



The Economic
Progress Institute

Fiscal Year 2026 Budget and 2025 General Assembly Session in Review

July 2025

FY2026 Budget and 2025 General Assembly Session in Review

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INTRODUCTION

Rhode Island's Fiscal Year 2026 Budget – authorizing \$14.3 billion in total expenditures, including \$5.8 billion in state General Revenue – along with other legislation enacted during the 2025 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 2025 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.

The 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 2025 legislative priorities for this year's session.



Progress for low- and modest-income Rhode Islanders.

ECONOMIC OPPORTUNITY



Paid Family Leave: Enacted Legislation will expand the Temporary Caregiver Insurance (TCI) benefit from 60% of the average weekly wage to 70% on January 1, 2027 and to 75% on or after January 1, 2028. The enacted legislation also expands the taxable wage base to \$100,000 and the family definition of eligible caregivers to include siblings.



Payday Lending Reform: After a 15-year campaign, the General Assembly repealed the special carve-out that allowed payday lenders to charge up to 260% APR (Annual Percentage Rate). Starting in 2027, storefront payday lenders will no longer be exempt from the rules governing other lenders, and this will protect Rhode Islanders from falling into cycles of debt through a financial product designed for people to fail.



Rent-a-Bank Scheme: Some predatory lenders 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.



Minimum Wage: Rhode Island’s minimum wage will increase to \$16 per hour in 2026 and \$17 per hour in 2027. Over a four-year period, from 2022 through 2025, the minimum wage was increased, in annual steps, from \$11.50 per hour to \$15.00 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.

Governor’s Workforce Board: The budget funds the Governor’s Workforce Board (GWB) with \$25.1 million, an increase of \$750,000 above the enacted FY2025 amount, though \$11.8 million less than the final FY2025 expenditure and \$4.6 million less than the amount requested in the Governor’s proposed budget. The GWB takes part in and helps fund various initiatives related to adult education and workforce development. These include Real Jobs RI and Skills for Rhode Island’s Future, among others.



Multilingual Learners (MLLs): Legislation was introduced in both the House Finance and Senate Finance committees this year that, if enacted, would have provided funding for the creation of a dual language program within the Department of Elementary and Secondary Education. Another legislative proposal was introduced which would have authorized the Department of Elementary and Secondary Education to establish a scholarship program to promote and increase the number of bilingual, dual language, and world language teachers in urban and urban ring schools. While all proposals received committee hearings, none advanced to the floor of their respective chambers.



ECONOMIC OPPORTUNITY (CONTINUED)



Workforce Housing: The enacted budget preserves the total \$20.0 million in ARPA State Fiscal Recovery funds, over FY2024 and FY2025, to increase the stable housing supply dedicated to housing for Rhode Island's low- and modest-income workforce families earning up to 120 percent of the area median income. Although no additional ARPA funds are available for FY2026, the enacted budget includes the allocated but still unspent \$16.3 million for FY2025.

Renter/Tenant Protections: The enacted FY2025 budget includes \$1.3 million in General Revenue to launch a statewide, publicly accessible online database of all rental units. This registry will include compliance information related to lead safety laws, helping ensure safer housing for tenants. The enacted FY2026 budget allocates \$0.7 million for ongoing operations and maintenance.

Homelessness Assistance Funding: The enacted budget provides \$2.5 million in General Revenue to the Housing Resources and Homelessness Restricted Receipts fund, and the budget also includes tens of millions of dollars in ARPA funds for homelessness assistance, including for infrastructure, facility expansion housing navigation, stabilization services, mental health support, and local aid.

INVESTMENTS IN CHILDREN

  **Child Care Assistance Program:** A 20% increase in infant reimbursement for the Child Care Assistance Program (CCAP) was included in the enacted budget. Infant reimbursement rates have also been separated from the previously combined Infant/Toddler rates.

  **Child Care for Child Care Educators:** The Child Care for Child Care Educators pilot, which provides free child care for eligible childcare providers, was extended for three years, through July 2028.

Early Education: The enacted budget provides \$1.2 million from General Revenue and \$3.0 million from federal Temporary Assistance for Needy Families funds to sustain Head Start and Early Head Start programs.



