

Highlights of the 2018 General Assembly Session: 2019 Enacted Budget and Legislation

OVERVIEW

The 2019 budget (“the budget”) for the fiscal year beginning July 1 totals \$9.6 billion, including \$3.2 billion in federal funds, \$3.9 billion in general revenue, \$282 million in restricted receipts and \$2.2 billion in “other” funds (including the Unemployment Insurance Fund and tuition and fees from CCRI, URI and RIC). (Figure 1)

The enacted budget is \$195 million higher than the budget proposed by the Governor. Lawmakers had an additional \$60 million to work with as a result of greater revenue projections identified by the May Revenue Estimating Conference.

The budget includes a number of positive investments for low and modest income Rhode Islanders. These include an increase in rates paid to child care providers and for providers of home-based services for seniors and people with disabilities. The budget appropriates additional funds for community-based providers serving families involved with DCYF and for community-based programs that support adults with intellectual and developmental disabilities. New funds are allocated to expand pre-K programs, for workforce development for adults, and for the second year of the RI Promise Scholarship Program. The proposal to impose co-payments on Medicaid recipients is not in the enacted budget while the proposal to redesign health services delivery for around 11,000 seniors and people with disabilities who have both Medicaid and Medicare coverage will move forward.

The budget does not include any broad based tax increases. The sales and use tax is expanded to cover two new services – software as a service (SaaS) and security services. A number of fees are increased, including raising the cost for a duplicate or updated motor vehicle license from \$5 to \$25. Substantial new revenue is expected from the lottery, most of which is from implementation of sports betting. A number of economic development tax incentives are continued with the General Assembly providing additional oversight.

On the legislative front, bills were passed to authorize the creation of a registry of independent home healthcare providers, to designate behavioral health counseling visits and medication management visits as primary care visits, and to extend the mortgage foreclosure mediation process. Bills to create protections against pay discrimination based on gender or race, to increase the minimum wage and the state EITC, to expand paid family leave, to outlaw payday lending and to end discrimination against potential renters based on their source of income did not become law.

REVENUE HIGHLIGHTS

Revenue Initiatives

There are no changes to personal or business income taxes in the enacted budget.

As proposed in the Governor’s budget, the enacted budget expands the sales and use tax to cover two new services, software as a service (SaaS) and security services, which is expected to generate \$14.5 million. Lawmakers rejected the Governor’s proposal to increase the cigarette tax by an additional \$.25/pack to \$4.50/pack (after increasing from \$3.75/pack to \$4.25/pack in last year’s budget).

Rhode Island FY2019 Budget
\$9.573 billion revenue (\$M)

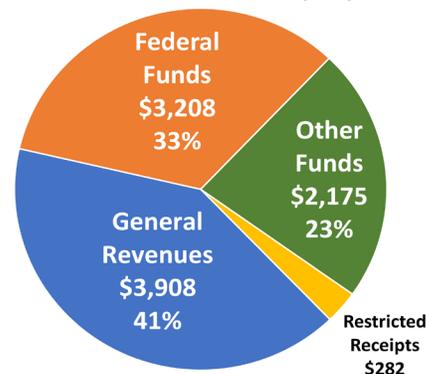


Figure 1

The budget includes the Governor's proposal to restructure the Department of Revenue's Division of Taxation and increase staff which is expected to increase revenue collections by \$13.5 million, netting \$10 million after staffing and technical support costs.

The budget includes new lottery revenue of \$27.6 million, most of which (\$23.5 M) is from new sports betting which was legalized by the U.S. Supreme Court in May.

The budget increases a number of fees, including insurance claims adjusters' fees, mutual fund retailers' fees and an increase in the fee to get a duplicate or updated license (to reflect a change in address, for example), from \$5 to \$25. The budget increases the fee for compassion centers from \$5,000 to \$250,000 to generate \$1.2 million -- in lieu of adopting the Governor's budget proposal to expand the state medical marijuana program, including increasing the number of compassion centers, anticipated to generate revenue of \$5.1 million.

The budget allocates \$18.7 million in additional state aid towards the phase-out of the motor vehicle tax -- resulting in a total of \$44.7 million in foregone revenue for FY2019.

Economic Development Tax Incentives

The budget provides significantly less funding for the activities of the Executive Office of Commerce than had been included in the Governor's budget proposal.

The budget denies additional funding for the First Wave Closing Fund, noting that the fund has only awarded \$2.4M of the total \$15.3M appropriated to date, leaving it with \$12.9M in reserves from which to fund additional commitments. The request to expand the manufacturing investment tax credit with a \$300,000 refundable tax credit was rejected in the final budget. The Governor's request to provide \$500,000 in general revenue to recapitalize the state's Small Business Assistance program was also rejected.

"SupplyRI", a new program proposed by the Governor to connect small suppliers with some of the state's largest purchasers, was funded at \$300,000 in the budget, \$175,000 less than the Governor requested. Two other proposed new initiatives were not included in the budget: a new Manufacturing Site Readiness Program to develop an inventory of "pad ready" industrial sites and funding for Municipal Technical Assistance Grants to help municipalities expedite zoning, planning and permitting for local economic development initiatives.

