

The Economic
Progress Institute

Candidate Briefing Book

August 2022



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ACKNOWLEDGMENTS

This Candidate Briefing Book covers many, but not all, of the issues of importance to low-income and modest-income Rhode Islanders. The Economic Progress Institute would like to recognize the critical work of many organizations and advocates who work tirelessly on issues relating to economic and social justice. Their expertise in issues such as housing, homelessness, criminal justice, food security, the environment, domestic violence, immigrants, and other poverty-related concerns not addressed here is essential to a thoughtful discussion of policies that will improve the lives of Rhode Islanders.

We would like to extend our appreciation to **Rhode Island Kids Count** for graciously sharing data for some charts included in this publication.

Special thanks to Juan Espinoza for designing the publication.

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LETTER FROM THE EXECUTIVE DIRECTOR



Dear Candidates and Rhode Island Voters,

Every election presents an opportunity for positive change. The question is: What type of change do you want to see in Rhode Island?

We all share the common value of fair treatment and economic prosperity for ourselves and our families. We want to live in healthy and vibrant communities where we can thrive. Elections remind us that policies have significant impact on the communities, people, and issues we value. The challenge is identifying and implementing policies that will deliver meaningful and equitable results.

*The **2022 Economic Progress Institute Candidate Briefing Book** provides a starting place for you to examine policies affecting everyday Rhode Islanders. EPI's expert policy analysts have researched these policies and the factors you may need to consider when promoting budgetary and legislative solutions.*

We encourage you to read, share, and discuss the issues raised in this book. Let us know your thoughts. We hope that as we open the discussion focused on improving lives for Rhode Islanders, we take the first step toward real change.

A handwritten signature in blue ink that reads "Weayonnoh Nelson-Davies". The signature is stylized and fluid, with a horizontal line underlining the name.

*Weayonnoh Nelson-Davies
Executive Director
Economic Progress Institute*

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INTRODUCTION: ADDRESSING POVERTY, EQUITY, AND ECONOMIC OPPORTUNITY IN RI

The Economic Progress Institute's **2022 Briefing Book for Candidates** explains several key programs and policy issues of concern to low-income and modest-income Rhode Islanders. All of the programs and policies discussed here raise concerns about equity; to decrease poverty and increase access to economic opportunity, we must address racial, ethnic, and other historical disparities. For candidates who care about lifting communities out of poverty, addressing equity and creating access to economic opportunity, this guide provides valuable data, history, policy and recommendations.

Most of these programs and policies are associated with legislation, the state budget, and the operations of state agencies – areas where the state's governor is deeply involved. Each January, Rhode Island's governor bears responsibility for submitting a proposed budget to the General Assembly for the following Fiscal Year. The budget is the most important piece of legislation we consider each year. Once a budget is enacted, it must be implemented, a process which requires skilled leadership from the governor's office and department heads.

This guide presents tools and context that will help the next governor assess priorities and implement programs. The Revenue and Taxation Section describes the inequitable impact of the state's tax code on Rhode Island residents and presents proposals to improve equity and revenue adequacy. This section also makes recommendations for accountability in the use of tax credits for economic development. The Government Supports Section explains the programs that help Rhode Islanders meet basic needs. Many working Rhode Islanders rely on these programs and subsidized childcare to close the gap between earnings and living costs. For Rhode Islanders who are not able to work on a permanent or temporary basis, health coverage and SNAP help households make ends meet. The Needs of Working Rhode Islanders Section explains the Temporary Care Insurance program which Rhode Island was a leader among the states in enacting but has now fallen behind in the scope and amount of benefits provided. We provide information about the minimum and tipped minimum wage, explaining the racist history of the latter.

The concluding section on Equity and Policy describes a new strategy to move our state to be a more equitable and just community by requiring consideration of equity impact of proposed legislation and budget. We also present basic demographic data on Rhode Island's population and on poverty in the state. The recommendations we offer could be implemented through state agencies or included in legislation or the state budget. The Economic Progress Institute provides this guide to encourage data-driven leadership, informed by Rhode Island historical and policy contexts.

REVENUE AND TAXATION

Government provides services that help us thrive as a state and as communities, families, workers, and individuals. Taxation is the main way we raise revenue to fund government. Taxation in the form of personal, business, sales and use, estate, and other taxes, accounts for over 80% of the state’s general revenue, with the remainder coming primarily from fees collected for services and from lottery revenue. This does not include federal aid or property taxes, the latter of which is collected by municipal governments. The challenge is to raise in a fair way adequate revenue that funds necessary services without placing an excessive obligation upon those Rhode Islanders least able to afford it.

Our state government spends revenue in two basic ways, through direct expenditures and through “foregone revenue,” when funds that would ordinarily be collected through taxation are not collected but instead allocated in the form of tax credits. One example of foregone revenue is food purchases. Rhode Island does not charge the 7% sales tax imposed on most items one purchases at a store. Such revenue would have been collected were it not for the exception carved out, an exception that especially benefits the lowest-income Rhode Islanders, allowing them to purchase such necessities without the added cost of the sales tax. Another form of foregone revenue is tax credits provided for economic development. The theory is that such lost revenue will generate even more new revenue, as well as new jobs and additional economic activity.

This section provides an overview of key issues concerning revenue generation, the personal income tax, and tax credits, both for workers and for economic development.

TAX FAIRNESS & RAISING ADEQUATE REVENUE

SUMMARY

- Rhode Island’s overall tax system is regressive with the poorest Rhode Islanders paying a larger percentage of income than the richest when taking into account all state and local taxes. The personal income tax is moderately progressive.
- Black and Latino Rhode Islanders are overrepresented among those residents with the lowest incomes and underrepresented among those with the highest incomes.
- Currently, each dollar of income above \$155,050 is taxed at one rate. Income over that amount is taxed at the same rate, even if you earned \$10 million.
- Creating a new personal income tax bracket with a higher rate on income above \$500,000 would make RI’s tax system fairer and more equitable, raising over \$140 million in revenue each year.

Personal income tax rates

Tax rates, brackets, and exemptions are set by legislation and generally incorporated into the state budget. Figure 1, using data from the Division of Taxation, shows Rhode Island’s Personal Income Tax brackets for 2022. For example, a taxpayer with taxable income of \$100,000 would pay 3.75% in state taxes on the first \$68,200 of taxable income and 4.75% on the remaining \$31,800. For those with higher incomes, each dollar of taxable income above \$155,050 is taxed at 5.99%. This applies to the first dollar above this amount the same as it does to the millionth dollar in income above this amount.

Demographics

Rhode Island does have a moderately progressive personal income tax system, yet when taking into account all state and

local taxes – income, property, and sales taxes – the situation is reversed. We have a regressive system, with the poorest Rhode Islanders paying a larger percentage of their income than the richest, who have a greater ability or capacity to pay. As Figure 2 shows, the top 1% in income pay a lower percentage of their income in state and local taxes than the other 99%, and the lowest 20% in income pay a substantially higher percentage than the other 80%.

RHODE ISLAND’S 3-BRACKET MARGINAL TAX RATE SCHEDULE FOR TAX YEAR 2022 (Personal Income Tax)	
Tax Rate	Taxable Income Range
3.75%	On income up to \$68,200
4.75%	On income over \$68,200 up to \$155,050
5.99%	On income over \$155,050

Source: Rhode Island Division of Taxation.

FIGURE 1

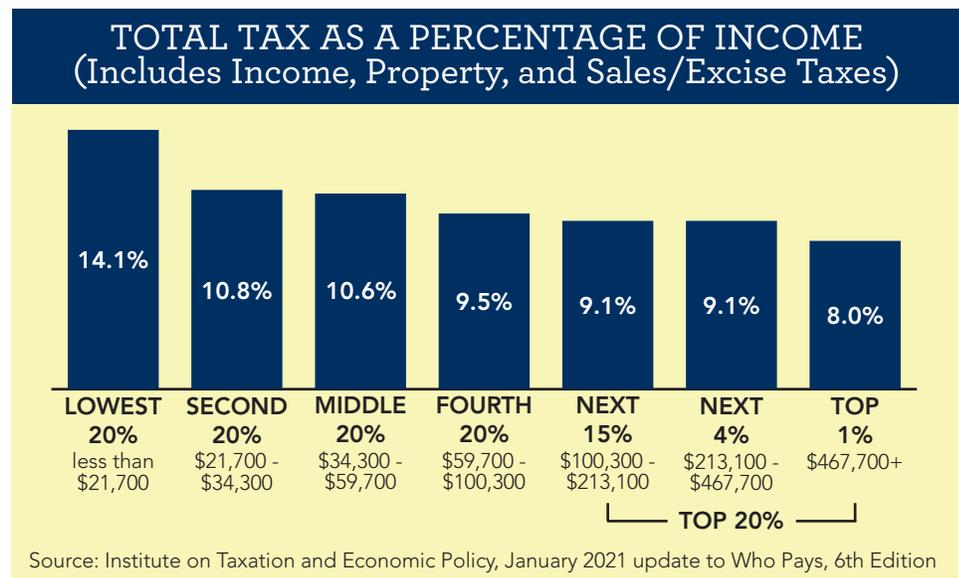


FIGURE 2

Furthermore, there are significant disparities in income when one considers race and ethnicity (see Figure 3). Not only do Rhode Islanders with the lowest income pay more in taxes than those with the highest income, but Black and Latino Rhode Islanders are overrepresented among the former group and underrepresented among the latter group. Making the overall state tax system more progressive would make it more equitable across race and ethnicity.

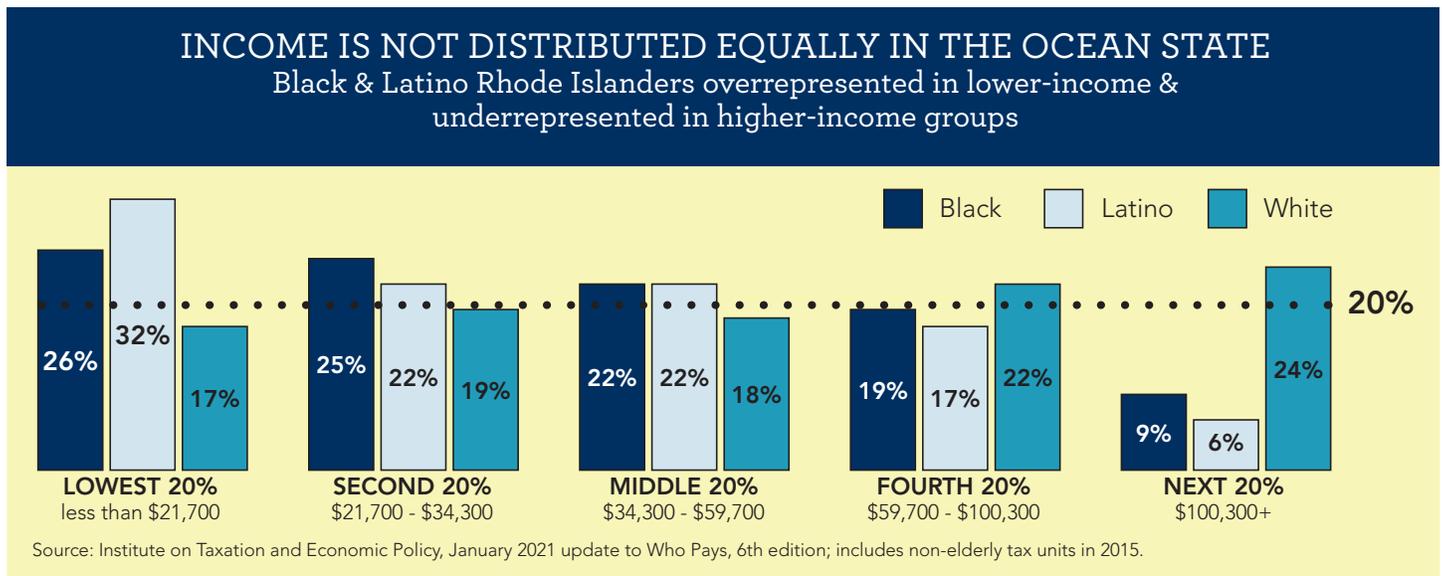


FIGURE 3

History of taxation and revenue-raising in RI

In 2010, following a comprehensive review of Rhode Island’s tax code by a Governor-convened Tax Policy Strategy Workgroup in 2009, the personal income tax system of five brackets with a top marginal rate of 9.90% was reduced to three brackets with a top marginal rate of 5.99%.¹

Recommendations to streamline tax deductions were also adopted by the General Assembly. Rhode Island’s personal income rates have remained the same since this major reform, with the tax bracket cut-offs adjusted annually for inflation.

Current diagnosis and policy recommendations

Even faced with the challenges of the pandemic, the wealthiest Americans fared well in financial terms.² In addition, even during more normal times, capital gains are taxed on the federal level at a lower rate than normal wages and salaries, and those with the highest income and wealth are the ones who benefit most from the lower capital gains rates. Despite the fact that Rhode Island taxes capital gains and wage income equally, and the state has a moderately progressive personal income tax, Rhode Island’s overall state and local tax system is regressive. Making the personal income tax slightly more progressive would make the state’s overall tax system fairer while increasing state revenue to fund the necessary activities of government.

Recommendation

Increase the income tax rate on the highest levels of income for income above a half-million dollars per year (the top 1% of filers). This would affect about 5,000 taxpayers. Raising the top marginal rate to 8.99% would result in them paying three cents more on each dollar of income they earn above \$500,000. This would create a reliable, ongoing annual revenue stream for the state of over \$140 million.³

THE EARNED INCOME TAX CREDIT (EITC)

SUMMARY

- The state's Earned Income Tax Credit is 15% of the federal credit and benefits more than 80,000 workers each year.
- Rhode Island has the lowest state EITC of New England states with similar credits.
- For under \$30 million, the state could double its EITC, providing meaningful assistance to tens of thousands of workers and their families.

Purpose of program

The Earned Income Tax Credit (EITC) is a program designed to boost the income of workers with the lowest incomes. It is a federal program, but Rhode Island is one of many states that provide a smaller state tax credit on top of the federal EITC.

How the program works

The federal EITC provides workers with a tax credit based upon earnings and family size.⁴ The credit is calculated as a percentage of income and family size and increases until it reaches a maximum amount; after plateauing, the credit begins to decline with increasing income, but without a sharp cut-off.⁵ The rationale for this model, and particularly the phasing out of the credit, is to avoid penalizing individuals as their income increases, while still focusing the benefit on low-income workers.

Rhode Island piggybacks on the federal model, by simply calculating 15% of a taxpayer's federal credit. Like the federal credit, Rhode Island's state credit is fully refundable, which means that even if a taxpayer does not owe income taxes or owes less than the amount of the credit, the state will provide the funds to the taxpayer. In recent years, the state EITC has annually used well under \$30 million in general revenue funds.

Demographics

Each year, more than 80,000 workers in Rhode Island benefit from the state's EITC.⁶ As Figure 4 from the Division of Taxation (May 2022 Revenue Estimating Conference) shows, this includes some people who work in Rhode Island and live out-of-state, presumably in Massachusetts and Connecticut for the most part.

There is no breakout of beneficiaries by sex or by race/ethnicity, however we know that the lowest-income workers are disproportionately women and Rhode Islanders from racial and ethnic minorities.

EARNED INCOME TAX CREDIT							
Tax Year 2018		Tax Year 2019		Tax Year 2020		Tax Year 2021	
Amount	No. of Filers	Amount	No. of Filers	Amount	No. of Filers	Amount	No. of Filers
TOTAL CREDIT							
Resident							
\$26,594,159	77,671	\$26,234,238	78,033	\$21,702,581	70,156	\$20,058,609	81,991
Non-Resident							
\$1,404,973	7,699	\$1,669,407	8,388	\$1,215,111	6,770	\$1,467,717	9,186
REFUNDABLE PORTION							
Resident							
\$22,577,639	61,779	\$22,143,046	62,049	\$15,963,386	47,679	\$18,025,601	58,225
Non-Resident							
\$1,116,460	5,972	\$1,391,933	6,477	\$878,174	4,374	\$1,158,663	6,307

Source: Rhode Island Division of Taxation May 2022 Revenue Estimating Conference.

FIGURE 4

History of the program in RI

In 1986, Rhode Island became the first state to adopt its own EITC, building upon the federal program started in 1975.

The credit varied in value between 22.2% and 27.5% of the federal credit, settling in at 25% in 2001. However, during this time the state credit was not refundable, meaning that if a worker owed no income tax, she or he did not receive the credit. Eventually, a portion of this, 15% of the 25%, became refundable.

With Tax Year 2015, the state's EITC was dropped from 25% to 10% of the federal credit but was made fully refundable. For

Tax Year 2016, the credit was increased to 12.5% and then to 15% with Tax Year 2017.

Despite bills submitted annually to raise RI's state EITC to 18% and to as much as 50%, no legislation has passed both chambers of the General Assembly since 2017.

