026 recommendations did not reflect this reclassification. The shift corrects this. There is no change to the funding commitment amount.
- **Non-Owner-Occupied Property Tax:** Establishes a new tax on non-owner-occupied real estate properties valued at over \$1.0 million. The rate is \$2.50 per \$500 on the assessed value over \$1.0 million. Revenue from the tax are deposited into low-income housing tax credit fund.

EDUCATION:

- **Education Aid – Funding Formula:** Adds \$12.0 million to support the March 2025 enrollment update under current law with the student success factor weight at 40.0 percent for all districts. In addition, Article 7 requires new reporting on the matching and verification of data for use in identifying students in poverty and high-cost special education, and requires an estimate of education aid using expended direct certification with Medicaid be submitted with the Department's budget FY2027 budget request. Total Ed Aid is \$59.2 million above the FY2025 Budget as Enacted level.
- **Education Aid – High-Cost Special Education:** Increases funding by \$2.4 million over the Governor's recommendation.
- **Education Aid – Group Home Aid:** Adds \$2.1 million to eliminate the formula adjustment such that districts receive formula aid in addition to the \$17,000 per bed.
- **Education Aid – Group Home CRAFT beds:** Reduces aid by \$468,000 to reflect the elimination of aid paid to East Providence for group home beds associated with Bradley Hospital CRAFT Program and provides that the student's school district of origin will be responsible for providing education services to students in those beds.
- **Learn365 Out of School Time:** Eliminates \$2.5 million in new funding for FY2026 and recommends reappropriating unspent balance from FY2025.
- **COLA Adjustment:** Transfers \$1.5 in general revenue (\$2.0 million all funds) in FY2026 and \$697,078 in general revenue (\$976,407 all funds) in FY2025 for COLA adjustments for personnel in unions that had not ratified new contracts in time for inclusion in the Governor's Recommended Budget from the Department of Administration where the funds were held in reserve.

LOCAL/MUNICIPAL ISSUES AND AID:

- **State Library Aid:** The Budget provides an additional \$239,594 in general revenue to fully fund Resource Sharing State Library Aid at \$12.1 million, which reflects the current law level of 25.0 percent of the second prior fiscal year's local tax expenditures for library services.
- **PILOT State Aid Program:** The Budget fully funds the state's payment in lieu of taxes (PILOT) state aid program. The program provides municipalities up to 27.0 percent of the tax that would have been owned on property that is otherwise exempted from taxation by the state. The Governor recommended \$49.2 million for FY2026 which represents 25.9 percent. The Budget provides \$51.3 million to meet the 27.0 percent.
- **Distressed Communities State Aid Program:** The Budget provides \$14.9 million for the state's Distressed Community Relief state aid program. This is \$2.5 million more than the Governor's recommendation. The program assists municipalities with the highest property tax burdens relative to the wealth of taxpayers.

- **Sales Tax Adjustment – Car Tax State Aid Program:** The Governor proposes eliminating the annual sales tax growth adjustment that is provided to municipalities as part of the Motor Vehicle Excise Tax State Aid program. The Budget does not include this proposal, but rather keeps current law to allow for growth; however, it limits the annual increase to only 2.0 percent. The Budget provides a total of \$239.5 million for the program in FY2026.
- **Local Hotel Tax Increase:** Article 5 of the Budget increases the local hotel tax from the 1.0 percent to 2.0 percent. It also provides 25.0 percent of the new whole home short-term rental tax to the municipality from where it is generated. Local tourism councils also receive 25.0 percent of tax, and the remainder is dedicated for housing.

HEALTH AND HUMAN SERVICES:

- **Medicaid Primary Care Rates:** Adds \$8.3 million general revenue (\$26.4 million all funds) to increase Medicaid primary care rates to 100.0 percent of Medicare rates, effective October 1, 2025.
- **Family Medicine Residency Program:** Includes \$500,000 in general revenue as the state share to support the Thundermist Health Center's Family Medicine Residency Program. The program will grow to support 12 residents, 4 residents per year for 3 years, who will provide primary care to patients.
- **Primary Care Health Assessment:** Adds \$2.1 million in general revenue (\$7.0 million all funds) to pay the Medicaid portion of an assessment on insurance providers, similar to the child and adult immunization program assessments, to generate \$30.0 million annually to support primary care and other critical healthcare programs, pursuant to Article 10. This is estimated to be approximately \$4/person/month.
- **Primary Care Rate Review:** Article 8 provides a general revenue increase of \$200,000, with a corresponding \$200,000 federal funds increase to advance the first biennial report on rate recommendations for primary care services to September 1, 2026, instead of September 1, 2027.
- **Federally Qualified Health Care Center Rates:** Adds \$4.0 million in general revenue (\$10.5 million all funds) to increase reimbursements to FQHCs effective July 1, 2025.
- **Hospitals - Long-Term Care Behavioral Health Beds:** Provides \$3.2 million in general revenue (\$7.5 million all funds) to support placement in community hospitals. Article 8 requires the Secretary to pursue a state plan amendment needed to establish a rate methodology to support long-term behavioral health inpatient units for non-government owned hospitals.
- **Hospitals – Restore UPL and Rate Increase:** Adds \$10.5 million in general revenue (\$30.3 million all funds) to restore Upper Payment Limit (UPL) payments to that were established to ensure that Medicaid rates are comparable to Medicare rates, and to increase reimbursement rates by the 3.4 percent for fee-for-services and 2.9 percent for managed care provided in current law instead of the 2.3 percent recommended by the Governor.
- **Community Health Worker Program Integrity:** Decreases projected expenses for the program by \$4.4 million in general revenue (\$15.0 million all funds) to correct updated projections after adjusting for inappropriate expenses that led to a program review and the rules to secure the integrity of the program.
- **Medicare Savings Program Expansion:** Includes \$700,000 in general revenue (\$7.1 million all funds) to expand program eligibility by increasing income disregards for the Qualified Medicare Savings Program to 125.0 percent of federal poverty and Qualified Individual Medicare Savings Program eligibility up to 168.0 percent of federal poverty. Pursuant to Article 8, the Secretary will discontinue enrollment when Part B premiums meet the federal allotment. A similar expansion provided in the FY2025 Budget as Enacted could not be implemented because it increased eligibility to only one group.

- **Mobil Response and Stabilization Services (MRSS):** Adds \$900,000 in general revenue to support uninsured and underinsured recipients, and cover costs not reimbursed by Medicaid or other insurers.
- **Nursing Home Minimum Staffing Enhanced Rate:** Provides \$5.0 million in general revenue (\$12.0 million all funds) to support Article 10 amended nursing home minimum staffing levels, mirroring agreements with industry workers and unions.
- **RIPIN – Dual Ombudsman Program:** Adds \$59,000 in general revenue (\$118,000 all funds) to continue the program through the fiscal year.
- **AHEAD Model:** Pursuant to GBA, adds \$2.0 million in new federal funds to work toward federal Advancing All-Payer Health Equity Approaches and Development ([AHEAD](#)) model. In September 2023, the Centers for Medicare & Medicaid Services (CMS) announced this voluntary, total cost of care (TCOC) model intended to curb health care cost growth, improve population health, and promote healthier living. According to CMS, the TCOC model holds participating states “accountable for quality and population health outcomes, while constraining costs of health care services delivered in a state or specified sub-state region. As applied by the CMS Innovation Center, this process takes places across all health care payers, including Medicare, Medicaid, and private health insurers and plans.”
- **Infrastructure for School Based Medicaid Services:** Includes \$1.0 million in federal funds in FY2026 and \$145,215 in FY2025 to reflect a three-year \$2.5 million grant to expand school-based Medicaid services. Consultants will conduct needs assessments and engage community stakeholders.
- **New Department of Housing and Urban Development Award:** Includes \$600,000 in federal funds from a new \$3.8 million Department of Housing and Urban Development (HUD) grant to identify and remove barriers to affordable housing production and preservation.
- **Child Care for Child Care Workers:** Article 10 Provides \$2.7 million to extend the Child Care for Child Care Workers Pilot through July 31, 2028.
- **Child Care Rates:** Article 10 provides \$3.1 million to increase Infant rates by 20.0 percent. The amendment separated Infant and Toddler rates, increasing infant rates only.
- **Rhode Island Veterans Memorial Cemetery:** Article 10 amends regulations related to burial liners, allowing the Director of the Office of Veterans Affairs to waive burial liner fees when federal funds become available.
- **Health Professional Loan Repayment Program:** Article 10 amends the Health Professional Loan Repayment Program, shifting administration to the Department of Health.
- **SNAP Error Rate:** Article 10 establishes legislative reports to support a fiscally responsible and high integrity SNAP Program – DHS, in consultation with DOA will submit recommendations to reduce the SNAP Error rate by 6.0 percent, due on October 1 2025. Starting January 18, 2026, DHS will submit monthly reports on SNAP performance metrics as a section of the House Oversight RIBridges Report. Congress has signaled significant changes to SNAP that could cost the State close to \$100.0 million annually – requiring State between 5.0 percent and 25.0 percent of SNAP benefit costs based on State’s error payment rate. Rhode Island SNAP error rate in FY2023 was 12.4 percent, but has reached 22.7 percent. DHS estimates that this change could result in an additional \$100.0 million in the State’s share of SNAP expenditures.
- **Residential Treatment Facility Fund Shift (RICAP):** Shifts \$4.0 million in RICAP funds from FY2026 to FY2027 related to the Exeter Female Youth Facility project. The existing project is reporting anticipated savings of \$11.0 million. \$2.0 million is retained in FY2026 for planning costs or a feasibility study for an additional in-state facility, and \$4.0 million is shifted to FY2027 for future renovation or construction costs.

- **988 Hotline (ARPA SFRF):** Adds \$1.8 million in unspent ARPA SFRF funds from FY2025 to the FY2026 funding allocation for the 988 Hotline.

PUBLIC SAFETY:

- **Attorney General Increased Staff (4.0 FTE):** The Budget increases restricted receipts in the Office of the Attorney General by \$848,389 and authorizes 4.0 new FTE positions. The Office requested \$1.7 million of general revenue to support 13.0 new FTE positions in FY2026, which the Governor did not fund.
- **RIBCO Agreement:** Pursuant to Governor's Budget Amendment 25, dated May 25, 2025, the Budget increases general revenue in the Department of Corrections by \$23.3 million to support the recently ratified agreement with the Rhode Island Brotherhood of Correctional Officers (RIBCO). The Governor reserved \$13.1 million of general revenue at the Department of Administration to fund the contract, which created a \$10.2 shortfall when the contract resolved later than expected. The agreement increases the shift differential for members working overnight, reduces the years required to earn the top-step paygrade, and provides Cost of Living Adjustments (COLA) of 12.0 percent over a 3-year period.
- **Facility Consolidation:** The Budget increases general revenue by \$6.2 million and RICAP funds by \$1.0 million in the Department of Corrections to reflect the Governor's unachieved proposal to consolidate the population held at the minimum-security facility to the medium-security facility. A feasibility study indicates the minimum capital costs to consolidate the population would be \$67.1 million.
- **RITA Agreement:** Pursuant to Governor's Budget Amendment 25, dated May 22, 2025, the Budget increases general revenue by \$5.8 million and federal funds by \$281,818 to reflect the recent agreement with the Rhode Island Troopers Association (RITA). The agreement provides Cost of Living Adjustments (COLA) of 12.0 percent over a 3-year period and an increase to the annual uniform stipend.
- **Pension Adjustments:** Reduces final average salary computation for State Police from 5-years to 3-years: The article reverses the statutory calculation for an employee's final average salary (FAS) formula from a calculation based on an average of the employee's highest five consecutive years of compensation, to an average of the employee's highest three consecutive years of compensation, to coincide with the pension reform changes included in Article 12 of the FY2025 Budget as Enacted.

The Budget also reduces the COLA threshold to reinstate COLAs from the current 80.0 percent funded ratio to 75.0 percent, for Workers Compensation Court judges who retired on or after July 1, 2012. Members will receive the full COLA when all plans exceed 75.0 percent, which is estimated to occur in 2030. This change becomes effective for these retirees on July 1, 2024, and coincides with the pension reform changes included in Article 12 of the FY2025 Budget as Enacted.

ENVIRONMENT:

- **CAD Cell Project:** Article 4 authorizes the issuance of \$23.0 million in new COPs, including \$200,000 for the costs of issuance, toward the design and construction of an additional Confined Aquatic Disposal (CAD) cell for dredge material disposal. Article 2 increases the minimum disposal fee for dredge material from \$11.65 to \$35.00 per cubic yard of material and eliminates the requirement to deposit \$11.65 of the total fee into the general fund to generate revenue, instead depositing funds into a restricted receipt account to support debt service.

TRANSPORTATION/TRANSIT:

- **Washington Bridge Project:** The Budget adds \$20.0 million of RICAP funds to FY2027 and shifts \$20.0 million of RICAP funds from FY2025 to FY2026 to reflect the updated costs and schedule for the Washington Bridge project. The FY2026 Governor's Recommended Budget included a total cost

of \$514.0 million for all phases of the project. In June 2025, the Department of Transportation selected Walsh Construction Company and design partner WSP, to complete the replacement project. Initial work is expected to begin in July 2025, with a total cost of \$572.1 million.

- **RIPTA Gas Tax and HMA:** The Budget provides the Rhode Island Public Transit Authority (RIPTA) with \$14.6 million in funding achieved through revisions to the Highway Maintenance Account (HMA) and motor fuel tax, outlined in Article 11. Article 11 increases RIPTA's percentage share of the HMA from 5.0 percent to 10.0 percent and statutory share of the gas tax from \$0.0975 to \$0.1175, inclusive of the \$0.005 environmental protection fee. The Budget also requires RIPTA to support the RIDE Anywhere paratransit program with the gasoline tax allocation.
- **Electric Vehicle Fees:** The Budget includes \$3.6 million of other funds, \$1.8 million above the Governor's recommendation from electric vehicle registration fees. The Governor's Budget includes legislation that would subject battery electric vehicles and plug-in hybrid electric vehicles to a registration fee of \$150 and \$75 per year, respectively. The Budget expands on the proposal by adding hybrid vehicles and increasing the fees to \$200 for electric vehicles, \$100 for plug-in hybrids, and \$50 for hybrid vehicles.



FY2026 BUDGET

FY2026 Revenue Changes

May 2025 REC

\$19.3 million

The May 2025 Revenue Estimating Conference (REC) increased its business taxes revenue estimate from November by \$4.1 million and its personal income tax estimate by \$10.1 million. These gains are offset by a reduction in sales tax receipts of \$37.1 million). These adjustments, along with other offsets and increases in other revenue sources (lottery, excise taxes, etc.), net the overall \$19.3 million increase above the Governor's proposal.

Health Services Funding Assessment

\$15.0 million

The Budget adds \$15.0 million in available general revenue from a new assessment on health insurance providers. Revenue from the assessment is designated to be used to augment primary healthcare reimbursement rates (bringing Medicaid services rates up to Medicare levels). The levy will be similar to the child and adult immunization program assessments, and is projected to be about \$4.00 per month per covered life beginning January 1, 2026. The assessment is estimated to generate \$30.0 million annually; however, due to the effective date, \$15.0 million is estimated for FY2026.

Digital Advertising Tax

(\$9.5 million)

The Budget reduces available general revenue by \$9.5 million in FY2026 by eliminating the proposed new 10.0 percent tax on a company's annual gross revenue derived from digital advertising services in Rhode Island. The new digital advertising tax as recommended by the Governor is estimated to generate \$9.5 million in FY2026 based on a January 1, 2026, effective date and would grow to \$19.6 million in FY2027 with a full year of the tax.

Real Estate Conveyance Tax Increase

\$8.4 million

The Budget reflects an \$8.4 million increase in available real estate conveyance tax (RECT) general revenue receipts in comparison to the Governor's recommendation. Under current law the state maintains a two-tier RECT, with the first \$800,000 of a home's value taxed at a 0.46 percent rate and the amount above \$800,000 taxed at 0.92 percent. The Governor recommends a third-tier of the RECT, that increases the total tax rate on the value of a property over \$800,000 from 0.92 percent to 1.25 percent. The Budget does not include this proposal. Instead there is a new budget initiative that increases the first-tier rate from 0.46 percent to 0.75 percent and increases the second-tier rate (portion above \$800,000) from 0.92 percent to 1.50 Percent. The changes and revenue impact are summarized below:

Fund	Current		Governor		Article 5	
	Portion < \$800K Per \$500	Portion > \$800K Per \$500	Portion < \$800K Per \$500	Portion > \$800K Per \$500	Portion < \$800K Per \$500	Portion > \$800K Per \$500
State	\$1.20	\$3.50	\$1.20	\$5.15	\$1.95	\$5.70
General Revenue	0.60	0.60	0.60	0.44	0.95	0.95
Distressed Communities	0.30	0.30	0.30	0.30	0.50	0.50
Housing Resources and Homelessness Fund	0.30	0.30	0.30	1.95	0.50	1.75
Housing Production Fund	-	2.30	-	2.46	-	2.50
Local Government	1.10	1.10	1.10	1.10	1.80	1.80
Total	\$2.30	\$4.60	\$2.30	\$6.25	\$3.75	\$7.50
Tax Rate	0.46%	0.92%	0.46%	1.25%	0.75%	1.50%

OTP Tax on Nicotine Pouches

\$7.5 million

The Budget amends the definition of Other Tobacco Products (OTP) to include nicotine pouches and similar products, increasing general revenue by \$7.5 million in FY2026 as a result. The current definition of OTP under RIGL 44-20-1.8 includes "Any other articles or products made of or containing tobacco, in whole or in part, or any tobacco substitute, except cigarettes." Nicotine pouches and similar products are small

pouches that contain synthetic or natural nicotine which are placed inside the mouth between the lip and gum to deliver nicotine through absorption. The Budget includes language to clarify that these products are OTP and subject to the same 80.0 percent tax rate as chewing tobacco and snuff. The Office of Revenue Analysis estimates that with an assessment of current inventory and an effective date of October 1, 2025, the State will collect \$7.5 million in FY2026 and \$12.0 million in FY2027.

Cigarette Tax Increase ***(\$4.4 million)***

The Budget removes the \$0.50 per pack increase to the cigarette excise tax included in the Governor's FY2026 Budget and reduces general revenue by \$4.4 million.

Low Income Housing Tax Credit ***(\$4.0 million)***

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget shifts \$4.0 million in general revenues into the Low-Income Housing Tax Credit (LIHTC) Fund restricted receipt account. The FY2024 allocation of LIHTC funds was reclassified as a fund transfer rather than a general revenue expenditure as authorized in FY2023, but the Governor's FY2025 revised and FY2026 recommendations did not reflect this reclassification. This shift corrects this. There is no change to the funding commitment amount.

Workers' Compensation Indirect Cost Recovery ***(\$3.6 million)***

The Budget exempts the Workers' Compensation Administration Fund from the State's indirect cost recovery charge, representing a \$3.6 million reduction in general revenue from the Governor's Recommended Budget, which increased the State's share from 10.0 to 15.0 percent.

Motion Picture Tax Credit Program Cap ***(\$3.2 million)***

The Budget reduces available general revenue in FY2026 by \$3.2 million compared to the Governor's proposal based on a new budget initiative that addresses an unanticipated shortfall related to the state's motion picture production tax credit program.

Rhode Island offers a tax credit to motion picture and theatrical production companies equal to 30.0 percent of qualified production costs attributable to expenditures from activity within the State. The credits are transferable, and unused portions may be carried forward for up to three years. The program's annual threshold is \$20.0 million. In 2022 the General Assembly changed the program caps for 2022, 2023, and 2024 to \$30.0 million, \$40.0 million, and \$40.0 million, respectively. The cap returns to \$20.0 million for 2025.

The Governor requested an amendment in May 2025, to adjust the total program cap for tax years 2022 from \$30.0 million to \$35.0 million and TY2023's cap from \$40.0 million to \$35.0 million as summarized in the following table:

MPPTC Program Cap		
Tax Year	Current Law	Article 5
2022	\$30.0	\$35.0
2023	40.0	35.0
2024	40.0	40.0
\$ in millions		

Housing Resources and Homelessness Recapitalization ***(\$2.5 million)***

The Budget reduces available general revenue by \$2.5 million in FY2026 resulting from the transfer of funds to the Housing Resources and Homelessness restricted receipt account on July 1, 2025. Article 9 of the Budget includes several new and enhanced funding streams that will take time to generate revenue for

housing and homelessness. The transferred money represents interim funding until new revenue is realized, starting in FY2027.

Sales Tax on Parking

\$1.6 million

General revenue is increased by \$1.6 million in FY2026 based on a new budget initiative that extends the state's 7.0 percent sales and use tax to include short-term (less than a month) parking services. According to the House Finance Committee, 15 states charge an excise tax on parking. The Budget also includes additional general revenue expenditures within the Department of Revenue to implement this initiative (along with other new initiatives). New sales tax collections are estimated to increase general revenue by \$1.6 million based on an October 1, 2025, start date.

Traffic Fines Rebase

\$511,492

The Budget increases general revenue by \$511,492 to reflect the additional funds collected from the traffic fines which are increased in Article 11. Rhode Island last adjusted the traffic violation schedule in 2008, when the General Assembly raised fines from \$75 to \$85. Article 11 increases most fines from \$85 to \$100, effective July 1, 2025.

HMA Fee Rebase Impact

\$246,525

The Budget increases general revenue by \$246,525 to reflect the revisions to the Highway Maintenance Account described in Article 11. Article 11 increases most license and registration fees by \$10 and imposes a registration fee for electric vehicles, all of which is to be deposited to the Highway Maintenance Account. Currently, 5.0 percent of receipts deposited to the Highway Maintenance Account are transferred to the general fund, reflecting the \$246,525 increase.

Dredging Fee

(\$100,000)

The Budget includes a decrease of \$100,000 in general revenue from an increase in the minimum disposal fee for dredge material from \$11.65 to \$35.00 per cubic yard of material. The budget initiative also eliminates the requirement to deposit \$11.65 of the total fee into the general fund. Under current law, the dredge fee revenue above \$11.65 per cubic yard is deposited into a restricted receipt account that must be used to create additional dredging and disposal options. Pursuant to the article, the entire dredge fee will be deposited into the restricted receipt account and "the management of said disposal options" is added to the allowable uses. The CRMC may use the funds without appropriation by the General Assembly.

Sales Tax Exemption on Firearm Safety Products

\$85,714

The Budget increases available general revenue by \$85,714 in FY2026 by eliminating the proposed sales tax exemption for firearm safety and storage devices included in the Governor's budget recommendation. The proposal is part of the Governor's overall assault weapons ban budget initiative.

Dental Insurance Loss Ratio

(\$24,000)

The Budget includes a negative revenue adjustment of \$126,000 related to the Office of the Health Insurance Commissioner (OHIC) ongoing review of dental health plans and dental premium dollars spent on patient care. OHIC is authorized to spend a maximum of \$150,000 in both FY2025 and FY2026 for contractors to produce the report. The Governor recommends the full \$150,000 in both 2025 and FY 2026. Based on actual activity through the third quarter of FY2025, the Budget allots \$24,000 for FY 2025 and \$126,000 for FY 2026.

Vital Records

(\$8,475)

The Budget reduces general revenue by \$8,475 to account for a new fee exemption being enacted in 2025. The General Assembly is exempting incarcerated individuals from having to pay the \$20 fee charged by the Department of Health for a vital record or certified record requests.

FY2026 Expenditure Changes by Agency

DEPARTMENT OF ADMINISTRATION

Rhode Island Capital Fund (RICAP) Changes (other funds)

(\$52.6 million)

The Budget includes a net decrease of \$52.6 million in RICAP funds based on current expenditures and projections on the following various projects:

- **State Office Property Acquisition:** The Budget removes \$31.0 million in RICAP funds for the acquisition, redevelopment, and moving costs of a 210,000 square foot commercial property located at 115 Tripps Lane in East Providence for state office use. The property is located on 25 acres of land, has approximately 130,000 square feet of office space, a cafeteria, a data center and 849 parking spaces. However, the General Assembly does not concur with the Governor's proposal and removes the funding from the FY2026 Budget.
- **Zambarano LTACH:** The Capital Budget includes a total of \$197.1 million to construct a new 100-patient long-term care facility at the Zambarano Campus of Eleanor Slater Hospital to replace the Beazley building. This is \$90.0 million more than approved and would be funded through debt issued via Certificates of Participation. The recommendation includes \$8.6 million in RICAP funds in FY2025 and of spending in FY 2025 and \$26.1 million in RICAP funds in FY2026 in FY 2026 from Rhode Island Capital Plan funds for the new Long-Term Acute Care Hospital (LTACH) on the Zambarano Campus.

In addition, the projected RICAP out-year funding includes \$23.8 million in FY2027, \$24.4 million in FY2028, and \$24.2 million in FY2029. The Budget proposes an additional \$90.0 million in certificates of participation (COPs) beginning in FY2027. The COPs have not been authorized by the General Assembly and presumably will be proposed as part of the Governor's FY2027 Budget submission. The total project cost is \$197.1 million of which \$107.1 million is RICAP funds and \$90.0 million in COPs.

The Budget shifts \$26.1 million in the FY2026 funding to FY 2030, based on a delay in the design phase of the project, including the identification of cost estimates and financing plans. The Budget maintains funding in the multi-year plan, which includes \$23.8 million for FY2027, \$24.4 million for FY2028, \$24.2 million for FY2029, and \$26.1 million for FY2030.

- **Information Operations Center:** The capital budget includes \$3.5 million in RICAP funds for continued upgrades at the State's IT data center (Division of Enterprise Technology Strategy Service (ETSS), currently located at 50 Service Avenue in the City of Warwick. The capital plan includes \$16.8 million in RICAP funds from FY2025 to FY2030 including the \$3.5 million in FY2026 and another \$3.5 million in FY2027.
- **560 Jefferson Boulevard:** The Budget includes \$2.0 million in RICAP funds to install a new roof; heating, ventilation, and air conditioning system; and asset protection funding for 560 Jefferson Boulevard. The facility is currently occupied by the Office of the State Fire Marshal, Office of Veterans Services, and the Cannabis Control Commission. The decrease is based on a delay in the project, which is currently in the design phase.
- **Zambarano Buildings and Campus:** The Budget adds \$1.7 million in RICAP funds reflecting funding associated with replacement of the wastewater treatment facility to comply with Rhode Island Department of Environmental Management regulations and revised costs for building demolition on the campus.
- **State Office Reorganization and Relocation:** The Budget removes \$1.0 million in RICAP funds to redesign office space, move personnel, and relocate storage to other locations. The current capital plan

has \$1.8 million in FY2026 and this action leaves \$750,000 in FY2026. Total out-year RICAP appropriations remain at \$1.0 million through FY2030.

- **Cannon Building:** The Budget decreases RICAP funds by \$900,000 for ongoing HVAC work and asset protection. The reduction reflects an updated project timeline that better aligns the project with the completion of the Capital Hill Master Plan.
- **Washington County Government Center:** The Budget decreases RICAP funds by \$500,000 for the Washington County Government Center project. According to the Department of Administration, the funds will not be expended in FY2025, based on an updated project timeline.
- **Chapin Health Laboratory:** The Budget decreases RICAP funds by \$250,000 based on the Department of Administration's updated project timelines.

Contract Reserve Distribution

(\$19.0 million)

Subsequent to enactment of the FY2025 Budget, the Administration reached agreements with a majority of state employee unions that included cost-of-living adjustments of 5.0 percent for FY2025, 4.0 percent for FY2026, and 3.0 percent for FY2027, for a total of 12.0 percent.

The Governor included \$19.0 million in general revenue in FY2026 as a statewide contract reserve for the COLA adjustment in unions within the Department of Corrections, Department of Public Safety, and the Department of Elementary and Secondary Education that have yet to ratify their new contracts.

The Budget shifts \$19.0 million in general revenue to the Department of Corrections, Department of Public Safety, and the Department of Elementary and Secondary Education, where the outstanding collective bargaining units have ratified the new contracts. In addition, there are additional COLA reserve shifts of \$1.0 million in federal funds, \$389,706 in other funds, and \$243,816 in restricted receipts.

There is a corresponding shift of \$11.2 million in general revenue as part of the FY2025 Revised Budget, based on a calculation using the same 12.0 percent COLA disbursement as agreed to by other contract bargaining units.

FEMA Contingency Reserve

\$2.5 million

The Budget adds \$2.5 million in general revenue for FEMA contingency reserve and contingency payments to be used in the event that the federal FEMA reimbursements for COVID-19 response costs differ from the State estimation and assumptions. The intent of the reserve fund is to absorb potential discrepancies between State claims and what FEMA ultimately reimburses.