Overall, the budget allocates \$7M less in funding for the operations of the Commerce Corporation than requested in the budget proposal. The budget also requires the Commerce Corporation to prepare quarterly reports to the General Assembly on the programs that it oversees.

Though not included in the budget recommended by House Finance, the enacted budget bill includes an expansion of the Motion Picture Production Tax Credit, increasing the size of the credit to 30 percent (up from 25 percent) of production costs, and the maximum available credit to \$7 million (up from \$5 million), despite the recent finding of the Office of Revenue Analysis that this credit "fails to break even" and "has negative return on investment".¹

INVESTMENT HIGHLIGHTS

Child Care, Early Learning and Education

The budget increases rates paid to family child care providers and licensed child care centers. Family child care providers will receive a 2.5% rate increase for 2018 and also be eligible for paid sick time. Licensed child care centers will receive rate increases for infants, toddlers and pre-school aged children. Increases are tied to the quality rating system and range from 2.5% to 33% for infants/toddlers and from 2.5% to 21% for pre-school aged children. The budget does not include the Governor's proposal for a pilot program to provide child care for parents who are enrolled in post-secondary

¹ State of Rhode Island, Department of Revenue, Office of Revenue Analysis, 2018. Economic Development Tax Incentives Evaluation Act: Evaluation of "Motion Picture Production Tax Credits", Finding #3, p 43.

education. The rate increases are paid for with an increase of \$3.6 million in federal funds from the Child Care Development Block Grant (CCDBG) and other federal funds. Total funding for the subsidized child care program is \$69.3 million, with \$10.7 in general revenue and the balance from several federal funding sources. Beginning October 2018, working parents receiving child care assistance will benefit from several requirements of the CCDBG including a one-year certification period and continued child care assistance eligibility for three months after a job loss.

The budget adds \$1.1 million in general revenue funds to expand pre-K programs and level funds (\$1.2M) the Head Start Program.

The budget includes an additional \$6.4 million in general revenue to fund the 8th year of the education funding formula aid to cities and towns. It also includes an additional \$250,000 from general revenue to support English language learners, bringing this pool of funding to \$2.7 million.

The budget authorizes \$250 million in bonds for school construction, subject to approval by voters on the November ballot.

Education and Workforce Training for Adults

Funding for the adult education system, which provides adults with foundational workforce skills, including English language instruction and skills training, is level funded at \$9.1 million, with \$2.3 in general revenue and the balance from federal funding sources and the Job Development Fund.

The “Pay for Success” transitional employment program for formerly incarcerated individuals which was funded with \$300,000 in general revenue was repealed and a proposal in the Governor’s budget of \$400,000 to help people in recovery from opioid addiction access supportive employment services was not adopted.

The Rhode Island Promise Scholarship is funded for a second year with \$6 million in general revenue. The program pays tuition and fees for young adults who attend the Community College of Rhode Island within six months of graduating high school. The program will pay for a new first year cohort and students enrolled in their second year of studies.

The Governor’s proposal to codify the “Real Jobs Program” in law as the State’s primary workforce development program was not adopted. Funding to the Governor’s Workforce Board (GWB) for workforce development is increased, including an additional \$5 million in general revenue and \$5.5 million from the Job Development Fund.

The budget proposal to repeal the job training tax credit which was used by only a handful of companies, was adopted, saving \$400,000 in general revenue. Companies can instead apply for incumbent worker training funds through the GWB. The budget requires the Governor’s Workforce Board and the Department of Labor and Training to coordinate with the Department of Children Youth and Families to provide vocational assessment, job training and other employment services for young adults who voluntarily remain in DCYF’s custody at age 18.

Affordable Housing

There are no new general revenue funds in the budget for affordable rental housing. Approximately \$10 million for development and preservation of affordable housing will be awarded in FY2018 from the General Obligation Bond approved by voters in 2016. A similar amount may be available in 2019. The Governor’s budget proposal to transfer \$11 million from Rhode Island Housing to the General Fund (\$6 million for 2018 and \$5 million in 2019) was not adopted.

Health Care

Medicaid

About half of the total \$150 million (\$68 million general revenue) in cuts to the Medicaid program included in the Governor’s proposed budget were restored in the enacted budget. Around \$37 million total funds were restored to the Medicaid managed care plans, \$14 million to hospitals and \$14.3 million to nursing facilities.

Other Medicaid changes include:

Co-payments: The Governor's budget proposal to require non-disabled adults to pay co-payments for medication (\$2.50 for generics and \$4.00 for brand-name), non-preventive doctor visits (\$3.00) non-emergency use of the emergency room (\$8.00) and hospital stays (\$3.00) was not adopted.

Retroactive Medicaid Coverage: The budget proposal to eliminate three-month retroactive coverage for seniors and people with disabilities was rejected.

