FY2023 Budget and 2022 General Assembly Session
In Review

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# Economic Progress Report

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INTRODUCTION

Rhode Island’s Fiscal Year 2023 Budget – authorizing $13.6 billion in total expenditures, including $5.04 billion in state General Revenue - along with other legislation passed and enacted during the 2022 General Assembly session, makes some substantial investments in Rhode Island and Rhode Islanders, while leaving on the table some important proposals.

The FY2023 budget document lays out a plan for spending all $1.1B of Rhode Island’s share of American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF). It is important to note that although the FY2023 budget presents a spending plan for the ARPA SFRF, including for FY2024 through FY2027, these funds cannot be “locked in” for future budgets. Expenditures for FY2024 and beyond need to be enacted by the General Assembly each year.

The Economic Progress Institute’s review of the FY2023 Budget and the 2022 General Assembly Session highlights both progress and shortcomings in light of our policy agenda, as well as opportunities for transformative policies that centered equity and those issues of particular relevance to low-income and modest-income Rhode Islanders.

The following icons highlight some of the many issues addressed in this session:

- One of the legislative agenda priorities identified by EPI for this year’s session
- Progress for low-income and modest-income Rhode Islanders

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1 In addition to the SFRF, Rhode Island received hundreds of millions of dollars in additional ARPA funds directed to state capital projects, to municipal governments, and to specified uses, including for education, housing, businesses, and health. See EPI’s fact sheet here: [http://www.economicprogressri.org/wp-content/uploads/2021/08/ARP-Flow-Chart-FINAL.pdf](http://www.economicprogressri.org/wp-content/uploads/2021/08/ARP-Flow-Chart-FINAL.pdf).
**Efforts to raise revenue fairly and invest wisely in Rhode Islanders and Rhode Island’s economy**

The FY2023 budget does not include any changes to the personal income or corporate tax structure to improve fairness or raise additional revenue. Relying on hundreds of millions of dollars in budget surplus, lawmakers spent some of this money for what is described as “targeted” tax relief.

**Property Tax Circuit Breaker:** Low-income elderly residents and people with disabilities are eligible for a tax credit on the property taxes they owe, whether as homeowners or as renters. The budget raises the income eligibility limit from $30,000 to $35,000 and the maximum credit from $300 to $600 per year, beginning with Tax Year 2022, and both adjustable by inflation going forward. This will cost an estimated additional $3.7M.

**Child Tax Rebate:** The budget includes a one-time child tax rebate for Tax Year 2021. Individual filers with federal Adjusted Gross Income (AGI) not above $100,000 and joint filers with AGI not above $200,000 in 2021, will receive rebates of $250 per child, for up to three children under the age of 19 at the end of 2021. Payment will be made in the fall of 2022. This measure provides $43.8M in assistance.

**Car Tax Phase-Out:** In 2017, the state implemented a 6-year plan to phase-out the motor vehicle excise tax. Due to end in 2024, the phase-out was accelerated and will end in 2023, costing an extra $63.9M for a total of $230.5M. The car tax is a local tax, not a state tax, and in order to make the local governments whole, the state must reimburse them for the lost revenue. At present, there is no plan to address ongoing state revenue challenge resulting from the nearly quarter of a billion dollars it will cost the state each year to fulfill this commitment. The $63.9M dedicated to the acceleration of the phase-out will not benefit at all Rhode Islanders who do not own cars and will most benefit those Rhode Islanders owning the most expensive cars (and sometimes more than one expensive car), as cars worth less than $6,000 were already phased out from the tax.

**License Plate Fee:** Rhode Islanders renewing their motor vehicle registrations will not be charged an $8 fee for replacing their old license plates with the state’s new license plates. This will cost the state $2.9M in FY2023 and $6.1M overall for this one-time changeover, and not benefit those Rhode Islanders who do not own cars.
Pensions and Annuities: The current exemption from personal income tax liability of pensions and annuities has been raised from $15,000 to $20,000 per year, costing an estimated $1.6M in FY2023, applicable for only half the fiscal year, and $3.2M in FY2024. There is an income limit for this exemption; adjusted annually for inflation, for Tax Year 2022, individual filers with total taxable income of $87,200 and joint filers with total taxable income of $109,050, cannot exempt their pension income from taxation. Military pensions, however, were made fully exempt from personal income tax liability beginning with Tax Year 2023, regardless of the taxpayer’s total income, at a cost of an estimated $3.1M in FY 2023 and $6.3M in subsequent years.

