

Most Rhode Islanders share a vision of what the Ocean State should strive for: great schools for our children, safe roads and bridges, vibrant communities, prosperous families, and access to quality and affordable health care, housing and child care. The primary way we pay for these things is through our taxes.

An Overview of Rhode Island's Budget Revenues

This fact sheet provides an overview of the sources of revenue that make possible the many investments we make in the Ocean State through the Rhode Island budget process.

There are four categories of revenue that make up the state budget: general revenue, federal funds, restricted receipts and "other funds".

The \$3.7 billion General Revenue Fund comprises the largest component (41%) of the \$8.9 billion overall Rhode Island budget. It is also the component of the budget over which elected officials have the most control.

A third (33%) of the overall budget is comprised of federal funds – about \$3 billion in the FY 2017 budget. Federal funds may be a fixed amount through specific appropriations (for example, federal funding for workforce development and adult education) or a block grant (for example, the Temporary Assistance to Needy Families Block grant). Other federal funds may be "matchable" – and determined by how much policy-makers are willing to invest in allowable services, as is the case with the Medicaid Program.¹

Restricted receipts are funds collected (usually by a special fee) and are dedicated to a specific purpose or set of purposes.²

Several designated funds ("Other Funds") -- including the Unemployment Insurance Fund, the Temporary Disability Insurance Fund, University and College Funds, and the Gas Tax – account for \$2 billion in revenues, and make up nearly a quarter (23%) of the overall budget.

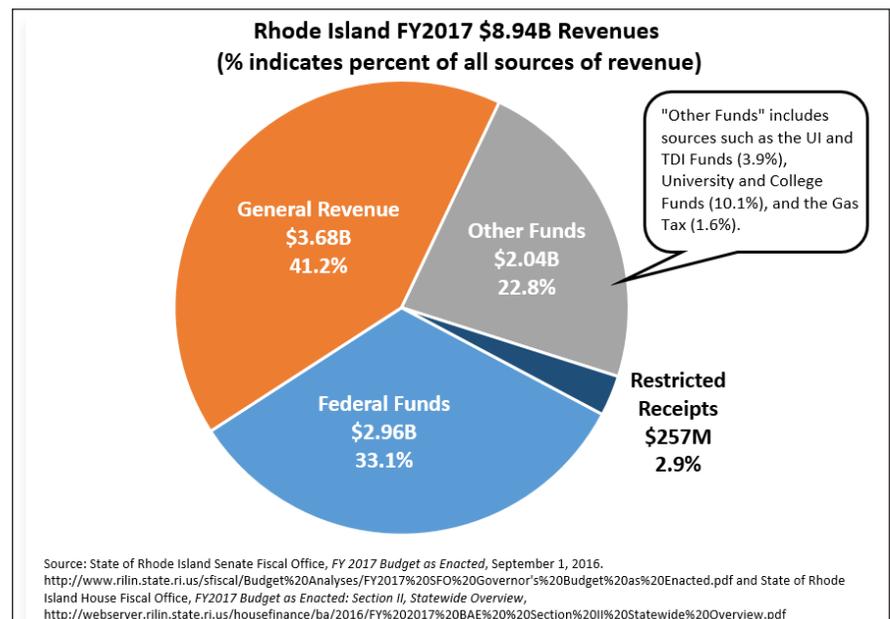


Figure 1

¹ The matching rate for Medicaid is determined by a federal formula (the Federal Medical Assistance Percentage, or FMAP), that is determined by each state's per capita income. Rhode Island's FMAP rate is 51.02 percent. The Medicaid rate for the "expansion population" – the adults who became eligible for Medicaid under the Affordable Care Act – is currently around 95% and will go no lower than 90%.

² For example, revenues from a 2014 increase in the real estate conveyance tax (a tax collected and remitted by cities and towns) went into a restricted receipts account to help pay for the lead hazard abatement program, a housing rental subsidy, homeless prevention assistance, and housing retention assistance.

General Revenue Funds

The two largest contributors to the General Revenue Fund are the Personal Income Tax, accounting for about a third (34%) of the General Fund, and the Sales and Use Tax, accounting for a little over a quarter of the General Fund (28%).

In addition to the 7 percent sales tax, the other tax sources included under “Sales and Use” category also includes the Motor Vehicle Tax, the Motor Fuel Tax, the Cigarette Tax, and the Alcohol Tax.

The “General Business Taxes” category including the business corporations tax, public utilities gross tax, financial institutions tax, insurance companies tax, bank deposits tax, and health provider tax accounts for 12 percent of the General Revenue Fund.