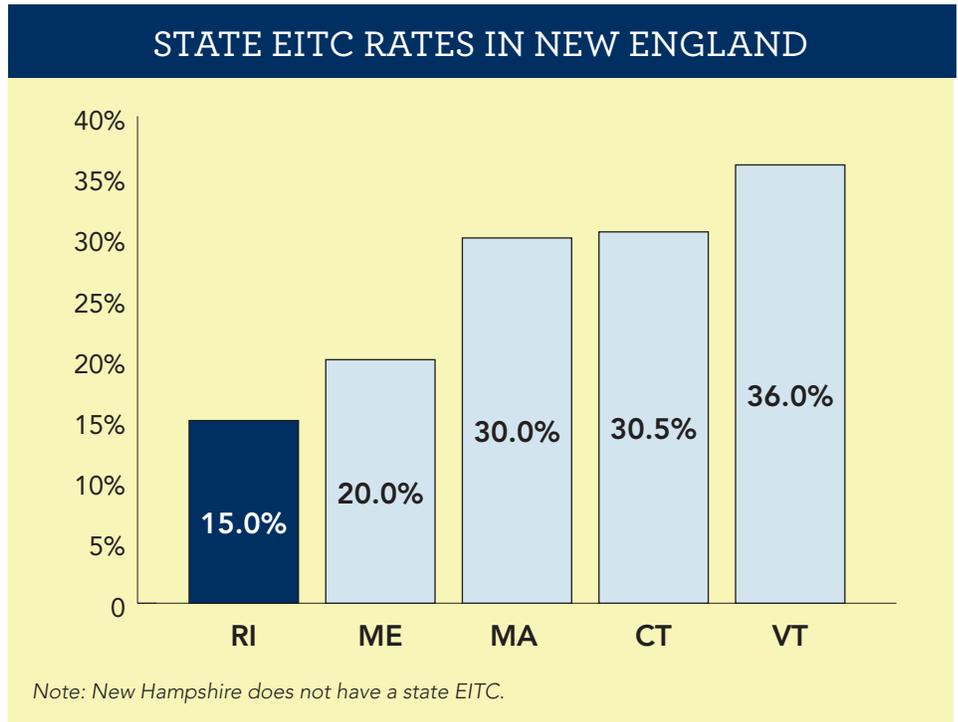


FIGURE 5

Current diagnosis and policy recommendations

Rhode Island has the lowest state EITC of New England states with similar credits (New Hampshire has no credit or personal income tax).

Recommendation

Double Rhode Island's state EITC from 15% to 30% to bring the state more in line with Massachusetts and Connecticut, at a cost of \$20 million to \$30 million per year.

OVERSIGHT OF TAX CREDITS FOR ECONOMIC DEVELOPMENT

SUMMARY

- The state spends tens of millions of revenue dollars each year on economic development tax credit programs, with the aim of generating economic activity, jobs, and state revenue.
- Economic development tax credit programs need to have clear goals, spelled out in statute, and evaluations must be done regularly to assess their success at meeting these goals.
- Per statute, the Governor should use evaluations of economic development tax credit programs conducted by the Office of Revenue Analysis to make budget recommendations on continuing or ending particular programs.
- The evaluations of economic development tax credit programs conducted by the Office of Revenue Analysis should be considered at hearings conducted by the House and Senate so the public is aware of the evaluations and due consideration can be given to whether the credits should be extended.

Purpose of tax credits for economic development

Tax credits for economic development are tools intended to spur business and job creation, expansion, and relocation.

How tax credits for economic development work

In principle, the state offers tax credits to companies and individuals to generate jobs or business activity they would not otherwise have pursued. In general, business owners apply for these credits and must commit to and achieve specified goals in order to claim the tax credits. Once claimed, business owners can use these credits to offset taxes owed to the state, and if they do not need them, they are often able to sell the credits to others who do have tax liability they can offset.

In practice, it can be difficult to distinguish between job creation, business development, and relocation spurred by tax credit incentives and job creation, business development, and relocation that would have happened without the prospect of these tax incentives. That is, many individuals and companies start or expand businesses without the extra motivation provided by tax credit incentives. Any credits given to such individuals would therefore not be responsible for generating new activity, jobs, or revenue.

Rhode Island's Commerce Corporation oversees the state's economic development tax credit programs, including applications and approvals, and the Division of Taxation processes and issues the credits.

Demographics

Economic development tax credit programs do not generally target minority-owned or women-owned businesses. Some programs do target high-tech businesses or growth industries, such as offshore wind or bioscience companies. When reviewing applications, the board of the Commerce Corporation can consider such things as diversity in hiring.

History of oversight in RI

Economic development tax credit programs have existed for decades in Rhode Island and elsewhere. Almost a decade ago, the Evaluation Act of 2013 was enacted in Rhode Island with the purpose of producing regular analyses of these programs to help the Governor and members of the General Assembly decide which programs should be extended in their existing form, which amended, and which ended. These reports are provided to the Speaker of the House and President of the Senate, as well as to the Governor. To date, the Office of Revenue Analysis (ORA) has produced many detailed reports employing sophisticated economic modeling (see <https://dor.ri.gov/revenue-analysis/reports>), but no major changes to the programs have been made. In addition, as the ORA has pointed out, some programs do not even have their rationale presented in statute. Some programs do not have sunset dates and so will continue year after year unless a proactive decision is made to end them. Having sunset dates is considered a best practice and good public policy.

Recently enacted legislation

The FY2023 budget, enacted in July 2022, extended the sunset dates of Rebuild RI, the I95 Redevelopment Fund, and ten other economic development tax credit programs from December 31, 2022 to December 31, 2023. The General Assembly regularly, and without any evaluation, extends the sunset dates of various programs. There has been no significant oversight legislation enacted since the 2013 Evaluation Act.

Current diagnosis and policy recommendations

Most of the time we think of revenue in terms of the money the government collects, and expenditures as the money the government pays out. However, the category of foregone revenue includes all the monies the government would ordinarily have collected had it not been for a special rule not to collect. For instance, in Rhode Island we do not tax food purchases, so the state is foregoing the revenue it would have collected had we taxed food the way we tax other purchases. One major source of foregone revenue is tax credits for economic development. It is important for the Governor and other policymakers to know if the programs designed to create jobs and expand businesses are producing these results – to know if the taxpayers are getting a good bang for their buck, or if these are poor investments with little return on investment.

For example, two ORA reports in recent years have demonstrated that the Motion Picture Production Tax Credit program yields minimal revenue, losing as much as 97 cents of each dollar given away in credits.⁷ The program certainly generates some economic activity and creates some jobs, yet other programs would likely create more economic activity and jobs, while also generating a positive return on investment of state revenue.

The key issue is that policymakers are simply not making productive use of the ORA analyses. Programs need to have clear goals, spelled out in statute, and evaluations must be done regularly to assess their success at meeting these goals.

Rhode Island statute requires the governor to use the ORA reports in his or her proposed annual budgets: “The governor’s budget submission as required under chapter 35-3 shall identify each economic development tax incentive for which an evaluation was completed in accordance with this chapter in the period since the governor’s previous budget submission. For each evaluated tax incentive, the governor’s budget submission shall include a recommendation as to whether the tax incentive should

be continued, modified, or terminated.”⁸ It does not appear that Rhode Island’s governors have used the ORA reports in this way.

Recommendations

- Ensure ORA reports are designed and used as required by statute to inform the governor’s proposed budget.
- Require legislative committees to hold hearings upon the release of these reports.
- Enhance reporting requirements for tax credit recipients, including more demographic data, so that diversity in both awarding tax credits and hiring employees can be assessed.

GOVERNMENT SUPPORTS TO MEET BASIC NEEDS

The Economic Progress Institute's 2020 Rhode Island Standard of Need (RISN) shows that families need income of more than twice the poverty level to meet basic needs. To net this income, a single-parent with two children needs pre-tax earnings of \$66,057, and a two-parent family with two children needs \$73,646.⁹ Federal and state government programs help fill the gap to meet basic needs when earnings are not enough. These programs include SNAP, Child Care Assistance, Medicaid, and subsidized commercial coverage purchased through HealthSource RI. SNAP and Medicaid also support seniors and people with disabilities, and Rhode Island Works provides cash assistance to families with children when a parent is out of work or unable to work. This section provides an overview of key basic needs programs and gives a historical perspective on state investments (and disinvestments) in these programs.

RHODE ISLAND WORKS (RI WORKS)

SUMMARY

- Rhode Island Works (RI Works) is the state's safety net program that provides cash assistance and work readiness services to low-income families with children under age 18, or under age 19 if the child is completing secondary education.
- Over a decade ago, the state stopped investing any general revenue funds in RI Works. It has continued to reduce the amount of the \$95 million Temporary Assistance for Needy Families (TANF) federal block grant funds used to provide direct support of families through RI Works.
- The RI Works benefit must be increased and tied to inflation for annual adjustments and benefits should be provided to first-time pregnant women from the beginning of pregnancy and to legal permanent residents. It is time to bring together thought leaders, service providers, policymakers, and current and former recipients of the program to review the RI Works program to create a program that better serves the poorest children in our state and breaks the cycle of poverty for those who enroll in the program.

Purpose of program

Rhode Island Works (RI Works) is the state's safety net program that provides cash assistance and work readiness services to low-income families with children under age 18 or under age 19 if the child is completing secondary education. Children living in poverty, especially deep poverty, are more likely to experience a variety of educational, physical and behavioral health, and economic difficulties.¹⁰ First-time pregnant women are eligible for RI Works beginning in the second trimester.

RI Works is a safety net program that was designed to provide basic assistance so parents can keep their families together as they navigate tough financial times. It helps parents living with disabilities support their children and benefits children who are being raised by relatives. The workforce development aspect of the program addresses the unique needs of parents with young children and helps parents gain the skills necessary to obtain work that pays a family-sustaining wage.

How the program works

The federal Temporary Assistance for Needy Families (TANF) block grant provides states with a fixed amount of federal funds to operate their own programs to meet TANF purposes. The state files a state plan with the federal Administration for Children and Families (ACF) outlining how it will use its TANF funds, including identification of eligible populations and types of services, consistent with the TANF law. RI Works is not the only program for which TANF funds can be spent. For example, the state plan allows the state to use TANF funds for child-care assistance for families not receiving cash assistance.

The Rhode Island Department of Human Services (DHS) administers the program, including the processing of applications and the issuance of Electronic Benefits Transfer (EBT) cards, through which benefits are paid twice each month. People can apply by completing a paper application submitted to DHS or by applying at the HealthyRhode online portal (<https://healthyrhode.ri.gov>).

Individuals who are eligible for RI Works generally also receive SNAP benefits and RIte Care health-care assistance and are entitled to child-care assistance to be able to comply with their employment plan.

Demographics

Every Rhode Island city and town (except Block Island) has children and families eligible for and enrolled in RI Works. Of the 3,019 families receiving benefits in June 2022, there were 938 in which only the children received benefits because their parents were disabled and received federal SSI benefits, or the children were being raised by grandparents or other relatives. Of the 7,687 enrollees, 2,277 were adults and 5,410 were children under age 18; 35% percent were children under age 6.¹¹

History of the program in RI

Until the mid-1990s, Aid to Families with Dependent Children (AFDC) was the federal/state assistance program for children and families. States followed rules set by the federal agency and received matching federal funds for expenditures. Federal welfare reform enacted during the Clinton Administration changed the program from a matching federal/state program into a block grant with fixed amounts provided to states and gave the states more flexibility in program administration, but with several federal requirements. In 1996, the Family Independence Program (FIP) was enacted as Rhode Island's TANF program. It was unanimously passed with bipartisan support in the General Assembly. FIP was focused on protecting vulnerable children and providing parents with meaningful opportunities to gain the skills needed to obtain a job that paid a family-sustaining wage.

Fewer services, greater restrictions

As a way to reduce state expenditures during the Great Recession of 2008, the General Assembly repealed FIP and replaced it with RI Works. The RI Works program provided less protection for children than FIP and curtailed the services offered to parents to help them be successful in the workforce.

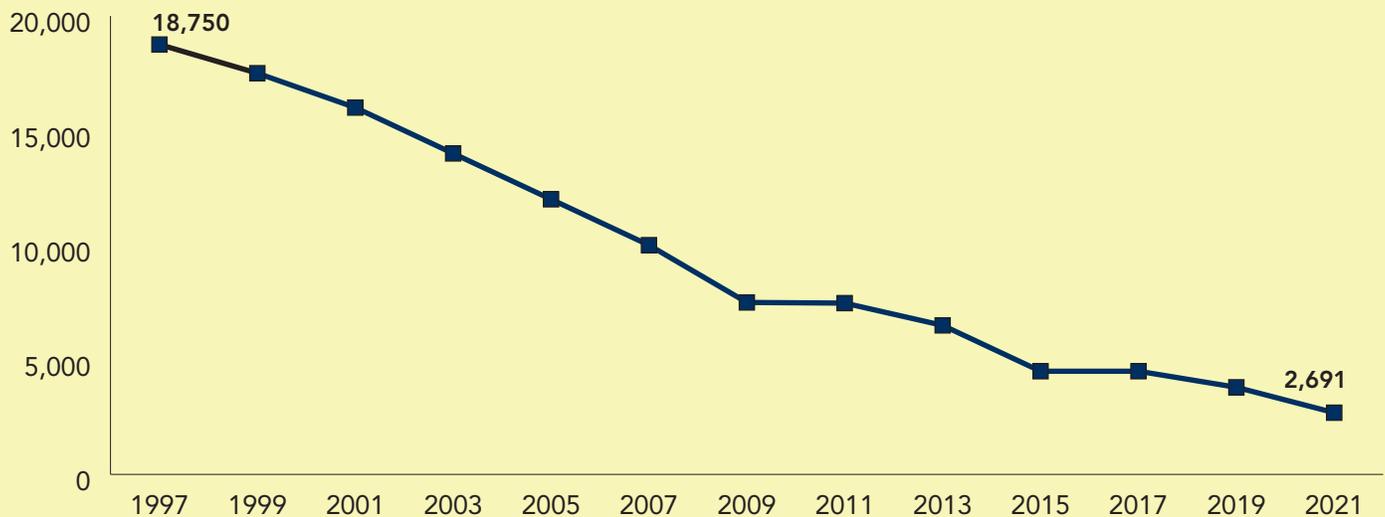
The more restrictive changes included:

- Repealing children's entitlement to benefits, which previously had been independent of the time-limited benefit entitlement of parents/caretakers
- Shortening the lifetime limit from the federally allowable 60 months to 48 (which applied to children as well as adults)
- Implementing a periodic time limit of 24 months in any 60-month period
- Repealing eligibility for lawful permanent residents (green card holders) during the first five years
- Requiring parents to do a job search as their primary workforce activity (although RI Works was enacted in the midst of the Great Recession when the unemployment rate was one of the highest in the country)
- Increasing sanctions for failing to comply with program rules, including a "full family sanction" that penalized the children as well as their parents by stopping the benefit for the entire family

Fewer Rhode Islanders served

Primarily as a result of these policies, the number of families receiving assistance in the first three years of implementation (from December 2007 to December 2010) dropped by 42% (from 9,993 families to 5,834), and the number of parents and children fell by almost 11,000 individuals, from 24,050 to 13,078. The caseload continued to decline after 2010, and in December 2021, there were only 2,691 families receiving assistance (see Figure 6).¹²

RHODE ISLAND CASH ASSISTANCE CASELOAD 1997 - 2021



Source: RI KIDS Count 2022 Factbook. Rhode Island Department of Human Services, InRhodes database, December 1, 1996-2015. Cases can be child-only or whole families and multiple people can be included in one case. "The Rhode Island Department of Human Services changed the method for calculating the caseload data starting in the 2012 Factbook. This change is reflected in the 2010-2021 caseload data. Comparisons to earlier years should be made with caution. Starting in 2016, caseload data are for the month of December and not for a point in time, December 1.

FIGURE 6

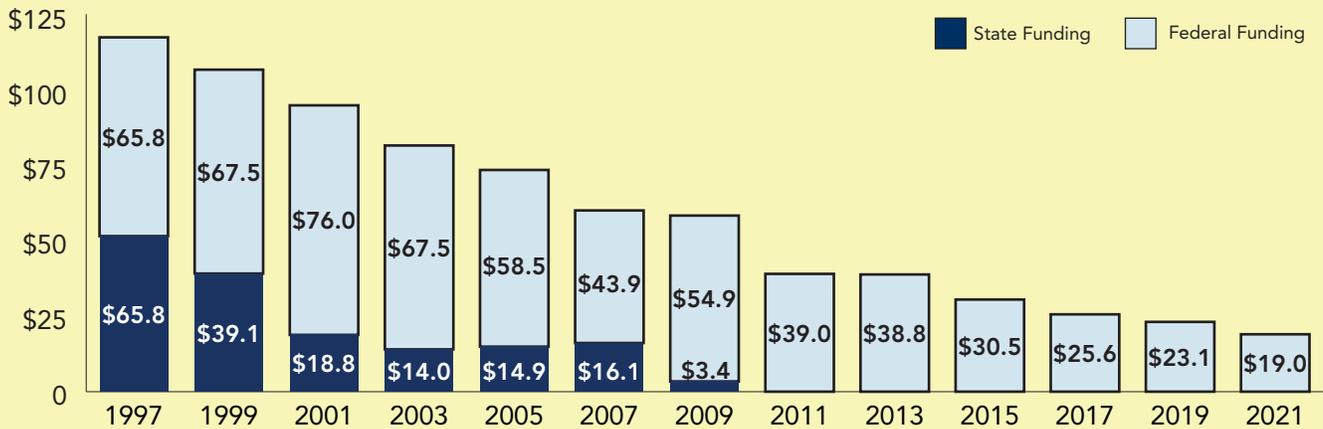
Fewer state dollars and fewer federal dollars used for funding

Each year Rhode Island receives \$95 million in federal funds through the TANF block grant. As a condition of receiving these funds, the state must show that it has expended \$64 million in state general revenue funds on populations and services described in the state's TANF plan. This is called the Maintenance of Effort (MOE) requirement.

Initially, the state spent general revenue dollars on the families enrolled in FIP to provide benefits to families ineligible for federal funding, including needy legal permanent residents in the first five years of residence. With the enactment of the RI Works program, the state soon ceased investing any general revenue funds and accounted for the MOE by showing investments for other populations and for services provided to them (see Figure 7).¹³ For example, the state started counting a portion of the state's refundable Earned Income Tax Credit, a tax benefit for low-income workers, as satisfying the requirements of the TANF block grant.

Today, most of the TANF block grant is not being spent to provide a safety net for the primary intended beneficiaries: low-income children and their parents.