Pre-Kindergarten: The enacted FY2026 budget provides \$1.0 million less than the enacted FY2025 budget, for a total 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 \$1,616.2 million for local education aid, \$66.6 million above the amount in the enacted FY2025 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.



Free School Meals: The budget provides level-funding of \$812,952 for breakfast and lunch at no cost for the approximately 6,500 students currently receiving reduced-price meals. Proposals to fund school meals for all children were not enacted.



Public Higher Education: The FY2026 budget provides \$1,597.9 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 \$659.0 million which, while \$85.7 million more than the enacted FY2025 total, is \$30.7 million less than the revised budget amount for FY2025. Total Unrestricted funding for FY2026 amounts to \$938.9 million, of which \$327.2 million comes from General Revenue, a \$12.7 million increase over the enacted amount for FY2025.



INVESTMENTS IN HEALTHCARE



  **OHIC/Medicaid Rates:** The enacted budget includes \$8.3 million from General Revenue and \$26.4 million from all funds to increase Medicaid primary care reimbursement rates to match Medicare rates. The increase is intended to address the shortage of primary care providers in the state.

  **Medical Debt:** Legislation was enacted to cap interest on medical debt at 4% and to prohibit medical debt from resulting in liens placed on principal residences.

  **Nursing Home Workforce Standards:** The enacted budget allocated \$12 million that will go directly to hiring new staff at nursing home facilities that are not yet meeting the safe staffing requirement, or raising wages and benefits for existing direct-care workers at facilities that are already in compliance. This ensures that nursing homes have the tools and accountability needed to deliver safe, dignified care and recruit and retain quality direct care staff.

  **Medicare Savings Program (MSP):** The enacted budget adds \$7.1 million, including \$0.7 million from General Revenue, to expand the Medicare Savings Program. This expansion increases eligibility to 125% of the Federal Poverty Level for the Qualified Medicare Beneficiary group and up to 168% for the Qualified Individuals group. These increases will primarily benefit the elderly and disabled.

  **Psychiatry Teleconsultation Programs:** The General Assembly allocated \$750,000 of state funds to sustain MomsPRN. PediPRN will also continue through existing federal grant funds. These programs support healthcare professionals through clinical consultations or referral services related to mental health for children and for pregnant and postpartum Rhode Islanders.

  **Removing Prior Authorization Requirements:** Enacted legislation established a three-year pilot program prohibiting insurers from requiring prior authorization for services ordered by primary care providers, as well as for in network out-patient behavioral health services.

LIFTING RHODE ISLANDERS OUT OF DEEP POVERTY



Baby Bonds: The General Assembly created a legal framework to provide every child who is born on the RI Works Program with a \$3,000 investment. At age 18, each child will have access to approximately \$12,000 to spend on education, retirement savings, homeownership, or starting a business in Rhode Island. The enacted legislation establishes the program but does not yet create a funding mechanism.



RI Works: There was no increase to the Rhode Island Works cash assistance benefit amount or expansions to the program this year. The enacted budget did not include proposals to increase the benefit amount to 50% of the Federal Poverty Level, establish an annual cost-of-living adjustment, allow Legal Permanent Residents to be eligible before five years with this status, or increase the child support passthrough from \$50 to \$100 for one child and \$200 for two or more children.



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% to 20% of the federal credit. Currently, Rhode Island remains far behind its New England neighbors, with Maine at 25%, Vermont at 38%, and Massachusetts and Connecticut both at 40%.






Child Tax Credit (CTC): Rhode Island does not currently have a state Child Tax Credit. Legislation proposed establishing an annual \$1,000 credit per child for eligible families. Single-income households earning \$100,000 or less and dual-income households earning \$150,000 or less would qualify for the state CTC. 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. The proposal received hearings in both the House Finance and Senate Finance committees but were recommended for further study.




Community Food Bank: The enacted budget provides \$950,000 to the Rhode Island Community Food Bank to help the organization respond to hunger demands. This amount is \$400,000 above what the Governor's proposed budget requested, and it is also higher than the total FY2025 allocation of \$800,000, which included an additional \$250,000 in increased funding.