DCAMM Project Managers

\$2.0 million

As part of the FY2026 recommended budget, the Governor proposed shifting the personnel costs for the project manager expenses from general revenue directly to RICAP funds. The Governor previously proposed the cost shift which was rejected by the General Assembly as part of the proposed FY2025 Budget.

The General Assembly does not concur with the Governor's proposal and restores \$2.0 million in general revenue to fund the personnel costs for approximately 11.0 Project Manager positions in the Division of Capital Asset and Management (DCAMM).

Primary Care Health Assessment State Cost

\$750,000

The Budget adds \$750,000 in general revenue reflecting the State's cost as an employer for the primary care health assessment. The Budget contains legislation establishing an assessment, similar to the child and adult immunization program assessments, to generate \$30.0 million annually to support primary care and other critical healthcare programs. The current assessments are based on a per member per month fee applied to all covered lives including self-insured. The State's cost as an employer is \$1.4 million, of which \$750,000 is from general revenues, \$477,295 in other funds, \$100,500 in federal funds, and \$44,575 in restricted receipts.

Resource Sharing and State Library Aid**\$239,594**

The Budget provides an additional \$239,594 in general revenue to fully fund Resource Sharing State Library Aid at \$12.1 million, which reflects the current law level of 25.0 percent of the second prior fiscal year's local tax expenditures for library services.

OFFICE OF ENERGY RESOURCES**New FTE Positions (federal funds)****(\$288,498)**

The Governor recommended a total of 20.0 FTE positions for the Office of Energy Resources. This includes 16.0 FTE positions transferred from the Department of Administration to the new Office of Energy Resources and an addition of 4.0 FTE positions, including: a Programming Services Officer position will be responsible for Solar For All program reporting requirements, including compliance with the Build America Buy America Act and Davis Bacon; a new Senior Legal Counsel position for the agency; for a new Programming Services Officer to manage the Home Efficiency Rebate (HER) Program; and, a new Programming Services Officer to administer the State Facilities Benchmarking and Performance Standards Program.

The Budget does not fully expand the number of positions for the new agency and reflects a reduction of 3.0 FTE positions for an all fund decrease of \$458,454, of which \$288,498 is federal funds and \$169,956 reflects restricted receipts. The expanded positions eliminated in the Budget are the new Senior Legal Counsel position, a Programming Services Officer position will be responsible for Solar For All program, and the Programming Services Officer to manage the Home Efficiency Rebate (HER) Program. The State Facilities Benchmarking and Performance Standards position remains. As of late April, the Office had one position vacant.

DEPARTMENT OF BUSINESS REGULATION**Fire Academy Expansion (other funds)****\$3.6 million**

The Budget includes a RICAP funding increase of \$3.6 million from the Governor's budget to support the construction of a separate evidence room for the Academy. The Governor recommended a total of \$13.2 million, \$4.6 million more than Enacted. The Budget recommends a total of \$15.8 million in RICAP funds, aligning with, estimates provided by the Office's third quarter report.

E-Permitting Current Service**\$200,000**

The Budget includes a total of \$1.0 million in general revenue, \$200,000 more than the Governor, and \$200,000 less than the FY2025 Budget as Enacted. This funding will support the Department's online permitting software for Rhode Island municipalities, and 1.0 FTE position. The additional funding enables the Department to continue to be compliant with current law, and expand the program to other permit types.

Health Spending Accountability and Transparency Program**(\$200,000)**

The Budget includes a general revenue reduction of \$200,000 from both the FY2025 Budget as Enacted, and the FY2026 Governor's recommended budget, reflecting a reduced scope of ongoing work for the Health Sending Accountability and Transparency Program.

Primary Care Rate Review**\$200,000**

The Budget includes a general revenue increase of \$200,000, with a corresponding federal funds increase of \$200,000 to support a one-time report on primary care reimbursement rates, due on September 1, 2026. The Governor submitted a budget amendment for a total of \$450,000 in funding; however, the Office has indicated that \$50,000 of those funds will be spent in FY2027.

Dental Insurance Loss Ratio **(\$24,000)**

The Budget includes a general revenue decrease of \$24,000 from the Governor for dental loss ratio payments. The reduction corresponds with updated estimates provided in the Office of the Health Insurance Commissioner's third quarter report.

CANNABIS CONTROL COMMISSION**Reduction of 2.0 FTE positions (restricted receipts)** **(\$253,063)**

The Budget includes a restricted receipt decrease of \$253,063 compared to the Governor's recommended budget. These funds were recommended to support the addition of 2.0 FTE positions to the Commissions authorized FTE cap; however, the Commission has 3.0 vacant FTE positions with its existing authorization of 26.0 FTE positions.

DEPARTMENT OF LABOR AND TRAINING**JDF Assessment to Non-Profit Employers (restricted receipts)** **\$2.6 million**

The Budget reduces restricted receipts in the Department by \$2.6 million and removes the Governor's proposal to subject private sector non-profit employers with 500 or more employees to the 0.21 percent Job Development Fund (JDF) assessment.

Rhode to Prosperity: Future Workforce **\$2.0 million**

The Budget removes \$2.0 million of general revenue included in the Governor's Budget for the Department to establish new work-based learning experiences for Rhode Island's youth.

Year Up Grant **(\$200,000)**

The Budget removes \$200,000 of general revenue to support Year Up, which is a national non-profit offering tuition-free on the job training to students.

DEPARTMENT OF REVENUE**Motor Vehicle Excise Tax Reimbursement State Aid Program – Sales Tax Escalator** **\$4.7 million**

Article 11 amends the Motor Vehicle Excise Tax Reimbursement state aid program by changing the sales tax escalator provision. Current law (RIGL 44-34.1-2 (c)) 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. 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. The Governor's FY2026 Budget proposed to eliminate this adjustment, which would have produced an estimated expenditure savings of \$9.7 million. The Budget as passed by House Finance does not include this proposal. Article 11 instead caps the escalator at 2.0 percent growth. This results in an increase of \$4.7 million in expenditures as compared to the Governor's recommendation.

Distressed Communities Aid **\$2.5 million**

The Budget includes an additional \$2.5 million in FY2026 for the State's Distressed Community Relief program. This state aid program helps communities with the highest property tax burdens relative to the wealth of taxpayers. Six communities were eligible for aid in FY2025. In FY2026 a seventh community, Coventry, is now eligible. Distribution is based upon annually updated data related to the local tax levy and is certified by the Division of Municipal Finance. The Governor recommended level funding the program, but with the addition of Coventry results, there would be less aid to the existing six cities and towns. The additional \$2.5 million reduces the impact of the additional eligible community.

PILOT Funding***\$2.1 million***

The Budget includes \$2.1 million in additional funding for the State's Payment in Lieu of Taxes (PILOT) program. The program reimburses cities and towns for property taxes that would have been due on real property owned by entities that are statutorily exempt from paying taxes. Current law requires reimbursement at 27.0 percent of for gone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's proposed \$49.2 million in FY2026 for the program, which represents 25.9 percent. The additional funding brings the appropriation up to 27.0 percent.

Revenue Initiatives Implementation***\$250,000***

The Budget includes an additional \$250,000 in personnel and operating expenditures in FY2026 to support several new revenue initiatives. Article 5 includes an expansion of the sales tax to include parking services, an expansion of the Other Tobacco Products tax to nicotine pouches, and several housing related funding streams. Implementation of these initiatives will be assisted by new staffing (1.0 FTE position) and operating spending.

SECRETARY OF STATE***Statewide Voter List******\$750,000***

The Budget includes \$750,000 in general revenues to conduct a statewide mailing to update the state's voter registration list as the optimal way to ensure that state voter rolls are as accurate as possible for future elections. The mailing would be a one-time expense in a non-election year.

PUBLIC UTILITIES COMMISSION***Chief Financial Analyst (restricted receipts)******(\$162,567)***

The Budget removes \$162,567 in restricted receipts to fund a new 1.0 Chief Financial Analyst position to assist the Commission in evaluating cases. The FY2025 Budget as Enacted included funding and an increase in the FTE authorization for this position. However, the Commission opted to fill a legal position instead. This item removes the funding and the FTE authorization.

EXECUTIVE OFFICE OF COMMERCE***Wavemaker******\$1.6 million***

The Budget includes \$1.6 million in additional funding for the Stay Invested in RI Wavemaker Fellowship Fund in FY2026 as compared to the Governor's FY 2026 recommendation. The program provides Wavemaker Fellows who are employed in key sectors within Rhode Island with refundable personal income tax credits that can be used to offset their annual student loan payments. Key sectors include healthcare, STEM, and education. Article 6 of the Budget reauthorizes the program through 2026 and clarifies that healthcare professionals that operate as sole proprietors or pass-through entities are eligible. The Governor had significantly reduced funding (\$3.1 million reduction) to the program compared to the FY2025 enacted level. The Budget partially restores this cut. The funding is estimated to support an additional 180 fellows.

I-195 Redevelopment District Parks (RICAP)***\$1.0 million***

In March 2021, voters approved a \$4.0 million bond referendum to help finance the construction of park infrastructure enhancements adjacent to the Providence River Pedestrian Bridge in the I-195 District. Funding is being used to construct park infrastructure enhancements, including a pavilion for food and beverage service, enhanced infrastructure, office space, and a small storage facility. Based on project delays, the Budget shifts \$1.0 million from FY2025 to FY2026.

DEPARTMENT OF HOUSING***Housing Resources and Homelessness Fund Shift (restricted receipts)*** **\$4.0 million**

The Budget shifts \$4.0 million from FY2025 to FY2026 in the Housing Resources and Homelessness restricted receipt account to align each year's expenditures with the Department's third quarter report.

LIHTC Fund Transfer **(\$4.0 million)**

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget shifts \$4.0 million in general revenues into the Low-Income Housing Tax Credit (LIHTC) Fund restricted receipt account. The FY2024 allocation of LIHTC funds was reclassified as a fund transfer rather than a general revenue expenditure as authorized in FY2023, but the Governor's FY2025 revised and FY2026 recommendations did not reflect this reclassification. This shift corrects this. There is no change to the funding commitment amount.

Housing Resources and Homelessness Dedicated Revenue (restricted receipts) **\$1.5 million**

The Budget includes two dedicated revenue streams for the Housing Resources and Homelessness restricted receipt account for a total of \$5.9 million in dedicated restricted receipts funding in FY2026. The FY2026 funding reflects a \$1.5 million increase as compared to the Governor's proposed budget due to updates to the format of both revenue streams. The Governor's Budget originally proposed the extension of the 5.0 percent rental tax to whole-home short-term rentals, with the full revenues from this extension to be directed to the Housing Resources and Homelessness restricted receipt account. The Budget retains the 5.0 percent whole-home short-term rental tax extension, but updates the revenue distribution to provide 50.0 percent for the restricted receipt account and 25.0 percent each for the municipalities and tourism districts. This results in a \$1.0 million decrease as compared to the Governor's proposal. The Governor also proposed an increase on the second-tier of the real-estate conveyance tax on the portion of a residential property's value above \$800,000. The Budget increases both the first- and second-tier real-estate conveyance tax to 0.75 percent, an increase of \$2.5 million for housing resources and homelessness as compared to the Governor's proposal.

Federal Grant Adjustment **\$500,000**

A Governor's Budget Amendment dated April 25, 2025, increases federal funds in FY2026 by \$500,000 to account for a new federal Department of Housing and Urban Development grant. The grant totals \$3.8 million and is provided to identify and remove barriers to affordable housing production and preservation.

Housing Production Fund Dedicated Revenue (restricted receipts) **\$281,139**

The Budget adds a dedicated revenue stream for the Housing Production Fund resulting from increasing both the first- and second-tier real-estate conveyance tax to 0.75 percent. The revenue stream adds \$281,139 in restricted receipts funding for the Housing Production Fund in FY2026.

Housing Data Accessibility **(\$250,000)**

The Governor's proposed budget included \$250,000 in general revenues for the expansion of policy and program evaluation, planning, and analytics capacity within the Department. The Budget removes this funding.

Indirect Cost Recovery (restricted receipts) **\$125,000**

The Budget increases restricted receipts by \$125,000 to reflect the increased indirect cost rate on federal grants. The minimum federal rate was increased from 10.0 to 15.0 percent in the fall of 2024, however, the Department had not updated their grants accordingly.

Relocation Expenses **(\$105,000)**

The Governor's proposed budget included \$105,000 in general revenue expenses in FY2026 related to equipment purchases as a part of the Department's transition of office locations. The Budget removes this funding.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES***Primary Care Investments******\$14.9 million***

The Budget adds \$14.9 million in general revenue (\$44.4 million all funds) to support primary care in Rhode Island, including the following:

- **Medicaid Primary Care Rates:** Adds \$8.3 million general revenue (\$26.4 million all funds) to increase Medicaid primary care rates to 100.0 percent of Medicare rates, effective October 1, 2025. The proposal is intended to capture services predominately used by primary care physicians for office visits and preventive care. Article 8 includes language authorizing EOHHS to pursue necessary state plan amendments, and changes to rules, regulations and procedures needed to effectuate this initiative.
- **Family Medicine Residency Program:** Includes \$500,000 in general revenue as the state share to support the Thundermist Health Center's Family Medicine Residency Program. The program will grow to support 12 residents, 4 residents per year for 3 years, who will provide primary care to patients. These funds will only be used if the residency program receives federal funding.
- **Primary Care Health Assessment:** Adds \$2.1 million in general revenue (\$7.0 million all funds) for Medicaid costs associated with the assessment on insurance providers established in Article 10. The levy will be similar to the child and adult immunization program assessments, and is projected to be about \$4.00 per month per covered life beginning January 1, 2026. The assessment is estimated to generate \$30.0 million annually to support primary care and other critical healthcare programs; however, due to the effective date, \$15.0 million is estimated for FY2026.
- **Federally Qualified Health Care Center Rates:** Adds \$4.0 million in general revenue (\$10.5 million all funds) to increase reimbursements to FQHCs effective July 1, 2025. FQHCs provide an array of services including primary, dental, and behavioral healthcare.

Investments in Hospitals***\$13.7 million***

The Budget increases the State's investment in hospitals by \$13.7 million in general revenue (\$37.8 million all funds) through the following:

- **Hospitals - Long-Term Care Behavioral Health Beds:** Provides \$3.2 million in general revenue (\$7.5 million all funds) to support placement in community hospitals. Article 8 requires the Secretary to pursue a state plan amendment needed to establish a rate methodology to support long-term behavioral health inpatient units for non-government owned hospitals.

Article 8 amends the Medicaid Resolution language in to empower EOHHS to seek a Medicaid state plan amendment to establish a rate methodology to support long-term behavioral healthcare inpatient units for non-government owned hospitals.

- **Restore UPL Payments:** The Budget provides \$8.9 million in general revenue (\$25.2 million all funds) to restore the Upper Payment Limit (UPL) payments, established to ensure that Medicaid rates are comparable to Medicare rates, that were eliminated in the Governor's budget recommendation.
- **Hospital Rates at Current Law:** As a cost containment measure for FY2026, the Governor proposed reducing the annual inflationary increases on fee-for-services rates paid to hospitals to 2.3 percent to match state revenue growth. The Budget adds \$1.6 million in general revenue (\$5.1 million all funds) to increase reimbursement rates by the 3.4 percent provided in current law.

May 2025 Caseload Estimating Conference***(\$6.4 million)***

The Budget includes a net general revenue decrease of \$6.4 million (a decrease of \$31.2 million all funds) to reflect the results of the May 2025 Caseload Estimating Conference (CEC). The estimates project total Medicaid spending of \$3,894.4 million in FY2026, including \$1,415.2 million from general revenues. The net reduction is due primarily to a reduced caseload.

Nursing Home Minimum Staffing Enhanced Rate **\$5.0 million**

The Budget provides \$5.0 million in general revenue (\$12.0 million all funds) to increase base rates to nursing facilities up to 3.0 percent. The total increase in FY2026 is \$8.8 million in general revenue (\$21.3 million all funds); however, \$12.0 million of the increase must be expended to increase compensation and related employer costs, including hiring, for eligible direct-care staff. Section 4 of Article 8 expands direct care staff to include social workers and nursing aids with a valid license, including probationary licenses.

Community Health Worker Program Integrity **(\$4.4 million)**

Projected expenses for the Community Health Worker Program are decreased by \$4.4 million in general revenue (\$15.0 million all funds) to correct updated projections after adjusting for inappropriate expenses that led to a program review and proposed changes to the rules to secure the integrity of the program.

Medicaid Enterprise System (MES) Delay **(\$4.3 million)**

To reflect the updated project schedule, the budget reduces implementation expenses for the new MES system by \$4.3 million in general revenue (\$48.0 million all funds). The State's existing Medicaid Management Information System (MMIS), originally implemented in 1993, is a rules-based, table-driven, client server system. The MES is a module structure for managing data. The existing MMIS system will run in tandem with the new MES modules until the transition is completed.

Conflict Free Case Management (federal funds) **\$3.2 million**

Pursuant to GBA 18, the Budget shifts \$3.2 million in federal funds and \$2.1 million in restricted receipts from FY2025 into FY2026 to reflect the updated project timeline for modifications to the IT system needed to provide person-centered planning (PCP) and conflict-free case management (CFCM) to Medicaid beneficiaries who receive long-term services and supports (LTSS) in a home or community-based setting, as required by federal regulation. In March 2014, the CMS implemented a final rule requiring states to separate case management from service delivery to reduce conflicts of interest for services provided under home and community-based services (HCBS).

AHEAD Model (federal funds) **\$2.0 million**

Pursuant to GBA, adds \$2.0 million in new federal funds to work toward federal [AHEAD](#) model. In September 2023, the Centers for Medicare & Medicaid Services (CMS) announced this voluntary, total cost of care (TCOC) model intended to curb health care cost growth, improve population health, and promote healthier living. According to CMS, the TCOC model holds participating states "accountable for quality and population health outcomes, while constraining costs of health care services delivered in a state or specified sub-state region. As applied by the CMS Innovation Center, this process takes places across all health care payers, including Medicare, Medicaid, and private health insurers and plans."

Home and Community Based Support (federal ARPA funds) **\$1.7 million**

Pursuant to GBA, the Budget corrects an error in original recommendation by adding \$1.7 million in federal fund and \$1.2 million in restricted receipts to reflecting the expiration of time-limited funds from the ARPA enhanced FMAP. Through the American Rescue Plan Act (ARPA), the State was eligible for enhanced FMAP of 10.0 percentage points on Home and Community Based Services (HCBS) for all expenditures that took place from April 1, 2021, through March 31, 2022. These new federal dollars freed up an equal amount of state funding that was deposited into a restricted receipt fund which were used to enhance, expand, or strengthen Medicaid HCBS.

Infrastructure for School-Based Medicaid Services (federal funds) **\$1.0 million**

To reflect a federal grant, \$1.0 million in federal funds in are provided in FY2026 and \$145,215 in FY2025 from a three-year \$2.5 million grant to expand school-based Medicaid services. Consultants will conduct needs assessments and engage community stakeholders.

RIBridges System Enhancement Work Shift***\$937,302***

Pursuant to GBA 25, the Budget shifts \$937,302 in general revenue and \$3.3 million in federal funding for application enhancement work to the RIBridges system from the Department of Human Services and EOHHS FY2025 into FY2026 to reflect delays due to the cybersecurity breach. The funding is consolidated into EOHHS to align with the Governor's recommendation to consolidate RIBridges operating and contract costs within EOHHS to make the expenditures more transparent.

Mobil Response and Stabilization Services (MRSS)***\$900,000***

The Budget adds \$900,000 in general revenue to support uninsured and underinsured recipients, and cover costs not reimbursed by Medicaid or other insurers. The MRSS program provides immediate in-person support for children ages 2 through 21 experiencing behavioral or emotional distress. The MRSS team responds to the child's location to de-escalate situations, stabilize individuals, and connect them with ongoing care. Article 8 includes language authorizing EOHHS to pursue and implement necessary state plan amendments, needed to establish a rate methodology.

Health System Transformation Project (federal funds)***\$756,363***

Pursuant to GBA, the Budget adds \$756,363 in federal funds and \$340,864 in restricted receipts to correct an error in the original recommendation and provides a total of \$3.5 million and exhausting the time-limited funds. The Health System Transformation Project is an ongoing initiative that began in FY2017. It was a product of the Governor's Working Group to Reinvent Medicaid, which established a model to reform the State's Medicaid program to shift to value-based payments; coordinate physical, behavioral, and long-term healthcare; rebalance the care delivery system away from high-cost settings; and, promote efficiency, transparency, and flexibility in publicly-funded healthcare.

Medicare Savings Program Expansion***\$700,000***

The Budget includes \$700,000 in general revenue (\$7.1 million all funds) to expand program eligibility by increasing income disregards for the Qualified Medicare Savings Program (MSP) to 125.0 percent of federal poverty and Qualified Individual (QI) Medicare Savings Program eligibility up to 168.0 percent of federal poverty. The MSP is a federal program that helps beneficiaries pay for Medicare Part A and Part B premiums. The QI level of the program specifically helps with Part B premiums. Pursuant to Article 8, the Secretary will discontinue enrollment when Part B premiums meet the federal allotment and is authorized to pursue necessary state plan amendments, and changes to rules, regulations and procedures needed to effectuate this initiative.

A similar expansion provided in the FY2025 Budget as Enacted could not be implemented because it increased eligibility to only one group.

New Department of Housing and Urban Development Award (federal funds)***\$600,000***

The Budget includes \$600,000 in federal funds from a new \$3.8 million Department of Housing and Urban Development (HUD) grant to identify and remove barriers to affordable housing production and preservation.

The Work Number Income Verification Contract***(\$233,703)***

Based on the contract for FY2026, the Budget reduces funding for the Equifax income verification product by \$233,703 in general revenue (\$934,812 all funds) to reflect contract costs for FY2026. Currently, income data for Medicaid eligibility is determined through State Wage Information Collection Agency (SWICA) data or the Internal Revenue Service (IRS); however, the SWICA is only updated quarterly and is known to be 30 to 120 days old. TWN data provides employment data by pay period. Post-Eligibility Verification (PEV) is required quarterly pursuant to state regulation.

RIPIN – Dual Ombudsman Program**\$59,000**

The Budget adds \$59,000 in general revenue (\$118,000 all funds) to continue the program through the end of the fiscal year. Since the federal rule only requires the program to continue through December 31, 2025, the Governor only included six months of funding. The Dual Ombudsman program assists individuals eligible for both Medicare and Medicaid access healthcare.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**Residential Treatment Facility Fund Shift (RICAP)****(\$4.0 million)**

Pursuant to a Governor's Budget Amendment dated April 18, 2025, the Budget updates funding levels and language related to the Residential Treatment Facility capital project. The amendment changes "Facility" to "Facilities" in the project name to reflect an intent to utilize excess appropriations from the existing project for the development of other potential residential treatment facilities in Rhode Island for DCYF youth. The current Exeter Female Youth Facility project is expected to complete approximately \$6.0 million under budget. The amendment maintains \$2.0 million of this excess funding in FY2026 to conduct a feasibility study, planning, and design for an additional facility. The remaining \$4.0 million is shifted to FY2027 as a placeholder for future renovation or construction expenses. The excess funding is not expected to cover the full costs of an additional facility; following the planning stage additional appropriations would be needed.

Adoption and Legal Guardianship Grant (federal funds)**\$1.1 million**

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget increases federal funds by \$1.1 million to reflect the carry forward balance of an Adoption and Legal Guardianship federal award.

OJJDP Grant (federal funds)**\$400,000**

A Governor's Budget Amendment dated April 25, 2025, increases federal funds by \$400,000 to reflect a federal grant award from the Office of Juvenile Justice and Delinquency Prevention. The grant totals \$800,000 between FY2025 and FY2026 and is to support the development of a community-based continuum of prevention and intervention services related to youth in the juvenile justice system. The grant has no matching requirement.

FTE Account Adjustment (federal funds)**(\$271,136)**

A Governor's Budget Amendment dated March 17, 2025, corrects a funding allocation for 8.0 FTE positions inadvertently budgeted in the wrong programs. The FY2025 Budget incorrectly included 8.0 FTE positions which were intended to be Juvenile Program Worker positions within the Youth Development Services program as 5.0 FTE positions within Children's Behavioral Health Services and 3.0 FTE positions within Child Welfare. The correction results in a net-zero shift of general revenues to the correct programs, as well as a decrease of \$271,136 in federal funds to align with the correct federal match levels for the positions.

Consent Decree Consultant**(\$210,000)**

A Governor's Budget Amendment dated May 22, 2025, decreases general revenues by \$210,000 related to the Department of Justice consent decree. The Governor's proposed budget included \$500,000 in FY2025 and \$750,000 in FY2026 for a consultant to support the implementation of the consent decree. \$210,000 of this amount for FY2026 is shifted to restricted receipts to reflect a new funding commitment from the Annie E. Casey Foundation to assist with work related to the consent decree.

DEPARTMENT OF HEALTH**Primary Care Training Sites Program Shift****\$2.0 million**

The Budget includes a \$2.0 million shift of general revenue funds from FY2025 to FY2026, reflecting unexpended funds from the newly established primary care training site program.

PRN Network Funding **\$750,000**

The Budget includes a general revenue increase of \$750,000, reflecting legislation adopted by the 2024 General Assembly subsequent to the budget's enactment. The legislation authorized the Department of Health to use \$850,000 each from available childhood and adult immunization resources, and the existing Pediatric Psychiatry Resource Network and Rhode Island Maternal Psychiatry Resource Network information lines. The Department obtained \$900,000 in federal funds; however, the recommended budget does not include funding for the MOMsPRN Line, therefore the Budget updates operating expenses to \$750,000.

New Health Lab – Operational Costs (restricted receipts) **\$662,000**

The Budget includes a net restricted receipt increase of \$662,000 to support operational costs for the new health lab building. The Budget also includes a funding shift of \$4.3 million of capital expenses from indirect recovery costs to the Rhode Island Capital Funds.

DEPARTMENT OF HUMAN SERVICES**Child Care – Infant Rate (federal funds)** **\$3.0 million**

The Budget appropriates \$3.0 million in federal funds to support a 20.0 percent increase to the rates paid for infants, to create a separate tiered rate schedule above what is paid for toddlers.

Child Care for Child Care Educators Extension (federal funds) **\$2.7 million**

The Budget appropriates \$2.7 million in federal funds to support the extension of the Child Care for Child Care Workers Pilot through July 31, 2028. These funds solely support FY2026 expenses, serving an additional 240 children under the pilot. The Budget also establishes reporting requirements to the Governor and General Assembly by November 1 of each year.

RI Community Food Bank **\$400,000**

The Budget includes a general revenue increase of \$400,000 to support food collection and distribution through the community food bank, bringing total funding to \$950,000.

Assisted Living State-Only Stipend **(\$90,277)**

The Budget includes \$16,430 in general revenue, a \$90,277 decrease from the Governor's recommended budget, for the state-only stipend for assisted living. These funds support an additional \$206 monthly state supplemental payment provided to an average of seven individuals who receive the state supplemental security income payment and live in a state-licensed facility that is not eligible to receive Medicaid. This change reflects testimony from the May Caseload Estimating Conference regarding expenses for FY2026.

Meal on Wheels **\$50,000**

The Budget includes a general revenue increase of \$50,000 to support Meals on Wheels, bringing total funding to \$680,000.

Substance Use and Mental Health Leadership Council **\$50,000**

The Budget includes a general revenue increase of \$50,000 to support the Substance Use and Mental Health Leadership Council, bringing total funding to \$150,000.

May Caseload Conference Cash Assistance **\$31,980**

The Budget includes a general revenue increase of \$31,980, with a corresponding federal funds increase of \$2.1 million, reflecting updated caseload estimates for Rhode Island Works, Subsidized Child Care, Supplemental Security Income, and General Public Assistance.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS***May CEC Adjustment******\$4.5 million***

A Governor's Budget Amendment dated May 22, 2025, increases general revenues by \$4.5 million (\$11.9 million all funds) to align funding in the Services for the Developmentally Disabled program with the caseloads adopted at the May 2025 Caseload Estimating Conference.

988 Hotline (ARPA SFRF)***\$1.8 million***

The Budget shifts \$1.8 million in unspent federal ARPA SFRF funds from FY2025 to FY2026 to fund the 988 Hotline. The FY2025 Budget as Enacted includes \$3.5 million in ARPA SFRF funds for this purpose, of which only \$1.7 million is anticipated to be spent.

Third Party Billing Adjustment***(\$1.6 million)***

The Budget decreases general revenues by \$1.6 million to reflect a rebase of FY2026 collections for third-party billing receipts at Eleanor Slater Hospital. There is a corresponding increase in restricted receipts funding for these collections, which include Medicare billings from re-enrolling physicians for certification and increasing Part D pharmacy receipts.

