

## Highlights of the Governor's Proposed FY2022 Budget

### OVERVIEW

The Governor's proposed FY2022 budget ("the budget") totals \$11.17 billion, a decrease of \$1.56 billion over the enacted FY2021 budget. This includes \$4.37 billion in general revenue (\$218M more than FY2021) and \$4.13 billion in federal funds (\$1.68 billion less than FY2021), with the balance from restricted receipts (\$341.9M, \$19.6M more than 2021) and

other sources (\$2.33 billion, \$114.1M less than 2021), including lottery revenue. In several areas, we have highlighted proposals important to the fiscal health of the state and its residents.

The budget utilizes \$328M of federal coronavirus funding, including FEMA money (compared with \$1.69 billion used in the FY2021 budget and \$366M in FY2020). With the recent enactment of the American Rescue Plan (ARP), Rhode Island and local governments expect to receive approximately \$2.55 billion more in federal aid, with \$772M in targeted aid (e.g., for rental assistance, child care, education) and \$1.78 billion that can be used by the state as it deems necessary to respond to economic and health crises caused by COVID-19. It is likely that some of the new ARP funds will be allocated in the final FY2022 budget.

### HEALTH COVERAGE AND CARE

#### Medicaid

**Rlte Share:** Adult Medicaid recipients who have access to employer-sponsored insurance (ESI) at their jobs are required to participate in Rlte Share if the Executive Office of Health and Human Services (EOHHS) determines that the ESI is comprehensive and that it is less expensive for the state to pay the employee's share of the premium than to enroll the employee in a Medicaid managed care plan.

Workers are entitled to all Medicaid services that are not included in the ESI, such as medically-necessary transportation and interpreter services. However, co-pays required by the ESI are not covered by Medicaid. The budget estimates savings of \$1M for 6 months, including \$467,273 general revenue, through increased enrollment in the program.

The budget also proposes that employers with 50+ employees (not including non-profits) be required to provide information to the state so EOHHS can determine whether an employer's plan is Rlte Share-eligible. Employers can be fined \$2,500 for failing to provide the required information and \$5,000 for falsifying information. The budget estimates \$165,675 in revenue from fines.

**Increase Maintenance of Needs Allowance:** The maintenance of needs allowance (MNA) would be increased from 100% FPL to three times the SSI standard for certain individuals receiving home and community-based services. Under current law, seniors or people with disabilities who need long-term care services in a nursing home or in their own home may qualify for Medicaid even if income is higher than the community Medicaid

### FY2022 Proposed Budget

(July 1, 2021 – June 30, 2022)

Expenditures by Revenue Type	FY2022 Proposed Budget Amounts	FY2022 Proposed Budget Percentages
General Revenues	\$4.37 billion	39.1%
Federal Funds	\$4.13 billion	37.0%
Other Funds	\$2.33 billion	20.8%
Restricted Receipts	\$341.9 million	3.1%
<b>Total</b>	<b>\$11.17 billion</b>	<b>100%</b>

limits. Once eligibility is established, the individual is required to contribute their income, less the applicable MNA, to their cost of care. For people living in the community, the current MNA is \$12,880/year, leaving the person without sufficient income to support themselves at home. The budget proposes increasing the MNA to \$28,584, thereby decreasing the individual's contribution and leaving them with greater resources. The budget includes \$2.4M general revenue to support this change, with federal matching funds available.

**Increase eligibility for the "At Home Program":** This program, administered by the Office of Healthy Aging (OHA), subsidizes the cost of homemaker services and adult day health services for individuals who are ineligible for Medicaid. The current income limit is 200% FPL (\$25,760 for an individual). The budget proposes raising the income limit to 250% FPL (\$32,200 for an individual), allowing an estimated 430 more seniors to qualify. The budget includes an additional \$842,137 in general revenue with an additional \$1M in Medicaid federal funds to support the expansion.

**Doula services:** The budget authorizes OHHS to include doula services for pregnant women enrolled in RIte Care/Medicaid. The budget provides \$112,252 from general revenue and anticipates matching federal Medicaid funds. (Investment is offset by savings achieved from an expected reduction in cesarean births.)

**Community Health Workers:** The budget assumes \$340,313 in savings, including \$115,082 general revenue, by providing Medicaid payments for community health workers. The savings are derived from reducing care management expenses that are included in the rates paid to managed care entities.