Health Care and Long-term care: The proposal to redesign health services delivery for around 11,000 seniors and people with disabilities who have both Medicaid and Medicare coverage and are enrolled in Neighborhood Health Plan's Unity Plan was included in the final budget. Implementation of Community First Choice Options to increase federal reimbursement for certain long term care services was also adopted. These changes are expected to save \$15 million, including \$10 million in general revenue.

Non-emergency medical transportation (NEMT): The budget assumes \$9.2 million in savings (\$3.9 million general revenue) from EOHHS's plan to restructure and rebid the contract to provide Medicaid members with transportation to doctors, pharmacies, hospitals and other health-related services.

Rlte Share: The budget amends state law to expand the Rlte Share program to Medicaid 'expansion' adults. Under the Rlte Share program, Medicaid members who have access to comprehensive and affordable health insurance at their jobs can be required to enroll in their employer plan and OHHS reimburses the employee for his/her share of the cost. The employee also has a Medicaid card to pay for Medicaid services that are not included in the employer's plan including non-emergency medical transportation, interpreter services and dental care. A proposal in the Governor's budget to require people with disabilities to enroll in Rlte Share was not adopted.

Home Care providers: The budget adds \$6.4 million (\$3.1 million general revenue) to increase rates paid by EOHHS and DHS to home care providers, home nursing care providers and hospice providers. The budget also implements an annual CPI-based inflation increase to the base rate.

HealthSource RI (HSRI)

The budget includes \$8.8 million in funds for the state's health insurance exchange through which almost 30,000 Rhode Islanders purchase health insurance and access tax credits to help cover the cost of their monthly premiums. HSRI is also the eligibility portal for children, families and adults who are applying for Medicaid. Funding includes \$2.4 million in general revenue and \$6.4 million in restricted receipts from a 3.5 percent health insurance premium assessment.

Senior Centers and Meals on Wheels

The enacted budget includes the Governor's budget proposal to double state resources from \$400,000 to \$800,000 for Senior Centers and maintains funding \$530,000 for Meals-on-Wheels.

Rhode Island Aging and Disability Resource Center (ADRC)

The budget establishes an expanded ADRC to provide assistance to Rhode Islanders in making choices about long-term care services and to streamline access to such services. The ADRC, which will continue to be operated by the Division of Elderly Affairs, will expand its services to provide a comprehensive data base of information accessible through a dedicated website on the range of available long-term services and supports, service providers, information about housing supports, transportation and other relevant information. Around \$500,000 from current sources supports this initiative.

Services for Children and for People with Disabilities

Department of Children Youth and Families: The budget includes an additional \$17.2 million (\$12.7 general revenue) for community based programs in DCYF, including foster care and residential services. Under the new 'voluntary extension of

care' program young people in DCYF custody at age 18 will be able to remain under the department's care until age 21 so they can receive necessary housing, employment, case management and other services.

Division of Intellectual and Developmental Disabilities: The budget adds \$18 million (\$8.8 million from general revenue) for community based programs that support adults with intellectual and developmental disabilities. The budget also includes an increase in rates paid to community-based staff who provide care for people with IDD through an additional allocation of \$600,000 (\$300,000 general revenue).

LEGISLATIVE HIGHLIGHTS

Economic Security

Bills to increase the state's Earned Income Tax Credit to 20 percent from the current 15 percent were not enacted. Bills to increase the state's minimum wage to either \$11.00, \$12.00 or \$15.00 also did not succeed. The minimum wage was increased from \$9.60 to \$10.10 as of January, 2018 and per current law will increase to \$10.50 on January 1, 2019.

Bills that would provide protections against employer imposed wage differentials based on race, color, religion, or gender did not pass. Legislation to limit pay day lending was also not enacted.

Proposed amendments to the Temporary Caregiver Insurance (TCI) law that provides partial wage replacement for working Rhode Islanders who need to take time from work to provide care for a family member or to bond with a new child were not adopted. The amendments would have increased the amount of wage replacement, extended the number of weeks and included grandchildren and siblings as eligible care recipients. TCI benefits are paid from the Temporary Disability Fund that most workers contribute to through payroll deduction.

Housing

Bills to prevent landlords from discriminating against potential renters based on their source of income did not become law. The legislation would help ensure that families who would use Section 8 vouchers to help pay their rent could no longer be denied an apartment solely because they used the voucher.

Bills to extend the mortgage foreclosure mediation process which has helped hundreds of family keep their homes were passed.

Health Care

Bills to authorize the creation of a registry of independent home care providers were passed. The registry, to be established by the Executive Office of Health and Human Services, will provide a new way for seniors and people with disabilities to connect with providers who help them with activities of daily living, including meal preparation, bathing and dressing. Consumers could still receive homecare services through an agency or through the personal choice self-directed care program. The bill also authorizes the homecare providers to form a union.

Bills designating behavioral health counseling visits and medication management visits as primary care visits were enacted. This promotes mental health parity by ensuring that health plans have the same cost-sharing for these visits as for visits for physical health care.

The market stability bill authorizing HealthSource RI to pursue establishment of a re-insurance program was passed. A response to federal changes intended to undermine the Affordable Care Act, a reinsurance program is one way to help control premium costs so people can afford coverage.