RHODE ISLAND CASH ASSISTANCE EXPENDITURES SFY 1997-2021 (in millions)



Source: RI KIDS Count 2022 Factbook. Derived from Rhode Island Department of Human Services. (2007). Family Independence Program 2007 annual report. (FY1996-2001); House Fiscal Advisory Staff. (2004-2019). Budget as Enacted (Fiscal Years 2005-2019. (FY2002-2017); House Fiscal Advisory Staff (2020). FY2020 revised budget: 2020-H 7170, Substitute A, as amended. (FY2018-19); House Fiscal Advisory Staff. (2021). Budget as enacted: Fiscal Year 2022. (FY2020-2021), Fiscal years 1997-2001 are funds spent and FY 2021 is final budget.

FIGURE 7

As shown in Figure 7, not only did the state stop investing general revenue funds, it reduced the amount of the \$95 million federal block grant funds that went for direct support of families. This was in part due to the declining caseload, but it was also so that the TANF funds could be used for other state programs and replace general revenue investments in those programs. For example, TANF dollars are used to provide services to children in the care of DCYF, and significant funds are used for child-care assistance for families who are working though not receiving RI Works benefits. This dynamic has made it very difficult to make changes to the program – because if more TANF funds are directed to RI Works, then child-care assistance and other programs will see a decrease in funding or will need to rely more upon state general revenue. As matters stand today, however, most of the TANF block grant is not being spent to provide a safety net for the primary intended beneficiaries: low-income children and their parents.

Recently enacted legislation

Recently, a few policies have been enacted that benefit the families RI Works was designed to assist. These improvements include:

- *The first benefit increase in 30 years.* In 2021, the monthly benefit was raised to an amount equal to 40% of the federal poverty level (e.g., from \$554 to \$721 per month for a family of 3). However, the benefit is not linked to a cost-of-living adjustment (COLA). By June 2022, the benefit was only 38% of the federal poverty level and will fall further if no action is taken. Legislation to increase the benefit to 50% FPL and implement a COLA failed in the 2022 General Assembly session.
- *Lifetime limit increase.* The 24-month periodic time limit was repealed in 2019 and the 48-month lifetime limit was increased to 60 months in 2022.
- *Expanded options for employment plan activities.* The “work-first” requirement of the 2007 law was ameliorated by allowing parents to receive assistance addressing barriers to employment and by expanding the work-readiness activities to include vocational training. In the 2022 General Assembly session, the law was amended to allow parents to participate in two years of education at CCRI as their sole qualifying activity.

- *Easier transitioning to employment.* In 2021, the law was changed to allow parents to retain the full RI Works payment, transportation assistance, and case management for six months after becoming ineligible for RI Works due to earned income. In the 2022 General Assembly session, the earned income disregard was increased, allowing parents who start a part-time job to keep \$65 more of their RI Works benefit while they are working.

Current diagnosis and policy recommendations

For FY2023, the state budget includes \$24.5 million for the RI Works benefit, equal to 26% percent of the \$95 million TANF block grant.

When considering different categories of possible TANF spending, including child care for parents receiving assistance and work activities, Rhode Island devotes only 14% of combined federal and state investments to basic assistance, much less than the national average of 22%.¹⁴ In 2020, the RI Works program reached only 26 families for every 100 families in poverty – down from 113 families when TANF was first enacted.¹⁵

The impacts of historic and present racism that impede access to high-quality education, jobs, and housing, along with other restrictions, result in people of color living in poverty at higher rates. They are thus more likely to need public benefits, including cash assistance. While White families make up the majority of RI Works recipients, Black and Latino families are represented at higher rates than their White counterparts when considering each group’s share of the population. The misperception of the program as one that serves primarily Black and Latino families contributes to the lack of political will to make the necessary investments to support the children and their parents who need this assistance, and to develop policies that enable children to thrive.

Recommendations:

- Increase the RI Works benefit and tie it to inflation for annual cost-of-living adjustments.
- Bring together thought leaders, service providers, policymakers, and current and former recipients of the RI Works program to review the program to create a program that better serves the poorest children in our state and that breaks the cycle of poverty for those who enroll in the program.
- Repeal full family sanction.
- Provide benefits to pregnant women from onset of pregnancy.
- Provide benefits to needy lawful permanent resident families.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

SUMMARY

- The Supplemental Nutrition Assistance Program (SNAP) provides low-income Rhode Islanders with financial assistance to purchase food.
- The program helps close to 140,000 Rhode Islanders each month, almost a third of them children.
- Because SNAP is not intended to provide for all food needs, the state should consider investing additional assistance to help families meet food needs.

Purpose of program

The Supplemental Nutrition Assistance Program (SNAP) provides low-income Rhode Islanders with financial assistance to purchase food.

How the program works

SNAP is a federal assistance program administered by the states. The benefit itself is wholly funded with federal dollars, while the cost of administering the program is shared 50/50 between the state and federal government. In Rhode Island, the Department of Human Services (DHS) administers the program, including the processing of applications and the issuance of Electronic Benefits Transfer (EBT) cards. People can apply by completing a paper application submitted to DHS or by applying at the HealthyRhode online portal (<https://healthyrhode.ri.gov>).

SNAP beneficiaries are issued an Electronic Benefit Transfer (EBT) card that is used at authorized supermarkets and other sites. The rules for eligibility are set by the federal government. To increase access to benefits during the COVID pandemic, there were opportunities for waivers from the federal rules, and Rhode Island took advantage of this option, but during “regular times,” there is very little latitude for the state to set program rules. Since SNAP benefits are quickly spent by the households that receive them, the program provides a boost for local and state economies.

Demographics

According to an analysis by the Center on Budget & Policy Priorities, in Federal Fiscal Year (FFY)¹⁶ 2021, SNAP helped 142,100 Rhode Islanders, approximately 1 in 8 residents. More than 36% of participants lived in working families, almost 54% lived in families with children, and almost 49% lived in families that included older adults or individuals with disabilities.¹⁷

According to the 2022 Rhode Island Kids Count Factbook, there were 139,787 Rhode Islanders enrolled in SNAP in October 2021. Sixty-nine percent were adults and 31% were children, and 32% of those children were under age 6.¹⁸

The amount of SNAP benefits anticipated to be provided to Rhode Islanders in FY2023 is estimated to be \$435.3 million. This includes \$12 million in emergency SNAP benefits that were authorized in response to the COVID Public Health Emergency (PHE). Households have been receiving an average of an additional \$150/month in benefits. When the PHE ends, the additional benefits will stop. The cost to administer the program is close to \$40 million for the year, split roughly evenly between the state and the federal government.¹⁹

Recently enacted legislation

In 2022, legislation was enacted requiring DHS to streamline the application process for households with older adults or people with disabilities.

In 2022, the General Assembly enacted a pilot program to start on January 1, 2023 to provide state-funded SNAP benefits for households to encourage the purchase of healthy fruits and vegetables. Recipients will receive, on their EBT cards, an additional 50 cents for each dollar they spend on fruits and vegetables.

Current diagnosis and policy recommendations

SNAP does not, and is not intended to, cover all food costs for the month, and many households need to turn to food pantries to ensure they and their families have sufficient food.

Recommendation

Use general revenue for programs to reduce food insecurity.

CHILD CARE ASSISTANCE PROGRAM (CCAP)

SUMMARY

- The Child Care Assistance Program (CCAP) helps low-income parents go to work or pursue education by paying all or part of the costs of child care for children under the age of 13.
- CCAP provides critical early learning opportunities for children.
- State funding for child care in 2022 is down \$47.5 million compared with 2005.
- Child care is an important occupational sector.
- The state should increase access to CCAP for families and improve wages for providers, using general revenue as necessary to achieve these important policy goals.

Purpose of program

Rhode Island's Child Care Assistance Program (CCAP) helps low-income parents to work or attend school by paying all or part of the costs of child care for children under the age of 13.

How the program works

To qualify for CCAP, family income must be below 200% of the Federal Poverty Level (FPL) (\$46,060/year for a family of 3), and the parent or caretaker relative must be working, taking part in a training program, or be enrolled in a RI public institution of higher education for at least 20 hours/week. If income rises above 200% FPL, families do not immediately lose CCAP benefits; rather, they can retain their benefits until income exceeds 300% FPL (\$69,090/year for a family of 3). Families apply for CCAP by submitting a paper application to DHS or by applying at the HealthyRhode online portal (<https://healthyrhode.ri.gov>).

Once approved, DHS will send payments to authorized child-care providers. Families with income below 100% FPL pay nothing but most families must make co-pays (of between 2% and 7% of income) directly to the child-care providers. The choice of provider is left to the family and can include DHS-licensed family-based child care, before-school and after-school programs, and child-care centers, or a DHS-approved relative without a license.

Federal funding for child care comes primarily from the Child Care and Development Fund (CCDF), which is divided into two parts: (1) mandatory funding, which includes the Child Care Entitlement to States (CCES), and requires a state contribution as well as a Maintenance of Effort (MOE) requirement; and (2) discretionary funding in the form of the Child Care Development Block Grant. For Rhode Island, the mandatory funding amounted to \$11.1 million in FY2022, and the discretionary funding amounted to approximately \$14 million in FY2022. The CARES Act and other pandemic-era funding have increased temporarily federal funding of child-care assistance.

Although the CCDF is intended to be the main source of federal funding for child care, Rhode Island has also long drawn upon the Temporary Assistance for Needy Families (TANF) block grant. Since the TANF block grant is the only source of funding for families receiving RI Works benefits, when more TANF funds are used for CCAP, there are fewer dollars for RI Works.

Demographics

As of December 2021, there were 6,110 child-care subsidies being provided to families, less than half the number of subsidies provided two decades ago, and a 42% drop from pre-pandemic levels (see Figure 8).²⁰

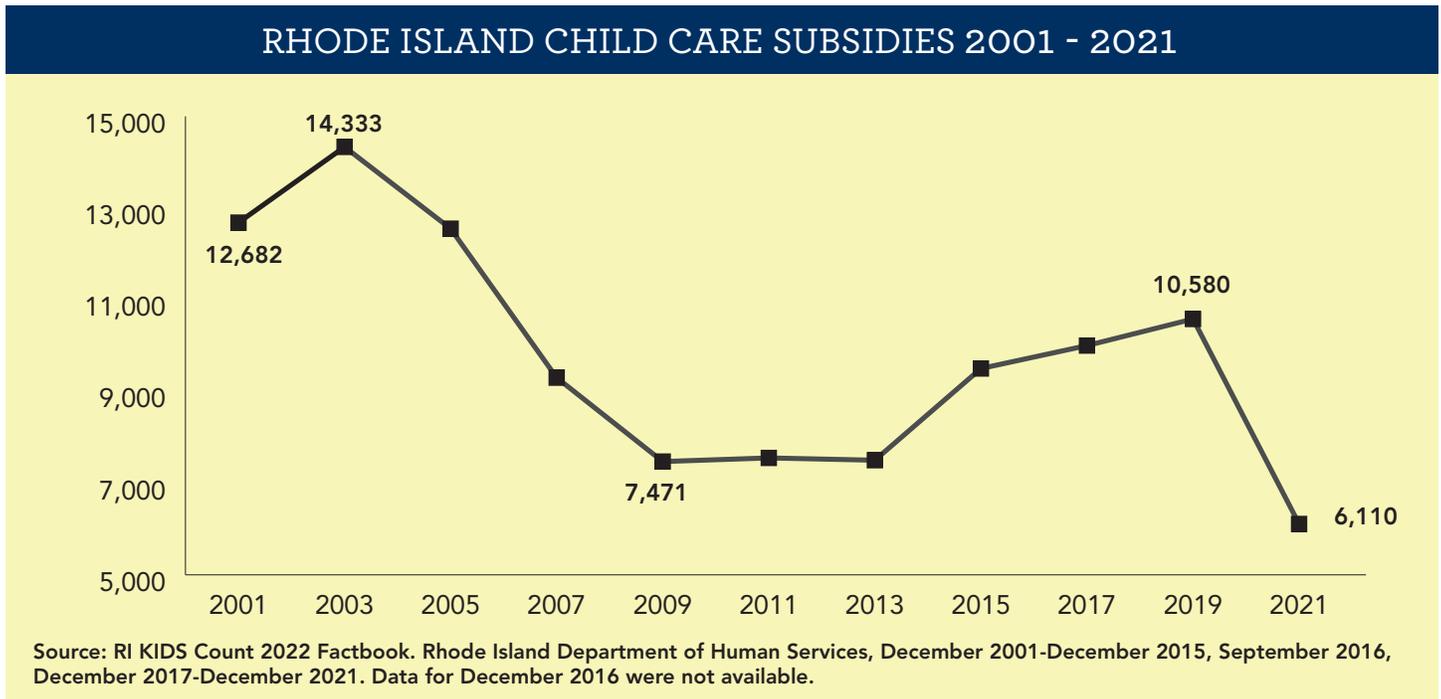


FIGURE 8

History of the program in RI

The Starting Right Child Care Assistance Program (CCAP) was enacted in 1997 to expand access to quality child care for working families by implementing three policy changes: (1) raising the income limit so more families could qualify for subsidized care; (2) increasing the rates the state paid to providers for children enrolled in CCAP so more providers would accept children using the subsidy, as well as to bolster the child care system as a whole; and (3) raising the age of eligibility for children from 12 to 15 so that youth could have a safe place to be after school.

During the first 10 years, the income eligibility limit increased from 185% FPL to 225% FPL and reimbursements to child-care providers were adjusted annually based on a survey of rates charged by all child-care providers so that rates paid by the state would be competitive with private pay rates.

However, beginning in 2007, state investments in CCAP were reduced as a budget savings measure. The three-part approach to opening doors to high-quality care for low-income children was undone: the income limit for CCAP was reduced from 225% FPL to 180% FPL (from \$51,818 to \$41,454 for a family of 3 in 2022 dollars), even lower than the threshold when Starting Right was enacted, and the age of eligibility was reduced from 15 to 13. In addition, the rates paid to providers were frozen. State funding for child care in 2022 is down \$47.5 million compared with 2005.

Beginning in 2013, the state made some improvements to the program that benefitted both families and providers. In 2013, an "exit income" limit was enacted so that parents enrolled in CCAP could continue to receive the subsidy until income reached 225% FPL (\$51,817 for a family of 3), allowing a

parent to work more hours or accept an increase in pay without losing assistance. Eligibility was expanded to include parents who needed child care to participate in a work training program, and the original pilot program was made permanent in 2015.

Provider rates have also been addressed – linking rate increases to quality. In 2018, tiered-quality rates for children under age 6 in child-care centers was implemented, raising rates for infants and toddlers by up to 31% and for preschoolers by up to 21%.

Recently enacted legislation

In 2021 a pilot program (made permanent in 2022) was enacted to provide CCAP eligibility for parents attending post-secondary education institutions in Rhode Island.

In the 2022 General Assembly session, the “entry” income limit was raised from 180% FPL to 200% FPL (\$41,454 to \$46,060 for a family of 3) allowing more families to qualify for assistance. The “exit” income limit was raised from 225% FPL to 300% FPL (\$51,817 to \$69,090 for a family of 3), so that families can continue to receive assistance as wages increase.

Also during the 2022 session, CCAP provider rates for center-based child care were increased, using \$7.6 million in federal funds. CCAP provider rates range from the 50th percentile (of the 2021 market rate survey for all ages) for first-tier providers to the 80th percentile for top-tier providers. This replaces the current rate structure which ranges from the 25th to the 75th percentile using the 2018 market rate survey. Family-based child-care home providers are negotiating rates.

The enacted FY2023 budget allocates \$21.3 million in federal American Rescue Plan Act (ARPA) State Fiscal Relief Funds (SFRF) for FY2023 (and \$42 million overall for FY2022 through FY2025) to provide retention bonuses for direct care staff at center-based or family-based child-care centers. In addition to paying for bonuses, these funds will be used to cover application and background check fees for new providers, to pay for direct-care staff education, to create a workforce registry, and to pay for quality improvements.

Current diagnosis and policy recommendations

Child care is essential for parents to work and for our economy to function, as the coronavirus pandemic has made all too evident. Child care is also a vital educational support for our youngest children and is an important part of the state’s early

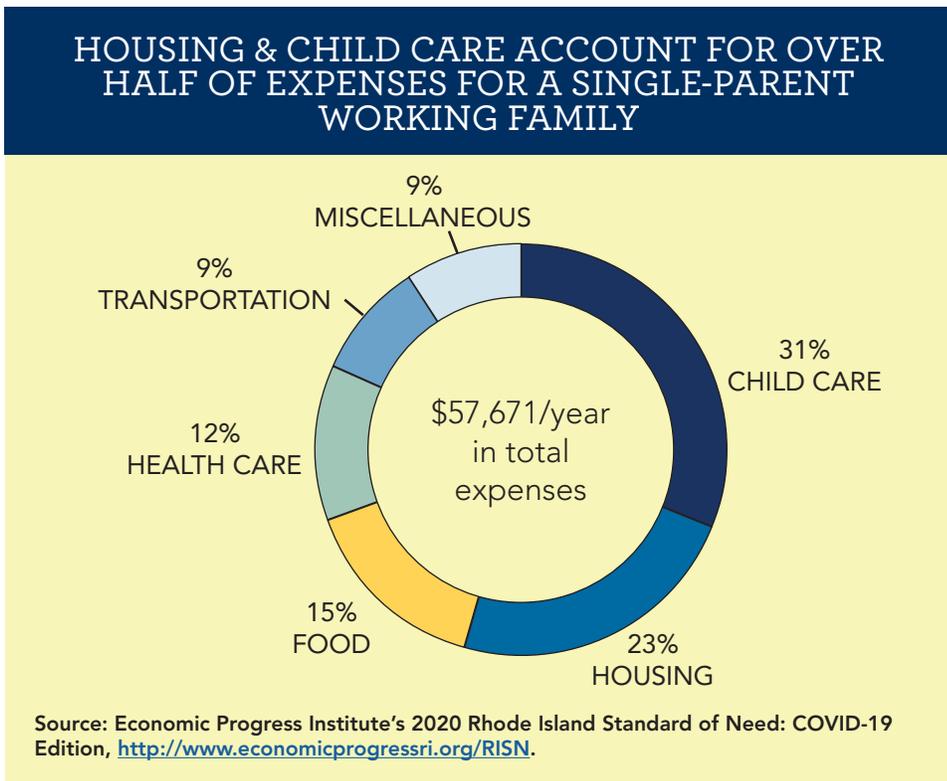


FIGURE 9

learning ecosystem. Unfortunately, safe, high-quality child care can be out of reach for many working families. The average annual cost for full-time child care in 2021 was \$11,700 for preschool care at a licensed center and \$9,750 for care at a family-based home child care. Care for an infant in a center was \$13,780. For a single parent of a toddler and school-age child, child-care costs can consume almost one-third of her family's budget, more than housing or food (see Figure 9).²¹

Recommendations

- Raise the entry and exit income limits to 250% FPL and 350% FPL, respectively.
- Join 37 other states by not making CCAP approval dependent upon establishing paternity or parentage or seeking child-support enforcement against a non-custodial parent.
- Increase wages paid to child care providers.