RHODE ISLAND BUDGET, REVENUE & TAX FAIRNESS

 **Tax on the Top 1%:** The Revenue for Rhode Islanders coalition, co-led by EPI, proposed to create a new 3% sur-tax affecting the top 1% of tax filers and only their taxable income above the top 1% cut-off of approximately \$625,000. The campaign received more attention than ever before and, until the end, seemingly remained a live possibility for inclusion in the state budget for FY2026. Although it was not included in the enacted budget, it remains a realistic option should the General Assembly return for a special fall session to address the federal budget being negotiated in Washington, D.C. The legislation, which would affect only an estimated 5,700 filers, received hearings, though no votes, at the House and Senate Finance Committees. Enacting the Revenue for Rhode Islanders proposal would have generated an estimated \$190 million in new annual revenue. The legislation – which would increase tax equity – would also have helped prepare the state for pending cuts in federal food and medical assistance.

  **Non-Owner-Occupied Homes Property Tax:** The enacted budget establishes a new property tax on expensive homes which are not primary residences. Only the value above \$1 million will be taxed, and most owners of these homes have their primary residences outside Rhode Island. The revenue will support the development of low-income housing by directing the new revenue into the Low-Income Housing Tax Credit Fund. This new tax will not go into effect until July 1, 2026, meaning that there will be no revenue impact until FY2027.

 **Real Estate Conveyance Tax:** The enacted budget increases the taxes collected on Rhode Island property sales. Previously, the state levied a real estate conveyance tax of \$2.30 per each \$500 of the sales price of all purchases and another \$2.30 per each \$500 of the sales price above \$800,000 for residential properties only. While the Governor had proposed increasing the second part by \$1.65 and devoting the additional revenue to the Housing Resources and Homelessness Restricted Receipts account, the enacted version doubles both parts to \$4.60 (meaning that the total tax on each \$500 in residential property sales above \$800,000 will be \$9.20). From the first part of the tax, the revenue going to the Distressed Community Relief Program will increase from \$0.30 to \$0.50, to the Housing Resources and Homelessness Restricted Receipts account from \$0.30 to \$0.50, to the state's General Revenue fund from \$0.60 to \$0.95, and to municipalities from \$1.10 to \$1.80. From the second part of the tax, the revenue going to the Housing Production Fund will increase from \$2.30 to \$2.50, and \$1.25 will go to the Housing Resources and Homelessness Restricted Receipts account. The enacted version also increases the \$800,000 cut-off by an inflation adjustment each year.

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 of between \$45.0 million and \$85.0 million. For FY2025, the state will collect an estimated \$85.0 million, and the projection for FY2026 is \$83.6 million.

RHODE ISLAND BUDGET, REVENUE & TAX FAIRNESS (CONTINUED)

Employee Pension and Rainy Day Funds: Due to Tax Year 2023 extensions federal filing deadlines from April to July, across state Fiscal Years (which end on June 30th and begin on July 1st), an extra \$43.3 million budget surplus was recorded for FY2024 going into FY2025. By state law, half of these funds should be deposited into the State Employees' Retirement System and half into the Supplemental Budget Reserve Fund, a secondary "Rainy Day" fund created in FY2024 because the regular one is constitutionally capped at 5% of General Revenue. The Governor had proposed placing the entire \$43.3 million into General Revenue to use for the FY2025 and/or FY2026 budgets. The enacted budget directed half into the State Employees' Retirement System but directed half into the General Revenue fund rather than into the Supplemental Budget Reserve Fund.

Data Matching for Tax Collections: The enacted budget accepted the Governor's proposal to direct the Division of Taxation to create or use a data tool to match bank and other financial accounts to help collect taxes owed by non-compliant or delinquent taxpayers, many or most of whom reside outside of Rhode Island. Estimated revenue from this program, after costs, is \$5.3 million in FY2026 and \$8.0 million in FY2027.