**Home Stabilization rate increase:** The budget includes \$1.5M in funds (\$660,000 general revenue) to finance a rate increase for home stabilization services. Services include finding and applying for housing or rental assistance, transitioning into or maintaining housing, and preventing evictions. Payments to providers would be increased from \$145.54 to \$331.00 for an expected monthly enrollment of 625,000 people.

**Family Home Visiting expansion:** The budget increases funding by \$1.4M (including \$605,538 general revenue) to support programs, administered by the RI Department of Health, that provide in-person support to families (from pregnancy to child's age 5) to help ensure healthy births and early childhood development.

**First Connections:** The budget proposes to seek federal matching funds, for this short-term family home visiting program for families experiencing stress, in order to extend the program's services to pregnant women. The program is administered by the RI Department of Health. An appropriation of \$226,800, including \$95,755 in general revenue, is included in the proposed budget.

## Rate Increases related to long-term care:

- For caregivers at nursing homes or healthcare agencies, an increased rate for those who work overnight shifts must be passed through to the workers. Another rate increase is provided to nursing homes and home care providers that have at least 30% of direct care workers certified in behavioral health (BH) training. Workers who have completed the 30-hour BH certificate training program (offered by RIC or a training program determined to be compliant per EOHHS to CNAs and homemakers) are entitled to receive the rate increase. The budget includes \$900,000 (\$500,000 general revenue) for these increases.
- Payments to Assisted Living providers are increased to account for beneficiaries with behavioral health and cognitive diagnoses. (Budget includes \$1.1M general revenue.)
- A 10% rate increase is included for Shared Living caregivers. (Budget includes \$123,181 for the increase.)
- A rate increase is provided for nursing homes to account for the additional cost of caring for residents who require behavioral healthcare or ventilators.

**Co-payments:** The budget deletes authorizing language in §40-8-4 that permitted EOHHS to charge nominal co-payments to eligible individuals for non-emergency services provided in a hospital emergency room and for co-payments for prescription drugs. The authorizing language was enacted in 2007 but not effectuated.

## HealthSource RI (HSRI)

**HSRI funding:** The budget proposes \$10.8M in funding for HSRI, including \$2.8M from general revenue funds.

## BASIC NEEDS

### RI Works

**Income exclusion for newly employed:** Under current law, when a parent starts a job, an income exclusion of \$170 and half the balance is applied to gross income to determine how much of the earnings are counted against the person's RI Works grant. For a family of three, if monthly gross earnings exceed \$1,278, the grant is stopped. The budget proposes to exclude earned income for 6 months after a parent starts a job, unless, during that 6-month period, she reaches the 48-month time limit or gross income exceeds 185% FPL (\$3,385 for a family of 3), whichever comes first. This change would be implemented in January 2022 at a cost of \$175,000 from the federal Temporary Assistance to Needy Families (TANF) block grant.

**Change definition of dependent child:** Under current law, once a teen turns 18, s/he is not eligible for RI Works benefits unless s/he will graduate high school before turning 19. The budget changes the definition to allow an 18-year-old to continue to be eligible for assistance, as long as s/he is attending high school (regardless of the date of graduation). The \$40,000 cost is covered by the federal TANF block grant.

**Increase the clothing allowance:** The budget includes \$116,000 in TANF funds to expand the \$100 annual clothing allowance to all children living in a family receiving RI Works, including children birth to age 3.

### Other Basic Needs Proposals

**Providence DHS Field Offices:** The budget assumes savings of \$1.0M general revenue from consolidating the Providence offices.

**RI Community Food Bank:** The budget increases general revenue funding for the Food Bank from \$175,000 to \$350,000.

**Services for Seniors:** The budget includes the current level of funding for senior centers (\$800,000 general revenue), meals on wheels/elderly nutrition services (\$580,000), and respite care (\$325,000).

## HOUSING

**Permanent Funding Stream:** The budget establishes a new restricted receipt account, the Housing Production Fund (HPF), which would be capitalized by doubling the real estate conveyance tax on the portion of sales of residential property over \$700,000 and allocating additional funds from the tax collected on the portion of sales under \$700,000. The budget includes \$2.6 million for this fund in FY2022, of which \$900,000 is from the state general revenue share. The HPF will be used to build new affordable housing units and support a new municipal housing development partnership initiative focused on improving local capacity and removing barriers to affordable housing at the local level.

