

An Equity Review of the Proposed FY2024 Rhode Island State Budget

March 2023

Background

Rhode Island's annual state budget is the most important piece of legislation proposed, debated, and enacted each year. The budget is a statement of our values and priorities and has been called a moral document. As residents of this state, we are obligated to understand whether the budget, in its many expenditures and investments, elevates our identified values and priorities. Our long national and local history of racial and other disparities, including the persistent racial wealth gap, has made it critical for Rhode Island to consider whether the proposed budget addresses equity across gender, ethnic, racial, and other lines.

Connecticut Governor Ned Lamont included an equity evaluation of his proposed Fiscal Year 2024 and 2025 budgets put forward in February 2023, following legislation enacted in 2022. The detailed "[Ensuring Equity for All](#)" appears directly after the budget's introductory letter. Similar legislation has been proposed in Rhode Island this session and, if enacted, future budgets proposed by the governor would be accompanied by an equity statement.

The proposed Rhode Island legislation (Representative Terri Cortvriend's [HB6110](#) and Senator Jonathan Acosta's [SB527](#)), like the Connecticut legislation, mandates "an explanation of the manner in which provisions of the budget further the Governor's efforts to ensure equity in the state." The explanation would consider equity in terms of "efforts, regulations, policies, programs, standards, processes and any other functions of government or principles of law and governance" seeking to do any of three things:

- "Identify and remedy past and present patterns of discrimination or inequality...and disparities in outcome"
- "Ensure that such patterns of discrimination, inequality and disparities in outcome, whether intentional or unintentional, are neither reinforced nor perpetuated"
- "Prevent the emergence and persistence of foreseeable future patterns of discrimination...or disparities in outcome"

The proposal calls for considering equity and disparities in terms of the population groups identified in Rhode Island's Fair Employment Practices statute, §28-5-7(1)(i): race or color, religion, sex, sexual orientation, gender identity or expression, disability, age, or country of ancestral origin.

The following is an example framing of an equity review for the recently proposed Rhode Island FY2024 budget. The review seeks to address a broad array of policy issues, it is not intended as a comprehensive review of all policies or of the entire state budget.

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THE FOLLOWING ORGANIZATIONS JOIN TOGETHER IN SUPPORTING STATE BUDGET EQUITY LEGISLATION AND THIS EQUITY REVIEW:

ACLU of Rhode Island

ARISE

Black Lives Matter RI PAC

Center for Health + Justice Transformation

Center for Southeast Asians

Common Cause RI

DARE

Economic Progress Institute

HousingWorks RI

Jim Vincent

Latino Policy Institute

NASW RI

PACE Rhode Island

Parents Leading for Education Equity

Real Access Motivates Progress

Rhode Island KIDS COUNT

Rhode Island Black Business Association

Rhode Island Black Heritage Society

The Rhode Island Coalition to End Homelessness

Rhode Island Interfaith Coalition to Reduce Poverty

Rhode Island Organizing Project

Rhode Island Working Families Party

RI Coalition Against Domestic Violence

RI Workforce Alliance

SEIU

Senior Agenda Coalition of Rhode Island

SISTA Fire

The Sentencing Project

The State of Black Rhode Island

The Womxn Project

Tomaquag Museum

United Way of Rhode Island

Women's Fund of Rhode Island

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INTRODUCTION: AN EQUITY LENS

The opening sentence of Governor Daniel McKee's [Rhode Island 2030 Working Document](#) calls for an "equitable state for all," and the document frequently references using a "race equity lens." An equity lens encourages a different perspective to consider what policies, programs, and expenditures look like when valuing and prioritizing decreasing racial and other disparities and increasing equity.

The Governor's proposed FY2024 budget rarely mentions equity, although some of the existing expenditures and new measures in the Governor's Fiscal Year 2024 Budget Proposal increase equity by investing in programs and policies that reduce disparities between different groups of Rhode Islanders. The proposed budget can be assessed through an equity lens to consider the opportunities included in the budget and areas to make our state more equitable.

The review addresses critical policy areas along three dimensions:

- The status quo, in terms of current policies/programs and ongoing expenditures;
- New measures presented in the Proposed FY2024 Budget; and
- Additional opportunities to be embraced.

