The Economic Progress Institute

Fiscal Year 2027 Budget and 2026 General Assembly Session in Review

July 2026

FY2026 Budget and 2025 General Assembly Session in Review

TABLE OF CONTENTS

Introduction	**4**
Rhode Island Budget, Revenue & Tax Fairness	**5**
Tax on High Income	5
Taxation of Social Security Income	5
Decoupling from Federal Tax Provisions in H.R.1/OBBBA	5
Main Street Coordinating Program	5
Property Tax Relief	5
Family Caregiver Tax Credit	6
Estate Tax	6
Rainy Day Funds	6
Tobacco Taxes	6
Local Aid	6
Corporate Minimum Income Tax	6
Jobs Development Act	7
Extension of Economic Development Programs	7
Rebuild RI Tax Credit	7
Minority Entrepreneurship	7
Data Centers	7
Lifting Rhode Islanders Out of Deep Poverty	**8**
Child Tax Credit (CTC)	8
RI Works (RIW)	8
Earned Income Tax Credit (EITC)	8
Community Food Bank	8
Meals on Wheels/Elder Nutrition	8
Senior Centers	8
Economic Opportunity	**9**
Multilingual Learners (MLLs)	9
Minimum Wage	9
Paid Family Leave	9
Predatory Lending Reform	9
Adult Education	9
Investments in Children	**10**
Child Care Assistance Program (CCAP)	10
Child Care for Child Care Educators	10
Early Intervention (EI) Extension	10
Early Education	10
Pre-Kindergarten	10

FY2026 Budget and 2025 General Assembly Session in Review

TABLE OF CONTENTS (continued)

Investments in Children (continued)	
Education Funding Formula	10
Public Higher Education	10
Hope Scholarship Program	10
Rhode Island Promise Scholarship	11
Free School Meals	11
Investments in Healthcare	**12**
Marketplace Affordability Program	12
Uncompensated Care	12
Maternal, Infant, and Early Childhood Home Visiting	12
OHIC/Medicaid Rates	12
Psychiatry Teleconsultation Programs	12
Medicare Savings Program (MSP)	12
Primary Care Rate Review	12
New Community Engagement Requirements for SNAP and Medicaid	12
Race, Equity & Democracy	**13**
RI Invests in Public Transit	13
Protections for Immigrant Communities	13
Equity Impact	13
Same-Day Voter Registration	13
Criminal Legal System Reform	13
Voting Rights Act	13
Conclusion	**14**

INTRODUCTION

Rhode Island's Fiscal Year 2027 Budget – authorizing **$15.24 billion in total expenditures,** including **$6.08 billion in state General Revenue** – along with other legislation enacted during the 2026 General Assembly session, made substantial investments in Rhode Island and Rhode Islanders. At the same time, some of these investments fell short of the need and some proposals were left on the table altogether. Our review of the 2026 session highlights progress and shortcomings in light of the Economic Progress Institute's legislative agenda and issues relevant to low- and modest-income Rhode Islanders.

Table 1: FY2027 Enacted Budget (July 1, 2026 – June 30, 2027)

Expenditures by Revenue Type	FY2027 Enacted Budget Amounts	FY2027 Enacted Budget Percentages
General Revenue	$6.08 billion	39.9 percent
Federal Funds	$5.73 billion	37.6 percent
Other Funds	$2.96 billion	19.5 percent
Restricted Receipts	$464.7 million	3.0 percent
Total (All Funds)	$15.24 billion	100 percent

This end-of-session report review identifies significant legislative and budgetary proposals that were adopted as well as important proposals that did not advance through the General Assembly. Below are two icons found in the report and their meaning:

One of EPI's 2026 legislative priorities for this year's session

Enacted legislation that signals progress for low- and modest-income Rhode Islanders or blocked harmful legislation