Technology Expenses***(\$220,478)***

The Budget removes funding for unnecessary technology expenses, decreasing general revenues by \$220,478 in FY2026.

CCBHC Contracting Costs***(\$208,363)***

The Governor's proposed budget included \$208,363 in funding for contracting services within the Behavioral Healthcare Services program. The services were intended to support oversight and licensing of the Certified Community Behavioral Health Centers (CCHBCs) and had a corresponding partial reduction of State Fiscal Recovery Funds (SFRF) within the Executive Office of Health and Human Services to reflect previously budgeted funds for this purpose which were reallocated. Rather than provide a new position to support this activity, the Department repurposed a vacant position to fill the role. The Budget removes the additional funding accordingly, a reduction of \$208,363 in general revenues.

COMMISSION ON DISABILITIES***Livable Home Modification Grant Program******(\$250,000)***

The Budget decreases general revenue by to reflect current service levels. The FY2025 Revised Budget continues funding for the Livable Home Modification Grant Program and includes \$1.4 million in general revenue to support the program. The FY2025 Budget includes proviso language requiring all unexpended or unencumbered funds be reappropriated to the ensuing fiscal year.

Indirect Cost Recovery Adjustment***\$25,505***

The Budget increases general revenues by \$25,505 and decreases restricted receipts by the same amount to restore the indirect cost recovery to 5.0 percent to remain in compliance with the grant terms.

ELEMENTARY & SECONDARY EDUCATION***Rhode Island Capital Plan (RICAP) Fund Changes******\$11.4 million***

The Budget includes an increase of \$11.4 million in Rhode Island Capital Plan (RICAP) funding, including the following:

- ***Davies Healthcare Classrooms:*** To reflect the updated project schedule, the Budget shifts \$6.9 million in RICAP funding for the Davies Healthcare classrooms project from FY2025 into FY2026. The architectural and engineering phase of the project occurred in FY2022 (\$500,000). The Davies Health

Care Classrooms project includes building replacement space for the Health Care classrooms and eliminating the detached modular classroom building where the program is currently housed.

- **Capital - Davies School Wing Renovation:** Due to a recent assessment by the project’s design-build team, the Budget increases funding by \$4.5 million, for a total of \$7.0 million in FY2026, to install a new roof and temporary membrane overlay in a wing of the building that was built in the 1970’s. While the feasibility study identified the need to repair or replace the roof, the condition of the roof has deteriorated sufficiently to make repairs unfeasible. Total project costs are estimated at \$35.0 million. The project is consistent with Davies’ strategic plan as approved by the Board of Trustees on June 13, 2022.

Education Aid – Funding Formula

\$12.0 million

The Budget adds \$12.0 million to support the March 2025 enrollment update under current law with the student success factor weight at 40.0 percent for all districts. The Budget does not provide a weight of 43.0 percent for districts with a pre-kindergarten through 6th grade poverty density at or above 60.0 percent, as proposed by the Governor. Article 7 requires new reporting on the matching and verification of data used in identifying students in poverty and high-cost special education, and requires an estimate of education aid using expanded direct certification with Medicaid be submitted with the Department’s budget FY2027 budget request.

Education Aid – High-Cost Special Education

\$2.5 million

The Budget provides an additional \$2.5 million over the Governor’s recommendation in high-cost special education aid to districts for a total of \$17.5 million, \$13.4 million less than the \$30.9 million in eligible reimbursements. This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed four times the combined core instruction and student success factor funding (currently \$74,600 for FY2026).

Learn365 Out of School Time

(\$2.5 million)

The Budget eliminates \$2.5 million in new funding for FY2026 and recommends reappropriating the unspent balance from FY2025. The FY2025 Budget as Enacted included \$3.0 million in general revenue to replace temporary federal funding supporting out-of-school programming with a focus on critical skill development. These funds are to be used to provide grants to municipalities to start or continue out-of-school time programming consistent with the Learn365RI goals of “increasing school attendance, improving reading and math skills, and ensuring that high school graduates have a meaningful plan upon graduation.”

Education Aid – Group Home Aid

\$2.1 million

Article 7 - Group Home Aid

Under current law, districts hosting group homes annually receive \$17,000 per bed to provide state support in exchange for relieving the resident sending districts of financial responsibility for the students. East Providence receives \$26,000 per bed for group home beds associated with Bradley Hospital Children’s Residential and Family Treatment (CRAFT) Program. Except for the CRAFT Program beds, the per-bed aid is adjusted downward to deduct the amount of funding formula aid the district receives for the students in the beds. Depending on the district’s share ratio, the \$17,000 per bed would be adjusted downward by the state share of the core instruction amount. For example, a district with a state share ratio of 47.8 percent would receive \$17,000 minus (0.478*\$18,651), leaving \$8,092 per bed. Through Article 7, the Budget eliminates this adjustment, increasing group home aid to districts by \$2.1 million.

District	Formula
	Adjustment
Coventry	\$71,266
East Providence	161,985
Lincoln	65,958
Newport	62,591
North Providence	85,468
North Smithfield	30,328
Pawtucket	311,468
Portsmouth	55,390
Providence	914,076
Smithfield	29,741
Warwick	182,445
Bristol-Warren	72,207
Exeter-West Greenwich	57,915
Total	\$2,100,837

COLA Adjustment Reserve Distribution**\$1.5 million**

The Budget distributes \$1.5 in general revenue (\$2.0 million all funds) in FY2026 and \$697,078 in general revenue (\$976,407 all funds) in FY2025 for COLA adjustments for personnel in unions that had not ratified new contracts in time for inclusion in the Governor's Recommended Budget from the Department of Administration where the funds were held in reserve.

Education Aid – Group Home CRAFT Beds**(\$468,000)**

Through Article 7, the Budget eliminates the aid paid to East Providence for group home beds associated with Bradley Hospital CRAFT Program and provides that the student's school district of origin will be responsible for providing education services to students in those beds. This change reduces group home aid to East Providence by \$468,000.

Davies Graduation Requirements**(\$242,056)**

Under the new graduation requirements, beginning with the Class of 2028, art classes must be taught by certified Art Teachers, who would need to be recruited. The positions are projected to cost \$242,056 in salaries and benefits. The Governor's recommended budget provided 2.0 new Art Teacher FTE positions supported by Davies' Stabilization fund. Pursuant to GBA, the Budget shifts the funding for these positions from the stabilization fund to a restricted receipt account supported by local tuition payments to Davies.

Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework.

PUBLIC HIGHER EDUCATION**Rhode Island Capital (RICAP) Fund Changes (other funds)****\$5.6 million**

The Budget includes a RICAP increase of \$5.6 million, including the following:

Capital – URI Building Envelope**\$3.0 million**

The Budget includes a \$3.0 million RICAP increase for a new project addressing repairs to building envelope systems across the University's campuses. Roofs, windows, and exterior cladding would be repaired and improved to provide better interior air quality, enhanced energy efficiency, and improved appearances. The Budget provides a total of \$15.0 million in RICAP funds through FY2030 to address the University's deteriorating infrastructure.

Capital – CCRI Renovation and Modernization Phase I**\$2.0 million**

The Governor recommended \$13.0 million in FY2026 to modernize academic and student support spaces; however, the Budget shifts \$10.5 million from FY2025, shifting funds to outyears, including \$2.0 million to FY2026, \$2.7 million to FY2027, \$3.0 million to FY2028, and \$2.8 million to FY2029.

Capital- CCRI Data Cabling and Power Infrastructure**\$600,000**

The Budget includes a \$600,000 RICAP increase to support the Colleges data cabling and power infrastructure project, which upgrades network wiring infrastructure and delivers more capacity to support additional classroom technology, wireless devices and security systems, including cameras, emergency alarm systems, and HVAC control systems. The Budget shifts \$4.2 million from FY2025 into the outyears, including \$600,000 to FY2026, \$356,000 to FY2027, \$850,000 to FY2028, and \$2.4 million to FY2029.

Promise Scholarship May Update**(\$969,835)**

Pursuant to the May 2025 Promise report submitted by the Community College of Rhode Island, the Budget includes a general revenue reduction of \$969,835, reflecting updated expenditures. Total funding in the Budget for the scholarship is \$6.9 million.

Ready to Build RI**(\$800,000)**

The Governor recommended a total of \$800,000 to support Ready to Build RI, a new initiative within the Community College of Rhode Island that supported apprenticeship readiness activities for recent high school graduates and young adults. The Budget removes all funding for the proposal.

College Visions**(\$50,000)**

The Budget includes a general revenue decrease of \$50,000, compared to the Governor's recommended budget, bringing total funding to \$50,000 for the College Visions initiative. College Visions supports equitable access to higher education opportunities for all historically underserved communities. The Budget decreases funds pursuant to the Office of the Postsecondary Commissioner's study on affordability mechanism, which is currently evaluating and making recommendations on the best way for the State to support college affordability and attainment. The Council has not officially published the report or made recommendations.

HISTORICAL PRESERVATION COMMISSION**Current Service Correction****(\$17,000)**

The Budget decreases general revenue by \$17,000 to reflect the Commission's overstated general revenue expenditures for conferences by \$17,000.

OFFICE OF THE ATTORNEY GENERAL**Increased Staff 4.0 FTE (restricted receipts)****\$848,389**

The Budget increases restricted receipts by \$848,389 and authorizes 4.0 new FTE positions for the Office of the Attorney General. The Office requested \$1.7 million of general revenue to support 13.0 new FTE positions in their FY2026 budget request, which was not included in the Governor's Recommended Budget. The Office provided the Senate Fiscal Office with a revised request for \$3.2 million following their Budget Hearing, requesting \$1.3 million for 6.0 FTE attorney positions and \$2.0 million for technology upgrades and consultant costs, supported by the Office's restricted receipts. The Budget authorizes 4.0 FTE positions and the use of \$848,389 in restricted receipts.

DEPARTMENT OF CORRECTIONS**RIBCO Agreement****\$23.3 million**

Pursuant to Governor's Budget Amendment 25, dated May 25, 2025, the Budget provides \$23.3 million of general revenue to support the recently ratified agreement with the Rhode Island Brotherhood of Correctional Officers (RIBCO). The Governor's FY2025 Revised Budget held \$13.1 million of general revenue at the Department of Administration to fund the contract, which created a \$10.2 shortfall when the contract was resolved later than expected. The agreement increases the shift differential for members working overnight, reduces the years required to earn the top-step pay grade, and provides Cost of Living Adjustments (COLA) of 5.0 percent in FY2025 and 4.0 percent in FY2026. The agreement also includes a 3.0 percent COLA which will take effect in FY2027. The following table compares the final costs of the RIBCO agreement with the funds held in reserve in FY2026.

Agreement Provisions	Reserve Funds	Ratified Amount	Shortfall
COLA (5% + 4%)	\$13,082,236	\$17,490,437	\$4,408,201
Shift Differential Increase	-	2,770,310	2,770,310
Step Provisions	-	3,032,171	3,032,171
Total	\$13,082,236	\$23,292,918	\$10,210,682

HVAC Replacement (RICAP)**\$17.5 million**

The Budget shifts \$17.5 million of RICAP funds to FY2026 from FY2025, due to a delay with the Department's HVAC replacement project at the Intake Service Center. The Budget removes \$22.5 million from FY2025 and adds \$17.5 million to FY2026 and \$5.0 million to FY2027, to reflect the project's current timeline. The Budget provides \$41.1 million in RICAP funds for the HVAC project through FY2027, including \$8.3 million in FY2025, \$27.8 million in FY2026, and \$5.0 million in FY2027.

Facility Consolidation**\$6.2 million**

The Budget increases general revenue by \$6.2 million to reflect the Governor's unachieved proposal to consolidate the population held at the minimum-security facility to the medium-security facility. The Governor included \$6.2 million of general revenue savings for the initiative and capital costs of \$1.0 million. A feasibility study indicates the minimum capital costs to consolidate the population would be \$67.1 million, which far exceeds the \$1.0 million included by the Governor.

Facilities Renovation (RICAP)**(\$4.2 million)**

The Budget shifts \$4.2 million of RICAP funds from FY2026 to FY2027 based on updated project timelines. The Department has been renovating the High-Security Facility to include a Behavior Management Unit for inmates who are classified as Seriously and Persistently Mentally Ill (SPBI). The Budget provides \$250,000 to fund a feasibility study in FY2025, \$3.2 million in FY2026, and \$7.2 million in FY2027.

Asset Protection (RICAP)**\$3.2 million**

The Budget adds \$3.2 million of RICAP funds in FY2026 that were shifted from FY2025 due to updated timelines of the Department's asset protection projects. Additionally, the Budget removes \$1.0 million of RICAP funds recommended by the Governor to consolidate the Minimum-Security Facility and Medium-Security Facility, as the feasibility study indicates actual costs would exceed \$67.1 million. The Budget includes \$5.5 million in FY2025 and \$8.3 million in FY2026 for asset protection projects.

Efficiencies**(\$1.6 million)**

The Budget reduces general revenue by \$1.6 million related to the consolidation plan and unachieved savings that were included in the FY2026 Governor's Recommended Budget. The Governor included an initiative to consolidate the Minimum-Security and Medium-Security facilities to generate \$6.2 million in savings. A feasibility study provided by the Department in March 2024 suggests capital costs of \$67.1 million for the consolidation, which exceeds the \$1.0 million included by the Governor. The Department indicated that they would identify operational efficiencies to reduce expenditures, as a substitute for the unachieved savings in the consolidation plan. The Budget reduces expenditures by \$1.6 million accordingly.

Accreditation**(\$417,756)**

The Budget removes \$417,756 of general revenue that was reallocated from unfilled FTE positions in the FY2026 Governor's Recommended Budget, to support the Department's accreditation with the American Correctional Association. The Budget assumes turnover savings equivalent to the 4.0 FTE positions.

Travel**(\$133,313)**

The Budget removes \$133,313 of general revenue included in the FY2026 Governor's Recommended Budget to support travel expenditures for agency leadership.

MILITARY STAFF**Rhode Island Capital Fund (RICAP) Changes (other funds)****\$4.3 million**

The Budget includes an increase of \$4.3 million in RICAP funds at Military Staff.

- **Aviation Readiness Center:** The Budget adds \$4.3 million in RICAP funds regarding the Aviation Readiness Center in FY2026. The FY2026 Capital Budget recommended \$3.4 million in RICAP funds in FY2025 and \$287,000 in RICAP funds in FY2026 to complete the construction of a 65,000 square foot training and readiness center at the Quonset Air Base for the Rhode Island National Guard 1/126th Aviation Unit. The federal National Guard Bureau (NGB) informed the State that the project did not meet the statutory requirements for a 5.0 percent state share, and therefore changed the distribution responsibility to a 25.0 percent state share, as legally allowed for design and construction costs of the center being built on State owned land. In addition, the amendment provides a subsequent increase to the project's five-year Capital Improvement Plan in FY2027 from \$0 to \$7.6 million.

Aviation Readiness Center is a \$38.4 million project to construct a 65,000 square foot training and readiness center at the Quonset Air Base for the Rhode Island National Guard 1/126th Aviation Unit. The Military Staff states that the project is likely to be approved for federal funding in FY2025, one year later than planned, thus delaying the funding by one year.

DEPARTMENT OF PUBLIC SAFETY

RITA Union Contract (all funds)

\$6.1 million

Pursuant to Governor's Budget Amendment 25, dated May 22, 2025, the Budget increases general revenue by \$5.8 million and federal funds by \$281,818 to reflect the recent agreement with the Rhode Island Troopers Association (RITA). The agreement includes retroactive Cost of Living Adjustments (COLAs) of 5.0 percent, effective November 1, 2023, 4.0 percent, effective November 1, 2024, and 3.0 percent, effective November 1, 2025. Additionally, the agreement provides members with a \$250 increase to their annual uniform maintenance stipend. The Budget shifts \$4.5 million of general revenue held in reserve at the Department of Administration to support the COLA. The following table compares the final costs of the RITA agreement with the funds held in reserve in FY2026.

Agreement Provisions	Funds in Reserve	Ratified Amount	Shortfall
COLA (5% + 4% + 3%)	\$4,482,468	\$5,913,717	\$1,431,249
Uniform Stipend	0	102,300	\$102,300
Total	\$4,482,468	\$6,016,017	\$1,533,549

Pension Final Average Compensation Consistency (all funds)

\$480,000

The Budget increases funding to the Department of Public Safety by \$480,000 to reflect changes to the State Police pension plan. The FY2024 Assembly revised the benefit calculation for the state pension plans, where previously, a retiree's benefits were based off the earnings from their 5 highest-paid, consecutive years of service. The Assembly revised the calculation for state employees, teachers, and general municipal employees, to include reflect the 3 highest-paid, consecutive years. The Budget extends the provision to the State Police and provides \$480,000 in all funds as support, including \$455,191 of general revenue, \$23,506 of federal funds, and \$1,303 of other funds.

ENVIRONMENTAL MANAGEMENT

Rhode Island Capital Plan- Galilee Piers (RICAP funds)

\$4.0 million

Due to an updated project schedule, the Budget reduces funding by \$7.3 million in FY2025, leaving a balance of \$7.0 million in for repairs to the Galilee Piers, and shifts \$4.0 million into FY2026 and \$3.3 million into FY2027. The Port of Galilee is home to 170 commercial fishing vessels and provides affordable berthing spaces close to wholesale and retail seafood processing businesses. Since 2009, the Department has rebuilt numerous piers, as well as the southwest and northwest bulkhead. Current work is focused on the North Bulkhead and Docks AA-QQ. The North Bulkhead is more than 50 years old and includes 16 piers along its 1,500-foot length. The piers include berthing for vessels and businesses such as RI Engine, which provides regional vessel services, and Sea Freeze, a fish processing house with worldwide shipping.

COASTAL RESOURCES MANAGEMENT COUNCIL***Rhode Island Capital Plan – South Coast Restoration Project (RICAP funds)*** **\$5.0 million**

Pursuant to GBA, the Budget provides \$5.0 million for breachway repairs and dredging including but not limited to the Charlestown Breachway, which needs maintenance dredging to maintain adequate water depths, healthy marsh systems, and wider breaches.

STORMTOOLS Risk and Damage Assessment **\$200,000**

The Budget adds \$200,000 in general revenue to support technical applications that help Rhode Islanders understand and prepare for the potential impact of storms on coastal areas. The STORMTOOLS application is used to map storm inundation for different intensity storms, with and without sea level rise, that could occur along the Rhode Island coast. MYCoast Rhode Island is a portal to collect and analyze photos of shorelines across the state to capture the impact of flood hazards and illustrate possible future conditions. RI-CHAMP, originally developed for emergency response, provides real-time hazard and impact predictions for hurricanes and nor'easters in Southern New England.

DEPARTMENT OF TRANSPORTATION***Washington Bridge Project (RICAP funds)*** **\$20.0 million**

The Budget adds \$22.0 million of RICAP funds to FY2027 and shifts \$20.0 million in RICAP funds from FY2025 to FY2026 to reflect the updated costs and schedule for the Washington Bridge project. The FY2026 Governor's Recommended Budget included a total cost of \$514.0 million for all phases of the project. In June 2025, the Department of Transportation selected Walsh Construction Company and design partner WSP to complete the replacement project. Initial work is expected to begin in July 2025 with a total cost of \$572.1 million.

RIPTA: Article 11 Revision (other funds) **\$14.6 million**

The Budget provides an additional \$14.6 million of other funds to the Rhode Island Transit Authority (RIPTA) related to revisions to transportation funding in Article 11. Article 11 increases RIPTA's share of the motor fuel tax revenue by \$0.02/gallon, which is projected to generate \$8.7 million in FY2026. The article also increases RIPTA's share of the Highway Maintenance Account, from 5.0 percent to 10.0 percent, which is expected to generate \$5.9 million in FY2026. For more information concerning the changes in Article 11, please see the "Articles" section of this publication.

RIDOT: HMA and Motor Fuel Tax Yield (other funds) **(\$4.9 million)**

The Budget includes a reduction of \$4.9 million in other funds for the Department of Transportation when compared to the FY2026 Governor's Recommended Budget. Additionally, the Budget increases the motor fuel tax rate by \$0.01/gallon, from \$0.37 to \$0.38, due to the required CPI-U inflation adjustment.

The net decrease in receipts is due to a downward revision of Highway Maintenance Account (HMA) collections and offset by an increase in motor fuel tax collections. The May 2025 HMA forecast by the Office of Revenue Analysis (ORA) indicates that the Department will collect \$95.1 million in FY2026, representing a \$7.1 million decrease from the November 2024 projection. The ORA's May 2025 motor fuel tax projection indicates that the Department will collect \$2.6 million above the November projection, primarily due to a \$0.01/gallon increase to the Department's share and an overall increase to the yield per penny. The forecast further indicates a \$392,605 reduction in general revenue related to the 5.0 percent general fund transfer of HMA funds. The following table compares the Department's share of motor fuel tax and HMA receipts, as projected by the ORA in November 2024 and May 2025.

FY2026: Department of Transportation	ORA Nov. 2024	ORA May 2025	Change
HMA: Department Share	\$102,228,356	\$95,141,832	(\$7,086,524)
Motor Fuel Tax: (\$0.225 Share)	94,442,328	96,992,489	2,550,162
HMA: General Fund Transfer	5,940,629	5,548,024	(392,605)
Total	\$202,611,313	\$197,682,345	(\$4,928,968)

Source: Office of Revenue Analysis

Highway Maintenance Account Rebase (other funds) \$829,484

The Budget increases other funds by \$829,484 to reflect the revisions to the Highway Maintenance Account described in Article 11. Article 11 increases most license and vehicle registration fees by \$10 and imposes a registration fee for electric vehicles, both of which are to be deposited to the Highway Maintenance Account. The additional \$829,484 represents the increase for the Department of Transportation.

RIPTA: HMA and Motor Fuel Tax Yield (other funds) \$744,512

The Budget includes a \$744,511 net increase to other funds for RIPTA, due to updated projections of HMA and motor fuel tax collections. The May 2025 HMA forecast indicates that RIPTA will receive \$10.3 million in FY2026, reflecting a decrease of \$372,975 from the previous projection. The May 2025 motor fuel tax projection indicates that RIPTA will receive \$42.5 million, representing \$1.1 million above the November 2024 estimate. The following table compares RIPTA's share of motor fuel tax and HMA receipts, as projected by the ORA in November 2024 and May 2025.

FY2026: RIPTA	ORA Nov. 2024	ORA May 2025	Change
Motor Fuel Tax (\$0.0975 Share)	\$39,262,541	\$40,322,720	\$1,060,180
Environmental Protection Fee: (\$0.005 Share)	2,122,300	2,179,607	57,307
HMA (5.0% Transfer)	5,643,598	5,270,623	(372,975)
HMA: (\$5,000,000 Transfer)	5,000,000	5,000,000	-
Total	\$52,028,438	\$52,772,950	\$744,512

Source: Office of Revenue Analysis

Totals may vary due to rounding.

RITBA: Motor Fuel Tax Yield (other funds) \$401,149

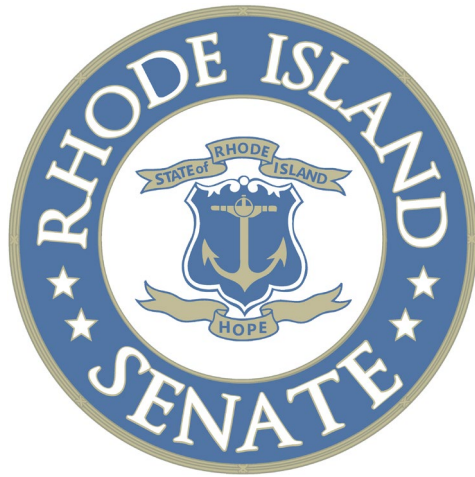
The Budget provides the Rhode Island Turnpike and Bridge Authority (RITBA) with \$15.3 million of motor fuel tax receipts in FY2026, reflecting an increase of \$401,149 from the FY2026 Governor's Recommended Budget. The increase is due an increase in the yield per penny included in the May 2025 projection from the ORA.

GARVEE Correction and Motor Fuel Tax Yield (all funds) (\$74,022)

The Budget includes a net reduction of \$74,022 of all funds, related to updated motor fuel receipt projections and the correction of an error. The Budget increases motor fuel receipts for GARVEE debt service by \$229,228 to reflect the May 2025 projection by the ORA and reduces federal funds by \$303,250 to correct an overstated amount.

RIPTA: Bus Match Technical Correction Informational

The Budget corrects a technical error included in the FY2026 Governor's Recommended Budget, which provided \$4.8 million of the Department of Transportation's HMA receipts to RIPTA, as a match to acquire buses in FY2026. The Budget corrects the error and provides the funding to the Department of Transportation.



FY2025 SUPPLEMENTAL BUDGET

FY2025 Supplemental Revenue Changes

May 2025 REC

\$55.1 million

The May 2025 Revenue Estimating Conference (REC) increased its business taxes revenue estimate from November by \$55.1 million (with significant increases in personal income tax, estate, and departmental receipt collections - \$37.1 million, \$15.0 million, and \$11.5 million, more than November, respectively). These gains are offset by a drop in sales taxes receipts of \$22.0 million. These adjustments, along with other offsets and increases in other revenue sources (lottery, excise taxes, etc.), net the overall \$55.1 million increase above the Governor's proposal.

Governor's Reversal of Excess Revenue Transfer to ERSRI

(\$21.6 million)

Article 2 of the FY2024 Budget included language to require the transfer of revenues in excess of estimates, less the required contributions to the Rainy-Day Fund, to a Supplemental State Budget Reserve Account and to the Employees' Retirement System of Rhode Island. The law requires the transfer of 50.0 percent of excess revenues to each. The Governor proposed to waive the transfer of \$21.6 million to the ERSRI pension fund and \$21.6 million to the Supplemental State Budget Reserve account in FY2025, to increase the available fund balance in the FY2025 Revised recommended budget by \$43.3 million. The General Assembly did not concur with the Governor and affirms the \$21.6 million transfer to the State Retirement System.

LIHTC Fund Transfer

(\$4.0 million)

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget shifts \$4.0 million in general revenues into the Low-Income Housing Tax Credit (LIHTC) Fund restricted receipt account. The FY2024 allocation of LIHTC funds was reclassified as a fund transfer rather than a general revenue expenditure as authorized in FY2023, but the Governor's FY2025 revised and FY2026 recommendations did not reflect this reclassification. This shift corrects this. There is no change to the funding commitment amount.

Judiciary Escrow Transfer

\$1.1 million

The Budget includes a \$1.1 million adjustment to general revenues related to the transfer of unclaimed funds held in escrow by the Judiciary. The Department is required to transfer any funds it holds in escrow that are remain unclaimed after five or more years to the general fund. At fiscal year-end, the Judiciary indicates there is \$1.1 million subject to this requirement.

Dental Insurance Loss Ratio

(\$126,000)

The Budget includes a negative revenue adjustment of \$126,000 related to the Office of the Health Insurance Commissioner (OHIC) ongoing review of dental health plans and dental premium dollars spent on patient care. OHIC is authorized to spend a maximum of \$150,000 annually for contractors to produce the report. The Governor recommends the full \$150,000 in both 2025 and FY2026. Based on actual activity through the third quarter of FY2025, the Budget allots \$24,000 for FY2025 and \$126,000 for FY2026.

FY2025 Supplemental Expenditure Changes by Agency

REVENUE

Governor's Reversal of Excess Revenue Transfer to ERSRI ***(\$21.6 million)***

Article 2 of the FY2024 Budget included language to require the transfer of revenues in excess of estimates, less the required contributions to the Rainy Day Fund, to a Supplemental State Budget Reserve Account and to the Employees' Retirement System of Rhode Island. The law requires the transfer of 50.0 percent of excess revenues to each. The Governor proposed to waive the transfer of \$21.6 million to the ERSRI pension fund and \$21.6 million to the Supplemental State Budget Reserve account in FY2025, to increase the available fund balance in the FY2025 Revised recommended budget by \$43.3 million. The General Assembly did not concur with the Governor and affirms the \$21.6 million transfer to the State Retirement System.

DEPARTMENT OF ADMINISTRATION

Contract Reserve Distribution ***(\$11.2 million)***

Subsequent to enactment of the FY2025 Budget, the Administration reached agreements with a majority of state employee unions that included cost-of-living adjustments of 5.0 percent for FY2025, 4.0 percent for FY2026, and 3.0 percent for FY2027, for a total of 12.0 percent.