PUBLICLY SUPPORTED HEALTH COVERAGE

SUMMARY

- Hundreds of thousands of Rhode Islanders benefit from publicly supported health coverage, including Medicaid and tax credits to subsidize commercial coverage purchased through HealthSource RI, the state's health insurance exchange.
- Less than 5% of Rhode Islanders lack healthcare insurance coverage. Black, Asian, and Hispanic or Latino Rhode Islanders are more likely to be uninsured than White Rhode Islanders.
- Rhode Island's already low uninsured rate should be decreased further by expanding access to publicly supported health coverage.

What is publicly supported health coverage?

A majority of Rhode Islanders (54.0%) access health insurance through their employers.²² Among the non-elderly, the rate is 63.6% with employer coverage. Hundreds of thousands of Rhode Islanders receive healthcare coverage through publicly funded or supported sources including the Veterans Administration (VA), Medicaid, and Medicare, or by purchasing coverage through HealthSource RI (HSRI) and accessing tax credits to subsidize premiums.

As of July 31, 2022, there were 352,929 Rhode Islanders enrolled in Medicaid, the federal/state health insurance plan providing coverage for lower-income seniors, people with disabilities, pregnant women, children, families, and adults ages 19-64.²³ In 2020, there were 224,732 Rhode Islanders with Medicare. And after HealthSource RI's 2022 Open Enrollment period, there were 32,345 Rhode Islanders with marketplace health coverage, of whom 85% received tax credit subsidies.²⁴

How publicly supported health coverage works

Medicaid

The Medicaid Program serves approximately one in three Rhode Islanders, providing access to primary and preventive healthcare services for lower-income children, parents, pregnant women, adults ages 19-64, seniors, and people with disabilities. Medicaid is also the primary funder of long-term care services that seniors, and children and adults with significant disabilities, need to live safely at home.

Medicaid supports children in state custody by providing health coverage when they are in care and encourages adoption of children with special needs by providing ongoing Medicaid coverage. Young adults who are exiting the foster care system receive Medicaid health insurance coverage until they turn 26, just as they would be entitled to health insurance coverage through their parents' coverage.

When the Medicare program providing health coverage for seniors in general was enacted in 1965, Medicaid was enacted to provide coverage to low-income seniors and some low-income children. Over the years, Congress expanded Medicaid eligibility to people with disabilities, higher-income children, parents, and pregnant women. With the passage of the Affordable Care Act, low-income adults ages 19-64 were included, thereby providing access to Medicaid for all low-income residents.

Medicaid for Children and Pregnant Women

In 1993, Rhode Island made a commitment to provide health insurance to all Rhode Islanders, beginning with health insurance for low-income pregnant women and children under age 6.²⁵ Over the subsequent years, eligibility for children was increased through age 18 and the income limit was also increased. The current income limit for children is 266% FPL (\$61,260 for a family of 3). The income limit for a pregnant woman is 258% FPL (\$47,240).

Medicaid for Parents

At the outset, parents were only eligible for Medicaid if they were enrolled in the Aid to Families with Dependent Children (AFDC) program, the predecessor cash assistance program to TANF. In 1997, eligibility for Medicaid was “delinked” from the cash assistance program, allowing families to be eligible for Medicaid even if not receiving cash assistance. In 1998, the income limit for families in Rhode Island was set at 185% FPL. This became the income limit for parents, while the eligibility limit for children was higher. In 2008, as a budget-savings measure, parent eligibility was reduced to 175% FPL. In 2013, when the Affordable Care Act was enacted, parent eligibility for Medicaid dropped to 141% FPL. While parents could buy coverage through HSRI, they now had to pay monthly premiums (with tax credits to help offset the cost) and co-pays.

In 2000, Rhode Island implemented the RItE Share program which requires parents enrolled in Medicaid and who have access to affordable insurance at their job to enroll in their employer’s plan. The state reimburses the employee for their share of the monthly premium. Parents enrolled in RItE Share need to make co-payments for medical visits unless the provider accepts Medicaid. The current Medicaid income limit for parents is 141% FPL (\$32,472 for a family of 3).

Medicaid for Seniors and People with Disabilities

The Medicaid program provided health insurance for very low-income seniors and people with disabilities from its inception in 1965, setting financial eligibility to correspond to the income limit for Supplemental Security Income (SSI), the federal cash-assistance program for these populations. States are authorized to increase the income limit and Rhode Island has done so, but only to 100% FPL (\$13,590 for an individual).

Medicaid for Adults

The Affordable Care Act presented the opportunity to cover low-income adults without children (the “expansion population”), and Rhode Island was an early adopter, providing critical coverage to adults ages 19-64. The income limit for these adults is 138% FPL (\$18,754).

Medicare

Whereas Medicaid is a state-run program using both state and federal funds, Medicare is federally administered and federally funded. Most people ages 65 and over automatically qualify for Medicare coverage and people who receive Social Security Disability benefits receive Medicare after 24 months of SSDI eligibility.

Through Medicare Part A, the federal government provides hospital coverage at no cost to the recipient. Through Medicare Part B, the federal government subsidizes medical coverage, generally requiring that recipients make monthly premium payments (currently \$170), as well as co-pays. Medicare also offers optional prescription drug coverage.

Seniors and people with disabilities with income less than 100% FPL (\$13,590 for an individual) and limited resources can enroll in Medicaid, which pays the Medicare premium and co-payments as well as provides access to medical services and long-term care services that Medicare does not cover. Through the Medicare Premium Savings Programs, seniors and people with disabilities with income less than 185% FPL (\$25,142 for an individual) qualify to have Medicare premiums covered by Medicaid (thus saving them \$2,040 annually), and people with very low income and resources also qualify to have Medicaid cover co-pays and deductibles.

Purchasing Coverage through HealthSource RI (HSRI)

HealthSource RI (HSRI) is the state’s health insurance marketplace established under the Affordable Care Act. Uninsured Rhode Islanders who are not eligible for Medicaid (and do not have affordable coverage through their employer) can purchase commercial coverage – a Qualified Health Plan (QHP) – through HSRI. Depending on income, they can receive tax credits to help pay the cost of monthly premiums. The tax credits are received in advance each month through an Advance Premium Tax Credit (APTC), based on expected yearly income. The amount of the APTC and the actual amount to which the taxpayer is entitled are reconciled when taxes are filed.

Enrolling in Medicaid or Health Source RI Coverage

The Medicaid agency within the Executive Office of Health and Human Services (EOHHS) administers the Medicaid program. The Department of Human Services (DHS) has the responsibility for determining and reviewing eligibility. Seniors and people with disabilities apply for Medicaid by submitting a paper application to DHS or applying through the HealthyRhode online portal (<https://healthyrhode.ri.gov>).

Healthsource RI administers the QHP program and provides a “one-stop shop” for families and non-elderly individuals without disabilities to apply for publicly supported coverage. Using the HSRI

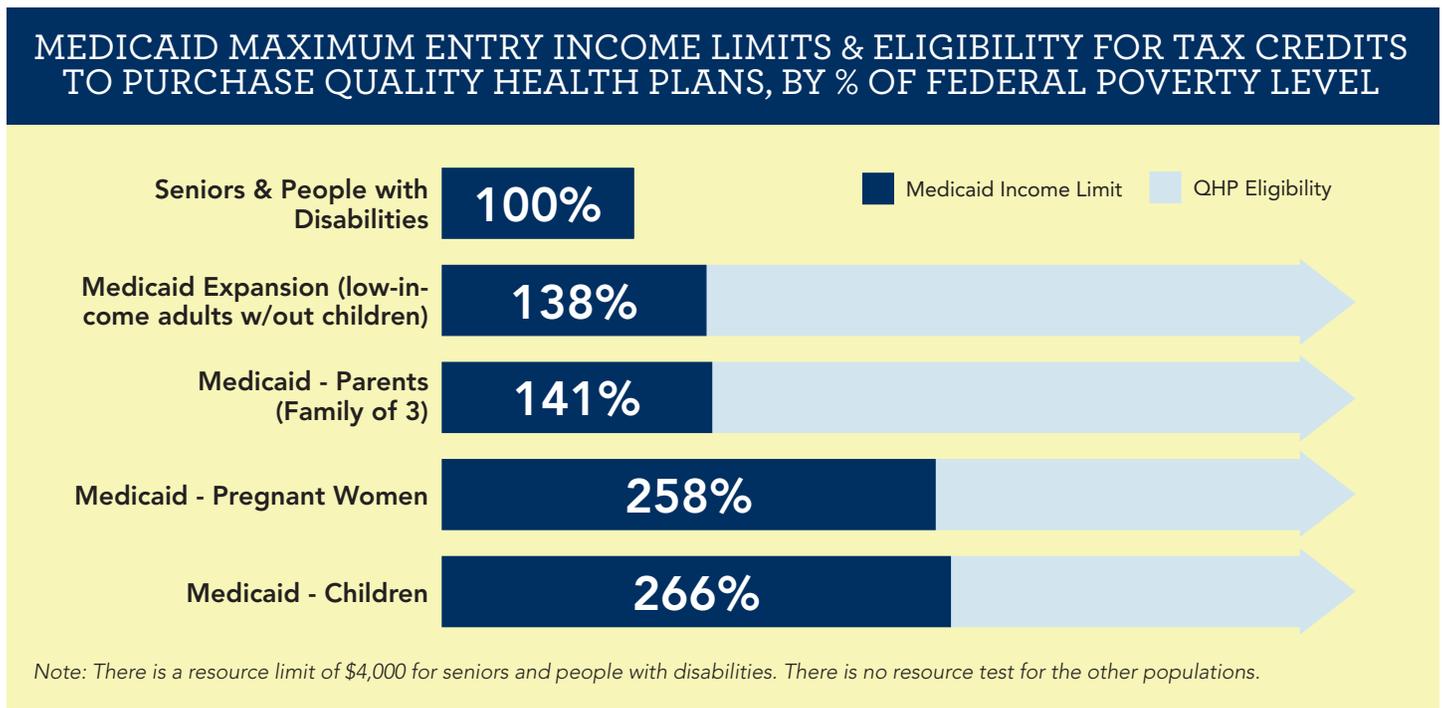


FIGURE 10

on-line application portal (<https://healthsourceri.com>), applicants are determined to be eligible for Medicaid or for a QHP and the amount of APTC available. A network of trained community-based Navigators provides assistance.

Figure 10 summarizes the income limits for different populations to qualify for Medicaid coverage. For most populations, the individuals and families with income above these limits qualify for subsidies to help pay for the purchase of Qualified Health Plans through Health Source RI.

Medicaid Funding

Medicaid is a large part of the state's budget (31.1% in the enacted FY2023 budget for all spending and 29.7% of state general revenue spending). This is to be expected, given that the federal and state investments support health insurance coverage for thousands of state residents and pay for long-term care services, as well as financial support to the health care delivery infrastructure. In addition, school districts can receive federal Medicaid funds to pay for a range of health services for Medicaid-enrolled students.

For FY2023, the enacted budget authorizes Medicaid expenditures totaling \$4 billion, including \$1.5 billion in general revenue funds.²⁶ The percentage of federal funds, the Federal Medical Assistance Percentage (FMAP), is computed from a formula that takes into account the average per capita income for each state relative to the national average. By law, the FMAP cannot be less than 50%. The FMAP varies by type of Medicaid population. For example, the enhanced FMAP in Federal Fiscal Year (FFY) 2021 was 61.08%.²⁷ For certain children and pregnant women, eligible under the Children's Health Insurance Program (CHIP), the FMAP was 72.76%. For adults ages 19-64 (the expansion population), the FMAP was 90%.

Of the \$4 billion appropriated for FY2023, \$498.6 million (12.5%) was directed to the Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH) for services provided to people with intellectual and development disabilities and adults with behavioral health needs. The Department of Children, Youth & Families (DCYF) will receive \$76.1 million for children in foster care and children with behavioral health needs. The majority of funds (\$3.4 billion) will be expended through the Executive Office of Health and Human Services.

Medicaid expenditures vary significantly across populations. Seniors and people with disabilities incur a larger share of costs to pay for higher medical needs as well as long-term care needs. The expansion population, coupled with children and families, made up 77.9% of Medicaid enrollees in 2020 and incurred 40.4% of the costs. Figure 11 shows Medicaid enrollment and expenditures during FY2020, before the pandemic made its full impact:²⁸

To ensure that as many people as possible continued to have health insurance during the pandemic, Congress offered enhanced federal matching funds for Medicaid. In exchange, the state suspended annual renewals and maintained coverage for enrolled individuals unless they died, moved out of state, or requested to be disenrolled. As a result, Medicaid enrollment has increased over the past two years. Once the federal government announces the end of the Public Health Emergency, the state will begin to review eligibility for renewals over a 12-month period.

Demographics

Among Rhode Islanders, 95.7% possess some type of health insurance and 4.3% are uninsured.²⁹ However, there are variations in health insurance status by sex, age, and race/ethnicity.

Black, Asian, and Hispanic or Latino Rhode Islanders are more likely to be uninsured than White Rhode Islanders (see Figure 12).

Whereas 5.3% of men in Rhode Island are uninsured, only 3.3% of women are.³⁰ Figure 13 shows the percentage of uninsured Rhode Islanders by age group. Few children lack coverage, and due to Medicare and Medicaid, very few older Rhode Islanders lack health insurance.

Recently enacted legislation

In 2022, the state enacted legislation which required Medicaid coverage of all Rhode Island children, regardless of immigration status. The state can claim federal matching funds for all lawfully present children and will use general revenue funds to provide coverage for children who do not possess documented immigration status, including Deferred Action for Childhood Arrivals (DACA) children.

Legislation enacted in 2022 also requires Medicaid to provide coverage for 12 months postpartum for women who give birth while insured by Medicaid (up from 60 days postpartum).

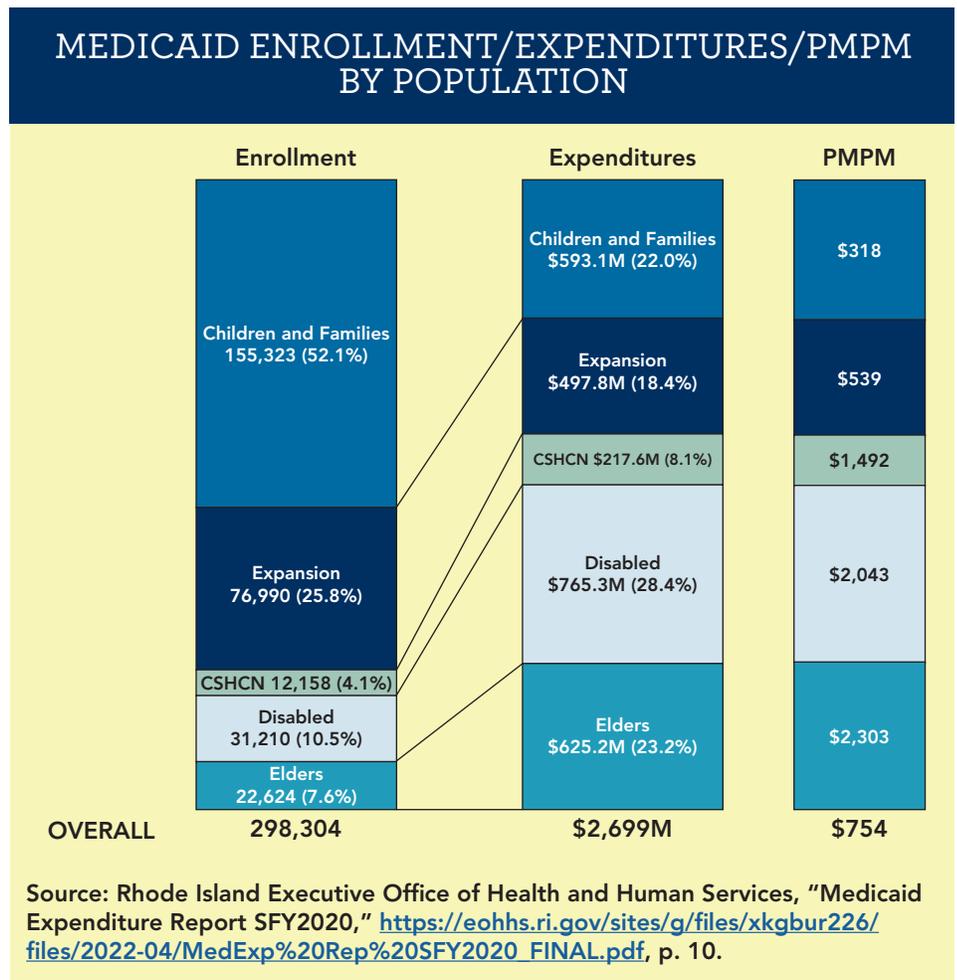


FIGURE 11

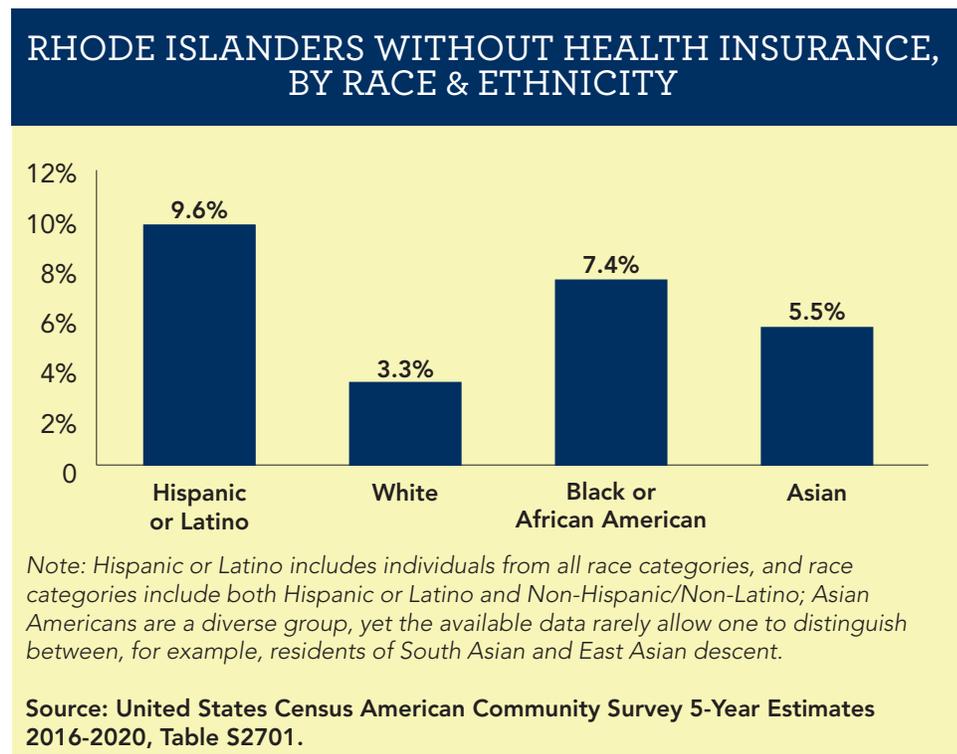


FIGURE 12

Current diagnosis and policy recommendations

Health insurance coverage is an important factor in promoting the health of Rhode Islanders. Lack of insurance may have negative health consequences. For example, uninsured adults are less likely to receive preventive services for chronic conditions such as diabetes, cancer, and cardiovascular disease. Similarly, children without health insurance coverage are less likely to receive appropriate treatment for conditions like asthma or critical preventive services such as dental care, immunizations, and well-child visits that track developmental milestones.