**Bond expenditures for Affordable Housing:** The budget includes \$85.1M for affordable housing (\$65M from the bond passed in March 2021 and balance from bonds passed in 2012 and 2016), including rehabilitation of existing buildings and new construction for FY2021-FY2025. The budget also includes spending the

last \$40,892 available from a bond passed in 2016 to improve properties that are blighted or in need of revitalization.

## CHILD CARE ASSISTANCE PROGRAM (CCAP) AND PRE-K

**CCAP to enroll or maintain enrollment in public higher education:** Under current law, a parent can qualify for CCAP if she is working or attending a short-term (maximum of 6 months) training program a minimum of 20 hours/week. The budget proposes allowing a parent to access CCAP to enroll or maintain enrollment in a public higher education institution. The \$200,000 voucher program cost would be paid with federal TANF funds.

**CCAP rate adjustments:** In 2018, a tiered reimbursement rate scheme was implemented for paying child care providers. The FY2022 budget includes \$6.0M in federal funds but no additional general revenue to increase reimbursement rates to center-based providers. The proposal would align payment rates for first-tier providers for all ages with the 25th percentile and for top-tier providers with the 75th percentile from a 2018 market survey. While this funding is an increase over pre-pandemic rates, it would mean a significant cut from pandemic rates being paid since March 2020.

**Pre-Kindergarten:** The budget level-funds Pre-K at \$14.9M from general revenue and adds \$2.5M from the Governor's Emergency Education Stabilization fund and \$3.0M from federal Preschool Development funds.

## K-12 EDUCATION

**Education Funding Formula:** Fully funds the formula adopted in 2010.

**Multilingual Language Learners (MLL):** Level-funds the MLL program at \$5.0M general revenue.

**School Breakfast program:** Level-funds administrative cost reimbursement at \$270,000 general revenue.

## HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

**Higher Education Funding and Tuition:** The budget includes \$1,235M for public higher education institutions, including in-state tuition increases of 2.5% for URI, 5.9% for RIC, and 3.6% for CCRI.

**RI Promise Scholarship:** Budget includes \$7.7M, an increase of \$400,000 in general revenue, to support the program, assuming the same number of students enroll as in 2021. Budget also recommends removing the sunset provision of the program, which otherwise will end with the 2021 high school graduating class.

**Adult Education:** The budget includes \$9.1M, including \$2.2M from general revenue, \$2.1M from WIOA, \$1.0M from TANF, \$3.5M from the Job Development Fund, and \$300,000 from other federal sources.

**Real Jobs RI:** The budget includes \$9.1M for the Real Jobs RI program, including \$8.5M general revenue (an increase of \$3.0M) and \$700,000 from federal funds. Funds from the Job Development Fund (JDF) are not assumed in the budget; in FY2021, \$3.7M was appropriated from this restricted receipt account. The Governor's Workforce Board will vote on the allocation of JDF at its May 2021 meeting.

**Earned Income Tax Credit (EITC):** Unlike the budget proposed a year ago, the FY2022 budget does not include an increase to the state's Earned Income Tax Credit, which helps low-wage workers and remains at 15% of the federal credit.

## Incarcerated Individuals:

- The budget includes \$210,000 to create an apprenticeship program for incarcerated individuals developed by the Department of Corrections (DOC) in conjunction with the Department of Labor and Training (DLT). This includes a new full-time equivalent (FTE) position to oversee the program, which is anticipated to serve between 25 and 30 individuals.
- The budget includes \$111,690 for a new FTE at DOC to coordinate with DLT in connecting employers with inmates being released.
- The budget also proposes to move discharge planning services from the community to DOC at a cost of \$551,164 for 7 new positions. The current \$583,355 contract with an outside vendor would be ended.