New Tax Bracket for Top 1%: The EPI-supported Revenue for RI campaign to create a new tax bracket affecting only the top 1% and their income above $500,000 was backed by dozens of co-sponsors in the House and Senate and received hearings at the House and Senate Finance Committees, yet no committee votes. Enacting the Revenue for RI proposal now for tax Year 2023 would have resulted in new revenue in Tax Year 2024 – an estimated $144.5 million annually and would have strengthened tax equity.

Earned Income Tax Credit (EITC): The state provides a refundable EITC to low-income workers that phases out as a worker’s wages increase. The state credit is a percentage of the federal amount, currently 15% which was set in 2017. There was no progress on bills to increase the credit this year to put more money in the pockets of the approximately 80,000 low-income Rhode Islanders who benefit from this tax credit program. With Maine recently increasing its EITC to 20% of the federal credit, Rhode Island continues to fall behind its New England neighbors, with Massachusetts at 30%, Connecticut at 30.5%, and Vermont at 36%.

Payday Lending: Legislation to cap or eliminate payday loans did not move forward. While laws in most states in the Northeast require interest rates on all loans be capped at 36% APR, Rhode Island allows payday loans to be made with an effective APR of 260%.
INCOME AND OTHER SUPPORTS

**RI Works:** The budget includes five positive changes to the Rhode Island Works program, the state’s cash assistance and work readiness program funded through the Temporary Assistance to Needy Families (TANF) block grant:

- The *lifetime limit on benefits* has been extended from 48 months to 60 months, providing parents with more time to gain skills needed for a well-paying job.

- The *earned income disregard* has been increased from $170 to $300 per month, allowing parents to retain an additional $65/month of their RI Works benefit when they start a job.

- The *resource limit* has been increased from $1,000 to $5,000.

- Parents who successfully complete a year at CCRI will now be able to continue their *education* for a second year without needing to work at the same time.

- Federal and state *Child Tax Credits* will be exempt from income calculations, ensuring that families receiving RI Works will be able to receive this year’s one-time $250 per child tax rebate without losing any benefits (see Child Tax Rebate above).

The first two of the five items will use a total of only $320K from the $95M TANF block grant, while the other items require no additional expenditures. The state continues to provide zero state revenue dollars for the program. The EPI-led Raising RI Coalition, which championed these changes, also sought a benefit increase – to lift families out of deep poverty – and to index the benefit to inflation.
Supplemental Nutrition Assistance Program (SNAP):

- Enacted legislation requires streamlining the SNAP application and recertification process for Rhode Islanders ages 60 and above, at a cost of $260K in federal funds, plus $5K in general revenue for outreach efforts.

- A new fruits and vegetables pilot program, to be launched in January 2023, will provide incentive payments of 50 cents in additional SNAP benefits (placed on a participant’s EBT card) per each dollar of SNAP benefits spent on fruits and vegetables. The budget provides $11.5M from state general revenues to fund this pilot (with $10M for incentive benefits and $1.5M for administration).

Other Food and Nutrition Assistance:

- The budget increases the general revenue allocation for the Rhode Island Community Food Bank from $350,000 to $450,000.

- The funding to support the operations of the Meals on Wheels program is level-funded at $530K. The budget increases the allocation for Meals on Wheels by $165K in general revenue and $195K in federal Medicaid funds to increase the per meal rate paid for meals. Rates for standard meals will rise from $6.50 to $12.00 and from either $4.01 or $6.50 to $12.00 for frozen ones. Rates for culturally appropriate meals will be set at $14.05 and for therapeutic meals at $12.17. Rates will be adjusted annually for inflation.

RIPTA Free Bus Pilot: Beginning on September 1, 2022, RIPTA’s R line will be free to all riders under a 12-month pilot program funded with $2.5M in ARPA SFRF. The R line runs from Pawtucket through downtown Providence to Cranston and accommodates approximately half of all RIPTA usage. Some legislators and advocates have called for making all RIPTA lines free, which would save money for many low-income workers and families. RIPTA has also been charged with studying the services it provides to passengers with disabilities and to seniors.