RHODE ISLANDERS WITHOUT HEALTH INSURANCE, BY AGE GROUP

Age Group	% Uninsured
Under 6 years	2.6%
6 to 18 years	2.4%
19 to 25 years	7.2%
26 to 34 years	8.8%
35 to 44 years	6.7%
45 to 54 years	5.0%
55 to 64 years	2.9%
65 to 74 years	0.5%
75 years and older	0.3%

Source: U.S. Census Bureau, American Community Survey, 5-year estimates for 2016-2020, Table S2701.

FIGURE 13

Rhode Island law should recognize that abortion coverage is part of healthcare coverage. Currently, health coverage for state employees and for women enrolled in Medicaid does not pay for abortion care, meaning that such coverage does not encompass the full range of reproductive healthcare. Access to coverage is an equity issue, and under current law, insurance-covered reproductive healthcare and abortion care is not available to all Rhode Islanders; Rhode Islanders enrolled in Medicaid, disproportionately Black and Latino, have less access, on average, than White Rhode Islanders.

Although Rhode Island statute does protect to some extent the healthcare coverage of Rhode Islanders, it does not presently protect all of the coverage guaranteed by the federal Affordable Care Act (ACA). If the Supreme Court declares unconstitutional the ACA, then some guarantees, including the prohibition of lifetime limits in commercial insurance plans, could disappear for Rhode Islanders.

Recommendations:

- Expand access to publicly supported health coverage to decrease further Rhode Island's already low uninsured rate.
- Increase eligibility for the Medicare Saving Program for low-income seniors and people with disabilities.
- Enact the Equality in Abortion Coverage Act to provide full reproductive healthcare for women enrolled in Medicaid and for state employees.
- Enshrine Affordable Care Act (ACA) consumer protections in state law to ensure people enrolled in commercial coverage receive comprehensive health care services and are not subject to annual or lifetime limits or excluded from coverage due to pre-existing conditions.

PUBLICLY SUPPORTED LONG-TERM CARE (LTC) SERVICES

SUMMARY

- The goal of Long-Term Care is to provide the most appropriate services to people who need them, in the least restrictive setting.
- “Rebalancing” the state’s Long-Term Care system would mean spending as much money on Home- and Community-Based Services (HCBS) as on institutional care; at present, only 30% of spending goes to HCBS.
- The long-term care workforce must be supported and expanded, by increasing wages and providing opportunities for workers in entry-level positions to have pathways to higher paying jobs.

What is Long-Term Care (LTC)?

Long-Term Care (LTC), often referred to as Long-Term Services and Supports (LTSS), refers to services provided to older adults and people with disabilities and necessary for a person’s health and well-being, services provided in addition to acute care and primary care services.

Services include help with everyday activities such as bathing, dressing, grooming, using the toilet, eating, and mobility. Services may be provided in a nursing facility for individuals with high needs who require 24/7 care. Community-based options include assisted-living facilities, shared living (person lives with individual who provides care or care provider lives in the person’s home), and living at home with supports. Most seniors and people with disabilities prefer to live at home with the Home- and Community-Based Services (HCBS) necessary to keep them safe and well. Meals-on-wheels, adult day programs, and case management are also HCBS activities that support the ability to live in the community.

Publicly Supported Long-Term Care

The Medicaid program provides LTSS for seniors and people with disabilities who are already enrolled in Medicaid (people receiving SSI benefits or who have income below 100% FPL). People with disabilities and seniors who are not enrolled in Medicaid can gain eligibility if their income is less than three times the SSI benefit amount (\$30,276 for an individual, just above twice the poverty level), they have limited resources, and they meet a specified level of care (highest or high).

Only people assessed as having the highest level of need are eligible for care in a nursing facility, but they can also receive care at home. Individuals who have a high level of need can receive a range of home- and community-based services. The PACE program, a non-profit health plan, serves people in their homes through a team approach that provides primary care, prescription drugs, 24/7 medical emergency services, home care, adult day services, rehabilitation therapies, transportation to all medical appointments, vision, dental, and other services.

Persons ages 65 and older and people under age 65 who have a diagnosis of Alzheimer’s disease or related dementia, who need help to live safely at home, and whose income exceeds the Medicaid limit, can receive help paying for in-home care services and/or adult day service through the @Home Cost-Share program administered by the Office of Healthy Aging. The income limit is 250% of the federal poverty level (\$33,975 for an individual). Participants pay a share of the cost based on income.

“Rebalancing Care”

Since most older adults and people with disabilities prefer to live at home with necessary assistance rather than living in a nursing home, and because it is more cost-effective for the state, many states have been aggressive in creating systems of home- and community-based services. Rhode Island, too, has committed to rebalancing long-term care – to shifting the balance of care away from nursing facilities towards home and community settings.

Statutory changes to “rebalance” have included the following: the enactment of the Perry-Sullivan Act in 2006 requiring savings from reduction in expenditures on nursing facilities to be reinvested in HCBS; the authorization for the Section 1115 Demonstration waiver in 2008 that set a goal of a 50/50 split of state investments between HCBS and nursing homes; and the Reinventing Medicaid Act of 2015.³¹

This “rebalancing” commitment has been very slow in implementation. According to the Rhode Island’s Executive Office of Health and Human Services’ Long Term Care Service and Finance Performance Report (April 2022), overall spending on HCBS has increased over the past four years, from 18.5% of LTSS spending to 29.9% (not including HCBS for individuals with intellectual and developmental disabilities (IDD)³²), but there is a long way to go to achieve the 50/50 balance. The report shows that the average cost for a senior living in a nursing home in 2021 was \$65,944 compared to \$21,655 for a person living at home with HCBS. (This includes services covered by Medicaid as well as @Home Cost-Share.)³³

Options for accessing home- and community-based care have increased over recent years but are still not adequate. In addition to hiring a direct-care worker from a home health agency, there are two “self-directed care” options: Personal Choice, where the consumer receives a budget from EOHHS to hire a person to provide services and to use for other needs; and the Independent Provider (IP) model enacted in 2018, through which the consumer chooses a person to provide care while the state manages the payroll.

To encourage states to expand and strengthen home- and community-based services, Congress included a provision in the American Rescue Plan Act (ARPA) providing states with a temporary 10 percentage-point increase to the FMAP for HCBS for Medicaid beneficiaries. Expenditures must supplement and not supplant existing state investments, and the state must use state funds equivalent to the amount of federal funds attributable to the increased FMAP. EOHHS has submitted a document to the Centers for Medicare & Medicaid Services (CMS) explaining its plan for spending the funds to increase access to HCBS for older adults and children and adults with disabilities, safeguard financial stability for HCBS providers, and accelerate long-term services and supports (LTSS) reform. EOHHS files quarterly reports documenting activities and expenditures.³⁴

The Long-Term Care Workforce

A critical issue in expanding HCBS is the lack of sufficient direct-care workers to meet consumer need. Inadequate pay and lack of upward mobility opportunities in this sector of the workforce are two major parts of the problem. Medicaid pays home health agencies for the services they provide, and rates have increased over the last several years, sometimes with directives to ensure that agencies use funds to increase wages for direct care staff and/or provide higher rates of pay for providers with additional skills (e.g., caring for people with behavioral health issues and dementia). In the Personal Choice program, consumers were allowed to pay their direct care workers an hourly wage ranging

from \$9-\$15/hour. The hourly wage for direct care workers in the Independent Provider Program has been \$13.82. The FY2023 enacted budget set the minimum hourly wage at \$15/hour, increasing the range for providers in the Personal Choice program to \$15-\$21/hour and the wage for IP providers to \$15/hour.

In 2016, EOHHS initiated a Healthcare Workforce Transformation planning process that engaged over 250 healthcare partners to share their insights into the types of occupations, roles, and training that will be needed in Rhode Island's rapidly evolving health system and workforce, including access to LTSS and HCBS. In May 2017, EOHHS issued the Healthcare Workforce Transformation Report which identifies key priorities and strategies to educate, deploy, and support a talented and diverse healthcare workforce.³⁵ In November 2016, CMS approved up to \$129.6 million over a five-year period to support Rhode Island's Health System Transformation Program (HSTP) with some of the funds dedicated to workforce development.

The funds for workforce development have been allocated to the Department of Labor and Training (DLT), and there is a joint initiative between DLT and EOHHS to activate investments.

Recently enacted legislation

In the 2022 enacted budget, policies supporting HCBS included: increasing Medicaid rates paid for care of residents in assisted living or a shared living arrangement to reflect the acuity level of the individual. The Maintenance of Need Allowance for individuals receiving home and community-based services was increased from 100% to 300% of the SSI federal benefit rate, reducing the individual's co-pay for HCBS and giving them more income to be able to pay rent and meet other basic needs. The income limit for the @Home Cost-Share program was increased from 200% to 250% FPL, and eligibility was extended to younger individuals with a diagnosis of Alzheimer's disease and related dementias.

Policies improving care for residents and supporting the workforce in nursing facilities, enacted in the FY2022 budget, included the Nursing Home Staffing and Quality Care Act, which set minimum staffing levels. The budget included new daily rates to provide nursing home care for patients with behavioral healthcare needs. Certification for special units to receive the additional \$175/day rate is currently underway.

Policies supporting HCBS in the FY2023 enacted budget include the \$15/hour minimum wage for direct care workers which particularly helps direct care workers hired through the self-directed care models, as described above. The budget includes \$10 million for EOHHS to provide support for home care providers "consistent with the long-term care rebalancing provisions of state law." In addition, funding for the Home Modification grant program was increased from \$500,000 to \$1 million and rates for Meals on Wheels were expanded.

Improvements in care for residents in nursing homes and other facilities include an investment of \$30 million in ARPA funds to support nursing homes and \$108.2 million in the state's Capital Plan to build a new 100-bed facility on the Zambarano campus of Eleanor Slater Hospital.

Current diagnosis and policy recommendations

There have been important efforts in Rhode Island to expand access to home- and community-based services, to rebalance long-term care, and to improve conditions for the long-term care workforce, yet much remains to be done.

Recommendations:

- Raise wages for direct care workers caring for older adults and people with disabilities to be at least equal to wages paid to direct care workers for people with intellectual and development disabilities (currently \$18/hour).
- Provide higher wages for individuals working with populations with higher needs.
- Continue and expand efforts to provide career pathways to higher-paying jobs for entry-level direct care workers.
- Continue to streamline the process for applying for LTSS and HCBS and continue efforts on the “No Wrong Door” and Person-Centered Planning projects.
- Increase the income limits and repeal the resource test to enable more people to enroll in the Medicare Premium Savings Programs.
- Make improvements to the @Home Cost-Share to provide more hours of service and cover additional services such as chore services, personal emergency response systems, and subsidies for assisted living.
- Recognize the value of unpaid family caregivers who provide the vast majority of long-term supports by increasing the respite program allowances, expanding programs offering training and support services, and providing assistance with care coordination.

THE NEEDS OF WORKING RHODE ISLANDERS

To make Rhode Island more friendly to workers, the state needs to provide the supports and protections that allow people to thrive.

To ensure that there are opportunities for workers to enhance their skills, so they can attain jobs that pay a family-sustaining wage, they need access to adult education, literacy programs, workforce training, and a variety of services and programs provided by the state's Department of Labor and Training and the Adult Education programs coordinated by the Rhode Island Department of Education (RIDE). These and other supports and protections can make a huge difference in helping them maintain employment and in providing clear pathways to attain post-secondary credentials, certificates, and degrees that will open doors to better paying jobs and upward mobility.

In this section we discuss Paid Leave, which allows workers to take time off to care for loved ones, while receiving a portion of their wages and without having to worry about losing their jobs. We also consider wage protections in the form of the minimum wage and the tipped minimum wage.

PAID FAMILY LEAVE

SUMMARY

- Rhode Island's Temporary Caregiver Insurance (TCI) program lets workers take time from their jobs to care for a newborn, an adopted or foster child, or a seriously ill family member.
- Rhode Island's TCI program provides a maximum of 5 weeks of paid leave (scheduled to increase to 6 weeks in January 2023), the shortest length of any paid family leave policy in the country.
- The state's program can be made more accessible for those earning lower wages by expanding the number of weeks and by increasing the replacement wage to cover more or all of low-income workers' wages.

Purpose of program

Paid family leave programs allow workers time to take care of loved ones while keeping their jobs and a portion of their wages. Rhode Island's Temporary Caregiver Insurance (TCI) program lets workers take time from their jobs to care for a newborn, an adopted or foster child, or a seriously ill family member.

How the program works

Eligible workers apply for TCI benefits through the Department of Labor and Training. Currently, the program provides up to five weeks of partial (about 60%) wage replacement, for a minimum weekly benefit of \$114 and a maximum of \$1,007. While workers are on leave, their jobs and seniority are protected.

The separate Temporary Disability Insurance (TDI) program allows workers to take time off of work when injured for an extended period of time. The TCI and the TDI programs are funded by money withheld through payroll deductions from the earnings of workers. The Department of Labor and Training administers both programs.

Demographics

In 2021, 7,031 workers used TCI to take time from work to bond with a new child (75% of claimants) or provide care for a seriously ill family member (25% of claimants).

Data show that while workers with the lowest incomes, less than \$20,000 per year, accounted for 38% of all workers paying into the TDI/TCI fund, they accounted for only 30% of workers benefitting from the program.³⁶ This disparity between payment and use is likely due to workers with lower income not being able to afford to take paid leave because 60% of their wages is not enough to cover household expenses.

History of the program in RI

Rhode Island's Temporary Disability Insurance (TDI) program, created in 1942, provides wage replacement benefits to workers injured outside the workplace. Workers can take up to 30 weeks of paid leave. TDI benefits are not taxable.

In 2013, Rhode Island became the third state to enact a Temporary Caregiver Insurance (TCI) program. TCI is one of 12 such state-based paid leave programs (plus DC). TCI benefits are taxable.

Recently enacted legislation

In 2021, legislation was enacted to increase the maximum number of weeks allowed for paid leave from 4 to 5 beginning in 2022, and from 5 to 6 beginning in 2023. In 2022, proposals to increase the wage replacement amount and increase the number of allowable weeks were introduced but not passed.

Current diagnosis and policy recommendations

The COVID-19 pandemic highlighted the importance of the TCI program to help Rhode Islanders manage home and work responsibilities. It also reinforced the need to address two key deficiencies in the program:

- Rhode Island's TCI program provides a maximum of 5 weeks of paid leave (scheduled to increase to 6 weeks in January 2023). This is the shortest length of any paid family leave policy in the country. Many states allow for as much as double this time, providing between 8-12 weeks of paid leave, including Massachusetts and Connecticut which both provide 12 weeks.
- Rhode Island's TCI wage replacement is currently at 60%, meaning that workers can only receive approximately 60% of their regular pay when on leave. This wage replacement is the lowest rate in the U.S. and lower than the wage replacement for low-wage workers in Massachusetts (95%) and Connecticut (80%). As noted above, access to TCI has not been equitable, with the lowest-income workers contributing into the system more often than they receive the benefits.

Recommendations:

- Extend Temporary Caregiver Insurance to cover at least 12 weeks, the minimum recommended length of leave to care for newborns, adoptive, and foster children.
- Increase the Temporary Caregiver Insurance wage replacement rate during leave for all beneficiaries, but particularly for individuals with low-wage jobs, so that all eligible families can afford to take leave when needed.