The Governor included \$11.2 million in general revenue in FY2025 as a statewide contract reserve for the COLA adjustment in unions within the Department of Corrections, Department of Public Safety, and the Department of Elementary and Secondary Education that have yet to ratify their new contracts.

The Budget shifts the \$11.2 million in general revenue to the stated agencies where the outstanding collective bargaining units have ratified the new contracts. The distribution includes reserve shifts of \$567,862 in federal funds, \$217,471 in other funds, and \$132,476 in restricted receipts.

There is a corresponding shift of \$19.0 million in general revenue as part of the FY2026 Budget, based on a calculation using the same 12.0 percent COLA disbursement as agreed to by other contract bargaining units.

FEMA Reserve and Contingency ***(\$3.5 million)***

The Budget removes \$3.5 million in general revenue FEMA contingency reserves from the FY2025 Budget. The reserves are to be used in the event that the federal FEMA reimbursements differ from the State estimation and assumptions, and are intended to absorb potential discrepancies between state claims and what FEMA ultimately reimburses. As of May 28, 2025, there have been no expenditures on the contingency reserve, therefore the full appropriation for this item is not required in FY2025.

Rhode Island Capital Fund (RICAP) Changes (other funds) ***(\$2.9 million)***

The Budget includes a net decrease of \$2.9 million in RICAP funds based on current expenditures and projections on the following various projects:

- **Zambarano Buildings and Campus:** The Budget adds \$8.5 million in RICAP funds reflecting funding associated with replacement of the wastewater treatment facility to comply with Rhode Island Department of Environmental Management regulations and revised costs for building demolition on the campus.
- **Pastore Infrastructure:** Based on the Department of Administration's updated project timelines, the Budget decreases RICAP funds by \$6.1 million, from \$40.9 million to \$34.8 million as the appropriated funds will not be fully expended in FY2025, due to a bid process delay regarding the steam project.

The capital project includes the replacement of water and sewer lines, as well as work on the power plant transformer, electrical lines, heating conduits, and the campus IT system.

- **560 Jefferson Boulevard:** The Budget decreases RICAP funds by \$2.0 million to install a new roof, heating, ventilation, and air conditioning, and asset protection funding for 560 Jefferson Boulevard. The facility is currently occupied by the Office of the State Fire Marshal, Office of Veterans Services, and the Cannabis Commission Office. Based on a delay in the project, the Budget shifts \$2.0 million from FY2025 to FY2026.
- **Pastore Building Demolition:** The Budget decreases RICAP funds by \$1.0 million for the continued demolition of vacant building at the Pastore Center Complex in Cranston. This decrease reflects lower than anticipated bid costs received by the Department of administration for the demolition of the structures.
- **Washington County Government Center:** The Budget decreases RICAP funds by \$675,000 for the Washington County Government Center project. According to the Department of Administration, the funds will not be expended in FY2025, based on an updated project timeline.
- **Cannon Building:** The Budget decreases RICAP funds by \$550,000 for ongoing HVAC work and asset protection. The reduction reflects an updated project timeline that better aligns the project with the completion of the Capital Hill Master Plan.
- **Group Home Replacement:** The Budget includes a reduction of \$495,304 in FY2026 for the Group Home renovation or replacement program. The amendment adjusts the budgeted amount to reflect a decrease in the FY2024 re-appropriations as reported in the FY2024 Closing Statement.
- **Pastore Center Non-Medical Building Asset Protection:** The Budget decreases RICAP funds by \$402,048 for Pastore Center Non-Medical Buildings asset protection expenses. The amendment adjusts the budgeted amount to reflect a decrease in the FY2024 re-appropriations as reported in the FY2024 Closing Statement.
- **Chapin Health Laboratory:** Based on the Department of Administration's updated project timelines, the Budget decreases RICAP funds by \$100,000 to reflect updated project timelines,

Personnel and Operating Adjustments

(\$1.0 million)

The Budget decreases general revenue by \$1.0 million based on anticipated savings as stated in the third quarter report, less the amount included for the COLA reserve for non-ratified collective bargaining units.

State and Local Cybersecurity Grant Program

(\$816,807)

The Budget removes \$816,807 in general revenue to support the state match for \$4.5 million in federal funds, associated with the federal government's State and Local Cybersecurity Grant Program. The federal grant has a scaled State matching requirement over four federal fiscal years. The federal awards are authorized under H.R. 3684 Infrastructure and Jobs Act (IIJA) passed by the federal government in CY2021. Through the IIJA, Rhode Island will receive federal grant funding over four years, to improve the cybersecurity across state and local government. As of May 28, 2025, there have been no expenditures on the Cybersecurity Grant Program, therefore the full appropriation for this item is not required in FY2025.

RIBridges Cyberattack

\$700,000

The Budget includes \$700,000 in general revenues to cover some of the direct expenses identified in the report that exceed the allocation from Deloitte. In December 2024, the state was notified of a cybersecurity attack on the enrollment system, which was subsequently taken offline. HealthSource RI extended the open enrollment period from January 31 to February 28 and extended the call center hours. It also offered direct enrollment through Blue Cross and Blue Shield, and Neighborhood Health Plan, with a no-cost option for January and February. The Governor did not address any expenses related to the cyberattack in the recommended budget.

Deloitte provided the State with \$5.0 million to help pay for expenses related to the cyberattack. The Department of Administration's third quarter report projected \$4.5 million for direct premium assistance and noted that the Department has incurred other direct and indirect costs exceeding that amount.

The Department later reported and identified \$6.9 million in expenses associated with the RIBridges data security event through early June 2025. The Budget includes \$700,000 from general revenues to cover some of the direct expenses identified in the report that exceed the allocation from Deloitte.

Disparity Study ***(\$450,000)***

The Budget decreases \$450,000 in general revenue that was included in the FY2025 Budget as Enacted to fund the next disparity study contracted through the Division of Equity, Diversity, and Inclusion. Article 3 of the FY2024 Budget as Enacted included language requiring the State to conduct a disparity study every five years to evaluate the need for the development of programs to enhance participation in State contracts for business enterprises owned by women and minorities. The study requirement would begin in FY2025. As of May 28, 2025, there have been no expenditures on the updated Disparity Study, therefore the full appropriation for this item is not required in FY2025.

Tort Awards ***\$100,000***

The Budget provides an additional \$100,000 in general revenue to insure the court torts award appropriation possess sufficient funding for tort settlements in FY2025. Funding in the tort account is used to pay for tort/court award judgments against the State of Rhode Island and the increase is recommended by the Office of the Attorney General.

Debt Service Arbitrage (other funds) ***\$55,477***

The Budget increases \$55,477 in other fund debt service expenses to reflect an arbitrage yield payment on series 2019E & C general obligation bond proceeds, made to the federal Internal Revenue Service in February 2025.

DEPARTMENT OF BUSINESS REGULATION

Fire Academy Expansion (other funds) ***(\$4.6 million)***

The Budget includes a RICAP funding decrease of \$4.6 million from the FY2025 Budget as Enacted to support the construction of a separate evidence room for the Academy. The Governor recommended \$13.2 million in the FY2025 budget as enacted, however, this is amended to align with updated expenditure projections. These funds will be shifted to outyears.

Insurance Actuaries and Office Renovations (restricted receipts) ***\$550,000***

The Budget includes a restricted receipt increase of \$550,000. Of these funds, a \$500,000 restricted receipt adjustment aligns with the expected actuary revenue and expenditures related to insurance assessments. The remaining \$50,000 will continue financing renovations at the program's office.

Dental Insurance Loss Ratio ***(\$126,000)***

The Budget includes a general revenue decrease of \$126,000 from the Governor for dental loss ratio payments. The reduction corresponds with updated estimates provided in the Office of the Health Insurance Commissioner's third quarter report

Medicaid Match Adjustment ***(\$100,000)***

The Budget includes a general revenue decrease of \$100,000, with a corresponding federal funds increase of \$100,000, based on the Office of the Health Insurance Commissioner's third quarter report. This includes \$15,000 from its contracted consumer assistance helpline, and \$85,000 for human service programs rate and benefits analysis work.

DEPARTMENT OF LABOR AND TRAINING***Unemployment Insurance Administration*** **(\$250,000)**

The Budget removes \$250,000 of general revenue included in the FY2025 Governor's Revised Budget to supplement the administration of the State's unemployment insurance program.

Residential Construction Training (restricted receipts) **\$200,000**

Pursuant to Governor's Budget Amendment 17, dated April 25, 2025, the Budget provides an additional \$200,000 in restricted receipts in FY2025 to reflect a memorandum of agreement between the Department of Labor and Training, the Housing Resources Commission, and the Department of Housing. The Department will utilize the funds to support employment training of approximately 20 residential construction workers.

DEPARTMENT OF REVENUE***Lottery Building Renovations (RICAP)*** **\$220,862**

The Governor recommended \$1.1 million in Lottery Funds and \$850,000 in Rhode Island Capital Plan Funds (RICAP) in FY2025 to finance improvements to the Lottery building, increasing the office's operational capacity in response to new service offerings such as retail and mobile sports betting and iGaming. The Governor requested an amendment to his proposal to add \$220,862 in FY2025 for the purchase of a generator that is needed to move the renovations forward.

BOARD OF ELECTIONS***Electronic Poll Books Replacements*** **\$500,000**

The Budget adds \$500,000 in general revenue to fund the replacement of approximately 900 of the Board of Elections' 1,600 electronic poll books (iPads). The Board began using electronic poll pads (e-poll books) at polling locations and early voting in 2016. The current e-poll books have reached the end of their lifecycle, and the Board was informed by Apple Inc. that the current equipment will no longer be able to perform critical operating or security updates.

The Board requested general revenue funding as part of the Board's FY2026 Budget Request to begin the process of replacing the e-poll books. However, the Governor did not include the request as part of his FY2026 Budget Recommendation. If the funding is not provided for the Board of Elections to replace these units, it is likely that the state's 414 polling locations will need to revert back to use paper ballot applications and paper lists. The Budget includes language re-appropriating any unspent funds to FY2026.

Personnel and Operating Adjustments **(\$500,000)**

The Budget decreases general revenue by \$500,000 based on the anticipated surplus as stated in the third quarter report.

ETHICS COMMISSION***Case Management System*** **\$89,042**

The Budget includes a general revenue increase of \$89,042 for ongoing implementation of the commissions new case management system.

COMMISSION FOR HUMAN RIGHTS***Payroll Adjustment*** **\$78,195**

The Budget adds \$78,195 in general revenue reflecting retroactive payments for FY2023 and FY2024 for seven employees affected by an error in the calculation of step increases related to position upgrades approved in 2023.

EXECUTIVE OFFICE OF COMMERCE***I-195 Redevelopment District Parks (RICAP)******(\$1.0 million)***

In March 2021, voters approved a \$4.0 million bond referendum to help finance the construction of park infrastructure enhancements adjacent to the Providence River Pedestrian Bridge in the I-195 District. Funding is being used to construct park infrastructure enhancements, including a pavilion for food and beverage service, enhanced infrastructure, office space, and a small storage facility. Based on project delays, the Budget shifts \$1.0 million from FY2025 to FY2026.

DEPARTMENT OF HOUSING***Housing Production Fund (restricted receipts)******\$9.5 million***

A Governor's Budget Amendment dated May 22, 2025, increases restricted receipts by \$9.5 million related to the Housing Production Fund. The increase is based on the Department's third quarter report and reflects an anticipated transfer to RI Housing to support recent awards to develop affordable housing.

LIHTC Fund Transfer***(\$4.0 million)***

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget shifts \$4.0 million in general revenues into the Low-Income Housing Tax Credit (LIHTC) Fund restricted receipt account. The FY2024 allocation of LIHTC funds was reclassified as a fund transfer rather than a general revenue expenditure as authorized in FY2023, but the Governor's FY2025 revised and FY2026 recommendations did not reflect this reclassification. This shift corrects this. There is no change to the funding commitment amount.

Housing Resources and Homelessness Fund Shift (restricted receipts)***(\$4.0 million)***

The Budget shifts \$4.0 million from FY2025 to FY2026 in the Housing Resources and Homelessness restricted receipt account to align each year's expenditures with the Department's third quarter report.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES***May 2025 Caseload Estimating Conference (GBA #24)******\$6.0 million***

The Budget includes a net general revenue increase of \$6.0 million (an increase of \$14.6 million all funds) to reflect the results of the May 2025 Caseload Estimating Conference (CEC). The estimates project total Medicaid spending of \$3,617.2 million in FY2025, including \$1,339.8 million from general revenues. The net increase is due primarily to increases in long-term care, including higher utilization of home care services and the implementation of higher rates.

Medicaid Enterprise System (MES) Delay***(\$4.8 million)***

Consistent with the third quarter report, the Budget reduces implementation expenses for the new MES system by \$4.8 million in general revenue (\$47.9 million all funds). The State's existing Medicaid Management Information System (MMIS), originally implemented in 1993, is a rules-based, table-driven, client server system. The MES is a module structure for managing data. The existing MMIS system will run in tandem with the new MES modules until the transition is completed.

Conflict Free Case Management (federal funds)***(\$3.2 million)***

Pursuant to a Governor's budget amendment, the Budget shifts \$3.2 million in federal funds and \$2.1 million in restricted receipts from FY2025 into FY2026 to reflect the updated project timeline for modifications to the IT system needed to provide person-centered planning (PCP) and conflict-free case management (CFCM) to Medicaid beneficiaries who receive long-term services and supports (LTSS) in a home or community-based setting, as required by federal regulation. In March 2014, the CMS implemented a final rule requiring states to separate case management from service delivery to reduce conflicts of interest for services provided under home and community-based services (HCBS).

MMIS Reduction**(\$1.4 million)**

The Budget reduces spending for the Medicaid Management Information System (MMIS) by \$1.4 million in general revenue (\$5.9 million all funds) to reflect updated projections in the third quarter report. The State's existing MMIS was originally implemented in 1993. This MMIS is a rules-based, table-driven, client server system that supports integrated MMIS functionalities and data management capabilities. Over the years, the State's MMIS has continued to be adapted to meet the needs of the State, but in order to come into compliance Centers for Medicare and Medicaid Services (CMS), the State must adopt a modular system; however, the existing MMIS system will run in tandem with the new MES modules until the transition is completed.

Home and Community Based Support (federal ARPA funds)**\$1.1 million**

Pursuant to a Governor's budget amendment, the Budget adds \$1.1 million in federal fund and \$175,530 in restricted receipts reflecting the updated expenditure plan for the time-limited funds from the ARPA enhanced FMAP. Through the American Rescue Plan Act (ARPA), the State was eligible for enhanced FMAP of 10.0 percentage points on Home and Community Based Services (HCBS) for all expenditures that took place from April 1, 2021, through March 31, 2022. These new federal dollars freed up an equal amount of state funding that was deposited into a restricted receipt fund which were used to enhance, expand, or strengthen Medicaid HCBS.

Health System Transformation Project (federal funds)**(\$996,974)**

Pursuant to a Governor's budget amendment, the Budget decreases funding by \$996,974 in federal funds and \$1.4 million in restricted receipts to reflect the updated expenditure plan. The Health System Transformation Project is an ongoing initiative that began in FY2017. It was a product of the Governor's Working Group to Reinvent Medicaid, which established a model to reform the State's Medicaid program to shift to value-based payments; coordinate physical, behavioral, and long-term healthcare; rebalance the care delivery system away from high-cost settings; and, promote efficiency, transparency, and flexibility in publicly-funded healthcare.

The Work Number (TWN) Income Verification Delay**(\$862,635)**

Pursuant to a Governor's budget amendment, to reflect implementation delays, the Budget decreases funding for the TWN income verification software by \$862,653 in general revenue (\$3.5 million all funds). Currently, income data for Medicaid eligibility is determined through State Wage Information Collection Agency (SWICA) data or the Internal Revenue Service (IRS); however, the SWICA is only updated quarterly and is known to be 30 to 120 days old. TWN data provides employment data by pay period. Post-Eligibility Verification (PEV) is required quarterly pursuant to state regulation.

PHE Unwinding Media Campaign**(\$584,874)**

Consistent with the third quarter report, the Budget eliminates \$584,874 in general revenue (\$996,255 all funds) in funding for the media campaign around the unwinding of the Public Health Emergency (PHE). The unwinding process concluded in the first quarter of the fiscal year.

Ladders to Licensure Implementation Delay**(\$240,000)**

The Budget reduces funding for the Ladders to Licensure program by \$240,000 in general revenue to reflect the updated implementation schedule. Article 11 of the FY2025 Budget as Enacted directed 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. 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.

Infrastructure for School Based Medicaid Services (federal funds) \$145,215

To reflect a federal grant, \$1.0 million in federal funds in are provided in FY2026 and \$145,215 in FY2025 from a three-year, \$2.5 million grant to expand school-based Medicaid services. Consultants will conduct needs assessments and engage community stakeholders.

RIBridges system Enhancement Work Shift (\$81,106)

Pursuant to a Governor's budget amendment, the Budget shifts \$81,006 in general revenue (\$2.8 million all funds) funding for application enhancement work to the RIBridges system from FY2025 to FY2026 to reflect delays due to the cybersecurity breach.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**Prevention Services Grant (federal funds) \$3.3 million**

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget increases federal funds by \$3.3 million to reflect a carry forward balance from a Prevention Services federal grant.

Adoption and Legal Guardianship Award (federal funds) \$730,000

Pursuant to a Governor's Budget Amendment dated April 25, 2025, the Budget increases federal funds by \$730,000 to reflect a new federal award for Adoption and Legal Guardianship incentives. The award is to be spent in FY2025 and FY2026 and has no matching requirement.

OJJDP Grant (federal funds) \$400,000

A Governor's Budget Amendment dated April 25, 2025, increases federal funds by \$400,000 to reflect a federal grant award from the Office of Juvenile Justice and Delinquency Prevention. The grant totals \$800,000 between FY2025 and FY2026 and is to support the development of a community-based continuum of prevention and intervention services related to youth in the juvenile justice system. The grant has no matching requirement.

FTE Budgeting Correction (federal funds) (\$261,742)

A Governor's Budget Amendment dated March 17, 2025, corrects a funding allocation for 8.0 FTE positions inadvertently budgeted in the wrong programs. The FY2025 Budget incorrectly included 8.0 FTE positions which were intended to be Juvenile Program Worker positions within the Youth Development Services program as 5.0 FTE positions within Children's Behavioral Health Services and 3.0 FTE positions within Child Welfare. The correction results in a net-zero shift of general revenues to the correct programs, as well as a decrease of \$261,742 in federal funds to align with the correct federal match levels for the positions.

DEPARTMENT OF HEALTH**New Health Lab – Operational Costs (federal funds) (\$4.0 million)**

The Budget includes a federal funds reduction of \$4.0 million, to reflect available funding that was inadvertently overstated in the FY2025 Governors Revised budget. The Budget also includes a restricted receipts funding shift of \$4.3 million, shifting available restricted receipt funding to RICAP funds.

Primary Care Training Sites Program Shift (\$2.0 million)

The Budget includes a \$2.0 million shift of unexpended general revenue funds from FY2025 to FY2026, reflecting unexpended funds from the newly established primary care training site program.

DEPARTMENT OF HUMAN SERVICES***SNAP Summer Benefits (federal funds)*** ***\$5.4 million***

The Budget includes \$5.4 million in federal funds to align with updated projections related to expected SNAP summer benefit payments.

Program Eligibility Administration Expenses ***(\$3.3 million)***

The Budget includes a general revenue decrease of \$3.3 million, with corresponding federal funds decrease of \$2.9 million, reflecting turnover savings and other program reductions reflected in the Department's third quarter report.

Office of Healthy Aging ***(\$1.1 million)***

The Budget includes a general revenue decrease of \$1.1 million, with a corresponding federal funds decrease of \$1.3 million, reflecting updated expenditure projections related to the Office of Healthy Aging's at home cost share program.

RIBridges System Enhancement Delay ***(\$856,296)***

The Budget includes a general revenue decrease of \$856,296, with a corresponding federal funds decrease of \$545,789 to support enhancement work which was delayed due to the reappropriation of resources subsequent to the RI Bridges data breach.

Assisted Living State-Only Stipend ***(\$90,277)***

The Budget includes \$16,430 in general revenue, a \$90,277 decrease from the Governor's recommended budget. These funds support an additional \$206 monthly state supplemental payment provided to an average of seven individuals who receive the state supplemental security income payment and live in a state-licensed facility that is not eligible to receive Medicaid. This change reflects testimony from the May Caseload Estimating Conference regarding expenses for FY2026.

May Caseload Conference Cash Assistance ***\$12,223***

The Budget includes a general revenue increase of \$12,223 in general revenue, with a federal funds decrease of \$2.4 million to align with updated estimated related to cash assistance programs. The following table illustrates changes determined by caseload conferees.

May Caseload Estimating Conference	General Revenue	Federal Funds
Temporary Assistance for Needy Families (TANF)	-	(\$748,721)
Child Care Assistance Program	-	(1,629,052)
Supplemental Security Income	26,973	-
General Public Assistance	(14,750)	-
Total	\$12,223	(\$2,377,773)

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS***May CEC Adjustment*** ***\$3.2 million***

A Governor's Budget Amendment dated May 22, 2025 increases general revenues by \$3.2 million (\$7.0 million all funds) to align funding in the Services for the Developmentally Disabled program with the caseloads adopted at the May 2025 Caseload Estimating Conference.

Third Party Billing Adjustment (restricted receipts) ***\$2.1 million***

The Budget increases restricted receipts by \$2.1 million to reflect updated third-party billing receipts for Eleanor Slater Hospital based on the third-quarter report. The increase reflects Medicare billings from re-enrolling physicians for certification as well as Part D pharmacy receipts.

988 Hotline (ARPA SFRF)**(\$1.8 million)**

The Budget shifts \$1.8 million in unspent federal ARPA SFRF funds from FY2025 to FY2026 to fund the 988 Hotline. The FY2025 Budget as Enacted includes \$3.5 million in ARPA SFRF funds for this purpose, of which only \$1.7 million is anticipated to be spent.

COMMISSION ON DISABILITIES**Independent Living Services Program (federal funds)****\$81,512**

The Budget adds \$81,512 in federal funds reflecting a carryforward of an unexpended federal award from federal FY2023 that went unused due to the COVID shutdown.

DEAF AND HARD OF HEARING**Turnover Savings****(\$100,000)**

The Budget includes a general revenue decrease of \$100,000 related to turnover savings reported in the third quarter report, which reflects one vacant position since mid-August.

OFFICE OF THE CHILD ADVOCATE**Turnover Savings****(\$150,000)**

The Budget decreases general revenues by \$150,000 to reflect turnover savings from two vacant positions. The reduction is based on the Office's third quarter report.

OFFICE OF THE MENTAL HEALTH ADVOCATE**Turnover Savings****(\$145,000)**

The Budget decreases general revenues by \$145,000 to reflect turnover savings resulting from ongoing vacancies. The reduction is based on the Office's third quarter report.

ELEMENTARY & SECONDARY EDUCATION**Rhode Island Capital Plan (RICAP) Fund Changes****(\$7.1 million)**

The Budget includes a decrease of \$7.1 million in Rhode Island Capital Plan (RICAP) funding to reflect the following:

- **Davies Healthcare Classrooms:** Consistent with the updated project schedule, the Budget shifts \$6.9 million in RICAP funding for the Davies Healthcare classrooms project from FY2025 into FY2026. The architectural and engineering phase of the project occurred in FY2022 (\$500,000). The Davies Health Care Classrooms project includes building replacement space for the Health Care classrooms and eliminating the detached modular classroom building where the program is currently housed.
- **Davies Asset Protection:** Pursuant to GBA, the Budget reduces funding by \$255,164 to reflect a reduction in the FY2024 reappropriation into FY2025.

Special Education Pending Settlement**\$1.9 million**

To support a settlement authorized by the Rhode Island Board of Education, the Budget includes \$1.9 million in general revenue. The settlement funds will be used to provide compensatory special education services, related administrative costs, and attorney fees. The case was brought under the federal Individuals with Disabilities Education Act (IDEA) for a class of students with a disability who did not earned a regular high school diploma due to turning 21 but would have qualified for a free appropriate education until age 22.

Early Childhood Categorical Aid**(\$1.1 million)**

The Budget reduces early childhood categorical aid by \$1.1 million to reflect current service expenditure projections and eliminate the transfer of funds to infant and toddler care in the Department of Health.

Teacher Retirement**\$1.1 million**

Pursuant to a Governor's budget amendment, the Budget includes an additional \$1.1 million in general revenue for the State's contribution to teacher retirement to address updated projections in the Third Quarter Report. The State pays 40.0 percent of the employer contribution for teachers.

COLA Adjustment Reserve Distribution**\$697,078**

The Budget distributes \$1.5 million in general revenue (\$2.0 million all funds) in FY2026 and \$697,078 in general revenue (\$976,407 all funds) in FY2025 for COLA adjustments for personnel in unions that had not ratified new contracts in time for inclusion in the Governor's Recommended Budget from the Department of Administration where the funds were held in reserve.

School for the Deaf-Turnover Savings**(\$400,000)**

Based on third quarter expenditure projections, the Budget realizes \$400,000 in general revenue turnover savings. The reduction reflects three unfilled positions, one position remaining vacant until the fourth quarter, and the mid-year resignation of a teacher whose positions remain vacant. These positions are expected to be filled in FY2026.

Textbook Expansion**(\$180,317)**

The Budget reduces funding for the state Textbook Reimbursement Program by \$180,371 providing \$59,629 in total funding to reflect actual demand in FY2025. The State provides reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools. In FY2019 through FY2024, the program averaged \$47,177 in expenditures annually.

PUBLIC HIGHER EDUCATION**Rhode Island Capital (RICAP) Fund Changes (other funds)****(\$22.6 million)**

The Budget includes a RICAP decrease of \$22.6 million, including the following:

Capital – CCRI Renovation and Modernization Phase I**(\$10.5 million)**

The Budget shifts \$10.5 million from FY2025 to outyears, including \$2.0 million to FY2026, \$2.7 million to FY2027, \$3.0 million to FY2028, and \$2.8 million to FY2029, based on updated expenditure projections.

Capital- CCRI Data Cabling and Power Infrastructure**(\$4.2 million)**

The Budget shifts \$4.2 million from FY2025 into the outyears, including \$600,000 to FY2026, \$356,000 to FY2027, \$850,000 to FY2028, and \$2.4 million to FY2029. These funds support the Colleges data cabling and power infrastructure project, which upgrades network wiring infrastructure and delivers more capacity to support additional classroom technology, wireless devices and security systems, including cameras, emergency alarm systems, and HVAC control systems.

Capital – CCRI Flanagan Campus Renewal**(\$4.0 million)**

The Budget includes a RICAP decrease of \$4.0 million, shifting these funds to fiscal outyears, including \$866,000 to FY2027, \$2.5 million to FY2028, and \$584,000 million to FY2029, based on updated expenditure projections. This project includes the modernization and code compliance upgrades to all of the science labs at the Lincoln campus, as well as the refurbishment of the exterior including heat resistance paint, window replacement, and light abatement.

Capital – RIC Infrastructure Modernization (\$2.9 million)

The budget includes a RICAP decrease of \$2.9 million, to align with adjustments reported in the FY2024 closing statements.

RIC Asset Protection (\$838,440)

Pursuant to the Governor’s budget amendment dated April 18, 2025, the Budget includes a RICAP decrease of \$838,440 to align with adjustments reported in the FY2024 closing statements.

RIC Infrastructure Modernization (\$123,472)

Pursuant to the Governor’s budget amendment dated April 18, 2025, the budget includes a RICAP decrease of \$123,472 to align with adjustments reported in the FY2024 closing statements.

Promise Scholarship May Update (\$519,801)

Pursuant to the May 2025 Promise report submitted by the Community College of Rhode Island, the Budget includes a general revenue reduction of \$519,801, reflecting updated expenditures. Total funding in the Budget for the scholarship is \$6.9 million

Hope Scholarship May Update (\$222,353)

Pursuant to the May 2025 Hope Scholarship report submitted Rhode Island College, the Budget includes a general revenue reduction of \$222,353, reflecting updated expenditures. Total funding in the Budget for the scholarship is \$3.4 million

HISTORICAL PRESERVATION AND HERITAGE COMMISSION**Personnel and Operating Adjustments (\$125,000)**

The Budget decreases general revenue by \$125,000 based on anticipated savings as stated in the third quarter report.