RHODE ISLAND BUDGET, REVENUE & TAX FAIRNESS

Tax on High Income: The enacted budget includes a 3 percent surtax on taxable personal income above $1 million. The surtax will be phased in over three years, at 1 percent for Tax Year 2027, 2 percent for Tax Year 2028, and 3 percent for Tax Year 2029 and beyond. This brings to a successful conclusion a seven-year campaign by the Revenue for Rhode Islanders coalition, co-led by EPI. This year, the coalition proposed creating a new 3 percent surtax affecting the top 1 percent of tax filers and only their taxable income above the top 1 percent cut-off of approximately $640,000. While the Revenue for Rhode Islanders proposal would have generated an estimated $203 million in new annual revenue in Fiscal Year 2028 and approximately half as much in Fiscal Year 2027, the enacted tax on high income will raise $166 million annually when fully in place, according to the most recent estimates provided to EPI by the Institute on Taxation and Economic Policy. The additional revenue will both increase tax equity and help Rhode Island prepare for pending cuts in federal food and medical assistance.

Taxation of Social Security Income: Rejecting the Governor's budget proposal to phase out state taxation of all Social Security income, the enacted budget matches EPI's call to maintain the current exemptions for lower-income beneficiaries. Current cutoffs (adjusted annually for inflation) are $107,000 for single filers and $133,750 for joint filers. The budget does include the Governor's proposal to make eligible for the exemption those low-income beneficiaries below full retirement age, and EPI supported this measure.

Decoupling from Federal Tax Provisions in H.R.1/the One Big Beautiful Bill Act: Proposals to decouple Rhode Island from three federal tax provisions, one proposed by the Governor and two additional items promoted by EPI, were included in the enacted budget. This means that while Rhode Island tax filers can still use these provisions on their federal tax returns, they will not be able to do so on their state returns. The final budget includes the Governor's proposal to decouple Rhode Island from federal Research & Development expensing rules, meaning that businesses will continue to take expense deductions for Research & Development costs over five years rather than all at once in the first year, saving the state $22.6 million in FY2026 and FY2027. The other two provisions, for calculating business interest deductions and for the Qualified Small Business Stock (QSBS) gains exclusion, will save $5.1 million in FY2027, an amount likely to grow each year. Despite the name, only C-Corporations and not small businesses are eligible for the QSBS.

Main Street Coordinating Program: The budget directs $150,000 of the funds allocated to the Executive Office of Commerce to sustain the Main Street Coordinating Program, managed by Grow Smart RI. This program, which exists in 43 states and the District of Columbia, is designed to encourage economic development by revitalizing downtown commercial areas.

Poperty Tax Relief: Legislation to improve affordability for the elderly and people with disabilities by increasing the income limit and tax credit amount for renters and homeowners received committee hearings but did not advance.

RHODE ISLAND BUDGET, REVENUE & TAX FAIRNESS (CONTINUED)

Family Caregiver Tax Credit: A proposal to establish a tax credit for eligible expenses incurred by a household for care and support of an eligible family member received committee hearings but did not advance.

Estate Tax: None of several proposals to eliminate or weaken Rhode Island's estate tax received committee votes. Although such proposals appear popular, they would benefit at most only 300 or so of the wealthiest estates each year and result in an annual revenue loss approaching $100 million. For FY2026, the state will collect an estimated $96.2 million, and the projection for FY2027 is $93.5 million.

Rainy Day Funds: In 2023, the General Assembly created a Supplemental Budget Reserve Fund, a secondary "Rainy Day" fund, because the regular one is constitutionally capped at 5 percent of General Revenue. The same General Assembly placed $55.0 million in this fund but no funds had been added. Early this year, the state withdrew $18.0 million from this fund as reserve funding for the Fatima and Roger Williams hospitals, which were in danger of being closed down. The enacted FY2027 budget appropriates $24.0 million to the supplemental rainy day fund, to replace the $18.0 million and bring the total to approximately 1 percent of General Revenues. This means that the state now has a total of 6 percent in the two rainy day funds, although this amount remains well below the 10 percent or above in most states, including the New England states. In March 2026, the Pew Charitable Trusts estimated that Rhode Island had enough rainy day funds to operate for only 23 days, the fifth lowest in the nation.

Tobacco Taxes: The budget does not include the Governor's proposal to increase the maximum per cigar tax from 50 cents to $2.00, which would have produced an estimated $0.6 million in new revenue. Nor does it include his proposal for a $0.75 per pack increase on cigarette sales, estimated to generate $6.6 million in revenue in FY2027.