MINIMUM WAGE & THE TIPPED MINIMUM WAGE

SUMMARY

- The minimum wage is meant to protect workers from exploitation.
- Rhode Island’s “cash wage” or “tipped minimum wage” is \$3.89 per hour.
- The tipped minimum wage should be phased out and eventually eliminated.
- The minimum wage should be increased to at least \$15/hour by January 2024 (not in January 2025 as currently scheduled) to keep Rhode Island competitive with Massachusetts and Connecticut.

Purpose

The minimum wage is meant to protect workers from exploitation by requiring employers to pay their employees at or above a specified hourly amount.

How the minimum wage works

Employers are required by federal and state law to pay their employees a minimum amount for their work, and they can be investigated and punished if they fail to do so. The federal minimum wage is \$7.25 per hour and has not been raised in over a decade. Employers in states, such as New Hampshire, that do not have a state minimum wage must pay their employees at least the federal minimum wage.

The “regular” minimum wage applies to most workers, while the lower “cash wage” or “tipped minimum wage” applies to groups of workers, including waiters and waitresses, who can receive tips from customers. The federal tipped minimum wage is \$2.13 per hour.

In Rhode Island, if such an employee’s tips combined with the cash wage do not equal or surpass the regular minimum wage, the employer is required to make up the difference, although this requirement is not by the hour (that is, employers can count tips above the regular minimum wage to offset hours or days when the regular minimum wage was not reached).

Demographics

A 2021 study from the Economic Policy Institute estimated that 75,168 Rhode Island workers, or 14.5% of the state’s workforce, earned the minimum wage. Of these minimum wage workers, 46,454 were women and 28,714 were men. While only 11.4% of White workers earned the minimum wage, 18.6% of Black workers and 25.6% of Hispanic workers did. Of single parents, 18.8% earned the minimum.³⁷

History of the tipped minimum wage

Despite how normal the tipped minimum wage may seem to many of us, the truth is that it has a short and specific history. Tips once functioned, in Europe, as a means of rewarding servants with bonuses, and not as replacement for wages. With the end of slavery, tipped wages became a means to avoid paying wages to former slaves. When, in 1938, President Franklin Delano Roosevelt signed into law the first minimum wage, the measure specifically excluded professions where Black Americans and women predominated.³⁸ In 2022, the tipped minimum continues to be used in occupations disproportionately employing women and people of color.

Increasing the tipped minimum wage would disproportionately help women and workers of color, both men and women, and help decrease wage disparities. Black Americans working in the food industry are less likely than White workers to secure the higher-paying and higher-tipped positions in “fine-dining” establishments. Studies indicate that, among tipped restaurant workers, White workers are tipped at a higher rate than workers of color for similar levels of service.³⁹ Indeed, there are many questions about how closely related tipping and service quality really are. In many service occupations there is no tipping at all and yet workers provide excellent service. The coronavirus pandemic era has seen increased harassment of tipped workers, whose livelihoods depend upon pleasing customers.⁴⁰

History of the minimum wage in RI

Rhode Island first enacted a state minimum wage in 1955, starting at 90 cents per hour in 1956, reaching \$1.00 per hour in 1957, \$4.00 per hour in 1988, \$8.00 per hour in 2014, and \$11.50 in 2020 (with other incremental steps along the way).

Rhode Island’s cash wage or tipped minimum wage was \$2.89 per hour in the mid-1990s and remained that way for 20 years before being increased to \$3.39 and then \$3.89 per hour in 2017.

Recently enacted legislation

In 2021, legislation was enacted to put Rhode Island on a path to a \$15 per hour regular minimum wage. As of January 1, 2022, the rate was raised to \$12.25 per hour. This will increase to \$13.00 per hour on January 1, 2023, to \$14.00 per hour on January 1, 2024, and to \$15.00 per hour on January 1, 2025.

Rhode Island’s sub-minimum, tipped, or “cash” wage was last increased in 2017, to \$3.89 per hour.

Current diagnosis and policy recommendations

Minimum Wage

Massachusetts and Connecticut got on the path to a \$15/hour minimum wage before Rhode Island did. Currently, Massachusetts is at \$14.25/hour and will reach \$15 on January 1, 2023, while Connecticut is at \$14/hour and will reach \$15 on June 1, 2023. Rhode Island’s fast food and other minimum wage workers are enticed to cross the border to earn higher wages for the same work because Rhode Island is not as far down the path as its neighbors.

Getting Rhode Island on the path to a \$15/hour minimum wage was an important accomplishment. However, working full-time at \$15/hour is inadequate to provide for the basic necessities for most Rhode Island families in 2022, let alone in 2025, when Rhode Island actually reaches \$15/hour under current law. According to the Economic Progress Institute’s 2020 Rhode Island Standard of Need, a study that documents the cost of living in the Ocean State, a single adult worker needed to earn \$14.71/hour (\$30,600/year) to meet basic needs two years ago. With inflation, even a \$15/hour minimum wage will be inadequate in 2025, when Rhode Island reaches that level – and that is for single workers without children. We know that families need much more than \$15/hour to meet their basic needs. For example, a parent with two young children needs to earn at least \$31.75/hour to do so.⁴¹ If the minimum wage had kept up with productivity over the last half-century, it would now be close to \$23/hour.⁴²

Tipped Minimum Wage

The tipped minimum wage in Massachusetts is \$6.15/hour and will increase to \$6.75/hour on January 1, 2023. In Connecticut, the wage for most tipped workers is \$6.37/hour, while it is \$8.23/hour for bartenders.

Although some tipped workers at high-end restaurants make a good living, most tipped workers do not. Tipped workers are more likely than other workers to live in poverty. Tipped workers in states with a sub-minimum tipped wage are more likely to live in poverty than tipped workers in “equal treatment” states without a separate tipped wage. Restaurant sales and tipping levels have not declined in the seven states that have eliminated the tipped minimum wage, showing that phasing it out will not prove disastrous to businesses.⁴³

Recommendations:

- Accelerate Rhode Island’s timetable to increase the minimum wage to \$15/hour in line with either Massachusetts or Connecticut.
- Consider scheduling further increases that would make the minimum wage adequate to meet the basic needs of Rhode Island families.
- Phase out and eventually eliminate the tipped minimum wage.

EQUITY AND POLICY

Equity and disparities are topics of interest not only to minority communities, but to all Rhode Islanders. Even policies that might appear to have nothing to do with racial, ethnic, or other inequities, often affect many different groups of people. Policymakers and the general public must strive to understand the hidden dimensions and effects of the policies we enact and the spending decisions we make as a state.

This section explores a new approach to assessing the likely equity impacts of legislation and budgetary expenditures before they are enacted and considers one particular policy and practice: payday lending.

PAYDAY LENDING

SUMMARY

- Payday lending is a predatory practice, particularly targeted at Black and Latino Rhode Islanders, and ensnaring people in a cycle of debt.
- A majority of Rhode Islanders favor eliminating the statute that carves out a special exemption for payday lenders.
- Rhode Island should end payday lending, joining the rest of New England.

What is payday lending?

Payday lending is a predatory practice that lures many people, primarily low-income people, into a cycle of debt, by offering cash advances for a fee that, in Rhode Island, has an effective interest rate of 260% APR.

How payday lending works

An individual can enter a payday lending storefront in Rhode Island and secure a \$500 loan at a cost of \$50, a 10% fee. Technically, this is not a loan, but a “deferred deposit” transaction. The individual must leave a signed check, to be deposited by the payday lender not before 13 days. Basically, it’s a cash advance. But there are catches. First, although many individuals receive their paychecks every two weeks, the payday lender can cash your deferred check before you’ve received your next paycheck 14 days later.⁴⁴ Second, if you cannot pay back the money, you can flip your loan for another one, or take a second loan to pay off the first. Either way, you would be paying another 10%, or \$50 on a \$500 loan. Yet, you have not truly borrowed \$1,000. You’ve basically once again borrowed the same \$500.

Let’s say Joan pays \$50 to borrow \$500 and then flips the loan nine times before paying it off. She would end up paying \$1,000 for the \$500 loan. If she was unable to pay off the loan then and kept flipping it for a year, she would wind up paying \$1,800 for an effective annual interest rate of 260%.

The only reason the payday loan industry survives is because of repeat customers, who take out strings of 10 or more loans. If the industry were forced to adhere to the Annual Percentage Rate (APR) of 36% that applies to banks and other financial institutions, it would close shop, because the operation would not be profitable. The industry is based upon capturing people, many of whom are already struggling, into a cycle of debt and shame.

Although most financial institutions are governed by state regulation prohibiting charging interest on loans above 36% APR, the payday lending industry is governed by a separate statute that allows charging much higher effective APRs.

As of 2018, there were over two dozen payday lender locations in Rhode Island, mostly owned by two large, national companies, and Rhode Islanders sent out-of-state \$7.6 million each year in payday lending fees.⁴⁵ In 2020, according to the Department of Business Regulation (DBR), there were 102,217 payday loans made in Rhode Island, with a total loan volume of \$41.2 million.

Demographics

Payday loan storefronts are located largely in areas of Rhode Island with higher Black and Latino populations, making these Rhode Islanders targets for predatory lending. The Rhode Island Advisory Committee to the U.S. Commission on Civil Rights concluded in an October 2018 report that “pay-day loans are disproportionately targeted at Rhode Islanders of color.” The report explains that “[w]hen comparing neighborhoods with the same median income, neighborhoods with significant Black and Latino populations had a 70 percent higher concentration of payday loan stores than the White neighborhoods at the same income level.”⁴⁶

History of payday lending in RI

The General Assembly changed state statute to permit payday lending in 2001. Over the last decade there have been consistent attempts to repeal this statute. In 2011, legislation made it out of the House Finance Committee and was placed on the House calendar, but the legislation was pulled from the calendar before it reached the floor for a vote.

Current diagnosis and policy recommendations

Despite broad support among the public for ending payday lending in Rhode Island, bills to achieve this have not received even a single legislative committee vote over the last decade.⁴⁷ Rhode Island is the only state in New England to allow the practice.

Fifteen years ago, the Department of Defense examined the issue and determined that payday lending harmed members of active-duty military and undermined military readiness. Congress acted quickly to ban the practice for preying on members of the military.

Moreover, alternatives exist to payday lending, including small loans from the Capital Good Fund and Navigant Credit Union. Even large banks have entered the small loan market; the turn-around times might be days instead of hours, but the danger of being trapped into a cycle of debt is largely removed.

Recommendation:

- Bring Rhode Island in line with the other New England states by repealing the statute exempting payday lenders from regulations applying to other lenders.

RACE/ETHNICITY/GENDER/DISABILITY EQUITY IMPACT STATEMENTS

SUMMARY

- Equity Impact Statements are tools designed to help policymakers understand the implications and likely consequences of the bills they pass and expenditures they authorize.
- Equity Impact Statements and other equity assessment tools will help protect populations and neighborhoods often harmed, whether intentionally or unintentionally, by policy decisions, whether concerning finance, business, housing, the environment, criminal justice, education, or other issues.

What are Equity Impact Statements?

Equity Impact Statements are tools designed to help policymakers understand the implications and likely consequences of the bills they pass and expenditures they authorize – before they vote on them. Rhode Island’s Governor should understand the implications and likely consequences of various budget proposals, and indeed of the budget as a whole.

How Equity Impact Statements work

Equity Impact Statements could come in various forms, some more data-focused than others. For example, they could be modeled on existing Fiscal Notes which accompany some legislation. Alternatively, they could be briefer statements showing that the relevant issues were taken into consideration. Regardless of the format, Equity Impact Statements would say something about whether a piece of legislation or a budget proposal would likely decrease or increase existing inequities. For these statements to fulfill their purpose, policymakers who design or consider and vote on legislation would need to make use of them as an integral part of the policymaking process.

Demographics

Equity Impact Statements have the potential to protect Rhode Islanders by providing insight, in advance, to the potential impact, positive or negative, on populations and neighborhoods traditionally harmed by legislation and budget expenditure decisions.

History of Equity Impact Statements in RI

Rhode Island does not currently require any sort of Equity Impact Statements. A number of other states do utilize Equity Impact Statements, often focused on criminal justice legislation.⁴⁸ Some states, including Colorado and Maine, apply this tool to a much broader range of policy issues. During the 2021 and 2022 General Assembly sessions, legislation was introduced calling for Equity Impact Statements to accompany most legislation and to address race, ethnicity, gender, and disability.

Current diagnosis and policy recommendations

Equity Impact Statements seek to address what is too often an invisible problem. While some budget and legislation are proposed to specifically address racial or gender disparities, many pieces of legislation do not mention race, gender, or other disparities, while nevertheless having different effects on different groups.⁴⁹ Here are a few examples:

- Tax policy often favors homeowners, to encourage ownership, yet this disfavors renters, who are disproportionately Black and Latino compared to the general population.
- Small business loan programs, especially those with limited funds that run out quickly, favor those who have established relationships with banks, yet many aspiring small business owners of color lack such longstanding banking relationships. Such seemingly race-neutral loan programs disproportionately aid White business owners.
- Zoning rules tend to result in pollution-producing projects being disproportionately sited in poorer and more racially and ethnically diverse neighborhoods.
- The car tax phase out has not benefited the 10% of Rhode Island households without cars. These households are disproportionately Black, Latino, and women-led regardless of race or ethnicity.⁵⁰

These and many other policies do not refer to race, ethnicity, gender, or disability, yet the impacts are real. Routine Equity Impact Statements would highlight such likely effects. Such evaluations are tools to help policymakers make better decisions, to anticipate what might not be obvious at first glance, to prevent harms they could have anticipated with good information, to close gaps in services, and to reduce or eliminate disparities. Legislators and the Governor alike can use such tools to identify proposals that might increase racial, ethnic, gender, and other disparities in order to reject or revise them, as well as to highlight and boost proposals that will likely increase equity.

Recommendation:

Institute Equity Impact Statements for proposed legislation in Rhode Island.

APPENDIX: THE DEMOGRAPHICS OF POVERTY IN RHODE ISLAND

Rhode Island's General Population

According to the United States 2020 Decennial Census, the population of Rhode Island is 1,097,379.⁵¹

According to the Census Bureau's American Community Survey (ACS), women account for 51.4% of Rhode Island's population, with men accounting for 48.6%.⁵²

Figure 14 presents some highlights of the ages of Rhode Islanders. The data in this table are for overlapping groups, and so do not add up to 100%. The median age of all Rhode Islanders is 40, with that of women 41.6 and that of men 38.3.⁵³

RHODE ISLAND'S OVERALL POPULATION BY SEX AND SELECTED AGE GROUPS			
Age Group	Female	Male	All
Under 5 years:	4.9%	5.4%	5.2%
Under 18 years:	18.5%	20.4%	19.4%
18 years and over:	81.5%	79.6%	80.6%
65 years and over:	19.1%	15.3%	17.3%
75 years and over:	8.9%	5.9%	7.5%
85 years and over:	3.3%	1.6%	2.5%

Source: U.S. Census Bureau, American Community Survey, 5-year estimates for 2016-2020, Table S0101.

FIGURE 14

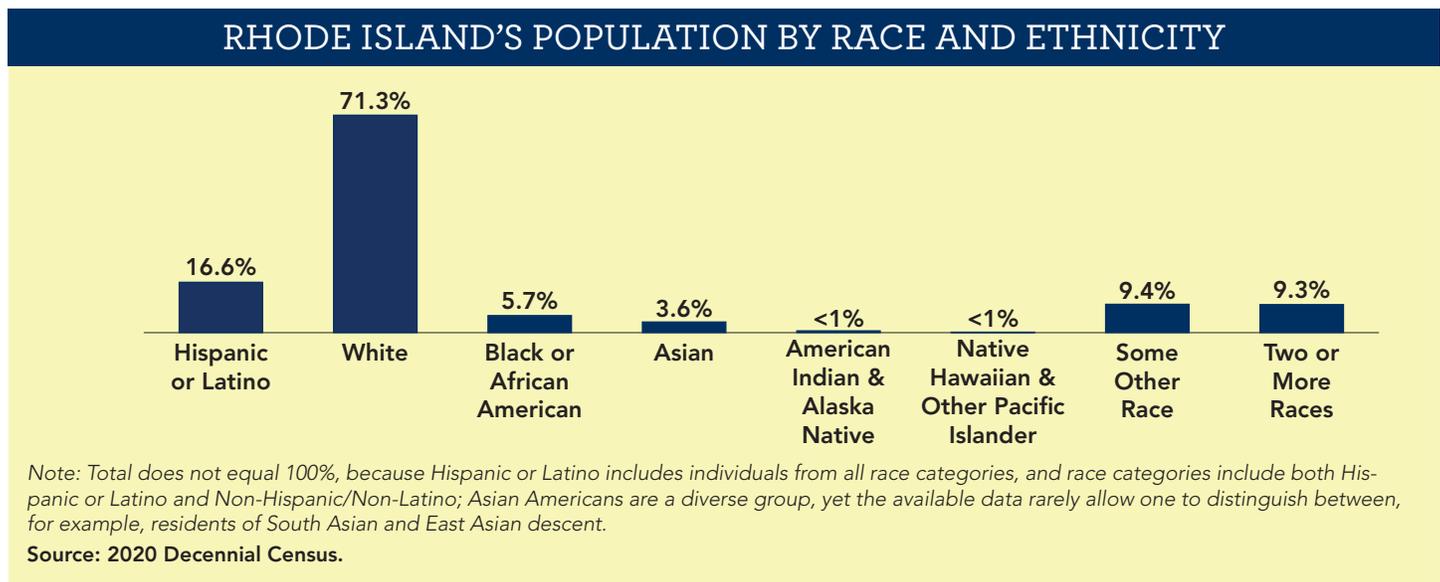


FIGURE 15

Figure 15 provides some sense of the Rhode Island's racial and ethnic diversity. The actual diversity is likely even greater than these numbers might suggest. For example, although 5.7% of Rhode Islanders identified as Black or African American alone (as their only racial identification) in the American Community Survey for 2016-2020, many multiracial Rhode Islanders identified as Black or African

American in combination with one or more other groups. Taking this into consideration, 9.1% of Rhode Islanders identified at least in part as Black or African American.