DEPARTMENT OF CORRECTIONS**HVAC Replacement (RICAP) (\$22.5 million)**

The Budget removes \$22.5 million of RICAP funds from FY2025, due to a delay with the Department’s HVAC replacement project at the Intake Service Center. The Budget adds \$17.5 million to FY2026 and \$5.0 million to FY2027, consistent with the amount removed in FY2025. The Budget provides \$41.1 million in RICAP funds for the HVAC project through FY2027, including \$8.3 million in FY2025, \$27.8 million in FY2026, and \$5.0 million in FY2027.

RIBCO Agreement \$8.7 million

Pursuant to Governor’s Budget Amendment 24, dated May 22, 2025, the Budget provides \$8.7 million of general revenue to reflect the recently ratified agreement with the Rhode Island Brotherhood of Correctional Officers (RIBCO). The Governor’s FY2025 Revised Budget held \$8.1 million of general revenue in reserve at the Department of Administration to support the ongoing contract negotiations with RIBCO. The finalized agreement includes a 5.0 percent Cost of Living Adjustment and a \$1.30 per hour increase to the evening shift differential, representing an \$8.7 million fiscal impact to FY2025 and creating a \$589,426 variance above the reserved amount. The agreement also reduces the years required to earn the top-step pay grade and provides members with 4.0 percent and 3.0 percent COLAs, neither of which will impact the FY2025 Budget. The following table compares the final costs of the RIBCO agreement with the funds held in reserve in FY2025.

Agreement Provisions	Funds in Reserve	Ratified Amount	Shortfall
COLA (5.0%)	\$8,102,652	\$8,345,789	\$243,137
Shift Differential Increase	-	346,289	346,289
Step Provisions	-	-	-
Total	\$8,102,652	\$8,692,078	\$589,426

Asset Protection (RICAP) (\$4.2 million)

The Budget removes \$4.2 million of RICAP funds in FY2025 and adds \$3.2 million to FY2026, due to updated timelines of the Department's asset protection projects and the elimination of the consolidation project. The Budget includes \$5.5 million in FY2025 and \$8.3 million in FY2026.

Facilities Renovation (RICAP) (\$3.2 million)

The Budget shifts \$3.2 million of RICAP funds from FY2025 to FY2026 based on updated project timelines. The Department has been renovating the High-Security Facility to include a Behavior Management Unit for inmates who are classified as Seriously and Persistently Mentally Ill (SPBI). The Budget provides \$250,000 to fund a feasibility study in FY2025, \$3.2 million in FY2026, and \$7.2 million in FY2027.

Accreditation (\$458,656)

The Budget removes \$458,656 of general revenue that was reallocated from unfilled FTE positions in the FY2025 Governor's Revised Budget to support the Department's accreditation with the American Correctional Association. The Budget assumes turnover savings equivalent to the 4.0 FTE positions.

System Assessment (\$326,455)

The Budget removes \$326,455 of general revenue included in the FY2025 Governor's Revised Budget to fund a system-wide assessment of the Department of Corrections' current programs and practices.

Third Quarter Adjustment (federal funds) (\$317,186)

The Budget reduces federal funds by \$317,186 to reflect the actual awarded amount provided by the State Criminal Alien Assistance Program (SCAAP) grant. The Department generally utilizes SCAAP funding to offset general revenue expenditures.

Travel Expenditures (\$122,335)

The Budget removes \$122,335 of general revenue included in the FY2025 Governor's Revised Budget to support travel expenditures for agency leadership.

JUDICIARY

District Court Mental Health Treatment Court (GBA#17) (federal funds) \$65,500

Pursuant to a Governor's budget amendment, dated April 25, 2025, the Budget adds \$65,5000 in federal funds to support a contract added for the District Court Mental Health Treatment Court to provide additional mental health and substance abuse services to participants in the court.

MILITARY STAFF

Rhode Island Capital Fund (RICAP) Changes (other funds) (\$120,037)

The Budget includes a net decrease of \$120,037 in RICAP funds.

- **Sun Valley Armory:** The Budget decreases \$120,037 in RICAP funds regarding the 17,000 square foot armory addition to the Sun Valley Readiness Center in the Town of East Greenwich. This facility serves as the supporting center for the 861st Engineer Company. The Budget adjusts the budgeted amount to reflect a decrease in the FY2024 re-appropriations as reported in the FY2024 Closing Statement.

DEPARTMENT OF PUBLIC SAFETY***RITA Agreement (all funds)******\$6.2 million***

Pursuant to Governor’s Budget Amendment 24, dated May 22, 2025, the Budget increases departmental funds by \$6.2 million, including \$5.9 million of general revenue and \$290,000 of federal funds, to reflect the recently ratified agreement with the Rhode Island Troopers Association (RITA). The Governor’s FY2025 Revised Budget held \$2.4 million of general revenue in reserve at the Department of Administration to support the ongoing contract negotiations with RITA. The finalized agreement includes retroactive Cost of Living Adjustments (COLAs) of 5.0 percent, effective November 1, 2023, and 4.0 percent, effective November 1, 2024, as well as a \$250 annual increase to their uniform maintenance stipend. The agreement also includes a 3.0 percent COLA effective November 1, 2025, that will not impact the FY2025 Budget. The following table compares the final costs of the RITA agreement with the funds held in reserve in FY2025.

Agreement Provisions	Funds in Reserve	Ratified Amount	Shortfall
COLA (5% + 4%)	\$2,374,925	\$5,844,733	\$3,469,808
Uniform Stipend	-	102,300	\$102,300
Total	\$2,374,925	\$5,947,033	\$3,572,108

Sheriffs Turnover***(\$900,000)***

The Budget includes general revenue savings of \$900,000 due to turnover in the Sheriffs Division. Governor’s Budget Amendment 24, dated May 22, 2025, recommends turnover savings of \$775,240 within the Sheriffs Division, which is included in the Budget and increased by \$124,760.

ENVIRONMENTAL MANAGEMENT***Rhode Island Capital Plan (RICAP) Fund Changes******(\$12.3 million)***

The Budget includes a decrease of \$12.3 million in Rhode Island Capital Plan (RICAP) funding, including the following:

- **Galilee Piers:** Due to an updated project schedule, the Budget reduces funding by \$7.3 million in FY2025, leaving a balance of \$7.0 million in for repairs to the Galilee Piers, and shifts \$4.0 million into FY2026 and \$3.3 million into FY2027. The Port of Galilee is home to 170 commercial fishing vessels and provides affordable berthing spaces close to wholesale and retail seafood processing businesses. Since 2009, the Department has rebuilt numerous piers, as well as the southwest and northwest bulkhead. Current work is focused on the North Bulkhead and Docks AA-QQ. The North Bulkhead is more than 50 years old and includes 16 piers along its 1,500-foot length. The piers include berthing for vessels and businesses such as RI Engine, which provides regional vessel services, and Sea Freeze, a fish processing house with worldwide shipping.
- **Dam Repairs:** The Budget shifts \$5.0 million in funding from FY2025 into FY2028, leaving a balance of \$499,970 for the current year. This project allows DEM to complete engineering studies, designs and repairs to “high-hazard” State-owned dams which, if they were to fail, would cause significant property damage and potential for loss of life. The State owns 10 high hazard and four significant hazard dams. During the past 11 years, the Department completed repairs to the Stillwater Dam in Smithfield, the Olney Pond Dam in Lincoln Woods, the Bowdish Lake Dam at the George Washington Management Area, and the upper JL Curran Dam in Cranston. The Wyoming Pond Upper Dam was completed in FY2024, and planning and design work for the Lower Curran Dam is underway with construction expected to commence in FY2026. Upon closer inspection, the Upper Burlingame Dam project now includes the upper and lower dams.

DEPARTMENT OF TRANSPORTATION**Washington Bridge Project (RICAP funds) (\$20.0 million)**

The Budget adds \$22.0 million of RICAP funds to FY2027 and shifts \$20.0 million of RICAP funds from FY2025 to FY2026 to reflect the updated timeline for the Washington Bridge project. The Governor's Budget estimated a total project cost of \$514.0 million. In June 2025, the Department of Transportation selected Walsh Construction Company and design partner, WSP, to complete the replacement project. Initial work is expected to begin in July 2025, for a total cost of \$572.1 million.

Highway Maintenance Account- Overbudgeted (other funds) (\$9.6 million)

The Budget reduces Highway Maintenance Account funds by \$9.6 million to reflect available resources and correct a budgeting discrepancy. Expenditures for the Highway Maintenance Account in FY2025 exceed available funds by \$9.6 million, partially due to inaccurate accounting data.

RIPTA: Land and Buildings (RICAP) (\$3.1 million)

The Budget shifts \$3.1 million of RICAP funds from FY2025 to FY2027 to reflect delays associated with RIPTA's capital projects. The Authority received federal funding to acquire 25 clean energy buses and charging infrastructure for the Newport/Middletown garage, in addition to support for the planning, design, and engineering costs of a Rapid Bus Network. The status of the federal funds is currently uncertain and the Budget delays funding related to the state match. The Budget includes \$5.8 million in FY2025, \$6.9 million in FY2026, and \$7.6 million in FY2027.

RIDOT: HMA and Motor Fuel Tax Yield (other funds) \$2.1 million

The Budget increases receipts to the Department of Transportation by \$2.1 million, reflecting updated Highway Maintenance Account (HMA) and motor fuel tax projections. The May 2025 HMA forecast by the Office of Revenue Analysis (ORA) indicates that the Department will receive \$96.3 million in FY2025, representing a \$597,448 increase from the previous projection. The forecast further projects that \$5.6 million will be transferred to the general fund, reflecting a \$33,100 increase from the November 2024 estimate. Additionally, the May 2025 motor fuel tax projection indicates that the Department will receive \$94.2 million in FY2025, reflecting an increase of \$1.5 million from the November 2024 estimate. The following table illustrates the projected yields.

FY2025: Department of Transportation	ORA Nov. 2024	ORA May 2025	Change
HMA: Department Share	\$95,716,151	\$96,313,599	\$597,448
Motor Fuel Tax: (\$0.225 Share)	92,694,073	94,185,398	1,491,325
HMA: General Fund Transfer	5,579,842	5,612,942	33,100
Total	\$193,990,065	\$196,111,938	\$2,121,872

Source: Office of Revenue Analysis

RIPTA: HMA and Motor Fuel Tax Yield (other funds) \$715,708

The Budget increases other funds to RIPTA by \$715,708, reflecting updated HMA and motor fuel tax projections. The May 2025 HMA forecast by the Office of Revenue Analysis (ORA) indicates that RIPTA will receive \$10.3 million in FY2025, reflecting a \$31,445 increase from the previous projection. Additionally, the May 2025 motor fuel tax projection by the ORA indicates the Authority will receive \$43.2 million in receipts, \$684,255 above the November 2024 estimate. The increase includes an additional \$649,165 in motor fuel tax receipts and \$35,090 from the environmental protection fee. The following table illustrates the projected yields.

FY2025: RIPTA	ORA Nov. 2024	ORA May 2025	Change
Motor Fuel Tax (\$0.0975 Share)	\$40,349,185	\$40,998,350	\$649,165
Environmental Protection Fee: (\$0.005 Share)	2,181,037	2,216,127	35,090
HMA (5.0% Transfer)	5,300,850	5,332,295	31,445
HMA: (\$5,000,000 Transfer)	5,000,000	5,000,000	-
Total	\$52,831,072	\$53,546,771	\$715,700

Source: Office of Revenue Analysis

Totals may vary due to rounding.

RITBA: Motor Fuel Tax Yield (other funds) \$245,630

The Budget includes \$15.5 million in motor fuel receipts for the Rhode Island Turnpike and Bridge Authority, reflecting an increase of \$245,360 from the previous projection.

GARVEE Correction and Motor Fuel Yield (all funds) (\$239,088)

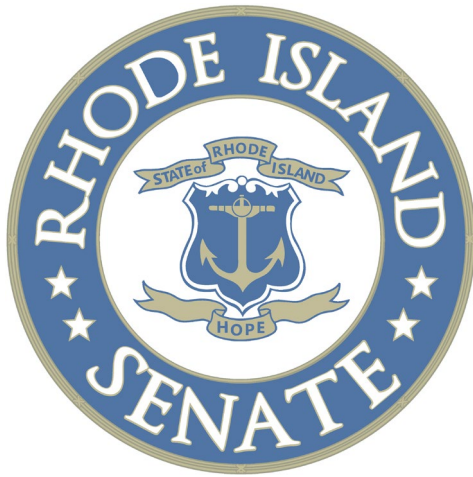
The Budget includes a net reduction of \$239,088 of all funds, related to updated motor fuel receipt projections and the correction of an error. The Budget increases motor fuel receipts for GARVEE debt service in FY2025 by \$140,360, to reflect the May 2025 estimate by the ORA. The increase in other funds is offset by a \$379,448 reduction of federal funds to correct an overstated amount previously included.

Salt Storage Facility (RICAP) \$95,759

Pursuant to Governor's Budget Amendment 14, dated April 18, 2025, the Budget increases RICAP funds by \$95,759 for the Department's Salt Storage Facility project. The Amendment included a memorandum indicating that the increase is due to a reduction in FY2024 reappropriations.

Maintenance Facility Improvements (RICAP) \$17,387

Pursuant to Governor's Budget Amendment 14, dated April 18, 2025, the Budget increases RICAP funds by \$17,387 for the Department's maintenance facility project. The Amendment included a memorandum indicating that the increase is due to a reduction in FY2024 reappropriations.



SPECIAL REPORTS

Municipal Aid

The Budget recommends \$421.3 million in state aid to municipalities in FY2026. This is \$12.3 million more than the FY2025 enacted level. The increase is primarily related to an increase in the Motor Vehicle Excise Tax reimbursement state aid program related to a new initiative in Article 5 that provides an amended sales tax escalator of 2.0 percent growth and a 26.4 percent increase in the estimated hotel tax receipts.

Funding for the Distressed Community Relief program is increased by \$2.5 million to mitigate the addition of a seventh eligible municipality on existing aid recipients. The Payment in Lieu of Taxes program receives an additional \$2.1 million for a total of \$51.3 million, representing the full 27.0 percent cap.

Meal and Beverage Tax revenue is projected to increase by a total of \$1.3 million for FY2026 and the Hotel Tax is projected to increase \$3.7 million over the FY2025 enacted level. Tables showing impacts by community are included at the end of this analysis.

Program	FY2025 Enacted	FY2025 HFC	Change from Enacted		FY2026 HFC	Change from Enacted	
Payment in Lieu of Taxes	\$49.2	\$49.2	-	-	\$51.3	2.1	4.3%
Distressed Communities	12.4	12.4	-	-	14.9	2.5	20.2%
Motor Vehicle Excise Tax	234.7	234.7	-	-	239.5	4.8	2.0%
Tangible Tax Reimbursement	28.0	25.9	(2.1)	-7.5%	25.9	(2.1)	-7.5%
State Aid to Libraries							
Grant-in-Aid	11.9	11.9	-	-	11.9	-	-
Library Construction	2.1	2.1	-	-	2.1	-	-
Total Direct Aid	\$338.3	\$336.2	(\$2.1)	-0.62%	\$345.6	\$7.3	2.2%
Public Service Corporations Tax	\$15.5	\$15.5	-	0.0%	\$15.5	-	-
Meals & Beverage Tax	40.1	39.6	(0.5)	-1.2%	41.4	1.3	3.2%
Hotel Tax	14.0	14.6	0.6	4.3%	17.7	3.7	26.4%
Airport Impact Aid	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid*	\$70.7	\$70.8	\$0.1	0.1%	\$75.7	\$5.0	7.1%
Total Aid	\$409.0	\$407.0	(\$2.0)	-0.5%	\$421.3	\$12.3	3.0%

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

*Values are based on estimates made at the time of the Budget's passage and are subject to revision.

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by entities that are statutorily exempt from paying taxes. These entities include private nonprofit institution of higher education, nonprofit hospitals, or any state-owned property such as hospitals, veterans' residential facilities, or correctional facilities. The objective is to offset the costs to the community for providing public safety or other municipal services to these properties. The following table lists the properties that are counted towards the PILOT program:

PILOT Properties by Municipality

Barrington	Providence
RI School of Design	Brown University
Bristol	Butler Hospital
Brown University	Home & Hospice Care of RI
Roger Williams University	Johnson & Wales University
RI Veterans Home	Miriam Hospital
Burrillville	Providence College
Zambarano Hospital	Rhode Island Hospital
Cranston	Rhode Island School of Design
Brown University	Women & Infants Hospital of Rhode Island
Johnson & Wales University	Smithfield
State Hospital and Prisons	Bryant University
East Greenwich	South Kingstown
Kent County Memorial Hospital	South County Hospital
New England Institute of Technology	Warwick
Women & Infants Hospital of Rhode Island	Bradley Hospital
East Providence	Kent County Memorial Hospital
Bradley Hospital	New England Institute of Technology
Newport	Westerly
International Yacht Restoration School	Westerly Hospital
Newport Hospital	Women & Infants Hospital of Rhode Island
Salve Regina College	Woonsocket
North Kingstown	Landmark Hospital
South County Hospital	
Pawtucket	
Miriam Hospital	

The Budget includes \$51.3 million in general revenue for the State's PILOT program in FY2026, \$2.1 million more than the FY2025 enacted level.

Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Budget fully funds the 27.0 percent reimbursement.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide State assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. The Budget includes \$14.9 million in general revenue for the Distressed Community Relief Fund in FY2026, up \$2.5 million from the FY2025 enacted level.

The increase is to mitigate the addition of Coventry to the program. Seven communities are now eligible to receive

PILOT Funding Trends			
Fiscal Year	Total Funding	% Change	% Reimbursed
2022	\$46.1	-9.1%	26.0%
2023	48.4	5.0%	27.0%
2024	49.2	1.7%	27.0%
2025	49.2	0.0%	26.7%
2026	51.3	4.3%	27.0%

\$ in millions.

* includes additional federal pandemic relief funds

Municipality	FY2025 Enacted	FY2026 HFC	Change
Central Falls	\$268,136	\$305,400	\$37,264
Coventry	-	\$804,459	804,459
North Providence	1,140,776	1,275,820	135,044
Pawtucket	1,808,532	2,021,793	213,261
Providence	7,107,546	8,185,589	1,078,043
West Warwick	1,157,378	1,295,536	138,158
Woonsocket	902,090	995,860	93,770
Total	\$12,384,458	\$14,884,457	2,499,999

funds under the program in FY2026, up from six in FY2025. Without additional funds the other communities would receive less than they did in FY2025. Distribution is based upon annually updated data related to the local tax levy and is certified by the Division of Municipal Finance.

When a community is determined to no longer be eligible for the program, it is permitted to receive a transitional amount that is 50.0 percent of its proportional share.

The Budget requires that any community classified as “distressed” be mandated to participate in the Division of Taxation’s income tax refund offset program, allowing the Division to recover unpaid State and local taxes and/or fines through an intercept of an individual’s income tax refund. The program assists communities with maximizing their collection of revenue thereby reducing or eliminating their distressed condition. All seven communities are currently participating.

Motor Vehicle Excise Tax

In FY2023, the General Assembly phased-out the local motor vehicle excise tax, one year earlier than originally planned in a phase-out process that began in FY2018.

With the phase-out complete, the General Assembly enacted legislation in FY2023 that repealed the now obsolete statutory provisions related to the original phase-out halted in FY2008 and the subsequent provisions resulting in the complete phase-out. The legislation also repeals the formula for the reimbursement amounts over the course of the phase-out period and replaces it with the specific amounts each municipality will receive in FY2024 (the amounts total \$234.7 million). The legislation advancing the phase-out preserved the formula for reimbursements in FY2025 and beyond, specifically retaining a sales tax adjustment, that would modify reimbursements based on growth in the state’s 7.0 percent sales tax. The legislation also repealed the statutory sections establishing a permanent vehicle valuation oversight commission, since it is no longer needed.

Article 11 of the FY2026 Budget as Passed by House Finance further amends the by changing the sales tax escalator provision. 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. The Governor’s FY2026 Budget proposed to eliminate this adjustment, which would have produced an estimated expenditure savings of \$9.7 million. The Budget does not include this proposal. Article 11 instead caps the escalator at 2.0 percent growth. This results in an increase of \$4.8 million in expenditures as compared to the Governor’s recommendation.

Tangible Tax Changes

In FY2024, the General Assembly provided for a state aid program that reimburses municipalities the foregone revenue associated with a statewide tangible property tax exemption. Tangible personal property (TPP) comprises property that can be moved or touched, and commonly includes items such as business equipment and furniture. It is one of four classifications of property that typically are taxed by municipalities, the others being residential real estate, commercial/industrial, and motor vehicles. The latter has been completely phased out in Rhode Island as of FY2023.

The program provides an exemption on the first \$50,000 in tangible property value from the TPP statewide, as of the assessment date of December 31, 2023. The exemption does not apply to public service corporations or certain renewable energy resources and associated equipment. All ratable tangible personal property valued above \$50,000 remains taxable. The change is estimated to positively impact all taxpayers (except those noted above) and eliminate the TPP tax liability altogether for 30,152 business, or 75.0 percent of taxpayers.

To offset the revenue loss to municipalities associated with the exemption, the state provides aid through a program within the Department of Revenue’s Division of Municipal Finance (DMF). DMF reimburses municipalities at 100.0 percent of the revenue foregone due to the exemption that would have been collected for FY2025. Municipalities had until August 15, 2024 to document, certify, and file their tangible property

tax assessments with the DMF in order for reimbursement. No adjustments are made to this baseline in future fiscal years. Reimbursement payments are to be made by September 30th of each year. Reimbursements are not to be made until a municipality or fire district has provided DMF with its certified tax roll and any other required information.

The Analyst Note: As noted above, municipalities had until August 15, 2024, to document, certify, and file the assessment with the Division of Municipal Finance. Based on this schedule, actual reimbursement amounts would not be known until the FY2025 Supplemental Budget.

The FY2024 Budget as Enacted included \$28.0 million in general revenue within the Department of Revenue for the new state aid program with the provision that any unused funds be subject to automatic reappropriation to the following fiscal year. These funds were appropriated as a placeholder with the understanding that implementation and reimbursements do not take place until FY2025. The FY2025 Supplemental Budget and FY2026 Budgets include \$25.9 million for the program based on the actual documentation submitted by municipalities and certified by DMF.

State Aid to Libraries

Grant-in-Aid: State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Budget provides cities and towns with \$14.2 million in total direct library aid in FY2026. This includes a \$1.2 million in funding for the Statewide Reference Library Resource Grant that supports interlibrary services for all municipal libraries. Distribution of direct library aid is based on qualifying data from the statutory reference year. Current law requires reimbursement of 25.0 percent of second prior year expenses, but allows for a ratable reduction if the appropriation is less than this amount. The FY2026 appropriation is funded at 25.0 percent.

Fiscal Year	Grant in Aid*	Library Aid		% Change
		Construction	Total Aid	
2022	\$9.6	\$2.1	\$11.7	-4.9%
2023	11.0	1.9	12.9	9.8%
2024	11.5	2.1	13.6	5.8%
2025	11.5	2.2	13.7	0.8%
2026	12.1	2.1	14.2	3.6%

\$ in millions

**Inclusive of the Statewide Reference Library Resources Grant*

Construction Reimbursement: Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to award grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years.

For FY2026, the Budget includes \$2.1 million for Library Construction Aid, \$117,191 less than the FY2025 Enacted level. According to OLIS, the decrease reflects planned reimbursement costs.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation. It is, however, subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The "average assessment ratio" is the total assessed valuation divided by the full market value of the valuation. The "average property rate" is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State; it is not appropriated. The State is allowed to keep 0.75 percent of the tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt

account and apportioned to the cities and towns based on the ratio of each municipality's population relative to the total population of the State.

In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The Budget includes the estimated amount of \$14.8 million to be distributed to municipalities on July 30, 2026.

Public Service Corporation

Fiscal Year	Total Funding	% Change
2022	12.6	-4.5%
2023	13.1	4.0%
2024	14.5	10.7%
2025	15.5	6.9%
2026	15.5	0.0%

\$ in millions

Meals and Beverage Tax

During the 2003 session, the General Assembly enacted a 1.0 percent gross receipt tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The revenue from this tax flows through the State; it is not appropriated. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered.

For FY2025, the Office of Revenue Analysis anticipates \$39.6 million in collections, increasing to \$41.4 million in FY2026.

Meals & Beverage Tax

Fiscal Year	Total Funding	% Change
2022	\$32.4	33.8%
2023	35.7	10.1%
2024	38.5	7.8%
2025	39.6	2.9%
2026	41.4	4.5%

\$ in millions

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised, or held out to the public to be a space where living quarters are supplied for pay for transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis. Additionally, municipalities levy a 1.0 percent local hotel tax.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for

distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. 25.0 percent of the revenue from the 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website).

The Budget includes \$14.6 million in estimated hotel tax distribution in FY2025 and \$17.7 million in FY2026. The significant increase in hotel tax collections from FY2020 is partially related to the impact of ending pandemic restrictions on travel.

Article 5 of the Budget as Passed by House Finance increases the 1.0 percent local occupancy tax to 2.0 percent.

Hotel Tax Distribution

Fiscal Year	Total Distribution	% Change
2022	\$11.8	119.5%
2023	13.8	16.6%
2024	13.5	-1.8%
2025	14.6	8.1%
2026	17.7	21.2%

\$ in millions

OTHER AID TO LOCAL GOVERNMENT

Warwick Rental Car Tax Revenue

The RI Airport Corporation levies a customer service charge (CSC) of \$5.00 per day for all vehicle rentals from companies operating at T.F. Green Airport in Warwick. Revenues from the CSC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CSC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CSC have been deposited into a restricted receipt account for the City of Warwick. The Budget includes \$995,120 in CSC payments to the City in both FY2025 and FY2026. Article 2 of the Budget as Passed by House Finance exempts these funds from the 15.0 percent indirect cost recovery charge the state levies on restricted receipt accounts.

Airport Impact Aid

The Budget provides \$1.0 million in funding for the Airport Impact Aid program in FY2026. The Airport Impact Aid program provides State aid funds to municipalities which host airports. Under current law, the aid is distributed according to a statutory formula that provides 60.0 percent of the first \$1.0 million, or \$600,000, for communities with airports serving more than 1.0 million passengers per year. T.F. Green in Warwick is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. Under current law, no community that hosts an airport can receive less than \$25,000.

The following table shows the estimated distribution of Airport Impact Aid for FY2025 and FY2026:

Airport	FY2025*	FY2026^	Change
Warwick T.F. Green	\$742,618	\$768,857	\$26,239
Block Island	47,267	44,623	(2,643)
Middletown - Newport Airport	35,601	33,437	(2,164)
North Central - Smithfield	25,000	25,000	-
North Central - Lincoln	25,000	25,000	-
North Kingstown - Quonset	64,642	56,255	(8,386)
Westerly	59,974	55,492	(4,482)
Grand Total	\$1,000,100	\$1,008,664	\$8,564

*FY2025 Airport Impact Aid is based on Calendar Year 2024 landing data that is made available in May 2025.

^FY2026 Airport Impact Aid is based on Calendar Year 2025 landing data that is made available in May 2026.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations. The Budget includes \$712,390 in general revenue for the Property Revaluation program in FY2026, reflecting a decrease of \$1.2 million relative to the FY2025

Property Revaluation Program		
Fiscal Year	Total Distribution	Change
2022	\$1.5	36.4%
2023	0.4	-62.3%
2024	0.9	-39.6%
2025	1.9	108.3%
2026	0.7	-62.3%
\$ in millions		

enacted level. The change is based on a decrease in anticipated reimbursements. The following communities will be reimbursed for statistical updates in 2026: Barrington, Cranston, East Greenwich, Exeter, Narragansett, Newport, and Tiverton. Foster, Middletown, Pawtucket, and Woonsocket are scheduled for a full revaluation.