Local Aid: The enacted budget allocates the following funds to local governments:

- $940,571 more ($15.8 million total) for the Distressed Communities Relief Fund to assist certain municipalities; East Providence will now be included.
- $49.0 million to fully fund the Payment in Lieu of Taxes (PILOT) program, which provides funding to local governments to compensate for the loss of property tax revenue they would otherwise have received from tax-exempt organizations such as universities and hospitals.
- $4.8 million more ($244.3 million total) to reimburse local governments for the ongoing loss of revenue due to the phase-out of the car tax, completed in FY2024; the Governor had proposed freezing the reimbursement amount, not allowing for growth, while the enacted budget includes 2 percent increase that is in statute.

Corporate Minimum Income Tax: The budget did not include legislative proposals to reduce or eliminate the state's annual $400 corporate minimum tax. Although the benefit to any individual business would be relatively small given all other business costs, the tax raises over $36 million for General Revenue each year.

RHODE ISLAND BUDGET, REVENUE & TAX FAIRNESS (CONTINUED)

Jobs Development Act: The General Assembly did not repeal the Jobs Development Act despite many criticisms of the program, including that it does not use best practices for economic development incentives, its goals are not well correlated with the incentives, and it was closed to new applicants years ago. This program now costs the state approximately $3 million to $4 million each year, though it will cost $14.2 million in FY2026.

Extension of Economic Development Programs: The enacted budget extended the sunset dates – from December 31, 2026 to December 31, 2027 – of nine economic development programs coordinated and managed by the Rhode Island Commerce Corporation: Rebuild RI Tax Credit, New Qualified Jobs Tax Credit, Tax Increment Financing, Tax Stabilization Incentive, Main Street Streetscape, I-195 Redevelopment Project, Innovation Initiative, First Wave Closing Fund, and the Wavemaker Fellowship. The purpose of sunset dates is to encourage the General Assembly to review programs for their effectiveness in spurring economic activity and opportunity, and to close those not achieving their stated purposes. Nevertheless, program extensions such as these are routinely done without further review.

Rebuild RI Tax Credit: In line with the Governor's proposed budget, the enacted budget allocates $6.1 million in General Revenue to fund commitments already made and increases the total cap on this multi-year program from $225 to $250 million.

Minority Entrepreneurship: The budget includes level funding of $140,000 for a minority urban business incubator through the non-profit Urban Ventures program; this dollar amount has remained flat for a number of years.

Data Centers: A proposal to create a 30-year tax incentive for the construction of data centers did not receive a vote. Although data centers would produce some construction jobs in the short term, there remain many environmental and community concerns over data centers in addition to questions over the wisdom of the tax credits.

LIFTING RHODE ISLANDERS OUT OF DEEP POVERTY

Child Tax Credit (CTC): Rhode Island created its first Child Tax Credit of $330 per child, which would phase out at $88,500 for single-filers and $110,640 for joint-filers. This would be on top of the already existing federal CTC (a maximum of $2,200 per child). The federal CTC has been shown to cut child poverty rates, especially for low-income families and families of color, and a state-level CTC would further reduce child poverty rates in Rhode Island.

RI Works (RIW): The enacted budget increases the amount of child support to pass through from $50 to $100 for the first child and allows $200 for families with two or more children, and this increased income is disregarded from family income.

Earned Income Tax Credit (EITC): There was no increase in the state EITC this year. Legislation heard in both chambers proposed an increase from the current 16 percent to 30 percent of the federal credit. Currently, Rhode Island remains far behind its New England neighbors, with Maine at 50 percent for those without dependents and 25 percent for those with dependents, Vermont at 38 percent, and Massachusetts and Connecticut both at 40 percent.

Community Food Bank: The enacted budget provides $3.0 million to the Rhode Island Community Food Bank to help the organization respond to hunger demands. This amount is $2.0 million above the enacted FY2025 allocation, and it is $1.0 million above what the Governor's proposed budget requested.

Meals on Wheels/Elder Nutrition: The budget includes level funding of $680,000 to support the operations of the Meals on Wheels program and an additional $50,000 is for elderly nutrition services.

Senior Centers: The enacted budget includes the Governor's proposal to increase from $1.6 million to $1.8 million the funding for services provided by senior centers.