Electric Heat Pump Grant Program: The budget allocates $5M in FY2023 and $25M overall from ARPA SFRF to fund grants for low-income and modest-income Rhode Islanders and Rhode Island community organizations to buy and to install energy-efficient electric heat pumps.
INCOME AND OTHER SUPPORTS (continued)

Non-Profit Organizations: The budget doubles to $20M the Governor’s original budget request of $10M in ARPA SFRF to provide funding to non-profit organizations. The funds will go to the Rhode Island Foundation for distribution to non-profits to help address community needs, including food insecurity, made worse by the pandemic. These funds are, in effect, pass-through funds and not intended to help non-profits with their operating expenses.

Court Costs: Legislation enacted this session will effectively require the waiving of court fees and assessments for indigent defendants. Until now, the law provided judges with broad discretion, but the amended law will require consideration of ability to pay, including using the receipt of public benefits as proof of indigency.
CHILD CARE

Child Care Assistance Program (CCAP):

- The budget raises the CCAP family income entry limit from 180% to 200% of the Federal Poverty Level (FPL) (from $41,454 to $46,060/year for a family of three), allowing more Rhode Island families to qualify for assistance, and it raises the family income exit limit from 225% to 300% FPL (from $51,817 to $69,090), allowing more Rhode Island families to remain on the program, providing support even as their income starts to increase. The budget uses $3M in federal funds to pay for this expansion. The budget makes permanent a pilot program enacted last year to allow parents to use CCAP to attend a public institution of higher education. CCAP is now available to parents who need childcare in order to work, attend training program or participate in higher education.

- The budget allocates $21.3M in ARPA SFRF for FY2023 (and $42M 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 would 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.

- CCAP provider rates for center-based child care will be increased, using $7.6M in federal funds and 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 will replace the current arrangements which ranges from the 25th to the 75th percentile using the 2018 market rate survey. Family-based child care home providers are negotiating rates.
CHILD CARE (continued)

Early Intervention: After 20 years without a rate adjustment for providers who serve infants and toddlers with developmental delays, the FY2023 budget commits $1.8M in general revenue and $2.2M in federal Medicaid funds to raise permanently Early Intervention Medicaid rates by 45%; rates paid by commercial insurance (held by 40% of children in the program) will also be raised. The rate will be adjusted for cost of living going forward. Funds are also intended to improve quality and equity, in part through a pay-for-performance program. The budget also provides $5.5M from ARPA funds for incentive bonuses to Early Intervention providers for achieving referral targets and decreasing staff turnover.

First Connections: The budget provides $1.1M for a temporary rate increase for Medicaid payments, but not a permanent one, and no ARPA SFRF are provided to the program.
EDUCATION

New Poverty Measure: For its submission for FY2024 funding, the Department of Elementary and Secondary Education must develop and use in its calculations a new and more accurate poverty measure, one no longer based on student participation in school nutrition programs. The poverty measure is relevant to the state share ratio in funding local education.

Higher Education Academies: The budget does not include the Governor’s proposal to use $6.5M in ARPA SFRF funds for the Office of the Postsecondary Commissioner to establish three new academies to support, each year, 1,000 students ages 16 and above (including high school seniors and recent graduates) to continue their education. Services would have included coaching, college readiness coursework, summer course enrollment, and transition from high school to postsecondary education or workforce training.

Pre-Kindergarten: The budget authorizes level funding of $14.9M in general revenue for that part of the education funding formula that supports voluntary, free, and high-quality pre-kindergarten programs. The RI Pre-K Act is amended to require the development of recommendations for achieving universal Pre-K services and an equitable distribution of funds, and to require state agencies to develop an annual growth plan to expand, within 5 years beginning in FY2024, the state’s Pre-K program to serve 5,000 children between the ages of 3 and 4.
ECONOMIC EQUITY AND JUSTICE

HOUSING

The 2023 budget appropriates $221M in ARPA SFRF funds to expand access to housing and to reduce homelessness. In addition to the $29M of SFRF funds approved in the RI Rebounds Act in January 2022, this brings the total allocation of SFRF funds to $250M for housing development, increasing housing affordability, addressing the needs of people experiencing homelessness, and expanding homeownership opportunities. The $221M allocation is spread out over the 2023-2026 fiscal years.