## TAX CREDITS FOR ECONOMIC DEVELOPMENT

**Sunsetting of Programs:** The budget calls for extending the sunset dates—from June 30, 2021, to December 31, 2022—of 14 economic development programs coordinated and managed by the Rhode Island Commerce Corporation. The programs proposed to be extended are:

- Rebuild RI Tax Credit (RIGL §42-64.20)
- RI Tax Increment Financing (RIGL §42-64.21)
- Stay Invested in RI Wavemaker Fellowship (RIGL §42-64.26)
- Rhode Island Qualified Jobs Incentive Act of 2015 (RIGL §44-48.3)
- Tax Stabilization Initiative (RIGL §42-64.22)
- First Wave Closing Fund Act (RIGL §42-64.23)
- I-195 Redevelopment Project Fund Act (RIGL §42-64.24)
- Rhode Island Small Business Assistance Program (RIGL §42-64.25)
- Main Street Rhode Island Streetscape Improvement Fund (RIGL §42-64.27)
- Innovation Initiative (RIGL §42-64.28)
- Industry Cluster Grants (RIGL §42-64.29)
- High School, College, and Employer Partnerships (RIGL §42-64.31)
- Air Service Development Fund (RIGL §42-64.32)
- Small Business Development Loan Fund (RIGL §42-64.33)

**Minority Entrepreneurship:** \$140,000 in funding for Commerce Corporation assistance and grants.

**Rebuild RI Tax Credit:** The budget calls for increasing the total cap on this multi-year program from \$210M to \$240M, as well as for providing \$22.5M in general revenue to fund commitments in FY2022. The House Fiscal Office has previously estimated that \$140M of credits had been committed as of the midpoint of FY2020.

**Wavemaker Fellowship:** The budget would exempt Wavemaker awards from state taxes, as well as provide \$400,000 in new funding. It also expands or delineates eligible businesses. Whereas currently, the program specifies only that the applicants have employment with Rhode Island employers in certain science, technology, engineering, mathematics, and design fields, the budget would identify eligible businesses as well: “any corporation, state bank, federal savings bank, trust company, national banking association, bank holding company, loan and investment company, mutual savings bank, credit union, building and loan association, insurance company, investment company, broker-dealer company or surety company, limited liability company, partnership, sole proprietorship, or federal agency or subsidiaries thereof.”

**Small Business Assistance Program:** The budget would double funding from \$500,000 to \$1.0M for this program using public funds to encourage private lending to companies employing under 200 individuals.

**Small Business Development Loan Fund:** The budget seeks to further strengthen existing protections of the Small Business Development Loan Fund program and revise the application criteria so that Rhode Island companies would have the possibility of applying successfully, whereas the original legislation limited entrance to a few large companies with specific federal certification.

## REVENUE CHANGES

The proposed FY2022 budget does not include any changes to the rates for broad-based taxes, including the personal income tax, the corporate income tax, or the sales tax. There are no proposals to change alcohol, tobacco, or hotel taxes.

**Rhode Island Capital Plan (RICAP):** Excess funds in the Rainy Day Fund (RDF) get deposited into the state's Capital Plan Fund, to help pay for infrastructure projects. When the General Assembly withdraws funds from the RDF—as it did last year to help close the FY2020 budget gap—it must repay those monies into RICAP (rather than back into the RDF itself). By statute, this must take place during the following fiscal year, though the FY2021 budget (enacted in December 2020) called for paying to RICAP \$90M of the \$120M withdrawn, postponing the remaining \$30M payment until FY2022. The proposed supplemental budget for FY2021 and proposed budget for FY2022 would revise this payment schedule, with payments of only \$7.5M in FY2021, \$42.5M in FY2022, and \$70M in FY2023.

**Hospital License Fee:** The FY2022 and supplemental FY2021 budgets set the hospital license fee at 6% of patient revenues, matching the rate for previous years (with the same lower rate of 3.78% for hospitals in Washington County). This will result in an estimated \$178.2M in general revenue for FY2022 and an additional \$32.3M on top of \$161.5M for FY2021.

**Paycheck Protection Program (PPP):** Congress has provided PPP loan beneficiaries with an extra tax deduction, allowing businesses to deduct expenses paid for with PPP funds without counting as income the forgiven loans. If state tax rules are allowed to remain matched to this policy, the state will suffer an estimated revenue loss of \$133.3M over FY2021 and FY2022. The Governor's supplemental FY2021 budget (applying to FY2022 as well) proposes a partial decoupling from the federal policy—counting as state taxable income only forgiven loan amounts above \$150,000—and saving an estimated \$67.7M in revenue.