ECONOMIC OPPORTUNITY

Multilingual Learners (MLLs): The General Assembly include in the enacted FY2027 budget $750,000 towards certifying dual language teachers and developing dual language programs across the state, as proposed in the Support and Access to Bilingual Education (SABE) Act.

Minimum Wage: Rhode Island's minimum wage will increase to $17 per hour in 2027. Over a five-year period, from 2022 through 2026, the minimum wage was increased, in annual steps, from $11.50 per hour to $16.00 per hour. While still below a wage level needed to meet basic needs, the new increases will help keep working families from falling further behind. Several proposals to further increase the minimum wage, including linking increases to inflation annually, received hearings but no votes.

Paid Family Leave: The Senate passed legislation to expand Paid Family Leave to 12 weeks, extend caregiving eligibility to grandparents and other caregivers, and require a feasibility study on allowing self-employed workers to opt into Temporary Caregiver Insurance (TCI). The legislative session ended before the House and Senate reached an agreement to enact expansions.

Predatory Lending Reform: Some predatory lenders evade Rhode Island's protective 21 percent-36 percent Annual Percentage Rate caps on loans and victimize Rhode Islanders by "renting" banks chartered out of state to sign off on loans with triple-digit annual interest rates. Federal law provides states with a means of opting out of the rule that permits such banks to follow their home state interest rates instead of the rates of the borrowers' home states (and fintech companies from "renting" these banks to charge the predatory rates). Legislation to protect Rhode Islanders from these predatory lenders by exercising this opt-out provision and by adding into Rhode Island statute strong "true lender" anti-evasion language did not advance beyond committee hearings.

Adult Education: Adult education is level-funded for FY2027, which includes $2.2 million in federal funding through the Workforce Innovation and Opportunity Act (WIOA), $2.4 million in state General Revenue funding, $3.5 million through Jobs Development Funds (JDF), $1.4 million in TANF funding, and $500,000 through DLT. This adds up to about $10 million in total funding for adult education for FY2027.

INVESTMENTS IN CHILDREN

Child Care Assistance Program (CCAP): The enacted budget increases the income eligibility for CCAP increased from 265 percent to 285 percent of the FPL and increases the exit income level from 300 percent to 325 percent of the FPL, allowing more families to qualify for and remain eligible for affordable child care. Additionally, CCAP infant reimbursement rates were increased by 5 percent, which is an average increase of $17.80 per week for center-based childcare providers.

Child Care for Child Care Educators: The Child Care for Child Care Educators pilot, which provides free childcare for eligible child care providers, was extended for two years, through July 2030.

Early Intervention (EI) Extension: The enacted budget includes $50,000 in General Revenue and $150,000 in federal funds to extend EI services until September 1 after a child's third birthday, phasing in starting January 2028. This includes establishing an implementation advisory committee, convened by the Executive Office of Health and Human Services (EOHHS), to reduce administrative burden, earmark federal funds, and develop resources and strategies for providers.

Early Education: The enacted budget provides $3.0 million from federal funds to sustain Head Start and Early Head Start programs.

Pre-Kindergarten: The enacted FY2027 budget provides level funding of $28.9 million in General Revenue; this amount is intended to correspond with available data on capacity and demand. The funds are intended to create and sustain high-quality Pre-Kindergarten education programs.

Education Funding Formula: The enacted budget provides $1,332.4 million for local education aid, $42.1 million above the amount in the enacted FY2026 budget. This amount includes base formula aid for local school districts, and separate funding allocations for the Central Falls school district and for state schools. The formula includes an increase from 40 percent to 43 percent to adjust for poverty. The funding also includes $208.5 million for charter schools, $13.3 million above the amount in the enacted FY2026 budget. A Blue Ribbon Commission formed by the Rhode Island Foundation recommended revamping the funding formula, and although this proposal was not enacted, the General Assembly passed a resolution to study how to implement the Commission's recommendation.