FY2026 - Direct Municipal Aid to Cities and Towns Distressed								
Municipality	FY2025 Enacted ⁴	Payment in Lieu of Taxes	Communities Relief Fund	Library Aid	Motor Vehicle Excise Tax	Tangible Property	FY2026 HFC	Change from FY2025
Barrington	\$6,371,907	\$18,467	-	\$363,559	\$6,012,659	\$83,638	\$6,478,323	\$106,416
Bristol	4,596,713	1,388,333	-	228,644	2,968,938	147,284	4,733,199	136,486
Burrillville	5,424,751	64,050	-	226,290	5,154,869	72,656	5,517,864	93,114
Central Falls	2,735,313	-	305,400	37,420	2,130,931	351,907	2,825,658	90,345
Charlestown	1,107,383	-	-	70,183	1,041,064	18,324	1,129,571	22,188
Coventry	6,507,745	-	804,459	270,579	5,989,764	365,715	7,430,517	922,771
Cranston	28,889,700	3,525,471	-	845,964	22,769,840	1,738,596	28,879,871	(9,829)
Cumberland	6,940,855	-	-	379,507	6,201,250	505,178	7,085,935	145,079
East Greenwich	3,936,750	961,042	-	151,498	2,466,135	546,636	4,125,311	188,561
East Providence	14,071,455	312,445	-	514,759	11,662,112	1,883,783	14,373,098	301,643
Exeter	2,360,044	-	-	69,192	2,285,981	53,418	2,408,591	48,547
Foster	1,795,928	-	-	44,961	1,685,114	100,687	1,830,763	34,835
Glocester	2,684,522	-	-	99,782	2,429,358	203,566	2,732,705	48,183
Hopkinton	1,863,296	-	-	45,698	1,661,653	189,737	1,897,088	33,792
Jamestown	767,799	-	-	121,905	646,463	23,473	791,841	24,042
Johnston	11,904,200	-	-	137,708	10,590,291	1,391,119	12,119,118	214,918
Lincoln	6,440,032	-	-	272,688	5,796,627	483,036	6,552,351	112,320
Little Compton	447,331	-	-	48,338	383,089	35,997	467,424	20,093
Middletown	2,457,372	-	-	180,903	2,015,884	300,020	2,496,808	39,436
Narragansett	2,154,632	-	-	213,764	1,867,870	77,223	2,158,856	4,225
Newport	4,419,882	1,483,161	-	112,867	2,274,590	304,205	4,174,823	(245,059)
New Shoreham	677,845	-	-	516,192	167,601	14,181	697,974	20,129
North Kingstown	6,034,422	51	-	365,865	5,486,327	329,980	6,182,223	147,801
North Providence	11,910,456	-	1,275,820	246,816	9,816,650	907,238	12,246,524	336,068
North Smithfield	4,946,190	-	-	98,311	4,486,322	449,370	5,034,003	87,813
Pawtucket	20,197,901	2,622	2,021,793	526,294	16,831,965	1,377,212	20,759,886	561,986
Portsmouth	2,722,357	-	-	144,364	2,466,135	168,858	2,779,357	57,001
Providence	86,142,245	39,807,256	8,185,589	1,501,739	34,814,208	6,101,330	90,410,122	4,267,877
Richmond	1,586,007	-	-	30,114	1,484,469	104,948	1,619,531	33,524
Scituate	2,261,709	-	-	145,945	2,016,563	146,895	2,309,402	47,693
Smithfield	10,022,892	1,298,117	-	382,758	7,240,474	1,331,050	10,252,398	229,507
South Kingstown	4,590,615	188,757	-	280,456	4,008,857	211,379	4,689,449	98,833
Tiverton	2,051,926	-	-	153,750	1,782,916	153,001	2,089,667	37,741
Warren	2,349,062	-	-	79,754	2,132,694	179,960	2,392,408	43,346
Warwick	30,943,692	1,746,778	-	927,993	25,762,721	3,080,934	31,518,426	574,734
Westerly	6,473,128	156,006	-	74,315	5,889,990	485,171	6,605,481	132,354
West Greenwich	1,706,126	-	-	231,839	1,364,754	163,578	1,760,171	54,045
West Warwick	8,114,297	-	1,295,536	463,542	5,794,218	829,938	8,383,234	268,936
Woonsocket	11,644,406	365,090	995,860	237,964	9,511,156	834,588	11,944,658	300,252
SRL ¹	1,145,585	-	-	1,169,541	-	-	1,169,541	23,956
ILG ²	79,671	-	-	81,264	-	-	81,264	1,593
LCA ³	2,232,819	-	-	2,115,628	-	-	2,115,628	(117,191)
Fire Districts	421,271	-	-	-	454,918	157,419	612,337	191,066
Total	\$336,132,233	\$51,317,646	\$14,884,457	\$14,210,650	\$239,547,420	\$25,903,228	\$345,863,401	\$9,731,169

¹SRL: Statewide Reference Library Resources Grant²ILG: Grant-in-Aid to Institutional Libraries³LCA: Library Construction Aid

FY2026 - Indirect Municipal Aid to Cities and Towns

Municipality	FY2025 Enacted	Public Service Corp. Tax	Hotel Tax ²	Meals and Beverage Tax	Airport Impact Fees ¹	Change from FY2025	
						FY2026 Governor	FY2025 Enacted
Barrington	\$443,580	\$242,251	\$5,580	\$176,114	\$0	\$423,945	(\$19,635)
Bristol	1,124,216	317,229	123,032	746,456	-	1,186,717	62,501
Burrillville	509,179	229,290	414	276,980	-	506,684	(2,495)
Central Falls	549,085	316,365	1,059	289,957	-	607,381	58,296
Charlestown	442,097	113,167	132,110	239,198	-	484,475	42,378
Coventry	1,258,218	504,509	140,907	616,689	-	1,262,105	3,887
Cranston	4,084,890	1,170,024	63,347	2,905,055	-	4,138,426	53,536
Cumberland	1,254,096	513,282	1,147	747,411	-	1,261,840	7,744
East Greenwich	1,245,529	202,124	5,219	1,153,725	-	1,361,068	115,539
East Providence	2,232,558	665,190	102,542	1,481,657	-	2,249,389	16,831
Exeter	265,783	98,366	1,006	168,988	-	268,360	2,577
Foster	92,948	63,545	2,002	24,779	-	90,326	(2,622)
Glocester	262,888	142,045	4,281	132,459	-	278,785	15,897
Hopkinton	194,185	118,883	3,508	63,464	-	185,855	(8,330)
Jamestown	269,916	78,586	74,219	149,718	-	302,523	32,607
Johnston	1,503,372	418,043	19,265	1,110,576	-	1,547,884	44,512
Lincoln	1,554,252	318,021	278,560	1,029,835	25,034	1,651,450	97,198
Little Compton	159,548	51,249	52,231	57,120	-	160,600	1,052
Middletown	2,903,992	240,666	1,926,515	1,154,361	33,482	3,355,024	451,032
Narragansett	1,591,633	206,906	529,829	1,009,252	-	1,745,987	154,354
Newport	7,707,451	354,965	4,393,660	3,740,345	-	8,488,970	781,519
New Shoreham	1,497,829	13,612	1,634,520	605,091	44,684	2,297,907	800,078
North Kingstown	1,504,552	392,206	192,774	949,133	56,332	1,590,445	85,893
North Providence	1,137,190	480,300	5,436	727,413	-	1,213,149	75,959
North Smithfield	654,160	177,362	7,121	482,008	-	666,491	12,331
Pawtucket	2,577,052	1,063,692	138,293	1,355,175	-	2,557,160	(19,892)
Portsmouth	718,822	252,509	48,810	469,707	-	771,026	52,204
Providence	13,146,755	2,684,345	3,100,680	8,557,403	-	14,342,428	1,195,673
Richmond	372,814	114,284	58,997	215,998	-	389,279	16,465
Scituate	258,566	147,210	14,091	110,125	-	271,426	12,860
Smithfield	1,793,630	312,503	300,716	1,248,495	25,034	1,886,748	93,118
South Kingstown	2,087,518	451,761	458,914	1,245,709	-	2,156,384	68,866
Tiverton	697,790	230,974	19,883	463,424	-	714,281	16,491
Warren	673,063	157,298	4,470	578,229	-	739,997	66,934
Warwick	7,557,900	1,171,326	1,741,703	4,157,766	769,903	7,840,698	282,798
Westerly	3,026,270	330,204	1,454,979	1,394,081	55,567	3,234,831	208,561
West Greenwich	428,449	92,466	188,575	182,210	-	463,251	34,802
West Warwick	1,196,404	437,342	417,209	569,300	-	1,423,851	227,447
Woonsocket	1,522,435	608,833	84,815	822,510	-	1,516,158	(6,277)
Total	\$70,500,615	\$15,482,933	\$17,732,420	\$41,407,916	\$1,010,036	\$75,633,305	\$5,132,690

¹ FY2026 Airport Impact Aid is based on Calendar Year 2025 landing data that is made available in May 2026.

Final FY2026 distribution amounts will be made based upon data anticipated to be received in Q3/4 of FY2026. The state aid for each municipality is an estimate provided by the Senate Fiscal Office.

² FY2026 hotel tax consists of the 1.0 percent local occupancy tax and the 25.0 percent local share of the 5.0 percent tax on traditional hotel rentals as well as the rental of rooms or residential dwellings via roomsellers. The amounts also reflect the impact of Article 5's budget initiative that increases the local occupancy tax to 2.0 percent. It does not reflect the impact of the whole-home short term rental tax that is included in Article 5.

**FY2025 - Direct Municipal Aid to Cities and Towns
Distressed**

Municipality	FY2025 Enacted	Payment in Lieu of Taxes	Communities Relief Fund	Library Aid	Motor Vehicle Excise Tax	Tangible Property	FY2025 Governor	Change from FY2025
Barrington	\$6,371,907	\$18,976	-	\$374,472	\$5,891,868	\$83,638	\$6,368,954	(\$2,954)
Bristol	4,596,713	1,324,937	-	218,673	2,910,724	147,284	4,601,619	4,906
Burrillville	5,424,751	60,737	-	237,425	5,046,819	72,656	5,417,637	(7,114)
Central Falls	2,735,313	-	268,136	37,296	2,089,148	351,907	2,746,487	11,174
Charlestown	1,107,383	-	-	68,182	1,009,366	18,324	1,095,871	(11,511)
Coventry	6,507,745	-	-	269,635	5,868,395	365,715	6,503,744	(4,001)
Cranston	28,889,700	4,037,181	-	801,676	22,323,373	1,738,596	28,900,826	11,126
Cumberland	6,940,855	-	-	362,208	6,079,657	505,178	6,947,043	6,188
East Greenwich	3,936,750	819,440	-	153,342	2,417,779	546,636	3,937,196	446
East Providence	14,071,455	296,967	-	457,226	11,431,633	1,883,783	14,069,609	(1,846)
Exeter	2,360,044	-	-	65,245	2,229,990	53,418	2,348,653	(11,391)
Foster	1,795,928	-	-	42,989	1,643,150	100,687	1,786,827	(9,101)
Glocester	2,684,522	-	-	99,016	2,370,831	203,566	2,673,413	(11,110)
Hopkinton	1,863,296	-	-	44,300	1,619,677	189,737	1,853,714	(9,583)
Jamestown	767,799	-	-	121,534	633,787	23,473	778,793	10,993
Johnston	11,904,200	-	-	130,296	10,375,322	1,391,119	11,896,737	(7,463)
Lincoln	6,440,032	-	-	273,980	5,680,606	483,036	6,437,622	(2,410)
Little Compton	447,331	-	-	44,558	375,577	35,997	456,133	8,802
Middletown	2,457,372	-	-	180,903	1,971,781	300,020	2,452,704	(4,667)
Narragansett	2,154,632	-	-	246,158	1,830,939	77,223	2,154,320	(312)
Newport	4,419,882	1,773,418	-	500,366	2,229,990	304,205	4,807,978	388,096
New Shoreham	677,845	-	-	118,589	164,315	14,181	297,085	(380,760)
North Kingstown	6,034,422	50	-	325,575	5,375,449	329,980	6,031,054	(3,368)
North Providence	11,910,456	-	1,140,776	243,155	9,624,167	907,238	11,915,337	4,881
North Smithfield	4,946,190	-	-	98,289	4,389,559	449,370	4,937,218	(8,972)
Pawtucket	20,197,901	3,087	1,808,532	513,563	16,501,926	1,377,212	20,204,320	6,419
Portsmouth	2,722,357	-	-	139,256	2,417,779	168,858	2,725,893	3,536
Providence	86,142,245	37,273,505	7,107,546	1,528,268	34,130,583	6,101,330	86,141,232	(1,013)
Richmond	1,586,007	-	-	32,604	1,455,362	104,948	1,592,914	6,907
Scituate	2,261,709	-	-	137,687	1,971,781	146,895	2,256,363	(5,347)
Smithfield	10,022,892	1,217,452	-	375,697	7,089,021	1,331,050	10,013,219	(9,673)
South Kingstown	4,590,615	186,342	-	262,439	3,920,088	211,379	4,580,248	(10,368)
Tiverton	2,051,926	-	-	150,750	1,737,045	153,001	2,040,796	(11,130)
Warren	2,349,062	-	-	78,191	2,089,148	179,960	2,347,300	(1,762)
Warwick	30,943,692	1,691,043	-	925,461	25,257,570	3,080,934	30,955,008	11,316
Westerly	6,473,128	151,026	-	453,238	5,774,500	485,171	6,863,935	390,807
West Greenwich	1,706,126	-	-	71,408	1,337,994	163,578	1,572,980	(133,146)
West Warwick	8,114,297	-	1,157,378	210,823	5,680,606	829,938	7,878,745	(235,553)
Woonsocket	11,644,406	347,251	902,090	235,701	9,319,011	834,588	11,638,640	(5,766)
SRL ¹	1,145,585	-	-	1,145,585	-	-	1,145,585	-
ILG ²	79,671	-	-	79,671	-	-	79,671	-
LCA ³	2,232,819	-	-	2,232,819	-	-	2,232,819	0
Fire Districts	421,271	-	-	-	445,998	157,419	603,417	182,146
Total	\$336,132,233	\$49,201,412	\$12,384,458	\$14,088,248	\$234,712,313	\$25,903,228	\$336,289,658	\$157,426

¹SRL: Statewide Reference Library Resources Grant²ILG: Grant-in-Aid to Institutional Libraries³LCA: Library Construction Aid

FY2025 - Indirect Municipal Aid to Cities and Towns

Municipality	FY2025 Enacted	Public Service Corp. Tax	Hotel Tax	Meals and Beverage Tax	Airport Impact Fees ¹	FY2025 Governor	Change from FY2025 Enacted
Barrington	\$443,580	\$242,251	\$4,310	\$168,588	\$0	\$415,149	(\$28,431)
Bristol	1,124,216	317,229	102,585	714,557	-	1,134,370	10,154
Burrillville	509,179	229,290	260	265,144	-	494,694	(14,485)
Central Falls	549,085	316,365	781	277,566	-	594,713	45,628
Charlestown	442,097	113,167	98,406	228,976	-	440,549	(1,548)
Coventry	1,258,218	504,509	119,696	590,335	-	1,214,541	(43,677)
Cranston	4,084,890	1,170,024	55,520	2,780,908	-	4,006,452	(78,438)
Cumberland	1,254,096	513,282	1,005	715,471	-	1,229,759	(24,337)
East Greenwich	1,245,529	202,124	3,984	1,104,421	-	1,310,529	65,000
East Providence	2,232,558	665,190	88,863	1,418,339	-	2,172,391	(60,167)
Exeter	265,783	98,366	722	161,766	-	260,855	(4,928)
Foster	92,948	63,545	1,822	23,720	-	89,087	(3,861)
Glocester	262,888	142,045	3,755	126,799	-	272,599	9,711
Hopkinton	194,185	118,883	2,879	60,752	-	182,514	(11,671)
Jamestown	269,916	78,586	60,564	143,320	-	282,469	12,553
Johnston	1,503,372	418,043	17,022	1,063,116	-	1,498,180	(5,192)
Lincoln	1,554,252	318,021	220,031	985,825	25,034	1,548,911	(5,341)
Little Compton	159,548	51,249	42,974	54,679	-	148,903	(10,645)
Middletown	2,903,992	240,666	1,609,145	1,105,030	33,482	2,988,323	84,331
Narragansett	1,591,633	206,906	419,109	966,121	-	1,592,137	504
Newport	7,707,451	354,965	4,099,144	3,580,502	-	8,034,611	327,160
New Shoreham	1,497,829	13,612	892,420	579,233	44,684	1,529,948	32,119
North Kingstown	1,504,552	392,206	158,303	908,572	56,332	1,515,413	10,861
North Providence	1,137,190	480,300	4,353	696,327	-	1,180,980	43,790
North Smithfield	654,160	177,362	5,795	461,409	-	644,567	(9,593)
Pawtucket	2,577,052	1,063,692	117,282	1,297,262	-	2,478,237	(98,815)
Portsmouth	718,822	252,509	38,855	449,634	-	740,999	22,177
Providence	13,146,755	2,684,345	2,467,232	8,191,705	-	13,343,282	196,527
Richmond	372,814	114,284	45,924	206,767	-	366,975	(5,839)
Scituate	258,566	147,210	11,598	105,419	-	264,227	5,661
Smithfield	1,793,630	312,503	252,818	1,195,141	25,034	1,785,495	(8,135)
South Kingstown	2,087,518	451,761	372,406	1,192,474	-	2,016,640	(70,878)
Tiverton	697,790	230,974	17,347	443,619	-	691,941	(5,849)
Warren	673,063	157,298	3,328	553,519	-	714,146	41,083
Warwick	7,557,900	1,171,326	1,442,028	3,980,085	769,903	7,363,343	(194,557)
Westerly	3,026,270	330,204	1,397,805	1,334,506	55,567	3,118,081	91,811
West Greenwich	428,449	92,466	154,001	174,424	-	420,891	(7,558)
West Warwick	1,196,404	437,342	178,426	544,971	-	1,160,740	(35,664)
Woonsocket	1,522,435	608,833	72,796	787,360	-	1,468,988	(53,447)
Total	\$70,500,615	\$15,482,934	\$14,585,297	\$39,638,361	\$1,010,036	\$70,716,628	\$216,013

¹FY2025 Airport Impact Aid is based on Calendar Year 2025 landing data that is made available in March 2026.

Final FY2025 distribution amounts will be made based upon data anticipated to be received in Q3/4 of FY2025. The state aid for each municipality is an estimate provided by the Senate Fiscal Office.

Education Aid

EDUCATION AID

The Budget includes an additional \$12.0 million to support the March 2025 enrollment update under current law with the student success factor weight at 40.0 percent for all districts, \$2.5 million in high-cost special education, and \$2.1 million in group home, partially offset by a reduction of \$468,000 reflecting the elimination aid paid to East Providence for group home beds associated with Bradley Hospital CRAFT Program. The Budget does not include the 43.0 percent student success factor weight for those districts with a pre-kindergarten through 6th grade poverty density at or above 60.0 percent recommended by the Governor.

Education Aid Funding Formula: In FY2026, the core amount is \$13,322 and enrollment used to calculate education aid is the March 2025 census. The core instruction amount provides a base level of funding per pupil derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES).

Categorical Programs: When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but pursuant to other methodologies intended to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as Enacted added two new aid categories: English Learners and the Density Fund. Article 8 of the FY2024 Budget as Enacted eliminated the Density Aid category. Article 8 of the FY2025 Budget as Enacted moved the English Learners categorical aid program into the funding formula distribution with a weight of 20.0 percent.

- **Transportation:** This fund provides funding to districts that use the statewide transportation contract for transporting students to out-of-district, non-public schools within the resident district's transportation region as defined by RIGL 16-21.1-2, and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget fully funds this category at \$12.5 million in FY2026, an increase of \$1.2 million over the FY2025 Budget as Enacted.

- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds are distributed through a request for proposals (RFP) process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. Provisory language in article 1 of the budget requires the Department to prioritize funding to four-year olds whose family income is at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low-performing schools. The Budget funds this category at \$28.9 million in FY2026, a decrease of \$1.0 million in general revenue to align with program costs. According to the Department, \$25.9 million of the funding supports seats in schools, while \$3.0 million provides support for

FY2025 Pre-K Enrollment				
RI Pre-K Districts	Number of classrooms	Total seats	Low-Income seats	Percentage Low-Income
Bristol-Warren	3	56	28	50.0%
Central Falls	9	163	152	93.3%
Coventry	4	76	38	50.0%
Cranston	14	256	128	50.0%
Exeter-West Greenwich	1	20	10	50.0%
East Providence	11	214	107	50.0%
Johnston	3	54	27	50.0%
Lincoln	3	56	28	50.0%
Middletown	4	76	38	50.0%
Newport	2	36	18	50.0%
North Kingstown	1	18	9	50.0%
North Providence	3	54	27	50.0%
Pawtucket	15	282	201	71.3%
Portsmouth	1	20	10	50.0%
Providence	40	740	640	86.5%
Smithfield	2	38	19	50.0%
South Kingstown	1	18	18	100.0%
Warwick	7	126	63	50.0%
West Warwick	5	90	45	50.0%
Westerly	3	56	37	66.1%
Woonsocket	20	360	300	83.3%
Statewide Total	152	2,809	1,943	69.2%

Source: Rhode Island Department of Education

professional development, technical assistance, early childhood mental health supports, and program monitoring including Bright Stars. The \$1.0 million removed from the fund was previously used to support infant and toddler programs in the Department of Human Services.

Article 10 of the FY2023 Budget as Enacted required the Department of Education (RIDE), the Department of Human Services, and the Children's Cabinet to develop the [Rhode Island Pre-K expansion plan](#) to expand the Pre-K program to 5,000 seats over five years beginning in FY2024, including children ages three and four.

- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed four times the combined core instruction and student success factor funding (currently \$74,600 for FY2026). The FY2024 Budget as Enacted lowered this threshold from five times. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$17.5 million in FY2026, an increase of \$2.5 million over the FY2025 Budget as Enacted and \$13.4 million less the \$30.9 million in eligible reimbursements.
- **Central Falls Stabilization:** The Budget funds this category at \$10.8 million in FY2026. Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions calculated through the formula, as well as the local share that would be supported outside of the core amount. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This program was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula.

Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing resulting in a corresponding increase in district expenses. Consequently, the stabilization fund has been used to replace aid lost through the implementation of the funding formula and local payments to public schools of choice. To date, Central Falls has been unable or unwilling to absorb any educational costs.

- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2026, a decrease of \$2.0 million from the FY2025 Budget as Enacted.
- **Davies Stabilization Fund:** Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The FY2026 Budget provides \$7.9 million.
- **Met School Stabilization Fund:** Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The FY2026 Budget provides \$3.2 million.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available

funding. This category has not been funded since FY2014, as no new regional districts have been formed.

- **Group Homes:** The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in these homes. When enacted, the Education Adequacy Act maintained the current funding for group homes as a categorical grant program; however, the FY2017 Budget as Enacted increased the per-bed funding amount. Under current law, the Group Home aid category provides \$17,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$26,000 per bed.
- Article 7 eliminates aid paid to East Providence for group home beds associated with Bradley Hospital CRAFT Program and provides that the student's school district of origin will be responsible for providing education services to students in those beds. This change reduces group home aid to East Providence by \$468,000.

In addition, under current law, districts hosting group homes annually receive \$17,000 per bed; however, the per-bed aid is adjusted downward to deduct the amount of funding formula aid the district receives for the students in the beds. Depending on the district's share ratio, the \$17,000 per bed is adjusted downward by the state share of the core instruction amount. For example, a district with a state share ratio of 47.8 percent would receive \$17,000 minus ($0.478 \times \$18,651$), leaving \$8,092 per bed.

- Article 7 eliminates this adjustment, increasing group home aid to districts by \$2.1 million.

The FY2026 Budget includes \$3.5 million to fund group home beds, \$1.7 million more than the FY2025 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district

Based on the final December 31, 2024, report from the Department of Children, Youth, and Families, the FY2025 Revised Budget increases by 18 beds and \$306,000.

Article 7 - Group Home Aid

District	Formula
	Adjustment
Coventry	\$71,266
East Providence	161,985
Lincoln	65,958
Newport	62,591
North Providence	85,468
North Smithfield	30,328
Pawtucket	311,468
Portsmouth	55,390
Providence	914,076
Smithfield	29,741
Warwick	182,445
Bristol-Warren	72,207
Exeter-West Greenwich	57,915
Total	\$2,100,837

The following table shows the education aid including the formula distribution, categorical aid, and group home aid.

FY2026 Education Aid - March Update¹

District	FY2025 Enacted (excludes group home and categoricals)	FY2026 Formula Change	Enrollment Transition Fund	Poverty Loss Stabilization Fund	Transportation	High-cost Special Education (>\$74,600) ⁴	Group Home Aid ²	Stabilization Funding	FY2026 Aid
Barrington	\$11,418,578	(\$1,512,551)	\$106,986	\$1,039,957	\$248,979	\$350,449	\$0	\$0	\$11,652,398
Burrillville	13,266,956	239,780	144,015	-	101,798	336,018	-	-	14,088,567
Charlestown	1,514,709	(76,849)	39,123	39,756	-	-	-	-	1,516,739
Coventry	26,569,935	1,747,013	439,016	-	10,669	590,472	136,000	-	29,493,104
Cranston	77,102,194	2,844,958	616,592	-	1,004,724	1,461,188	-	-	83,029,655
Cumberland	26,341,736	1,886,617	16,591	-	42,137	175,913	-	-	28,462,994
East Greenwich	6,243,354	(1,737,106)	49,316	1,012,068	118,752	613,600	-	-	6,299,984
East Providence	37,431,252	1,889,895	256,779	-	10,046	751,111	289,000	-	40,628,084
Foster	1,178,178	37,639	-	34,469	16,264	4,659	-	-	1,271,209
Glocester	2,902,861	58,585	32,927	78,860	40,906	67,052	-	-	3,181,190
Hopkinton	6,709,736	467,230	29,014	-	-	-	-	-	7,205,980
Jamestown	297,632	74,716	9,060	-	-	199,649	-	-	581,057
Johnston	23,368,076	760,161	-	405,941	255,166	658,621	-	-	25,447,965
Lincoln	18,481,613	2,410,034	121,787	-	-	275,525	136,000	-	21,424,959
Little Compton	326,439	(23,625)	13,405	5,047	-	323	-	-	321,589
Middletown	6,722,115	(569,729)	163,272	261,850	-	184,695	-	-	6,762,203
Narragansett	1,757,494	(28,861)	72,691	-	-	121,123	-	-	1,922,447
Newport	14,971,701	(732,432)	352,675	441,039	-	181,036	119,000	-	15,333,020
New Shoreham	74,570	21,620	2,316	-	-	-	-	-	98,506
North Kingstown	13,120,180	(613,365)	50,592	737,038	-	93,317	-	-	13,387,762
North Providence	29,606,271	818,454	271,278	-	202,936	581,315	136,000	-	31,616,254
North Smithfield	7,857,620	1,379,936	78,421	-	28,505	149,721	68,000	-	9,562,204
Pawtucket	107,328,506	3,286,812	1,182,732	-	277,971	906,497	340,000	-	113,322,518
Portsmouth	2,830,867	(24,438)	29,163	80,184	-	268,684	510,000	-	3,694,460
Providence	284,752,093	12,769,194	1,548,914	-	726,751	4,874,564	986,000	-	305,657,515
Richmond	6,228,750	(20,975)	102,279	96,444	-	-	-	-	6,406,497
Scituate	3,357,790	941,231	10,808	-	75,024	66,163	-	-	4,451,016
Smithfield	9,812,560	774,559	131,218	-	90,472	74,083	85,000	-	10,967,892
South Kingstown	4,997,562	64,959	160,295	-	177,916	534,993	-	-	5,935,724
Tiverton	5,361,007	(50,035)	69,836	164,401	-	432,463	-	-	5,977,672
Warwick	44,822,207	3,764,069	286,445	-	47,750	783,891	408,000	-	50,112,362
Westerly	7,912,662	235,371	207,892	-	-	405,776	-	-	8,761,700
West Warwick	39,595,027	2,499,139	456,911	-	54,826	217,612	-	-	42,823,516
Woonsocket	82,151,150	5,969,010	833,791	-	-	551,361	-	-	89,505,313
Bristol-Warren ³	10,538,060	114,090	264,512	243,027	2,786,555	768,784	170,000	-	14,885,027
Exeter-West Greenwich ³	5,395,150	1,728,215	47,401	-	1,796,117	487,380	153,000	-	9,607,263
Chariho	-	-	-	-	3,328,715	111,550	-	-	3,440,265
Foster-Glocester ³	5,590,751	(291,190)	162,055	143,931	971,266	37,951	-	-	6,614,764
Central Falls	42,508,401	842,849	390,458	-	56,557	143,641	-	10,826,174	54,768,079
District Total	\$990,445,746	\$41,944,981	\$8,750,565	\$4,784,011	\$12,470,802	\$17,461,177	\$3,536,000	\$10,826,174	\$1,090,219,455
Charter School Total	178,322,887	16,910,746	-	-	-	38,823	-	-	195,272,457
Davies	10,117,360	483,193	-	-	-	-	-	7,931,599	18,532,152
Met School	9,080,898	712,785	-	-	-	-	-	3,173,244	12,966,926
Nowell Academy	2,311,758	352,354	-	-	-	-	-	-	2,664,112
Urban Collaborative	2,111,614	184,833	-	-	-	-	-	-	2,296,446
Youth Build Academy	2,137,890	(319,645)	-	-	-	-	-	-	1,818,245
Total	\$1,194,528,153	\$60,269,246	\$8,750,565	\$4,784,011	\$12,470,802	\$17,500,000	\$3,536,000	\$21,931,017	\$1,323,769,794

¹ Based on March 2025 enrollment updated for projected PSOC.