**Cannabis Legalization for Recreational Adult Use:** Using the Department of Business Regulation, the Governor's proposal would charge licensing fees to private businesses and excise fees for the legal production and the sale of cannabis products. The proposal envisions sales beginning in April 2022, already the fourth quarter of the fiscal year, and bringing \$590,561 in licensing fees, \$451,684 in a weight-based excise tax for cultivation, \$258,685 from the regular sales tax, and \$369,550 from an additional excise tax on retail sales. With much more revenue from licensing in FY2023, the budget predicts \$16.9M in total revenue, though excise tax revenue remains at between \$11M and \$13M per year through FY2026. In FY2022, the budget would provide \$1.1M to health equity zones, \$1.0M for prevention and treatment, and \$900,000 for law enforcement. The legalization proposal does include some measures to address racial, ethnic, and social equity concerns in the wake of the decades-long war on drugs and the many Rhode Islanders harmed by it. However, these efforts do not include the expungement of criminal records for cannabis activities no longer considered criminal.

**Transfers:** Sometimes called “scoops,” these funds from quasi-public agencies are redirected to the general revenue fund. The budget only seeks \$1.0M from the *Underground Storage Tank* fund.

**Sales Tax Permit Fee:** The budget repeals the \$10 fee businesses currently pay each year to charge sales tax and turn over sales tax revenue to the state; this will result in an estimated \$331,585 in reduced revenue.

**Fees and Penalties:** Through increased penalties on Coastal Resources Management Council violations (\$15,000), as well as additional fees on pesticides and fertilizer (\$1.4M) and on parking fees for beaches and ports (\$733,822), the budget estimates over \$2.0M in additional revenue. Though the increase in beach fees is not specified and will be left to the Department of Environmental Management, the Senate Fiscal Office reports that resident weekday fees would go from \$6 to \$15 and resident weekend fees from \$7 to \$15, while non-resident weekday fees would go from \$12 to \$20 and non-resident weekend fees from \$14 to \$30.

## REVENUE SHARING WITH CITIES AND TOWNS

**PILOT:** The budget recommends funding the Payment in Lieu of Taxes (PILOT) program with \$46.1M, the same amount as in the enacted FY2020 budget (the FY2021 budget provided \$50.7M, but used only \$19.2M in general revenue, substituting federal funds for the remainder). The PILOT monies are state funds used to compensate local governments for property taxes they cannot collect from such institutions (such as hospitals and colleges) due to their tax-exempt status.

**Aid to Distressed Communities:** The budget would provide \$12.4M in aid, maintaining the current allocation..

**Car Tax Phase-Out:** The Governor's FY2022 budget proposes no change to the phasing out of the car tax, spending \$139.7M from general revenue to reimburse local governments for lost revenue. FY2022 will be the fifth of six years of the scheduled phase-out.

## RESOURCES/FURTHER READING

This budget summary is based upon the budget and other documents providing helpful information:

House Bill 6122 (the legislative text of the FY2022 Budget Proposal, including all of its articles): <http://webserver.rilegislature.gov/billtext21/housetext21/h6122.pdf>

House Bill 6121 (the legislative text of the FY2021 Supplemental Budget Proposal, including all of its articles): <http://webserver.rilegislature.gov/billtext21/housetext21/h6121.pdf>

*Executive Summary, Fiscal Year 2022 Budget Proposal:* [http://www.omb.ri.gov/documents/Prior%20Year%20Budgets/Operating%20Budget%202022/ExecutiveSummary/0\\_Complete%20FY%202022%20Executive%20Summary.pdf](http://www.omb.ri.gov/documents/Prior%20Year%20Budgets/Operating%20Budget%202022/ExecutiveSummary/0_Complete%20FY%202022%20Executive%20Summary.pdf)

*House Fiscal Advisory Staff's Governor's FY 2022 Budget at Second Glance* (March 23, 2021): <http://www.rilin.state.ri.us/housefiscalreport/2020/Governor's%20FY%202022%20Budget%20at%20Second%20Glance.pdf>

*Senate Fiscal Office's Governor's FY2022 and FY2021 Supplemental Budgets, 2021-H-6122 AND 2021-H-6121, First Look* (March 16, 2021): <http://www.rilin.state.ri.us/sfiscal/Budget%20Analyses/FY2022%20SFO%20Governor's%20Budget%20-%20First%20Look.pdf>