**FY2023 Housing and Homelessness Allocations:** The FY2023 budget includes, from ARPA SFRF, $97M in allocations, including $30M for the development of affordable housing, $15M for homelessness infrastructure and $7M for homelessness assistance, $15M for home repair and community revitalization, $12M for workforce housing, $10M for down payment assistance, and $2M for the development of a statewide housing plan.

**Secretary of Housing and Additional Staffing:** The position of the Deputy Secretary of Commerce for Housing, created last year to lead the state’s housing work, is elevated to Secretary of Housing, a cabinet level position. The budget also provides $0.5M in funds to expand by four the number of personnel at the Office of Housing and Community Development directed by the Secretary.
ECONOMIC EQUITY AND JUSTICE

WORKERS, BUSINESS AND ECONOMIC DEVELOPMENT

**Adult Education Services:** The budget includes an additional $540K in general revenue, the first increase in funding in twenty years for providers to meet increased demand for basic skills services. It also appropriates $2M in ARPA SFRF for investments in adult education and literacy programs (with $3M allocated for FY2024).

**Wages for Direct Care Support Professionals:** The adopted budget increases rates paid to direct care workers (DCW) to a minimum of $15 per hour. This includes DCWs employed by home health agencies ($7.5M total cost, including $3.3M from general revenue), independent providers ($0.3M total, including $0.1M from general revenue), and personal choice aides ($12.5M total, including $5.5M general revenue). The budget also appropriates $10M (including $5M in general revenue) to the Executive Office of Health and Human Services to provide support for home care providers ($35.1M total cost, including $16.1M general revenue) in response to the litigation filed against the state for failing to provide people with IDD opportunities to live and work in community (“Olmstead Lawsuit”).

**Healthcare Workforce Development:** The budget provides $6M general revenue to support a recruitment and talent development initiative to address healthcare workforce staffing shortages. Using an employment-based training program and employer subsidies in coordination with the state’s two largest hospital systems, this effort seeks to hire 100 new workers and engage and place 200 workers altogether.

**Paid Family Leave:** No action was taken this year on legislation to improve the state’s existing program that enables workers to receive a portion of their wages while staying at home to care for a family member or bond with a new baby. Advocates sought to increase the length of paid leave available, to increase the benefit level, and to revise the funding mechanism to make the program more equitable for lower-wage workers.

**Tipped Minimum Wage:** Despite the documented sexism and racism foundational to the carving out of the tipped wage, now at $3.89/hour in Rhode Island, and despite attempts to link it to the regular minimum wage, no action was taken this session on bills seeking to increase or phase out altogether the tipped minimum wage.

**Unemployment Insurance (UI) Trust Fund:** The budget allocates $100M in ARPA SFRF to the Unemployment Trust Fund. Although the last year has seen significant replenishment through payroll taxes, the amount in the fund is still below what it was before the pandemic. This allocation will save business owners an estimated $10M in payroll taxes in Tax Year 2023.
WORKERS, BUSINESS AND ECONOMIC DEVELOPMENT (continued)

**Labor and Training Technology Improvements:** The final budget adopts the Governor’s proposal to spend a total of $19.4M federal funds in FY2022 and FY2023 to replace the Department of Labor and Training’s central computer system as part of modernizing its information technology infrastructure, including its call center and internet user portal.

**Governor’s Workforce Board:** The budget allocates $40.5M to the Governor’s Workforce Board. The total allocation includes $10M in ARPA SFRF for an “enhanced” Real Jobs RI program and $18.4M in restricted receipts, which is primarily from the Job Development Fund. Of the $12M in general revenue, $600K is dedicated to the improvement of care for nursing facility residents, through improved staff training. Real Jobs funded programs, which formerly were funded through “Real Pathways,” will include programs that address the needs of lower-skilled workers, ensuring that the state’s major job-development programs address the diverse needs of the workforce.