Public Higher Education: The FY2027 budget provides $1,636.1 million for Public Higher Education funding. Funding comes from two basic sources: Restricted Receipt funds, which include residence, parking, and dining hall funds, as well as research overhead funds from federal sources, and Unrestricted funds, which include tuition, fees, research indirect costs, and General Revenue allocations. The Restricted Receipts funding for FY2026 amounts to $658.7 million, slightly less than the enacted FY2026 total and $14.9 million less than the revised budget amount for FY2026. Total Unrestricted funding for FY2026 amounts to $977.3 million, of which $346.4 million comes from General Revenue and $631.0 million from tuition, fees, and other sources, a $38.5 million increase over the enacted amount for FY2026 and $44.8 million above the revised amount.

INVESTMENTS IN CHILDREN (CONTINUED)

Hope Scholarship Program: The pilot for the Hope Scholarship Program at Rhode Island College has been extended for three years, with General Revenue funding of $7.1 million to cover costs for the program's fifth year.

Rhode Island Promise Scholarship: The budget includes an increase of $0.8 million in General Revenue for a total allocation of $8.1 million to help Community College of Rhode Island students with tuition and fees for two years; this is similar to what the Governor proposed.

Free School Meals: The budget provides level-funding of $812,952 for breakfast and lunch at no cost for thousands of students currently receiving reduced-price meals. Proposals to fund school meals for all children were not enacted.

INVESTMENTS IN HEALTHCARE

Marketplace Affordability Program: The budget provides $22.0 million from General Revenue to partially replace federal healthcare subsidies that expired for about 40,000 Rhode Islanders at the end of 2025. Effective January 1, 2027, the new state subsidy will help approximately 20,000 Rhode Islanders purchase health insurance through HealthSourceRI, focusing on those who earn up to 200 percent FPL. This allocation will not fully replace the expired subsidies.

Uncompensated Care: The budget includes $26.0 million for disproportionate share payments to community hospitals to pay for the expected increase in uncompensated care costs incurred by hospitals serving individuals who lose health coverage because of recent federal changes. Proposals to invest $53.2 million in uncompensated care in FY2027 and $109.6 million in FY28 (double the amounts that the state is expected to "save" with fewer people Medicaid) did not advance.

Maternal, Infant, and Early Childhood Home Visiting: The Maternal, Infant, and Early Childhood Home Visiting Program is a federal initiative that supports pregnant women and parents of young children through home visits and other services. The budget includes a new appropriation of $377,000 from General Revenue to access an additional $1.1 million in federal funds, for a total of $10.9 million for FY2027.

OHIC/Medicaid Rates: The enacted budget provides $115.7 million, including $45.8 million from General Revenue, to fully fund the rate increase proposed by the Office of Health Insurance Commissioner's (OHIC) biennial rate review, rather than spreading the increase over two years. The rates are not to exceed those paid by Medicare and are effective October 1, 2026.

Psychiatry Teleconsultation Programs: The MomsPRN and PediPRN programs are teleconsultation services used by medical professionals to obtain timely referrals for mothers and children with mental health concerns. The budget includes $1.2 million from General Revenues to fully fund the MomsPRN and PediPRN programs. This is $450,000 more than enacted from General Revenues to replace federal funds that expire September 30, 2026.

Medicare Savings Program (MSP): The proposal to make healthcare more affordable for the elderly and disabled by eliminating the asset limit for MSP did not advance.

Primary Care Rate Review: In 2025 the General Assembly required the Office of the Health Insurance Commissioner to produce a one-time report on primary care reimbursement rates due by September 1, 2026. The report must include Medicaid, Medicare, commercial, and alternative contracted payments. The budget includes $0.5 million across FY2026 and FY2027, from General Revenue and Medicaid matching funds, to perform this work.

New Community Engagement Requirements for SNAP and Medicaid: The enacted budget includes $2.0 million from federal funds over FY2026 and FY2027 to support statewide interagency initiatives to meet the new work-aligned activity requirements outlined in H.R. 1 (also known as the One Big Beautiful Bill Act) in FY2027.

RACE, EQUITY & DEMOCRACY

RI Invests in Public Transit: The General Assembly's final budget revision increased RIPTA's share of the Highway Maintenance Fund from 10 percent to 25 percent. This change in funding allocation now aligns closely with federal transportation funding, which has largely followed an 80/20 split between highways and mass transit since 1982 when it was established by Congress. However, the agency did not receive sufficient funding to reverse the service cuts implemented in September 2025.