² Based on the final 12/31/2024 report from the Department of Children, Youth and Families. In the FY2025 Revised Budget, a total of 18 beds were added relative to the enacted level, including 4 in North Smithfield, 1 in Pawtucket, 12 in Portsmouth, and 1 in Providence.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

⁴ Updated in February to account for an error in the data.

The following table shows the House Finance Committee change relative to the Governor's FY2026 education aid recommendation, as published on January 16, 2025, and the FY2025 Budget as Enacted.

**House Finance Committee Change to Governor's
Recommendation and FY2025 Budget as Enacted**

LEA	<i>Change to Governor (1/16/2025)</i>	<i>Change to FY2025 Budget as Enacted</i>
Barrington	\$9,152	(\$460,158)
Burrillville	114,035	133,503
Charlestown	(919)	(31,335)
Coventry	283,830	1,610,384
Cranston	1,289,238	3,484,111
Cumberland	7,307	1,925,799
East Greenwich	69,010	(773,231)
East Providence	202,638	1,542,139
Foster	(18,548)	(34,189)
Glocester	6,171	69,826
Hopkinton	(108,063)	418,454
Jamestown	21,011	(128,842)
Johnston	7,928	697,036
Lincoln	113,948	2,641,024
Little Compton	151	(22,064)
Middletown	25,934	(634,794)
Narragansett	7,757	(283,901)
Newport	197,236	(392,682)
New Shoreham	(929)	7,622
North Kingstown	(74,692)	(107,029)
North Providence	708,863	1,164,567
North Smithfield	26,849	1,527,788
Pawtucket	1,132,009	1,759,263
Portsmouth	98,368	105,617
Providence	7,589,865	11,340,981
Richmond	(66,050)	36,131
Scituate	10,808	760,713
Smithfield	181,674	841,722
South Kingstown	93,604	(72,796)
Tiverton	111,208	126,891
Warwick	813,398	3,325,205
Westerly	65,820	(23,607)
West Warwick	804,590	2,718,578
Woonsocket	640,661	4,422,686
Bristol-Warren	273,498	52,176
Exeter-West Greenwich	120,372	1,933,613
Chariho	13,707	(15,178)
Foster-Glocester	54,163	(95,351)
Central Falls	897,448	402,585
Subtotal District Aid	\$15,723,048	\$39,973,257
Charter School Total	1,168,707	16,807,022
Davies	(240,310)	400,763
Met School	(10,402)	1,835,785
Nowell Academy		352,354
Urban Collaborative	34,312	184,833
Youth Build Academy	(7,024)	(319,645)
Total	\$16,668,331	\$59,234,368



ARTICLES

Articles

ARTICLE 1: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY2026

This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Article 1 also makes the following changes:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,920.8 FTE positions reflecting a net increase of 148.0 FTE positions, as compared to the authorized level set in the FY2025 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Separates the Office of Energy Resources from the Department of Administration, creating a new, independent agency.
- Separates the Cannabis Control Commission from the Department of Business Regulation, creating a new, independent agency titled the Rhode Island Cannabis Control Commission.
- Provides \$600,000 in general revenue to the Governor's Workforce Board for enhanced training for direct care and support services staff to improve resident quality of care to address the changing health care needs of nursing facility residents.
- Includes \$500,000 in general revenue as the state share to support the Thundermist Health Center's Family Medicine Residency Program. The program will grow to support 12 residents, 4 residents per year for 3 years, who will provide primary care to patients. These funds will only be used if the residency program receives federal funding.
- The Budget adds \$900,000 in general revenue for Mobile Response and Stabilization Services (MRSS) to support uninsured and underinsured recipients, and cover costs not reimbursed by Medicaid or other insurers. The MRSS program provides immediate in-person support for children ages 2 through 21 experiencing behavioral or emotional distress. The MRSS team responds to the child's location to de-escalate situations, stabilize individuals, and connect them with ongoing care.
- Provides \$400,000 in general revenue to support the Family Service of Rhode Island's GO Team program of on-scene support to children who are victims of violence and traumas.
- Provides language requiring that sufficient funds from the Rhode Island Public Transit Authority's share of gasoline tax proceeds be allocated to maintain the state paratransit expansion program, Ride Anywhere.
- Requests the administration convene advisory groups to assist in the review an analysis of federal tax actions (Article 5, Section 3), federal actions related to Medicare/Medicaid (Article 8, Section 8), and to monitor the status of federal grants and develop options for the General Assembly to address federal funding changes pursuant to Article 3 Section 7.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2027. In addition, the Office of the Postsecondary Commissioner shall provide \$7.4 million to the Rhode Island Promise Scholarship program, \$5.5 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, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and on the amount of funding provided to the program.
- Clarifies that the federal funds do not include the 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 FY2027 and made available for the same purposes.
- 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 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 will 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.

- 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.
- Requires the Rhode Island Student Loan Authority to transfer \$2.9 million to the State Controller by June 30, 2026.
- Requires the State Controller to transfer \$4.0 million to the Low-Income Housing Tax Credit Fund by June 30, 2026.
- Requires the State Controller to transfer \$2.5 million to the Housing Resources and Homelessness restricted receipt account by June 30, 2026.

ARTICLE 2: RELATING TO STATE FUNDS

This article amends various statutes related to State funds and financing, significant changes include:

- **Division of Higher Education Assistance:** Sections 1 and 2 amend RIGL 16-57, entitled The Rhode Island Board of Education Act, repealing the division of higher education assistance and transferring all functions and funding to the Office of the Postsecondary Commissioner. Specifically, section 1 repeals the division of higher education assistance, and creates a restricted receipt account within the Office of the Postsecondary Commissioner entitled, the tuition savings program fund, to receive and distribute funding for scholarships. Section two further solidifies the Office's charge as the entity that primarily regulates and monitors the State's institutions of higher education by repealing language related to the termination of the Office of the Postsecondary Commissioner, and all language relating to the division of higher education assistance.
- **Municipal Road and Bridge Revolving Fund:** Section 3 and 8 authorize cities and towns to issue bonds, notes, and other financial instruments to procure funding from the Rhode Island Infrastructure Bank's Municipal Road and Bridge Revolving Fund, if the funding serves as a match to existing state funds. Additionally, the article expands the eligibility of projects that may be financed by the Municipal Road and Bridge Revolving Fund and authorizes the agency to provide financial assistance to projects that are not listed on the project priority list, if the funding will serve as a match to garner additional state funds.
- **Indirect Cost Recovery Exemptions:** Section 4 increases the indirect cost recovery charge provisions on restricted receipt accounts from 10.0 percent to 15.0 percent, matching the new federal rate that went into effect on October 1, 2024. All existing exempt accounts will remain exempt. This is projected to increase general revenue receipts by \$6.8 million in FY2026, and increasing to \$7.0 million, based on inflationary growth rate (less food and energy) in FY2027. The section also transfers three existing exempted restricted receipt accounts from the Department of Administration to the proposed Office of Energy Resources (OER); adds the Clean Transportation Program to OER; adds the Car Rental Tax/Surcharge-Warwick Share and the Workers' Compensation Administrative Account to the list of exempted restricted receipt accounts, and, adds the Rhode Island Cannabis Control Commission as a state department, to the list of exempt departments.
- **Supplemental State Budget Reserve Account:** Section 5 suspends the transfer of 50.0 percent of the excess general revenue, net of the transfer to the State Budget Reserve and Cash Stabilization account, to the Supplemental State Budget Reserve account. Passage of this article would reverse the transfer of \$21.6 million to the Supplemental State Budget Reserve account in FY2025, and increase the available fund balance in the budget by \$21.6 million. In addition, the duties of the State Controller are amended to include oversight of the Office of Risk Management.
- **Medicare Part D Restricted Receipt Account:** Section 6 establishes a restricted receipt account at the Rhode Island State Psychiatric Hospital (RISPH) to facilitate the use of federal Medicare Part D reimbursements. The RISPH was opened in October 2022 as a separately licensed psychiatric facility to bring the patient counts at Eleanor Slater Hospital (ESH) into compliance following an issue with the Center for Medicare and Medicaid Services (CMS) Institute of Mental Disease (IMD) exclusion regulations.
- **Information Technology Restricted Receipt (ITRR) Account:** Section 7 amends statute to allow the Large Systems Initiatives Fund (LSIF) account to include interest earned and funds collected. Also authorizes the State Controller to transfer excess LSIF interest earnings to the ITRR and allows DOA to charge capitalized costs, in accordance with a statewide cost allocation plan, to agencies benefitting from initiatives funded through the LSIF. The Department of administration is required to include as part of the Department's budget an expected billing schedule for any capitalized costs that the Department intends to charge to agencies in the ensuing fiscal year.

- **Dredge Material Disposal Fee:** Section 9 increases the minimum disposal fee for dredge material from \$11.65 to \$35.00 per cubic yard of material and eliminates the requirement to deposit \$11.65 of the total fee into the general fund. Under current law, the dredge fee revenue above \$11.65 per cubic yard is deposited into a restricted receipt account that must be used to create additional dredging and disposal options. Pursuant to the article, the entire dredge fee will be deposited into the restricted receipt account and “the management of said disposal options” is added to the allowable uses. The CRMC may use the funds without appropriation by the General Assembly.

The diversion of the \$11.65 per cubic yard fee from the general fund into the restricted receipt account is estimated to reduce state revenues by \$100,000 in FY2026. With the increase, the fee is estimated to generate a minimum of \$11.6 million for use toward the debt service of the \$23.0 million in Certificates of Participation (COPs) needed as part of the state share of the construction costs for a new Confined Aquatic Disposal (CAD) cell. Assuming a 20-year term at 5.0 percent interest, the total debt service is estimated at \$13.9 million. Any debt service not supported by the disposal fee will be financed from general revenue. This restricted receipt account is not exempted from the 15.0 percent indirect cost recovery provided in the article.

The following table shows the three tiers as they are currently set in regulation and the levels projected to generate the revenue for debt services: however, the actual fees implemented will be subject to the provisions of the Administrative Procedures Act.

Project Type	Current Fee ¹	Article 2 Proposal ¹
Marinas, Boat Yards, and Yacht Clubs	\$11.65	\$35.00
Commercial Facilities	17.00	\$43.00
Residential Docks	25.00	\$50.00

¹ Cost per cubic yard

ARTICLE 3: RELATING TO GOVERNMENT REFORM AND REORGANIZATION

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

- **Hemp Growth Act:** Amends the statutory language in RIGL 2-26, substituting ‘commission’ for ‘department’, and ‘chairperson’ for ‘director’, completing the transition of regulatory charge from the Department of Business Regulation to the Cannabis Control Commission. The article also incorporates RIGL 28-5.1-14, titled Equal Opportunity and Affirmative Action, as a technical change to the statute.
- **Rhode Island Cannabis Act:** Amends RIGL 21-28.11-4, the Rhode Island Cannabis Act, charging the Commission with the authority to designate an administrative hearing officer, and ensures that the transfer of regulatory authority of industrial hemp occurs concurrently with the transfer of regulatory authority of medical marijuana.
- **Instruction in Jiu-Jitsu or Karate:** Repeals RIGL 5-43-1, and 5-43-2, eliminating municipal authority to offer licenses and charge fees up to \$25 for instruction in jiu-jitsu and karate, and eliminates the \$20 fine in which municipalities could charge anyone offering instruction in jiu-jitsu and karate without sufficient licensing.
- **Office of Internal Audit and Program Integrity:** Amends multiple sections of general law to update the change in name of the office from the Office of Internal Audit to the Office of Internal Audit and Program Integrity, to better describe the scope and responsibilities of the Office’s functions to investigate fraudulent activities and to prevent and detect mismanagement of public funds.
- **Workers Compensation Court Judges:** The article also reduces the COLA threshold to reinstate COLAs from the current 80.0 percent funded ratio to 75.0 percent, for members who retired on or after July 1, 2012. This change impacts workers compensation court judges who retired on or after July 1,

2012. Members will receive the full COLA when all plans exceed 75.0 percent, which is estimated to occur in 2030. This change becomes effective for these retirees on July 1, 2024, and coincides with the pension reform changes included in Article 12 of the FY2025 Budget as Enacted.

- **Office of Management and Budget (OMB):** Requires OMB to monitor the status of federal grants and identify impacts of federal rescissions. In the event of federal funding termination, agencies must report on the reason for a federal fund termination, the impact on activities or awards, and the number of FTE positions impacted by the termination. OMB may coordinate with the Executive and General Assembly to develop options for administrative action or legislative consideration as needed to address the federal changes.

By October 31, 2025, OMB shall report to the Governor, Speaker, and Senate President, containing, findings, recommendations, and options to be compliant with the federal changes, prior to the Governor's budget submission.

- **Procurement Assessment Fee:** Establishes a 0.33 percent administrative fee be assessed on all state contracts beginning on January 1, 2026, reducing the current 1.0 percent administrative fee on master price agreements (MPA) to 0.33 percent. Revenue from the fee would be restricted to support the operations of the Division of Purchases.
- **State Police Officers Retirement:** Reduces final average salary computation from 5-years to 3-years. The article reverses the statutory calculation for an employee's final average salary (FAS) formula from a calculation based on an average of the employee's highest five consecutive years of compensation, to an average of the employee's highest three consecutive years of compensation, to coincide with the pension reform changes included in Article 12 of the FY2025 Budget as Enacted. The General Assembly increased the average calculation from 3 years to 5 years as part of the 2009 pension reforms.
- **Specialized Information Technology Positions:** Amends statute to establish a new technical or specialized job classification in state service under the purview of the Division of Enterprise Technology Strategy and Services (ETSS) within DOA. Allows the State Personnel Administrator to change or amend any official pay plan for classified or unclassified service to create new job classifications. Within 30-days after any personnel action under this section, the Personnel Administrator shall file a written report with the Governor, the Speaker of the House, the Senate President, and the Chairpersons of the house and senate finance committees. This report shall include:
 - (1) The title and paygrade of the position(s);
 - (2) The job description of the position(s); and
 - (3) The reason why the position(s) is necessary. The personnel administrator shall also post the report on the division of human resources' website for at least one year.

The authorization to the Personnel Administrator to convert information technology positions to specialized information technology positions will sunset on December 31, 2026.

- **Public Corporation Debt Management:** Amends RIGL 35-18-4 changes the procedure for General Assembly approval of a financing lease, guarantee, bond, or other obligation from a concurrent resolution to a joint resolution.
- **American Recovery and Reinvestment Act Administrative Expenses:** Removes in its entirety the language of RIGL 47-2-8 thereby eliminating the administrative expenses restricted receipt account.
- **Office of Risk Management:** Amends general law to modify the duties of the Department of Administration's Division of Capital Asset Management and Maintenance (DCAMM) to no longer include oversight of the Office of Risk Management.

- **Office of Energy Resources:** Amends the filing date of the Office of Energy Resources' annual report from March 1 to June 30 of each year. The article also eliminates a provision referencing the Energy Efficiency Resource Management Council, as the council submits its own annual report and amends RIGL 42-140-3 and RIGL 42-140-7 to eliminate outdated statutory references.
- **Clean Transportation Fund:** Establishes a new restricted receipt account under the Office of Energy Resources. The purpose of the account is to receive and expend funds for clean transportation programs, such as electric vehicle (EV) rebates, electric bicycle rebates, and other programs.
- **Rhode Island Integrated Data Systems Act:** Amends the title of the Rhode Island Longitudinal Data Systems Act to the Rhode Island Integrated Data Systems Act. Section 24 combines the Rhode Island Longitudinal Data System and the Executive Office of Health and Human Services (EOHHS) Ecosystem to form the Rhode Island Integrated Data System (RIIDS). Additionally, this section merges the governing boards of RILDS and the Ecosystem, creating a unified governance board which is charged with improving transparency for both state analysts and outside researchers. Section 24 ensures that all State agencies participate in the federated data system, sharing data to the greatest extent possible.

ARTICLE 4: RELATING TO DEBT MANAGEMENT ACT CONCURRENT RESOLUTIONS

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

- **University of Rhode Island – Combined Health and Counseling Center (\$78.0 million revenue bonds):** The article approves financing of up to \$78 million for the combined health and counseling center. The project was previously received bond authorization in the FY2021 Enacted budget; however, in 2021 the University was authorized to issue financing of up to \$63.3 million, \$14.7 million less than the FY2026 recommended budget. The project combines and co-locates Health Services (currently located in the Potter Building) and the Counseling Center (currently located in Roosevelt Hall) into a single facility. The purpose of combining/co-locating of these facilities is to improve care provided to students by fostering open communication and availability of appropriate providers to meet the physical and psychological needs of the patient.
- **University of Rhode Island – Memorial Union, Auxiliary Enterprise (\$272.0 million revenue bonds):** The article approves financing of up to \$272.0 million for the Memorial Union – Auxiliary Enterprise project. The project previously received bond authorization in the FY2021 Enacted budget; however, in 2021, the University was authorized to issue financing of up to \$125.6 million, \$146.4 million less than the FY2026 recommended budget. The project involves renovations, a small 9,000 square foot addition, and improvements to parking and landscaping to bring the facility up to code and in line with national benchmarks for student union space. An advanced planning study was completed and the project will provide more flexibility for use as a collaborative academic and social space. The project was delayed due to COVID 19, and began construction in Fall 2024.
- **Confined Aquatic Dredge Material Disposal Cells (\$23.0 million certificates of participation (COPs)):** The article authorizes the issuance of \$23.0 million in new COPs, including \$200,000 for the costs of issuance, toward the design and construction of an additional Confined Aquatic Disposal (CAD) cell for dredge material disposal. The authorization passed in the FY2018 Budget as Enacted has expired. In addition to the COPs, the project funding includes \$11.4 million in RICAP funds and \$620,000 in dredge fund revenue for a total state share of \$35.0 million. The total state share must be paid by August 2026.

The US Army Corps of Engineers (USACE) is charged with maintaining the Providence River and Harbor Shipping Channel, which involves the dredging and disposal of dredged materials. Preliminary testing indicates that much of the dredge material contains contaminants that are not appropriate for disposal in open waters. After considering other alternatives, it was determined that these materials will be deposited into CAD cells. As part of the USACE dredging project, the CAD cells project will qualify for federal funding. The USACE asked the Coastal Resource Management Council (CRMC) to act as the local project sponsor for the federal action to maintain the depths of the Providence River and Harbor Shipping Channel and assume responsibility for the local share of the project funding.

CAD cells are depressions created in the bottom of a body of water for storing contaminated sediments to reduce the risk of the sediment contaminating the entire system. Currently, there are six CAD cells below the Providence River Federal Navigation Channel in the vicinity of the Port of Providence and Simms Metals that were created in the mid 1990's; however, these cells are reaching capacity.

ARTICLE 5: RELATING TO TAXES AND FEES

This article modifies several state taxes, repeals various underutilized incentives, and establishes several new fees. Specifically, the article:

- **Non-Owner-Occupied Property Tax Act:** Establishes a new tax on non-owner-occupied real estate properties valued at over \$1.0 million. The rate is \$2.30 per \$500 (0.46 percent) on the assessed value over \$1.0 million. Revenue from the tax is deposited into low-income housing tax credit fund. The article also provides the Division of Taxation with the authority and tools to implement the tax.
- **Whole-Home Short-Term Rentals:** Establishes a new 5.0 percent tax on whole-home short-term rentals. The tax on whole-home short-term rentals is applied at a rate equivalent to the state's hotel tax (5.0 percent). Under current law the hotel tax currently applies to hotels, motels, and partial home short-term rentals (i.e., renting a room in a home) – but not whole-home short-term rentals. The Housing Resources and Homelessness Fund will receive 50.0 percent of the new revenue, with 25.0 percent going to the municipality and 25.0 percent going to the regional tourism district in which the rental takes place. The proposal is estimated to generate \$2.1 million in Housing Resources and Homelessness Funds in FY2026 and another \$4.7 million in FY2027 with a full-year of implementation.
- **Increase in 1.0 percent Occupancy Tax:** Increases the 1.0 percent local occupancy tax to 2.0 percent. The local occupancy tax, also known as the local hotel tax, is levied on the price of room rental. It is charged, administered, and collected by the Division of Taxation. It is fully allocated to the city or town in which the lodging rental is located. The Division of Taxation collects the tax and is responsible for the distribution, except for the City of Newport, which is authorized to collect and disburse tax receipts for hotels located within the City.
- **Real Estate Conveyance Tax Increase:** Increases the real estate conveyance tax across tiers. Under current law the state maintains a two-tier RECT, with the first \$800,000 of a home's value taxed at a 0.46 percent rate and the amount above \$800,000 taxed at 0.92 percent. The Governor recommends a third-tier of the RECT, that increases the total tax rate on the value of a property over \$800,000 from 0.92 percent to 1.25 percent. The Budget does not include this proposal. Instead Article 5 includes new budget initiative that increases the first-tier rate from 0.46 percent to 0.75 percent and increases the second-tier rate (portion above \$800,000) from 0.92 percent to 1.50 Percent. The Budget reflects an \$8.4 million increase in available real estate conveyance tax (RECT) general revenue receipts in comparison to the Governor's recommendation. The changes and revenue impact are summarized below:

Fund	Current		Governor		Article 5	
	Portion < \$800K	Portion > \$800K	Portion < \$800K	Portion > \$800K	Portion < \$800K	Portion > \$800K
	Per \$500	Per \$500	Per \$500	Per \$500	Per \$500	Per \$500
State	\$1.20	\$3.50	\$1.20	\$5.15	\$1.95	\$5.70
General Revenue	0.60	0.60	0.60	0.44	0.95	0.95
Distressed Communities	0.30	0.30	0.30	0.30	0.50	0.50
Housing Resources and Homelessness Fund	0.30	0.30	0.30	1.95	0.50	1.75
Housing Production Fund	-	2.30	-	2.46	-	2.50
Local Government	1.10	1.10	1.10	1.10	1.80	1.80
Total	\$2.30	\$4.60	\$2.30	\$6.25	\$3.75	\$7.50
Tax Rate	0.46%	0.92%	0.46%	1.25%	0.75%	1.50%

- **Preemptive Protections Against Federal Actions:** Provides several mechanisms to buttress the State’s revenue base and tax policies against potential detrimental congressional or federal agency actions in the future. These include:
 - Amends the definitions of net income for state business corporation tax purposes and Rhode Island income for state personal income tax purposes (beginning tax year 2025) to mean the amount of any income, deduction, or allowance that would be subject to federal income tax “but for the Congressional enactment of the One Big Beautiful Bill Act or any other similar Congressional enactment.
 - Establishes that the enactment of such changes or any IRS changes to forms, regulations, and other actions made during the current tax year and 6 months into the next, shall be grounds for the promulgation of emergency regulations for the purpose of preserving the tax base.
 - Establishes an advisory working group to assist the Governor in reviewing and analyzing the potential impacts on state revenue of any adopted federal tax actions.
 - Membership includes tax administrator, ORA chief, OMB director, designees from businesses, state agencies, healthcare, public sector unions, and advocates.
 - Working group is required to report by October 1, 2025 to the Governor, Speaker, and Senate President its findings, recommendations, and options for consideration in order to become compliant with federal changes prior to Governor’s budget submission.
- **Other Tobacco Product Excise Tax Changes:** Amends the definition of Other Tobacco Products (OTP) to include nicotine pouches and similar products, increasing general revenue by \$7.5 million in FY2026 as a result. The current definition of OTP under RIGL 44-20-1.8 includes “Any other articles or products made of or containing tobacco, in whole or in part, or any tobacco substitute, except cigarettes.” Nicotine pouches and similar products are small pouches that contain synthetic or natural nicotine which are placed inside the mouth between the lip and gum to deliver nicotine through absorption. The Budget includes language to clarify that these products are OTP and subject to the same 80.0 percent tax rate as chewing tobacco and snuff. The Office of Revenue Analysis estimates that with an assessment of current inventory and an effective date of October 1, 2025, the State will collect \$7.5 million in FY2026 and \$12.0 million in FY2027.
- **Sales Tax on Parking:** Extends the state’s 7.0 percent sales and use tax to include short-term parking. It does this by expanding the definition of services for sales tax purposes to include parking services. These include parking spaces in or on a parking facility that are occupied by a patron in exchange for a fee for less than a month. The new sales tax collections are estimated to increase general revenue by \$1.6 million based on an October 1, 2025, start date.
- **Tax Expenditure Changes:** Makes various changes to several tax expenditures, including:
 - **Motion Picture Production Tax Credit (MPPTC)**

- **Program Cap Changes:** Adjusts the total program cap for the State's motion picture production tax credit program for tax years 2022 and 2023 as shown in the table. The changes proposed in the amendment would result in a one-time reduction in business and personal income tax revenue of \$3.2 million in FY2026.

MPPTC Program Cap		
Tax Year	Current Law	GBA #27
2022	\$30.0	\$35.0
2023	40.0	35.0
2024	40.0	4.0
<i>\$ in millions</i>		

- **Administrative and Reporting Changes:** Requires the Rhode Island Film and Television Office (RIFTVO) to base the initial certification and identification number of a qualified production on its estimated date of completion and requiring the motion picture production company to notify the RIFTVO and the Division of Taxation if it does not expect to complete its production within the same calendar year of its estimated completion date.
- **Small Business Investment Deduction/Modification Repeal:** Repeals the Small Business Investment Deduction and Modification. Taxpayers may take a deduction or modification to offset their business or income tax liability if they have made a qualifying investment in a certified venture capital partnership. According to the Office of Revenue Analysis (ORA) this is an underutilized tax expenditure. The revenue impact of repealing this tax expenditure is \$6,551 in FY2026 and \$13,102 in FY2027.
- **Jobs Growth Act Repeal:** Repeals the Job Growth Act (JGA) tax incentive. The JGA incentive allows eligible employees of qualified companies lower their adjusted gross income for tax purposes by up to 50.0 percent of their income earned from bonuses. According to ORA, the modification is taken by fewer than 10 taxpayers annually. The revenue impact of eliminating this underutilized tax expenditure for FY2026 is \$1,489 and is \$2,979 in FY2027.
- **Specialized Mill Building Investment Tax Credit Repeal:** Repeals the obsolete Specialized Mill Building Investment Tax Credit. The State has provided a credit of 10.0 percent of the rehabilitation and reconstruction costs of a certified rehabilitated mill building. The credit was associated with the Mill Building and Economic Revitalization Act, which sunset in 2009. ORA indicates the credit has not been used since tax year 2019. There is no revenue impact.
- **Welfare Bonus Tax Credit Repeal:** Repeals the Welfare Bonus Tax Credit. The State has provided employers participating the Welfare Bonus Program (WBP) a credit equal to \$250 per eligible employee. The WBP was created to provide payments to individuals who came off welfare (Aid to Families with Dependent Children, or AFDC). The credit was designed to incentivize employers to hire previous welfare recipients. AFDC was replaced in 1997 by Temporary Assistance for Needy Families (TANF) through federal legislation making the tax credit statutorily obsolete. ORA indicates that there have been no credits issued since at least TY2019. There is not a fiscal impact.
- **Small Business Capital Investment Wage Credit/Deduction/Modification - Sunset:** Section 14 of the Article sunsets the Small Business Capital Investment Wage Credit as of January 1, 2026. The State has provided eligible entrepreneurs of qualifying businesses a tax credit for 3.0 percent of employee wages in excess of the \$50,000. It has also provided an elective deduction or modification equal to the taxpayers' qualifying investment in a certified capital partnership or an entrepreneur's investment in a qualifying business entity. According to the ORA, these tax expenditures are statutorily obsolete. There has been no activity related to this tax expenditure since at least TY2019. There is no fiscal impact.
- **Research and Development Tax Expenditures Changes:** Section 12 of the Article makes several changes to the State's research and development (R&D) tax expenditures. These include:
 - **R&D Credit for Qualified Research Expenses - Carryforward:** Extending the period of time that R&D expense tax credits may be carried forward by a taxpayer from seven years to fifteen. The State allows a taxpayer to claim a credit against certain business taxes for certain research

expenses. Unused amounts of the credit earned in a taxable year may be carried forward up to seven succeeding tax years. The Governor recommends extending this carryforward period to fifteen, bringing Rhode Island in line with Massachusetts and Connecticut. ORA indicates that there is no fiscal impact.