The data also suggest that many Latino Rhode Islanders do not identify with any of the race categories offered by the Census survey. Out of the over 103,000 Rhode Islanders who identified only as Some Other Race, 89% also identified as Hispanic/Latino, suggesting that many individuals do not distinguish between race and ethnicity in the way the Census questions presume.⁵⁴

Figure 16 looks at median income by race and ethnicity:⁵⁵

Figures 17 and 18 show that very similar percentages of White, Black, and Latino Rhode Islanders fall into the middle-income range of \$50,000 to \$99,999 per year, but that White Rhode Islanders are disproportionately overrepresented in higher income groups and disproportionately underrepresented in lower income groups:⁵⁶

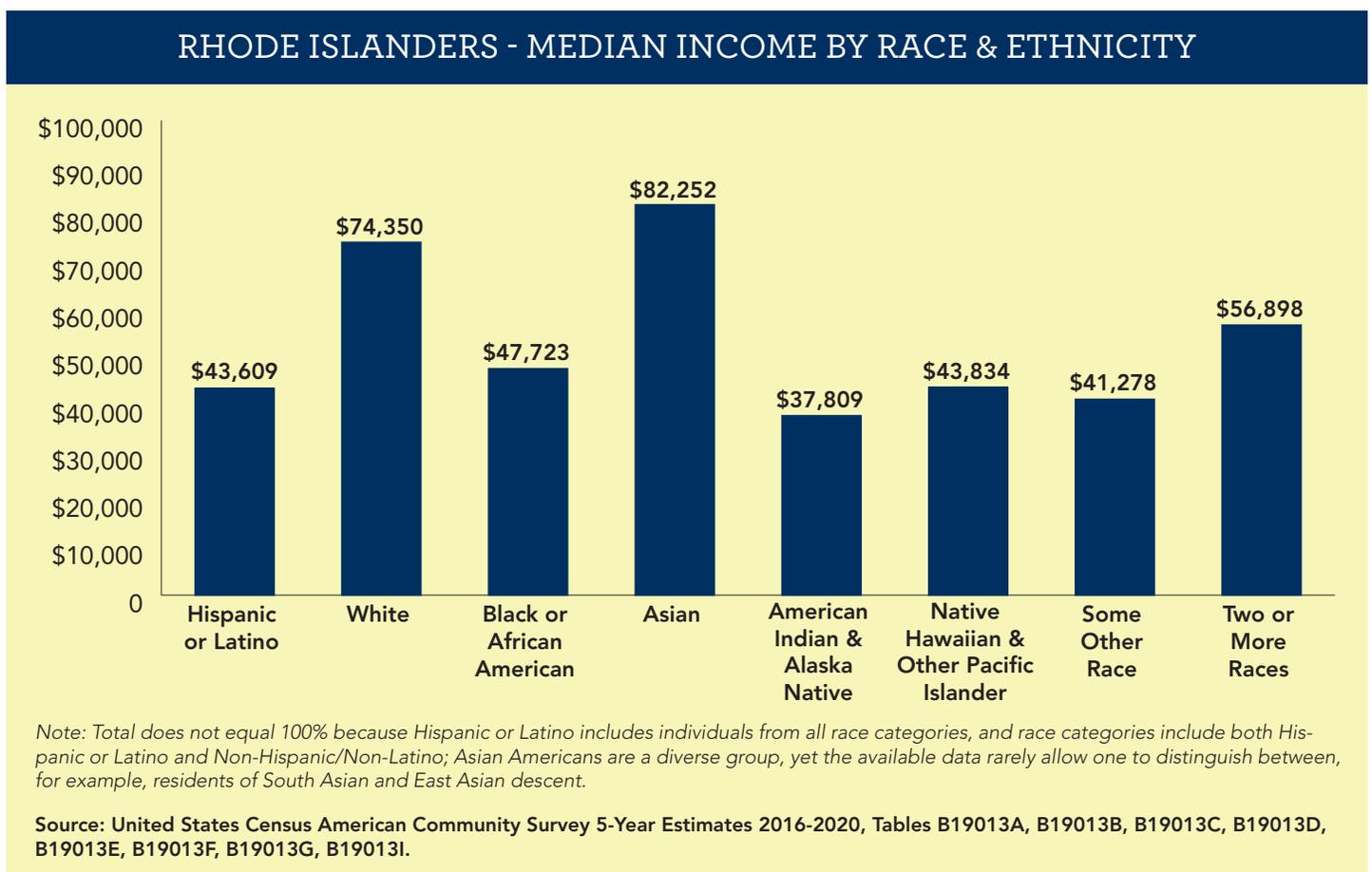
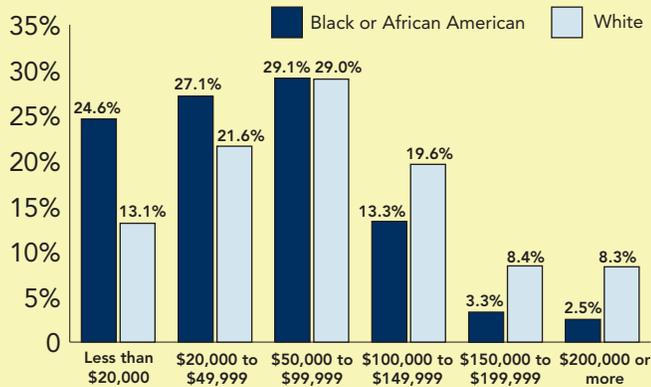


FIGURE 16

INCOME RANGES BY RACE IN RI

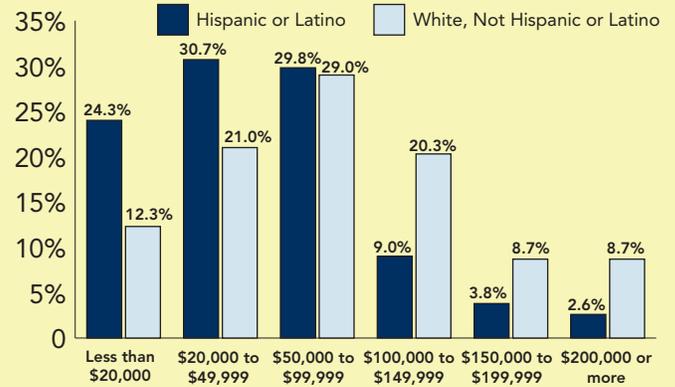


Note: Includes Hispanic or Latino Rhode Islanders.

Source: United States Census American Community Survey 5-Year Estimates 2016-2020, Tables B19001A, B19001B.

FIGURE 17

INCOME RANGES BY ETHNICITY IN RI



Note: Hispanic or Latino includes all racial identifications.

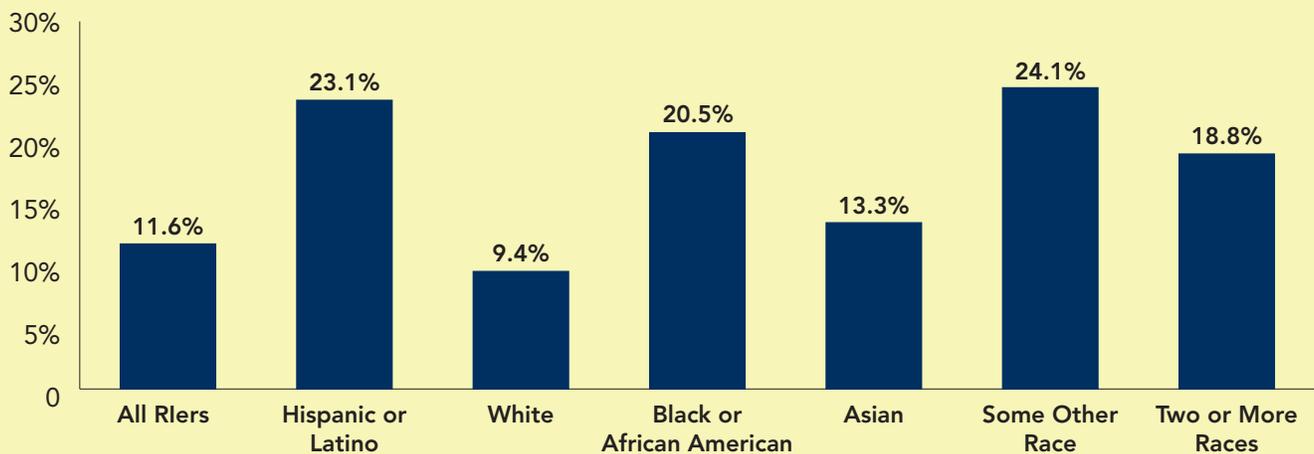
Source: United States Census American Community Survey 5-Year Estimates 2016-2020, Tables B19001H, B19001I.

FIGURE 18

Poverty in Rhode Island

Rhode Islanders of color are more likely than White Rhode Islanders to live in poverty, as Census data make clear. Figure 19 shows that the poverty rates for Black Rhode Islanders and Latino Rhode Islanders are over twice that of White Rhode Islanders:⁵⁷

POVERTY RATES BY RACE & ETHNICITY IN RHODE ISLAND



Note: Hispanic or Latino includes individuals from all race categories, and race categories include both Hispanic or Latino and Non-Hispanic/Non-Latino; Asian Americans are a diverse group, yet the available data rarely allow one to distinguish between, for example, residents of South Asian and East Asian descent.

Source: United States Census American Community Survey 5-Year Estimates 2016-2020, Tables B17001, B17001A, B17001B, B17001D, B17001F, B17001G, B17001I.

FIGURE 19

For Rhode Island’s children, the rates and racial and ethnic disparities are only worse (see Figure 20).⁵⁸ For older Rhode Islanders, those in the 85 and over age group have a poverty rate higher than Rhode Islanders in general, while those ages 75-84 have a lower poverty rate (see Figure 21).⁵⁹

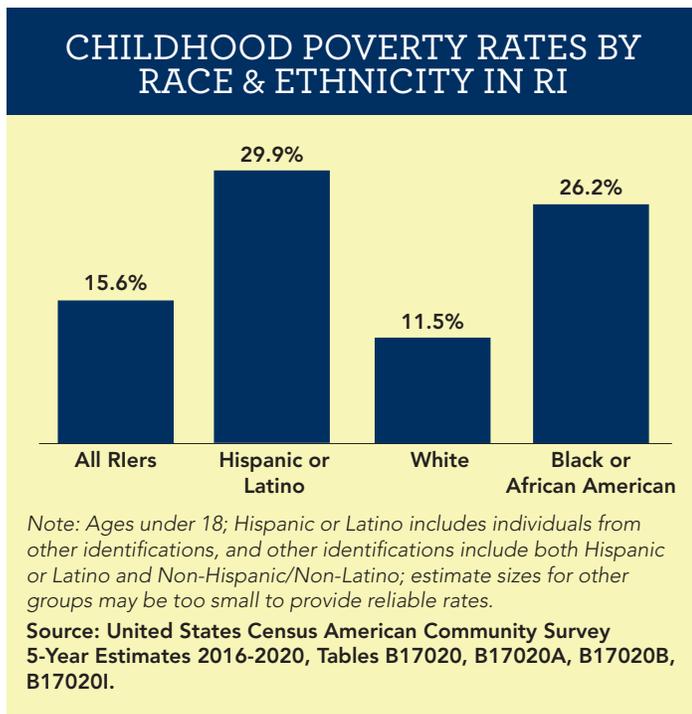


FIGURE 20

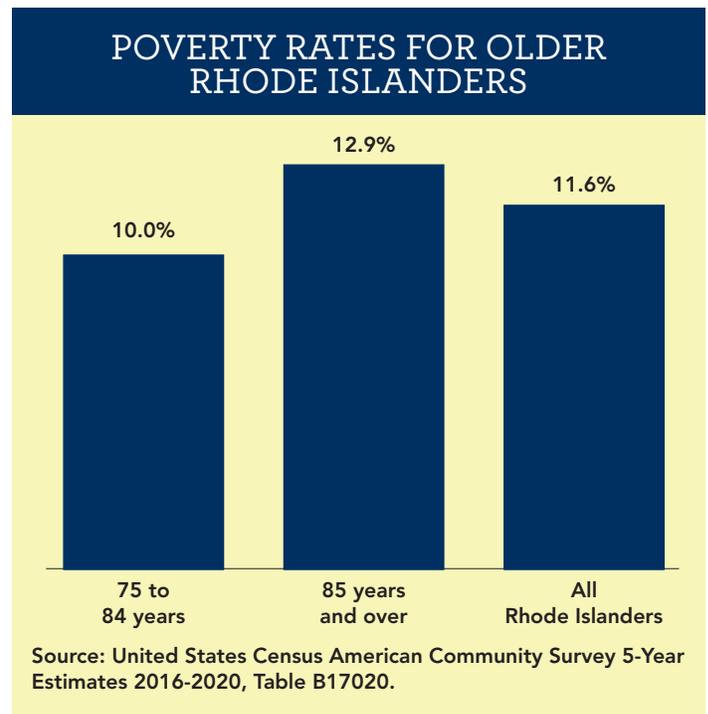


FIGURE 21

Women, on average, live longer than men, but this does not necessarily come with economic security. There is a notable difference in poverty rates by sex for Rhode Islanders ages 65 and above as Figure 22 makes clear.

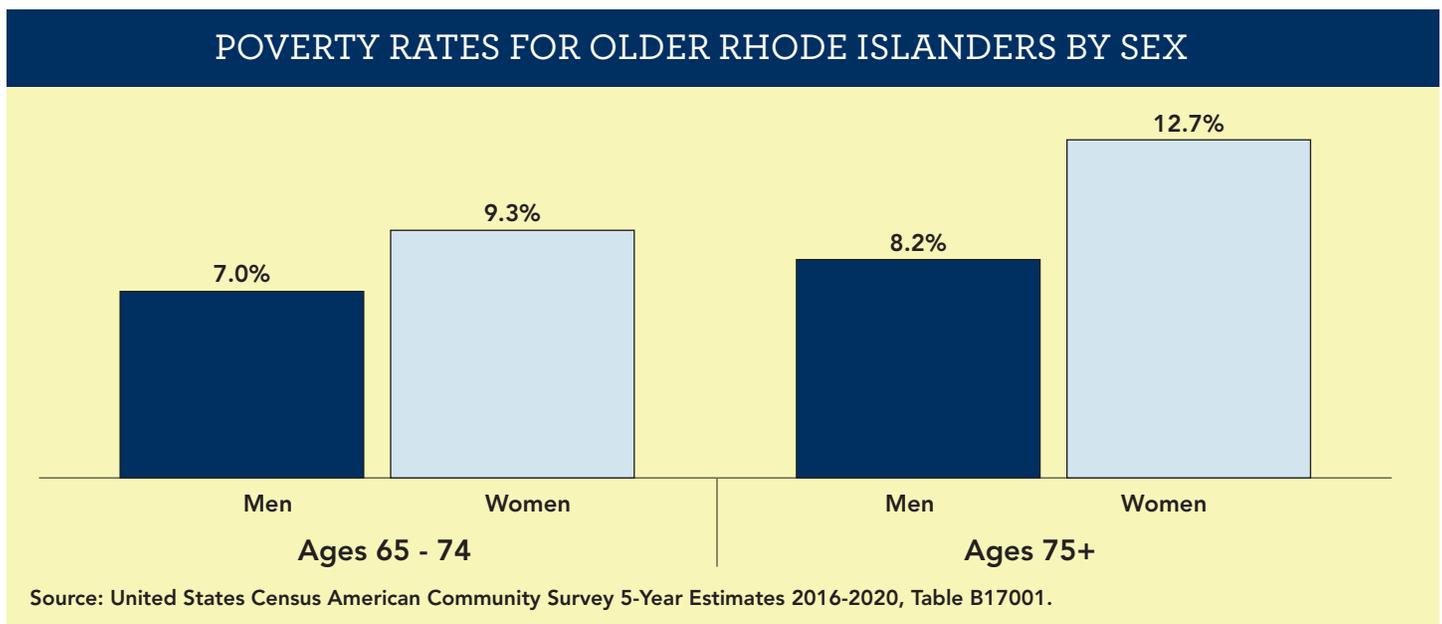


FIGURE 22

Finally, Rhode Islanders with disabilities are more likely than other Rhode Islanders to live in poverty, including in deep poverty (below half the Federal Poverty Level).