**Inmate Apprenticeship, Training, and Employment:** The budget includes $500K in general revenue for a Real Jobs program that provides training and post-release employment opportunities for incarcerated individuals.

**Wavemaker Fellowship:** The budget includes the Governor’s proposal to expand this program originally created to offset student loans with tax credits for full-time Rhode Island workers in STEM (Science, Technology, Engineering, and Mathematics) fields. A new category of eligible workers, those employed as health care and mental health care workers (to be further defined by Commerce Corporation regulations) will now become eligible for the credits. The program is being divided into two funds, one for healthcare/mental healthcare and one for the STEM fields. The budget includes $3.2M in funding, $800K above what the Governor had requested.

**Minority Business Accelerator:** The budget allocates ARPA SFRF in the amount of $2M in FY2023 and $4M in FY2024 to create a new minority business accelerator to offer loans, technical assistance, and space for helping minority businesses. The Rhode Island Black Business Association will receive $500K of the FY2023 funding. The Governor, in his original budget proposal, had requested $10M in ARPA SFRF to aid minority businesses.
Cannabis Legalization: The General Assembly legalized cannabis for adult recreational use. The enacted bill addresses the mechanics of legalization and regulation and racial and ethnic equity issues, including the automatic expungement of criminal records for cannabis possession and access to participation in the legal market, and the use of revenue generated by the legalization in communities harmed by the war on drugs. For FY2023, legalization is estimated to bring in $7M in new sales and use tax revenue, as well as $1.2M in excise taxes for local governments and $1.2M in licensing fees for a Social Equity Assistance Fund.

Tax Credits for Economic Development: The end dates for Rebuild RI, the I-95 Redevelopment Fund, and 10 other economic development programs have been extended from December 31, 2022 to December 31, 2023. Sunset dates provide the General Assembly with the opportunity - and responsibility - to evaluate programs in order to make decisions about renewal or cancellation.

The budget provides $28M from general revenue for the Historic Preservation Tax Credit Trust Fund and an additional $13.5M for the Rebuild Rhode Island Tax Credit. The cap on spending for the Motion Picture Production Tax Credit is increased for two years, FY2023 and FY2024, from $20M to $40M. However, the budget does not include the original proposal to increase the cap permanently or to remove the program’s sunset date, thereby making regular review of the program more likely. A February 2022 analysis from Rhode Island’s Office of Revenue Analysis concluded that while the program generates some economic activity, it loses 97 cents for each dollar of revenue given out in tax credits.
Driver’s Licenses for All: With the enactment of the Safe Roads Act, Rhode Islanders who lack documented immigration status will be able to apply for and obtain a “driver privilege” permit and card, enabling these individuals to drive legally. Applicants must show they have filed an income tax return in Rhode Island in the year prior to applying (or be the dependent of a person who filed a return) and must comply with other rules, including passing the written and road test and obtaining insurance. The new program will become effective July 2023.
EQUITY IN HEALTH CARE

Efforts to protect and promote the health of all Rhode Islanders

Rite Care for All Children: The Cover All Kids campaign achieved success this year, meaning that Rite Care comprehensive health care will be expanded to cover all income-eligible Rhode Island children regardless of immigration status. The budget includes $1.9M in general revenue (including $660K for technology implementation) to provide coverage during the expansion’s first year.

Postpartum Medicaid Coverage: Medicaid will provide healthcare coverage for 12 months postpartum for women who are enrolled in Medicaid when they give birth; this will include both women who do not qualify for Medicaid coverage due to citizenship status. Under current rules, full coverage ends after 60 days. The total cost of $5.2M includes $3.5M general revenue and $1.7M federal funds.

Social and Human Services Providers: The budget appropriates $1.5M general revenue to the Office of the Health Insurance Commissioner to undertake a thorough analysis and review of eligibility, utilization, rates, and accountability standards for all social and human services providers that are licensed by and contract with the state.

Home- and Community-Based Services Funding: The General Assembly rejected the Governor’s proposal to suspend the Perry-Sullivan law requiring the state to invest reduction in expenditures for nursing facility care into home and community-based services. The restored $38.6M in funds, including $17.7M general revenue, were used to fund the wage increases for direct care providers discussed above.