- **New R&D Facilities Deduction/Property Credit - Sunset:** Sunsetting the New R&D Facilities Deduction and Property Credit as of January 1, 2026. It also permits deductions and credit allowed for tax years ending on or before December 31, 2025, to be carried forward three taxable years. The State has allowed eligible taxpayers to deduct expenditures related to the development of any new tangible property related to research and development, including construction and acquisition costs. Eligible taxpayers may also claim a 10.0 percent credit against certain business taxes for tangible property primarily used for R&D. Taxpayers must choose either the deduction or the credit. According to the ORA, these tax expenditures are underutilized, as fewer than 30 taxpayers were projected to claim the deduction in 2024. The fiscal impact of repealing them is shown below.

Tax Expenditure	FY2026	FY2027
Deduction	\$136,993	\$273,984
Property Credit	74,842	149,683
Total	\$211,835	\$423,667

- **Financial Institution Data Matching Program:** Authorizes the Division of Taxation to establish a new compliance tool that would match data on non-compliant taxpayers with an outstanding Rhode Island tax liability with data from financial institution around the country. According to Taxation, prior to a levy being assessed or a tax debt being collected, each financial institution is contacted manually and the banks are not required to cooperate. They also indicate that the proposal would improve tax collection for the many debtors who live out of state. The initiative is estimated to increase revenue by \$5.2 million in FY2026 and \$8.0 million in FY2027.
- **Elimination of Home Occupation Fees:** Prohibits municipalities from establishing and enforcing restrictions, regulations, permit, or licenses related to home-based businesses whose activity is strictly that of a W-2 employee, full-time contractor, or does not entail any public-facing or outside activity. The recommendation is to ensure that remote workers do not need a home occupation permit.

ARTICLE 6: RELATED TO ECONOMIC DEVELOPMENT

This article reauthorizes various economic development incentives managed by the Rhode Island Commerce Corporation. It also repeals the authorization of municipalities to license retail holiday sales and makes opting out of certain service contracts easier to consumers. Specifically, the article:

- **Reauthorization of Incentives:** Reauthorizes the EOC's incentive programs for an additional year by extending the statutory sunset provisions placed on them from December 31, 2025, to December 31, 2026. The Small Business Assistance Program Act is reauthorized through December 31, 2028. The P-Tech program is not reauthorized, effectively ending the program on December 31 of this year.
- **Rebuild RI Provisions:** Makes several changes how Rebuild Rhode Island is administered:
 - **Prevailing Wage:** Increases the size of a project receiving Rebuild RI credits that is required to pay prevailing wage from \$10.0 million to \$25.0 million.
 - **Reauthorization:** Reauthorizes the program through December 31, 2026.
 - **"Superman Building" Project:** Permits mixed-use projects that includes affordable housing to use up to 30.0 percent of the maximum project credit in addition to the \$15.0 million maximum project credit. This essentially increases the cap for qualifying projects to \$19.5 million. Total program

caps remain unchanged. The article also permits sales and use tax exemptions in addition to the project credit for purchases through June 30, 2028.

- **Wavemaker:** Reauthorizes the program through 2026 and clarifies that healthcare professionals that operate as sole proprietors or pass-through entities are eligible. The Budget includes \$1.6 million in additional funding compared to the Governor’s FY 2026 recommendation and is estimated to support an additional 180 fellows.
- **Deregulation of Retail Sales on Holidays:** Deregulates retail sales operations on legal holidays, other than Christmas and Thanksgiving, by eliminating the mandate for holiday operations licensing.
- **“Cooling Off” Protections Related to Certain Businesses:** Simplifies how a consumer may be able to opt out of contracts with health clubs and dating services by adding e-mail as an allowed form of contract termination communication.

ARTICLE 7: RELATING TO EDUCATION

This article repeals the funding formula adjustment and the payment for the CRAFT Program in group home aid, provides that the school district of origin is responsible for the education of students in the CRAFT Program, and requires the Department of Elementary and Secondary Education to report on the process for matching student participation in human services programs for the purpose of identifying low-income students and for submitted high-cost special education data.

Group Home Aid: Under current law, districts hosting group homes annually receive \$17,000 per bed to provide state support in exchange for relieving the resident sending districts of financial responsibility for the students. East Providence receives \$26,000 per bed for group home beds associated with Bradley Hospital Children’s Residential and Family Treatment (CRAFT) Program. Except for the CRAFT Program beds, the per-bed aid is adjusted downward to deduct the amount of funding formula aid the district receives for the students in the beds. Depending on the district’s share ratio, the \$17,000 per bed would be adjusted downward by the state share of the core instruction amount. For example, a district with a state share ratio of 47.8 percent would receive \$17,000 minus $(0.478 \times \$18,651)$, leaving \$8,092 per bed. The article eliminates this adjustment, increasing group home aid to districts by \$2.1 million.

In addition, the article eliminates the aid paid to East Providence for group home beds associated with Bradley Hospital CRAFT Program and provides that the student’s school district of origin will be responsible for providing education services to students in those beds. This change reduces group home aid to East Providence by \$468,000.

Reporting by the Department of Elementary and Secondary Education: Pursuant to the article, as part of the FY2027 budget submission, the Department will submit the following:

- In coordination with the Department of Administration and the Rhode Island longitudinal data system, the Department must provide an overview of the process for matching participation in the human services programs, such as TANF and Medicaid, with student enrollment records for use in the funding formula. The report must also include recommendations to ensure consistency and accuracy in the matching process.
- The Department must also include an estimate of education aid that uses expanded direct certification with Medicaid matching to identify students whose family income is at or below 185.0 percent of the federal poverty guidelines.

Article 7 - Group Home Aid

District	Formula Adjustment
Coventry	\$71,266
East Providence	161,985
Lincoln	65,958
Newport	62,591
North Providence	85,468
North Smithfield	30,328
Pawtucket	311,468
Portsmouth	55,390
Providence	914,076
Smithfield	29,741
Warwick	182,445
Bristol-Warren	72,207
Exeter-West Greenwich	57,915
Total	\$2,100,837

In addition, by December 31, 2025, the Department shall submit a report on the current process and recommended processes to ensure the consistency and validity of the high-cost special education data submitted by local education agencies. This report will be submitted to the Governor, Speaker of the House, and Senate President.

ARTICLE 8: RELATING TO MEDICAL ASSISTANCE

This article modifies current laws governing the medical assistance programs.

Hospital Licensing Fee (HLF): The article includes technical amendments to remove outdated language and continue the HLF fee into FY2026. In FY2026, the base year for nongovernmental hospitals is shifted into 2023, consistent with government-owned hospitals, and hospitals are required to pay the tax prior to June 25 of the fiscal year, instead of June 30. In addition, the article changes the hospitals required to pay the HLF to those licensed on or before July 1, 2024, instead of July 1, 2022.

Caseload Estimating Conferences (CEC): Beginning with the November 2025 CEC, the Executive Office of Health and Human Services (EOHHS) will be required to report separately the amount that Medicaid expenditures have been reduced by the following means:

- Third-party liability payments to providers
- Supplemental income verification tools
- DOA's Office of Internal Audit and Program Integrity Unit
- Recoveries from ABLE accounts (An Achieving a Better Life Experience (ABLE) account is a tax-advantaged savings account for individuals with disabilities)

Prior Authorization for Medicaid Beneficiaries: Medicaid is a payer of last resort; consequently, third party payers such as private insurance, Medicare, or employer-sponsored insurance should be exhausted before Medicaid is billed. To comply with federal requirements, section 3 of the article prevents third-party payers from denying a claim based solely on the failure to obtain prior authorization, and requires that the insurers accept authorization provided by the state Medicaid program as authorization that the service is covered.

In addition, the article requires health insurers and liable third parties to respond to claim inquiries within 60 business days after receiving written documentation from the Medicaid recipient, and updates agency references.

Medicaid Rates for Nursing Facilities: As a cost containment measure for FY2026, section 4 of the article reduces the annual inflationary increases on rates paid to nursing homes to 2.3 percent to match projected state revenue growth. Current law, which requires rate changes based on national price indices, would have increased nursing facility payments by 4.2 percent.

The article also provides a base rate staffing adjustment of 3.0 percent effective October 1, 2025. The budget includes \$5.0 million in general revenue (\$12.0 million all funds) for this purpose. The entire staffing adjustment must be expended to increase compensation and related employer costs, including hiring, for eligible direct-care staff. The article expands direct care staff to include social workers and nursing aids with a valid license, including probationary licenses.

Disproportionate Share Hospitals (DSH): 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 FY2026, and amends payments for FY2025 and FY2026. In FY2025, the article provides an aggregate limit of \$27.7 million in DSH payments, while capping the allowable payment to government-owned hospitals at \$12.9 million.

In FY2026, the article requires EOHHS to submit a state plan amendment to the federal government to limit aggregate DSH payments to \$13.9 million, including a limit of \$12.9 million for government-owned

hospitals and \$1.0 million for other participating hospitals. Payments to both government-owned and other participating hospitals must be made by June 30, 2026, and are conditioned upon approval by the Secretary of the United States Department of Health and Human Services of all state plan amendments necessary to secure the benefit of federal financial participation for the DSH payments in FFY2026.

Home and Community Based Services (HCBS): Since home-care providers are included in the biennial rate review process conducted by the Office of the Health Insurance Commissioner (OHIC), section 6 of the article eliminates the annual rate increase provided in statute. Home care was the only provider type included in the rate review that was also receiving a secondary rate adjustment. The inflationary rate is applied to the base rate for home-care providers, home nursing care providers, and hospice providers to deliver Medicaid fee-for-service personal care attendant services, skilled nursing and therapeutic services, and hospice.

Pursuant to federal regulation, home hospice care rates cannot be lower than Medicare rates; consequently, the rates are reviewed by EOHHS annually and adjusted as necessary.

Long-Term Care Services: Section 7 of the article eliminates “preventative services” and “preventative” level of care from Medicaid long-term care services and supports; however, these services are provided under “core services”. Under current law, “preventative services” is defined as “homemaker services, minor environmental modifications, personal care assistant services, and respite.” The Center for Medicare and Medicaid Services (CMS) informed EOHHS that retaining “preventative” level of care in the State’s waiver would necessitate complex tracking and reporting requirements.

Duties of the Secretary: Secretary shall convene an advisory working group, in consultation with the Governor, to assist in review and analysis of the potential impact of federal actions related to Medicaid programs. The group shall develop options for administrative action or general assembly consideration that may be needed to address changes to Rhode Island Medicaid programs. The working group may include the Secretary of Health and Human Services, the Director of Management and Budget, and designees from state agencies, businesses, healthcare, public sector unions, and advocates. The working group must forward a report with the findings, recommendations, and options for consideration to comply with federal changes to the Governor, Speaker of the House, and President of the Senate as soon as practicable but no later than October 31, 2025.

Primary Care Rate Review: The article amends RIGL 42-14.5-2.1, the Rhode Island Health Care Reform Act of 2004 – Health Insurance Oversight, to define “primary care services”, and requires the Office of the Health Insurance Commissioner (OHIC) to publish and submit a one-time report making and justifying recommendations for adjustments to primary care services reimbursement, on or before September 1, 2026.

Analyst Note: The Governor’s budget recommendation added primary care services to the Social and Human Services Rate Review process conducted by the Office of the Health Insurance Commissioner on a biennial basis and required a report will be published by September 2027. This article does not contain the language used in the Governor’s recommendation.

Amendments to the Rhode Island Medicaid Reform Act 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 FY2026, the article authorizes the Secretary of Health and Human Services to seek federal approval for the following changes:

- Alignment of nursing facility rate increases with state revenue growth;
- Elimination of annual rate increases for home care services;

- Establishment an interprofessional consultation (e-Consults) program, effective October 1, 2025;
- Establish a rate methodology in support of long-term care behavioral health inpatient units for non-governmental-owned hospitals;
- Establish a rate methodology in support of twenty-four-hour mobile response and stabilization services (MRSS) for children age two through 21. The program will convert the existing pilot MRSS into a Medicaid-covered benefit. The request for the state plan amendment must be submitted by October 1, 2025, for a start date no later than October 1, 2026;
- Effectuate a 340B Program. The Executive Office will prohibit certain discriminatory actions related to reimbursement of 340B entities and contract pharmacies as provided in the article;
- Set Medicaid primary care rates at 100.0 percent of Medicare reimbursement rates for primary care and update annually;
- Amend the Medicare Savings Program to implement income disregards effective January 1, 2026, for the Qualified Medicare Savings Program to increase eligibility up to 125.0 percent of federal poverty and for the Qualified Individual Medicare Savings Program eligibility up to 168.0 percent of federal poverty. The Secretary will discontinue enrollment when Part B premiums meet the federal allotment;
- Effectuate a 3-year Prior Authorization Pilot Program within Medicaid fee-for-service and Managed care programs that eliminates prior authorization requirements for any service, treatment, or procedure ordered by a primary care provider in the normal course of treatment. EOHHS will provide an annual report that includes recommendations to further reduce the administrative burden of prior authorizations as well as data and analytics on the impact of the program. The pilot program will take effect from October 1, 2025, and sunset on October 1, 2028.

ARTICLE 9: RELATING TO HOUSING

This article updates portions of R.I. General Law as it relates to state housing program organization, policy, and oversight following the recommendations of the 2024 Housing Organization Report.

Establishment and Authorities of the Executive Office of Housing: The Article removes the language which originally established the Department of Housing and establishes in its place the Executive Office of Housing. The Office is given responsibility for developing plans, policies, standards, programs, interagency coordination, and technical assistance for housing and homelessness. The Article consolidates authority for non-utilization tax exemptions, monitoring agents, the housing production fund, fee-in-lieu payments, delegation of federal programs, and municipal assistance and incentives underneath the Executive Office of Housing. These authorities were previously divided among the Housing Resources Commission, RI Housing, and the Housing Resources Coordinating Committee. These shifts align with recommendations from the 2024 Housing Organization Report, which highlighted the fragmented and overlapping current structure of responsibilities as a main organizational challenge.

Lead Hazard Mitigation: The Article removes the Housing Resources Commission (HRC) from responsibilities on the Interagency Council on Environmental Lead, including removing the Executive Director from the council and reducing the total number of council members from six to five accordingly. The Article also shifts responsibility as the lead state agency for all components of lead hazard mitigation, including the comprehensive strategic plan, from the HRC to the Department of Health. The Department of Health has already been operating the HRC components of lead hazard mitigation through a memorandum of agreement; the new language codifies this responsibility and adds language to ensure that there is no lapse in regulation.

RI Housing and Mortgage Finance Corporation: The Article makes a series of changes to the responsibilities of RI Housing, including:

- Removes the Director of the Department of Business Regulation from the RI Housing Board and establishes the Secretary of Housing or their designee as ex-officio corporation chair. The Secretary is currently the corporation chair, but in a non-ex-officio capacity.
- Removes the emergency housing assistance program from the Department of Human Services, where it was previously administered in accordance with RI Housing rules and regulations, and shifts it into the Executive Office of Housing.
- Adds language establishing that the Executive Office of Housing work in collaboration with RI Housing on criteria and plans relating to renewable energy developments and federal tax credits for low-income housing.
- Shifts the administration of the Housing Production Fund from RI Housing into the Executive Office of Housing. Also adds language requiring the Office to consider the input of the Advisory Council on Housing and Homelessness for housing production initiatives.

Housing Resources Commission: The Article eliminates the Housing Resources Commission and the related Housing Resources Coordinating Committee and establishes a new Advisory Council on Housing and Homelessness in its place. The Advisory Council is established in a purely advisory capacity, with no role in administering funds and no monitoring or reporting requirements. Membership for the Advisory Council is established at 20 members, all of whom are to be appointed by the Governor to 3-year limited terms. The Article specifies that the Governor shall appoint the chairperson of the Advisory Council, and the Advisory Council will elect a vice-chairperson annually. While there are no monitoring or reporting requirements, the Advisory Council is required to meet at least quarterly and to conform to open meeting and public records laws. The Executive Office of Housing is charged with providing administrative support and staffing. In addition to providing advisory support to the Executive Office of Housing, the Advisory Council is also given advisory responsibility for the Interagency Councils on Homelessness and Housing Production.

With the elimination of the Coordinating Council, the following responsibilities are shifted into the newly established Executive Office of Housing:

- The administration of the Rhode Island Housing Resources and Homelessness Restricted Receipt account
- The adoption of guidelines for higher density developments from the Housing Resources Commission, including the addition of a requirement that these are adopted no less than every five years
- The responsibility for a five-year strategic plan, including the addition of a requirement that this plan be submitted every five years

Interagency Council on Housing and Homelessness: The Article recreates the defunct Interagency Council on Homelessness as the Interagency Council on Housing and Homelessness. The Council is re-established with 17 specified members and the Secretary of Housing or their designee as the chair. The Article outlines duties and responsibilities for the Council, as well as meeting and reporting requirements. These requirements specify that the Council is to meet at least quarterly and submit an annual report to the Governor and General Assembly by March.

Interagency Council on Housing Production and Preservation: The Article establishes a new Interagency Council on Housing Production and Preservation. The Council is to consist of 12 specified members with the Secretary of Housing or their designee as chair. Capacity to invite additional entities to participate in a

non-voting capacity is also granted. The Article outlines duties and responsibilities for the Council, as well as a requirement that the body meet at least quarterly.

ARTICLE 10: RELATING TO HEALTH AND HUMAN SERVICES

- **Health Professional Loan Repayment Program:** The Article shifts administration of the program from the Office of the Postsecondary Commissioner to the Department of Health, strengthens the programs scope and purpose, and provides the Director of the Department of Health with the legal ability to recover loan repayments.
- **Minimum Staffing Levels:** The Article makes numerous changes to the nursing home minimum staffing level criteria, mirroring an agreement with industry workers and unions, including; expanding the definition of ‘direct care giver’, updating reporting requirements, and amending the compliance and enforcement program. Fines for noncompliance under current law are waived, and a new fine schedule is established going forward.
- **Rhode Island Veterans Memorial Cemetery:** Amends regulations related to burial liners, charging the Director of the Office of Veterans Affairs with the ability to update its fees in regulation.
- **Child Care for Child Care Workers:** Appropriates \$2.7 million in federal funds to support the extension of the Child Care for Child Care Workers Pilot through July 31, 2028. These funds solely support FY2026 expenses, serving an additional 240 children under the pilot. The Budget also establishes reporting requirements to the Governor and General Assembly by November 1 of each year.
- **Supplemental Nutrition Assistance Program (SNAP):** Charges the Department of Human Services to develop and implement a plan decrease Rhode Island’s SNAP Error Rate to below 6.0 percent, due October 1, 2025. The Article incorporates SNAP error rates into its legislatively mandated monthly reporting.
- **Child Care Rates:** Appropriates \$3.0 million in federal funds to support a 20.0 percent increase to the rates paid for infants, enhancing the rate above what is paid for toddlers.
- **Healthcare Services Funding Contribution:** Establishes an assessment on insurance policies to fund primary care and healthcare support. The levy will be similar to the child and adult immunization program assessments, and is projected to be about \$4.00 per month per covered life beginning January 1, 2026. The assessment is estimate to generate \$30.0 million annually to support primary care and other critical healthcare programs; however, due to the effective date, \$15.0 million in estimated for FY2026.

ARTICLE 11: RELATING TO MOTOR VEHICLES AND TRANSPORTATION

This article amends existing statutes relating to motor vehicles and transportation funding within the State by: introducing electric vehicle registration fees, revising the motor fuel tax, amending the Motor Vehicle Excise Tax Reimbursement state aid program, and updating various fines, fees, and penalties. In aggregate, the article increases total revenue by \$11.3 million from the Governor’s Budget, including \$14.6 million of other funds for the Rhode Island Public Transit Authority (RIPTA) and a net general revenue decrease of \$3.9 million. The general revenue reduction is primarily related to the Motor Vehicle Excise Tax Reimbursement program, which is projected to increase expenditures by \$4.7 million.

- **Electric Vehicle Registration Fees:** The article requires owners of electric vehicles to pay a special registration fee to be deposited in the Rhode Island Highway Maintenance Account (HMA). Current law does not subject owners of electric vehicles to a special registration fee. The Governor included legislation in the FY2026 Recommended Budget to assess registration fees on battery electric vehicles and plug-in hybrids. The Budget expands on the proposal by including hybrid vehicles and increasing the registration fees. The initiative is expected to generate an additional \$3.6 million for the HMA,

including \$3.3 million for the Department of Transportation, \$172,921 for RIPTA, and \$182,023 for the general fund. The following table compares current law with the Governor's Recommendation and the Budget.

Electric Vehicle Registration Fees*			
Vehicle Type	Current	Governor	Budget
Battery Electric	\$0	\$150	\$200
Plug-In Hybrid	-	75	100
Hybrid	-	-	50

*Figures represent the annual cost of registration.

- **Electric Vehicle Index Report:** The article requires the Administrator of the Division of Motor Vehicles (DMV) to submit a report by January 1, 2027 regarding available options and recommendations to index or update the proposed electric vehicle fees.
- **Motor Fuel Tax:** The article increases the base rate of the motor fuel tax, revises the inflation adjustment formula, and increases RIPTA's share of the motor fuel revenue by \$0.02/gallon.
 - **Base Rate:** The article increases the motor fuel tax from \$0.37 to \$0.40/gallon. The statutory base rate is \$0.32/gallon and acts as the minimum amount of which the motor fuel tax can be assessed. The State began adjusting the gas tax for inflation in FY2015 and selected \$0.32 as the base to then index with the Consumer Price Index for Urban Consumers' (CPI-U).
 - **Inflation Adjustment Formula:** The article revises the current practice of adjusting the motor fuel tax for inflation. The State currently adjusts for inflation every two years, by applying the change in the CPI-U for the most recent year to the current tax rate, and rounding to the nearest cent. The article amends RIGL 31-36-7 to require the calculation include the change in the CPI-U for a two-year period, effective July 1, 2027.
 - **RIPTA's Revenue Share:** The article increases RIPTA's statutory share of motor fuel tax revenue from \$0.0975 to \$0.1175 per gallon (inclusive of the environmental protection fee.) The Office of Revenue Analysis' May 2025 estimate of the Motor Fuel Tax indicates each penny of the \$0.405 tax rate will yield \$4.4 million in FY2026, providing RIPTA with an additional \$8.7 million.
 - **Future Inflation Adjustments:** The article implements the \$0.40/gallon rate on July 1, 2025, and requires the State to apply the revised inflation adjustment formula biennially, starting on July 1, 2027. All future receipts collected through the inflation adjustment are directed to the Department of Transportation, consistent with current law. The following table compares the motor fuel tax disposition included in the Governor's Recommended Budget with the disposition included in the article.

Motor Fuel Tax Disposition	FY2026 Governor	FY2026 Budget
RIDOT	22.25¢	22.25¢
RIPTA*	9.75	11.75
RITBA	3.50	3.50
GARVEE Debt Service	2.00	2.00
Office of Healthy Aging	1.00	1.00
Total	38.5¢	40.5¢

*Includes RIPTA's 0.5¢ share of the environmental protection fee.

- **Highway Maintenance Account:** The article increases fees and surcharges assessed through the DMV including license, registration, and plate fees. Generally, license and registration fees increase by \$10 each and vehicle registration surcharges increase by \$5, effective January 1, 2026. The changes are

projected to generate \$6.7 million in restricted receipts for FY2026 and annualize to \$16.0 million in FY2027.

- **RIPTA's Allocation:** The article increases RIPTA's share of the HMA receipts from 5.0 percent to 10.0 percent, which is projected to provide the Authority with an additional \$5.9 million in FY2026.
- **Technology Surcharge Fee:** The article raises the technology surcharge collected by the DMV from \$2.50 to \$3.50 and requires that all collections are deposited to a restricted receipt account to fund the Division's projects as well as the maintenance and improvements to their computer system.
- **Motor Vehicle Excise Tax Reimbursement Aid Program Escalator:** Article 11 amends the Motor Vehicle Excise Tax Reimbursement state aid program by changing the sales tax escalator provision. Current law (RIGL 44-34.1-2 (c)) 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. 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. The Governor's FY2026 Budget proposed to eliminate this adjustment, which would have produced an estimated expenditure savings of \$9.7 million. The Budget as Passed by House Finance does not include this proposal. Article 11 instead caps the escalator at 2.0 percent growth. This results in an increase of \$4.7 million in expenditures as compared to the Governor's recommendation.

ARTICLE 12: RELATING TO LEASES

This article authorizes various lease agreements for office and operating spaces. Pursuant to RIGL 37-6-2(d), leases meeting certain conditions require the approval from the General Assembly.

- **Department of Children, Youth, and Families:** The article authorizes the Department of Children, Youth, and Families to renew its current lease with Provident Property, LLC, for a term not to exceed ten years. The current lease for 99,500 square feet of office space is set to expire on November 30, 2025. The property is located at 101 Friendship Street, Providence, and is currently used as the main office space for the Department. The article stipulates that the aggregate fixed rent is not to exceed \$2.3 million in the first five years and \$2.5 million in the second five years, for a total aggregate fixed rent of \$23.9 million over the ten-year period.
- **Rhode Island Emergency Management:** The article authorizes a lease agreement for warehouse space to be administered by the Rhode Island Emergency Management Agency. The article authorizes the renewal for the existing lease of 73,770 square feet of warehouse space located at 2700 Plainfield Pike in the City of Cranston and owned by EIM Plainfield Pike LLC. The existing lease expires on July 31, 2025, and the warehouse needs continue. The warehouse space has been co-administered between the Department of Administration and the Rhode Island Emergency Management Agency as part of the State's pandemic response using federal funding from the ARPA SFRF for the storage of personal protection equipment (PPE) and other necessary COVID-19 response related supplies. The lease terms state that the length of the lease is not to exceed 10 years and the aggregate base rent is not to exceed \$7.2 million.

ARTICLE 13: RELATED TO MAKING REVISED APPROPRIATIONS IN SUPPORT OF FY2025

This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Article 1 also makes the following changes:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,772.8 FTE positions, consistent with the authorized level set in the FY2025 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.

- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2026. In addition, the Office of the Postsecondary Commissioner shall provide \$6.9 million be allocated to the Rhode Island Promise Scholarship program, and \$3.4 million to support the Rhode Island Hope Scholarship Program, \$455,000 to support the Onward We Learn, \$200,000 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.
- Adds \$500,000 in general revenue to replace approximately 900 of the Board of Elections' 1,600 electronic poll books (iPads) and includes language to reappropriate all unexpended or unencumbered balances to FY2026.
- Includes language requiring all unexpended or unencumbered balances as of June 30, 2025, relating to the Learn 365 program are reappropriated to FY2026.
- Funds \$1.9 million in general revenue for a special education pending settlement to provide compensatory special education services, related administrative costs, and attorney fees to support a settlement authorized by the Rhode Island Board of Education. The case was brought under the federal Individuals with Disabilities Education Act (IDEA) for a class of students with a disability who did not earned a regular high school diploma due to turning 21 but would have qualified for a free appropriate education until age 22.
- Caps the amount the Judiciary may charge five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.4 million. It requires 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 the Office of the Public Defender provide \$750,000 be used for legal staff salary grade promotions and one-time retroactive payments to employees appointed as of April 20, 2025.
- 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.
- Extends the quarterly reporting period to April 30, 2025, 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 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 risk can be remedied.
- Allows the Governor to reclassify any State Fiscal Recovery Funds that are at risk of forfeiture from the SFRF program to other eligible uses as determined by the U. S. Treasury. For a state fiscal recovery fund program, if the amount of the underspend or receipt of program income 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. For a state fiscal recovery fund program, if the amount of the underspend or receipt of program income is greater than \$1.0 million or greater than 20.0 percent of its total appropriation, the Governor's proposed reclassification shall within the first 10-days of November to go into effect 30-days hence after its referral to the General Assembly by the Governor, unless rejected by formal
- Requires the Department of Environmental Management to transfer \$3.0 million from the Underground Storage Tank Trust Fund to the State Controller by June 30, 2025.

- Requires the Rhode Island Student Loan Authority to transfer \$2.7 million to the State Controller by June 30, 2025.
- Requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$2.0 million to the State Controller by June 30, 2025.
- Requires the Department of Revenue to transfer \$579,788 from the Marijuana Trust Fund restricted receipt account to the State Controller by June 30, 2025.
- Requires the State Controller to transfer \$4.0 million to the Low-Income Housing Tax Credit Fund by June 30, 2025.

ARTICLE 14 - RELATING TO EFFECTIVE DATE

This article provides that the Act will take effect on July 1, 2025, 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 (Office of Energy Resources)
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

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

MaKenzie Pratt

Legislative Fiscal Analyst I

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

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RI Airport Corporation
RI Public Transit Authority
RI Turnpike & Bridge Authority
Transportation

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Revenue
RI Commerce Corporation