POVERTY STATUS AND DISABILITY STATUS IN RHODE ISLAND

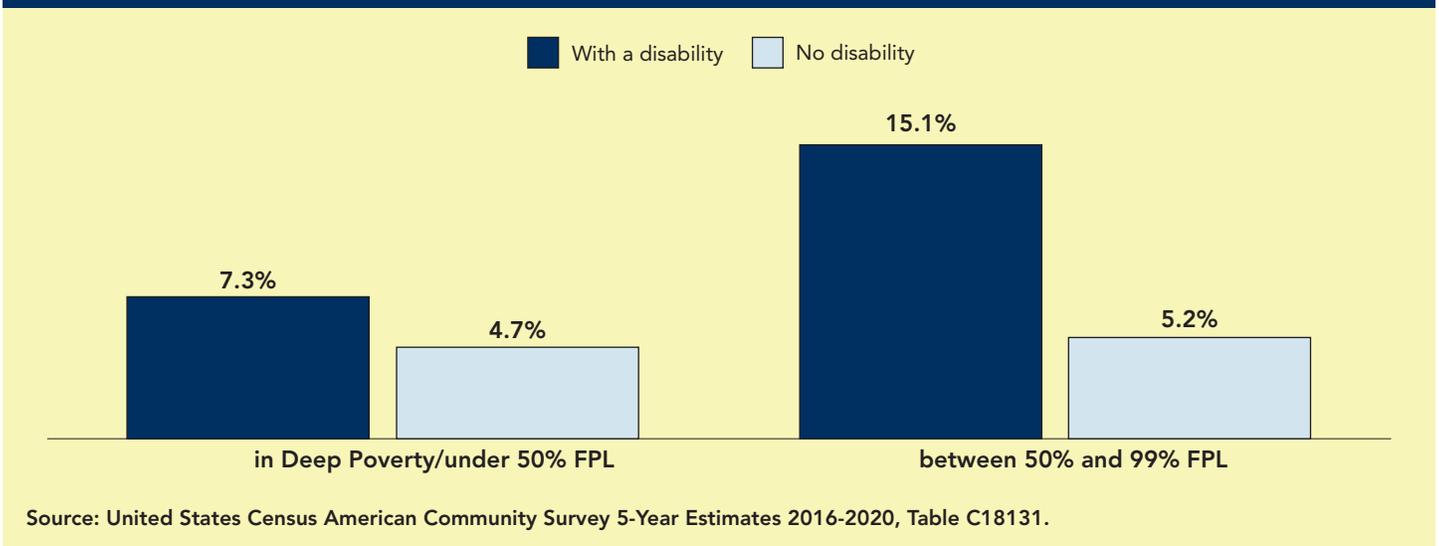
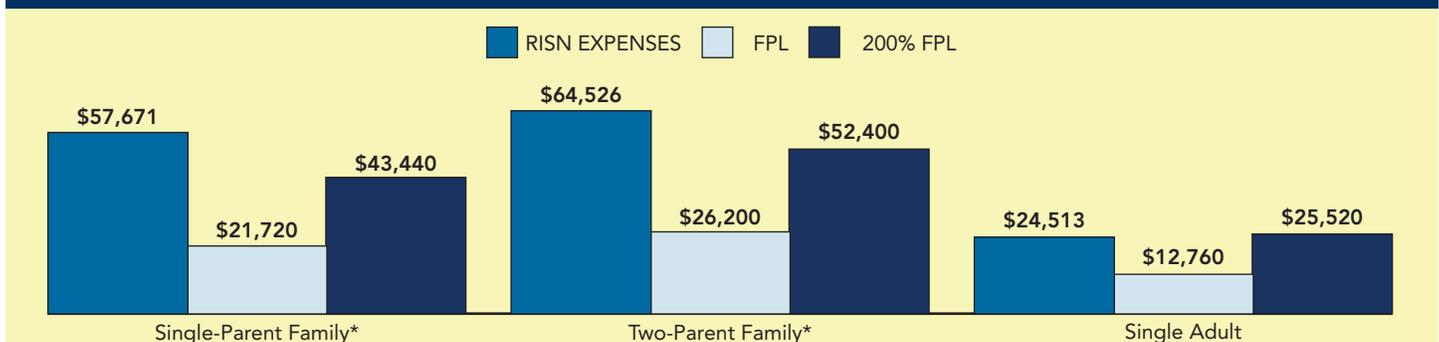


FIGURE 23

The U.S. Census data displayed in the above charts understate the extent of poverty in Rhode Island. The federal poverty measure is calculated by making inflation adjustments to an expense methodology developed in the 1960s based solely on food costs. This no longer reflects the reality of most families' lives and is not an accurate measure of what it costs to make ends meet for families in the 21st century. The 2020 Federal Poverty Level falls well below the total cost of basic expenses presented in the Economic Progress Institute's *2020 Rhode Island Standard of Need: COVID-19 Edition*. Figure 24, reproduced from that report, compares the cost of basic needs with the Federal Poverty Level and the amount of income equal to double, or 200% of, the FPL.⁶⁰ The Rhode Island Standard of Need is an estimate, updated every other year, of what it costs to afford the basic expenses of housing, food, health care, transportation, and child care, as well as clothing, household supplies, and other miscellaneous goods. If one equates living in poverty with not being able to afford basic needs, then the situation in Rhode Island is worse than the FPL and Census data indicate. Nevertheless, with an understanding of data, history, and policy context, we can design and enact policies to reduce poverty and increase economic security and opportunity for Rhode Islanders.

THE FEDERAL POVERTY LEVEL IS AN OUTDATED MEASURE OF ECONOMIC SECURITY



* Assumes two children: a toddler and a school-aged child and that all parents are working.

Source: Economic Progress Institute's 2020 Rhode Island Standard of Need: COVID-19 Edition, <http://www.economicprogressri.org/RISN>.

FIGURE 24

ENDNOTES

- 1 For the workgroup's report, see <https://dor.ri.gov/sites/g/files/xkqbur551/files/documents/Reports/Tax-Report-Final-3-6-2009.pdf>.
- 2 According to an International Monetary Fund analysis of data from the Federal Reserve Bank of the United States, the wealthiest 1% of Americans saw their net wealth increase by 35% between the fourth quarter of 2019 and the second quarter of 2021. The next 9% experienced an increase in net wealth of more than 30% and the next 40% an increase of more than 20%. The bottom 50% saw their net wealth increase by just above 5%. See <https://blogs.imf.org/2021/11/09/the-unequal-covid-saving-and-wealth-surge/>.
- 3 Estimate provided to the Economic Progress Institute by the Institute on Taxation and Economic Policy (ITEP).
- 4 Although the EITC generally has not covered workers without children, the American Rescue Plan Act temporarily expanded the program, during 2021, to include more of these workers.
- 5 Chart is reproduced with permission from the Tax Policy Center of the Urban Institute and Brookings Institution. See <https://www.taxpolicycenter.org/briefing-book/what-earned-income-tax-credit>.
- 6 Technically, the EITC data refer to tax filers, not individual workers. In some cases, joint filers will include two eligible workers.
- 7 See <https://dor.ri.gov/revenue-analysis/reports> to read or download the Office of Revenue Analysis reports on the Motion Picture Production Tax Credit and other incentive programs.
- 8 See <http://webserver.rilegislature.gov/Statutes/TITLE44/44-48.2/44-48.2-6.htm>.
- 9 According to EPI's Rhode Island Standard of Need, published in 2020 in 2020 dollars. See <http://www.economicprogressri.org/wp-content/uploads/2020/12/RISN-2020-FINAL.pdf>.
- 10 See, for example, Lisa A. Gennetian and Katherine Magnuson, "Three Reasons Why Providing Cash to Families With Children Is a Sound Policy Investment," Center on Budget & Policy Priorities, May 11, 2022, <https://www.cbpp.org/research/family-income-support/three-reasons-why-providing-cash-to-families-with-children-is-a>. See also Claire Zippel and Arloc Sherman, "Bolstering Family Income Is Essential to Helping Children Emerge Successfully From the Current Crisis," Center on Budget & Policy Priorities, February 25, 2021, <https://www.cbpp.org/research/poverty-and-inequality/bolstering-family-income-is-essential-to-helping-children-emerge>.
- 11 For additional information about RI Works families, see the 2022 *Rhode Island Kids Count Factbook* <https://www.rikidscount.org/Portals/0/Uploads/Documents/Factbook%202022/Economic%20Well-being%20section.pdf?ver=2022-05-12-085913-727>, pp. 40-43.
- 12 This chart is from the 2022 *Rhode Island Kids Count Factbook* and reproduced with permission. See https://www.rikidscount.org/Portals/0/Uploads/Documents/Factbook%202022/fm6798_Factbook2022_web.pdf?ver=2022-05-18-151346-817, p. 40.
- 13 This chart is from the 2022 *Rhode Island Kids Count Factbook* and reproduced with permission. See https://www.rikidscount.org/Portals/0/Uploads/Documents/Factbook%202022/fm6798_Factbook2022_web.pdf?ver=2022-05-18-151346-817, p. 41.
- 14 See https://www.cbpp.org/sites/default/files/atoms/files/tanf_spending_ri.pdf.
- 15 See https://www.cbpp.org/sites/default/files/atoms/files/tanf_trends_ri.pdf and <https://www.cbpp.org/research/family-income-support/state-fact-sheets-trends-in-state-tanf-to-poverty-ratios>.
- 16 While the Federal Fiscal Year runs from October through September, Rhode Island's State Fiscal Year runs from July through June. For example, SFY2023 began in July 2022 and will end with June 2023, whereas FFY2023 begins in October 2022 and will go until September 2023. When FY is used in this document, it refers to the State Fiscal Year.
- 17 https://www.cbpp.org/sites/default/files/atoms/files/snap_factsheet_rhode_island.pdf.
- 18 <https://www.rikidscount.org/Portals/0/Uploads/Documents/Factbook%202022/Economic%20Well-being%20section.pdf?ver=2022-05-12-085913-727>, p. 44.
- 19 For FFY20, Rhode Island paid \$19,872,294, while the federal government paid \$19,909,161 in administrative costs; see the Supplemental Nutrition Assistance Program State Activity Report Fiscal Year 2020, March 2022, p. 11, <https://fns-prod.azureedge.us/sites/default/files/resource-files/FY20-state-activity-report.pdf>.
- 20 This chart is from the 2022 *Rhode Island Kids Count Factbook* and reproduced with permission. See https://www.rikidscount.org/Portals/0/Uploads/Documents/Factbook%202022/fm6798_Factbook2022_web.pdf?ver=2022-05-18-151346-817, pp. 122-123.
- 21 See <http://www.economicprogressri.org/wp-content/uploads/2020/12/RISN-2020-FINAL.pdf>.
- 22 U.S. Census Bureau, ACS, 5-year estimates for 2016-2020, Table B27010. The 54.0% includes individuals who have both employer-based coverage and another source of coverage, Medicare or direct-purchase coverage. As for those who receive coverage only through their employers, the rate is 49.4%.
- 23 State of Rhode Island Executive Office of Health and Human Services Medical Assistance Program, "July 31, 2022 Month-End Snapshot and July 2022 Churn Analysis."
- 24 Medicare, marketplace, and non-elderly employer coverage data come from the Kaiser Family Foundation's State Health Facts website, where users can design their own custom reports: <https://www.kff.org/statedata/>.
- 25 For the statute authorizing this, see Rhode Island General Laws 42-12.3.
- 26 See House Fiscal Advisory Staff, Budget as Enacted: Fiscal Year 2023, Section VI: Special Reports, p. 857, <https://www.rilegislature.gov/house-fiscalreport/2020/FY%202023%20Budget%20Enacted%20Section%20VI%20Special%20Reports.pdf>.
- 27 The regular rate would have been 54.88%, but the enhanced rate due to the federal Public Health Emergency over the coronavirus pandemic elevated it by a little more than six percentage points.
- 28 See Rhode Island Executive Office of Health and Human Services, "Medicaid Expenditure Report SFY2020," https://eohhs.ri.gov/sites/g/files/xkqbur226/files/2022-04/MedExp%20Rep%20SFY2020_FINAL.pdf, p. 10. PMPM is the Per Member Per Month cost.
- 29 U.S. Census Bureau, ACS, 5-year estimates for 2016-2020, Table S2701.
- 30 The difference may at least in part be explained by the fact that older Rhode Islanders are much more likely to be insured than everyone else, and older Rhode Islanders are disproportionately women.
- 31 The Section 1115 Demonstration waiver, with approval from the federal Centers for Medicare and Medicaid Services, allows the state additional flexibility in how it spends its federal Medicaid dollars.
- 32 Spending on group homes and for other congregate care settings for people with IDD is classified as HCBS. However, "rebalancing" is focused on opportunities and expenditures for seniors and people with physical and other disabilities exclusive of intellectual and developmental disabilities. The 50/50 rebalancing goal does not include HCBS for the IDD population.
- 33 See https://eohhs.ri.gov/sites/g/files/xkqbur226/files/2022-04/Annual%20LTSS%20Legislative%20Performance%20Report_SF2021.pdf, p. 4.
- 34 See <https://eohhs.ri.gov/initiatives/hcbs-enhancement>.
- 35 See https://eohhs.ri.gov/sites/g/files/xkqbur226/files/Portals/0/Uploads/Documents/Workforce/HWT_Report-FULL.pdf.
- 36 For more details, see this fact sheet from the Right from the Start coalition: <https://rightfromthestartri.org/wp-content/uploads/2022/03/Right>

[from-the-Start-Fact-Sheet-Paid-Family-Leave-2022.final_.pdf](#).

37 David Cooper, Zane Mokhiber, and Ben Zipperer, "Raising the federal minimum wage to \$15 by 2025 would lift the pay of 32 million workers: A demographic breakdown of affected workers and the impact on poverty, wages, and inequality," March 9, 2021, <https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2025-would-lift-the-pay-of-32-million-workers/>; a file with data from all states and the District of Columbia can be downloaded.

38 Saru Jayaraman, *Forked: A New Standard for American Dining* (New York: Oxford University Press, 2016), pp. 33-37; Michelle Alexander, "Tipping Is a Legacy of Slavery," *The New York Times* (Opinion), February 5, 2021, <https://www.nytimes.com/2021/02/05/opinion/minimum-wage-racism.html>.

39 Restaurant Opportunities Centers United, *Ending Jim Crow in America's Restaurants: Racial and Gender Occupational Segregation in the Restaurant Industry*, 2015, <https://laborcenter.berkeley.edu/pdf/2015/racial-gender-occupational-segregation.pdf>.

40 Emma Goldberg, "Is This the End of Tipping?" *The New York Times*, February 21, 2021, <https://www.nytimes.com/2021/02/21/business/pandemic-restaurant-tipping.html?searchResultPosition=1>. For more detail, including stories and data, see One Fair Wage's December 2020 report: "Take off your mask so I know how much to tip you: Service Workers' Experience of Health & Harassment During COVID-19," https://onefairwage.site/wp-content/uploads/2020/12/OFW_COVID_WorkerExp-1.pdf.

41 See <http://www.economicprogressri.org/wp-content/uploads/2020/12/RISN-2020-FINAL.pdf>.

42 See Dean Baker, "The Productivity Adjusted Minimum Wage Would Be \$21.50 in 2020 and \$23 in 2021," Center for Economic and Policy Research, March 16, 2022, <https://cepr.net/correction-the-productivity-adjusted-minimum-wage-would-be-21-50-in-2020-and-23-in-2021/>.

43 Elise Gould and David Cooper, "Seven facts about tipped workers and the tipped minimum wage," Economic Policy Institute's Working Economics Blog, May 31, 2018, <https://www.epi.org/blog/seven-facts-about-tippedworkers-and-the-tipped-minimum-wage/>. See also David Cooper, "Valentine's Day is better on the west coast (at least for restaurant servers)," Economic Policy Institute's Working Economics Blog, February 9, 2017, <https://www.epi.org/blog/valentines-day-is-better-on-the-west-coast-at-least-for-restaurant-servers/>. Another analysis shows that tipped restaurant workers in the seven Fair Wage states earn a median wage (including tips) of \$11.44/hour compared with \$9.57/hour for those in the sub-minimum wage states. This Fair Wage state median wage is almost 20% higher than the median in other states. See Restaurant Opportunities Center United, *Better Wages, Better Tips: Restaurants Flourish With One Fair Wage*, February 2018, https://chapters.rocunited.org/wp-content/uploads/2018/02/OneFairWage_W.pdf.

44 See *Payday Lending in Rhode Island: Report of the Rhode Island Advisory Committee to the U.S. Commission on Civil Rights*, October 2018, p. 4; <https://www.usccr.gov/files/pubs/2018/Final%20Payday%20Lending%20Report%20for%20Website.pdf>.

45 *Ibid.*, pp. 7, 13.

46 *Ibid.*, pp. 12-13.

47 According to a 2022 poll commissioned by the Center for Responsible Lending, 59% of Rhode Islanders favor capping the interest rate on payday loans at 36%. See Nancy Lavin "New polling shows support for R.I. payday lending reform," *Providence Business News*, February 21, 2022, <https://pbn.com/new-polling-shows-support-for-r-i-payday-lending-reform/>.

48 See <https://www.sentencingproject.org/publications/racial-impact-statements/>.

49 On tax policy, in particular, see Misha Hill et al., "The Illusion of Race-Neutral Tax Policy," Institute on Taxation and Economic Policy, February 2019, <https://itep.sfo2.digitaloceanspaces.com/021319-Race-Equity-Paper.pdf>.

50 For data making this clear, see the National Equity Atlas: https://nationalequityatlas.org/indicators/Car_access#/?breakdown=1&geo=0200000000044000.

51 U.S. Census Bureau, 2020 Decennial Census, Table P1.

52 U.S. Census Bureau, American Community Survey (ACS), 5-year estimates for 2016-2020, Table S0101; the ACS explicitly acknowledges that it asks about sex and not about gender: "The American Community Survey includes a question that intends to capture current sex; there are no questions about gender, sexual orientation, or sex at birth. Respondents should respond either "male" or "female" based on how they currently identify their sex." See <https://www.census.gov/acs/www/about/why-we-ask-each-question/sex/>.

53 U.S. Census Bureau, ACS, 5-year estimates for 2016-2020, Table S0101.

54 The U.S. Census uses "Hispanic or Latino" as a category, so the data section of this guide matches this approach.

55 U.S. Census Bureau, American Community Survey, 5-year estimates for 2016-2020, B19013 series of tables.

56 U.S. Census Bureau, American Community Survey, 5-year estimates for 2016-2020, B19001 series of tables.

57 This guide mostly uses 5-year American Community Service estimates, meaning that instead of using a single year of data, the most recent one, the data here average estimates over five years; this helps improve reliability of the data when the numbers are small, though if counts for a specific item are steadily increasing or decreasing, the 5-year average might not best capture the current status. Therefore, the 1-year and 5-year estimates may differ, and even the 5-year estimates are not robust enough to allow disaggregating the data further, for example by determining estimates for different Asian American populations. Overall, however, the 5-year estimates are subject to a much smaller margin of error than are the 1-year estimates. For consistency, we use the ACS 5-year estimates, for 2016 through 2020, unless noted otherwise.

58 U.S. Census Bureau, American Community Survey, 5-year estimates for 2016-2020, B17020 series of tables; ages 17 and under.

59 U.S. Census Bureau, American Community Survey, 5-year estimates for 2016-2020, Table B17020.

60 See <http://www.economicprogressri.org/wp-content/uploads/2020/12/RISN-2020-FINAL.pdf>.

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