RI Protections for Immigrant Communities: After six years of advocacy, the General Assembly passed the "364-Day Misdemeanor Bill," which will protect Rhode Islanders from deportations for minor offenses. Because federal immigration law treats offenses punishable by one year or more as deportable offenses, this one-day change will help prevent minor state offenses from triggering severe immigration consequences, such as detention or deportation, for long-time residents. Along with refining sentencing laws, state legislators voted to pass the "Rhode Island Constitutional Defense Act," which enables people to sue federal agents in state court for violations of constitutional rights, and the "Protect our Courts Act," which protects people from civil arrests in state courts without a judicial warrant.

Equity Impact: Legislation was introduced in both the House and the Senate to incorporate Equity Impact Statements and a Budget Equity Review into the legislative process. Under this proposal, a two-year pilot program would be established and allow for the Speaker of the House, the President of the Senate, and the Rhode Island Black, Latino, Indigenous, Asian American and Pacific Islander (RIBLIA) Caucus to request, in total, up to 20 Equity Impact Statements per session on proposed legislation. Under this proposal, the Speaker and Senate President could each request up to five statements within their respective chambers, while the RIBLIA Caucus could request up to five statements for proposed legislation in the House and five for the Senate. The House bill received a hearing in the House State Government and Elections Committee and recommended that the measure be held for further study. The Senate bill was assigned to the Senate Judiciary Committee and did not receive a hearing.

Same-Day Voter Registration: Legislation was introduced in both the House and Senate to increase voter turnout and improve voter list accuracy by allowing eligible residents to register and vote up to and on election day. The proposal received hearings in both the House State Government & Elections and Senate Judiciary committees, but was recommended for further study in both chambers.

Criminal Legal System Reform: The Bail on 32 Campaign, led by Direct Action for Rights and Equality (DARE), again did not advance. When someone on probation is accused of a 32F violation, they can be jailed for two weeks or longer without a hearing and therefore without an opportunity to post bail. For such individuals, this can result in loss of employment, housing, and custody of children. Even if they can later demonstrate they were never in violation, it can be too late. Proposed legislation was introduced in both the House and the Senate, which would have required the court to set reasonable bail for all those individuals who appear before it as probation violators and establish a presumption of personal recognizance unless the new alleged offense is a crime of violence. The proposal received hearings in the House and Senate Judiciary committees but no votes on the merits.

Voting Rights Act: A coalition sought to enact legislation to protect voting rights in the wake of the weakening of the federal Voting Rights Act. The legislation did not advance.

CONCLUSION

Although some proposals did not advance at the General Assembly – and some did not even receive hearings – the 2026 legislative session and enacted FY2027 budget brought many welcome achievements, including meaningful investments in people, programs, and policies. In June 2026, the Economic Progress Institute highlighted and celebrated the session's **Top Twenty Wins** that Promote Progress and Equity for Rhode Islanders, achievements that involved EPI working together with partner organizations, and some of which involved coalitions in which EPI played a leading role.

This summary and review of the 2026 legislative session and enacted FY2027 budget perhaps falls into the unfortunate framework of the budget as a collection of hundreds or thousands of isolated decisions and expenditures. However, we might all benefit from shifting our perspective to viewing the budget as a whole, as an organized, even comprehensive plan of coordinated and interlocking parts. The design and enactment of a budget should begin not with the goal of doing lots of things and making lots of stakeholders a little bit happy, but instead begin from an assessment of needs: **What do we need to do as a state to invest in our people, our institutions, and our economy, to help us all thrive?** In particular, what investments do we need to make in those Rhode Islanders with the fewest resources and the least access to resources? For example, neither the proposed nor the enacted budget included a long called for cost of living inflation adjustment for the Rhode Island Works cash assistance program, which currently does not provide enough assistance to help the poorest families escape deep poverty, 50 percent of the Federal Poverty Level.

One of the benefits of employing an equity lens is that it asks policymakers to consider whether individual legislative proposals and expenditures, as well as the budget as a whole, increase or decrease equity and expand or restrict opportunity. Instead of an annual tweaking of ongoing budget expenses, it may be time to begin with a comprehensive needs assessment and then build a budget to address these needs.