The Lottery and Departmental Receipts categories each account for about 10 percent of the General Revenue Fund. Although “Other Sources”, which includes the Estate Tax, account for less than 6 percent of the General Revenue Fund, in aggregate the \$222.4 million they contribute is significant.

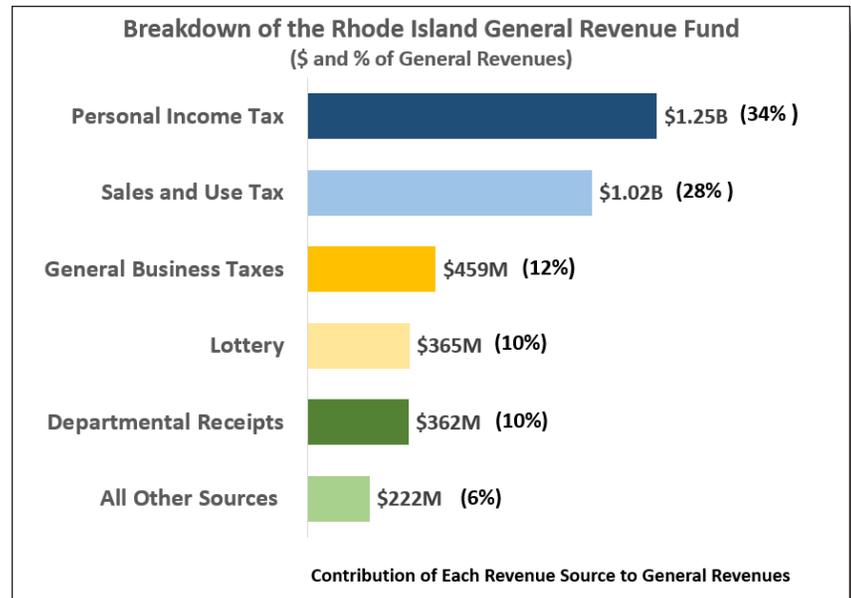


Figure 2: Source: State of Rhode Island General Assembly, House Fiscal Office, FY 2017 Budget Analysis: Section II: Statewide Overview, p. 26.

Federal Funds

Virtually every policy area in Rhode Island includes some degree of federal funding. Federal Medicaid dollars represent the most significant source of federal funds—at \$1.6 billion representing 54 percent of all federal funds, and 18 percent of FY2017 revenues. As seen in Figure 3, when federal funds for the Children’s Health Insurance Program (CHIP) are added to Medicaid, they account for 56 percent of federal funds.

The next largest sources of federal funding are for the Supplemental Nutrition Assistance Program (SNAP), accounting for 10 percent of federal funding and federal highway funds, accounting for 8 percent of federal funding.

Smaller sources of funding are from the Temporary Assistance to Needy Families (TANF) block grant, Title 1 grants to local education agencies with high numbers or percentages of students from low-income families and special education grants to states.

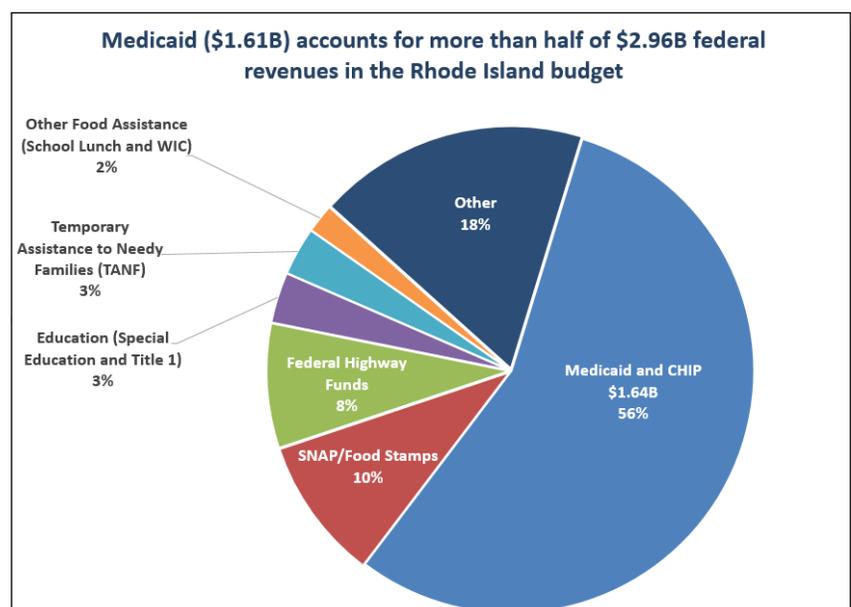


Figure 3: Source: State of Rhode Island General Assembly, House Fiscal Office, FY 2017 Budget Analysis: Section II: Statewide Overview, p. 26.