Electric and Hybrid Motor Vehicle Registration Fees: The budget institutes additional registration fees on electric and gas-electric hybrid vehicles. Whereas the Governor had proposed the establishment of a \$150 per year fee on electric vehicles and \$75 per year on plug-in hybrid vehicles, the enacted budget increased the amounts and added a third category: \$200 per year on electric vehicles, \$100 per year on plug-in hybrid vehicles, and \$50 per year on non-plug-in hybrid vehicles. These fees, which take effect on January 1, 2026, are on top of the regular annual motor vehicle registration fee, which will increase from \$30 to \$40; drivers license fees will likewise be increased. The reasoning to justify such a fee is that electric and hybrid vehicles use the state's roads and cause wear and tear just like gasoline-powered vehicles, and while the gasoline tax contributes funds into the Highway Maintenance Account for infrastructure and repair, owners of electric cars are not contributing to the account in this way, and owners of hybrids are contributing less than owners of traditional gasoline-powered vehicles. An argument against such a fee is that it could discourage the purchase of such cars which provide environmental benefits. The enacted version of the proposal is estimated to generate \$6.7 million in revenue for the Highway Maintenance Account in FY2026 and \$16.0 million in FY2027.

Local Aid: The enacted budget rejected three separate initiatives proposed by the Governor to cut aid to local governments and instead provides additional funds:

- \$2.5 million more (\$14.9 million total) for the Distressed Communities Relief Fund to assist certain municipalities; Coventry will now be included.
- \$2.1 million more (\$51.3 million total) for 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.
- \$4.7 million more (\$239.5 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 a 2% increase and caps the annual growth at 2%.

RHODE ISLAND BUDGET, REVENUE & TAX FAIRNESS (CONTINUED)

Tobacco & Nicotine Taxes: The budget does not include the Governor's proposed \$0.50 per pack increase on cigarette sales, but it does newly include nicotine pouches, placed between one's gum and lip, as subject to the wholesale cost tax applied to tobacco products. There is disagreement over whether this move is good for public health, because although nicotine is highly addictive, it is not itself carcinogenic, and some people use these pouches in place of carcinogenic tobacco products. The inclusion of nicotine pouches is estimated to generate \$7.5 million in revenue in FY2026 and \$12.0 million in FY2027.

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 \$30 million for General Revenue each year.

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 each year.

Repeal of Economic Development Programs: The enacted budget included the Governor's proposal to repeal seven economic development programs: Research and Development Expense Credit, Research and Development Facilities Deduction/Property Credit, Jobs Growth Act, Welfare Bonus Tax Credit, Small Business Investment Deduction/Modification, Small Business Capital Investment Wage Credit, and Specialized Mill Building Investment Tax Credit. Some of these programs were not being utilized and their repeal will have no revenue impact; the repeal of the Research and Development programs together will result in General Revenue savings of \$211,835 for FY2026 and \$423,667 for FY2027, while repeal of the Job Growth Act and Small Business Investment Deduction/Modification will result in thousands of dollars in additional savings.

Extension of Economic Development Programs: The enacted budget extended the sunset dates – from December 31, 2025 to December 31, 2026 – 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. A tenth, the Small Business Assistance Program, was extended through 2028. 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. Program extensions such as these are routinely done without further review.

Motor Vehicle Technology Fee: The budget increases the technology fee on Division of Motor Vehicles transactions from \$2.50 to \$3.50, resulting in \$1.6 million in additional funds for information technology systems.

RACE, EQUITY & DEMOCRACY



RI Invests in Public Transit: The enacted budget includes \$15 million in new, sustainable funding for RIPTA: \$9 million from a two-cent gas tax increase and \$6 million from the highway maintenance fund. The state has also committed to preserve the Ride Anywhere paratransit pilot program. Despite additional savings discovered since the enactment of the budget, RIPTA still faces a \$10.0 million deficit that will likely result in reduced service and other cuts.



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 Senate bill received a hearing in the Senate Judiciary Committee, but the committee did not schedule it for a vote, and it did not advance out of committee. The House bill was assigned to the House State Government and Elections 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.

CONCLUSION

Although some proposals did not advance at the General Assembly – and some did not even receive hearings – the 2025 legislative session and enacted FY2026 budget brought many welcome achievements, including meaningful investments in people, programs, and policies. In June 2025, the Economic Progress Institute highlighted and celebrated the session's Top Ten 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 2025 legislative session and enacted FY2026 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 any improvements in the Rhode Island Works cash assistance program, which currently does not provide enough assistance to help the poorest families escape deep poverty, 50% of the Federal Poverty Level.

One of the insights of an equity lens is that it asks policymakers to consider whether individuals 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.