Medicaid Dental Care Rates: The budget includes $8.1M (including $2.7M general revenue) to increase the rates to pay for adult dental care services.

Nursing Facility Rate Adjustment: The annual nursing home rate adjustment will be increased for this year from 1.9 percent to 3.0 percent, at a cost of $1.4M general revenue, with $1.7M federal Medicaid funds, for a total rate adjustment cost of $8.5M, of which $3.8M will come from general revenue.
Transition from Medicaid to Qualified Health Plans: During the public health emergency (PHE), Rhode Islanders enrolled in Medicaid have retained coverage (with limited exceptions) and have not needed to renew coverage annually. When the PHE ends, the state will begin a year-long renewal process. Individuals who are no longer eligible for Medicaid, due to increased income, will be automatically enrolled in a Qualified Health Plan through HealthSource RI. The budget includes $1.3M in ARPA SFRF to cover the first two months of premiums and the cost of implementing this automatic enrollment process.

Health Source Rhode Island (HSRI) Funding: The budget provides $11.6M in operating expense funding for HSRI, including $2.8M general revenue.

Health Insurance Market Integrity Fund: The budget includes $12.4M in federal funds and $6.2M from penalties paid by individuals who do not have health insurance to make $18M in reinsurance payments to health insurance carriers and $0.6M for program administration.

Certified Community Behavioral Health Clinics: As one part of building a more comprehensive system to provide access to a broad range of behavioral health services, medical screening and monitoring, and social services, the budget includes $30M in ARPA SFRF to support and expand the network of certified community behavioral health clinics.

Psychiatric Residential Treatment: For female youth who have complex behavioral health needs and who currently need to go out-of-state to receive intensive residential treatment, the budget adopts the Governor’s proposal to spend $6M in ARPA SFRF to establish at least one psychiatric facility in Rhode Island. The final budget provides an additional $6M in ARPA SFRF to expand in-state capacity at existing private facilities and to pay for the initial design of a new facility. It is expected to cost $45M in Capital Plan funds to construct the facility during FY2024 through FY2026.
Efforts to make room for broader participation in the political and legislative processes

Let RI Vote: The General Assembly passed and the Governor signed into law the Let RI Vote Act, which makes it easier for Rhode Islanders to request and complete mail ballots. Rhode Islanders can now request mail ballots online and without special reason, and they will be able to submit these ballots by signing them without a notary or two witnesses, a requirement in only two other states. EPI is a member of the Let RI Vote coalition.

Equity Impact Statements: Novel legislation introduced would have required most proposed legislation to include statements addressing whether the legislation would likely increase or decrease racial, ethnic, gender, and disability equity and disparities. Maine and Colorado now require related types of equity impact statements. This year the proposal received a hearing but no vote.
CONCLUSION

Despite some efforts that fell short and despite a failure to heed the recommendations of the Rhode Island Foundation’s *Make it Happen* report by using ARPA SFRF to implement bold, transformative, equity-centered change, the 2022 legislative session and FY2023 budget brought many welcome achievements, with some valuable investments in people, programs, and policies.

Elsewhere ([https://www.economicprogressri.org/wp-content/uploads/2022/07/2022-Legislative-Session-Wrap-Up.pdf](https://www.economicprogressri.org/wp-content/uploads/2022/07/2022-Legislative-Session-Wrap-Up.pdf)), we highlight ten of these wins, many of which involved EPI working together with and supporting partner organizations, and some of which involved coalitions in which EPI took a leading role. There nevertheless remains plenty of room to enact even bolder and more equity-centered legislation and spending commitments in future budgets and legislative sessions.

The ongoing COVID-19 recovery, supported by substantial federal relief aid, provides many opportunities to do more than return to the old normal. We need more and better investments in Rhode Islanders - especially Black and Brown communities, workers, and lower-income Rhode Islanders - to fight poverty and to advance equity.

To accomplish this, we must recognize that the economy is not only business and business owners. The economy is much broader and includes all of us, as families, workers, consumers, and business owners. An economy that encourages business creation and expansion is one that invests in education, workforce training, and public spaces, that helps people get out and stay out of poverty - and makes Rhode Island a wonderful place to live and thrive.