This document **does not present** a comprehensive review or analysis of the entire budget and all the possible policy areas of great interest to Rhode Islanders. The document aims to present a few examples, to model how to approach reviewing the state budget through an equity lens.

POLICY AREAS

RHODE ISLAND WORKS/CASH ASSISTANCE

(1) *Status quo*: The RI Works cash assistance benefit was not increased for three decades until two years ago, which brought much needed help to the lowest-income Rhode Islanders, who are disproportionately women and people of color. With some additional programmatic changes to the benefits framework in 2021 and 2022, the State strengthened a key program for decreasing disparities. The proposed FY2024 budget includes \$30.0 million in federal funds from the Temporary Assistance for Needy Families (TANF) Block Grant for RI Works cash assistance; Rhode Island spends more on the TANF Block Grant funds for childcare assistance than on cash assistance.

(2) *New Measures in the Proposed FY2024 Budget*: There are no new measures in the proposed FY2024 budget.

(3) *Additional Opportunities*: RI Works cash assistance benefits are below 40% of the Federal Poverty Level, an inadequate amount to meet basic needs. Over the last ten years, the State has decreased its investment of state dollars in the program, relying for the last decade entirely on federal funding. The State could increase the benefit amount, tie annual benefit increases to inflation, invest general revenue to provide RI Works benefits to eligible lawful permanent resident children and families without a five-year waiting period, and provide benefits to pregnant people from the beginning of pregnancy instead of waiting for the third trimester, which would all positively impact equity.

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TAXATION

(1) *Status quo*: Rhode Island's Personal Income Tax system is moderately progressive, but the highest-income Rhode Islanders pay a lower percentage of income in all state and local taxes than do the lowest-income Rhode Islanders. Even comparing the highest-income with middle-income Rhode Islanders, the same personal income tax rate of 5.99% applies to the \$1,000,000th dollar earned as to the \$165,000th dollar earned, creating an opportunity for a more progressive personal income, state, and local tax system. Rhode Island's estate tax affects only a few hundred of the wealthiest households in the state in any year; efforts to weaken it or eliminate it occur annually. Rhode Island's sales tax system exempts some basic needs like food, medicines, and most clothing from taxation, benefitting the lowest income Rhode Islanders, who are disproportionately women and people of color, of all genders.

(2) *New Measures in the Proposed FY2024 Budget*: The proposed FY2024 budget does not include new measures to make the State's tax system more progressive. The proposal to reduce the sales tax would benefit the highest-income Rhode Islanders the most. Households in the lowest 20% of income groups would receive only 6% of the benefit and households in the top 20% would receive 38% of the benefit.

(3) *Additional Opportunities*: The State could increase the Earned Income Tax Credit, which benefits low-income workers and their families and currently is the lowest in New England, at 15% of the federal credit. The State could also make the income tax system more progressive by increasing the top marginal tax rate for the highest-income Rhode Islanders. Measures such as these would decrease racial and ethnic income disparities in the state.

EDUCATION

(1) *Status quo*: Over the years, Rhode Island has taken several steps to ensure that all children have access to the high-quality education they need to succeed in school, career, and life. In 2010, the General Assembly enacted the state's first education funding formula which was based on five key principles: equity, adequacy, predictability, accountability, and efficiency. However, Ed Trust identifies Rhode Island as one of 6 states where districts serving the most students of color receive substantially less state and local revenue per student than districts serving the fewest students of color. In these states, districts serving the most students of color receive 10% to 22% less state and local funding than districts serving the fewest students of color.

(2) *New Measures in the Proposed FY2024 Budget*: The proposed budget includes several opportunities to improve the equity of the state's education funding formula. It increases the student success factor from 40% to 42%, providing an additional \$9.9 million to school districts to meet the needs of students in low-income families. It creates a new component of the education funding formula to support students experiencing homelessness and provides \$2.5 million to fund this new component. It increases funding for Multilingual Learners (MLLs) by \$7.8 million, bringing the total funding for MLLs to \$12.8 million.

(3) *Additional Opportunities*: The student success factor should be increased further to meet the needs of low-income students, many of whom are students of color. Including a separate student success factor for MLLs in the state's education funding formula would provide more continuity in funding; as the population grows, the amount of funding would grow automatically allowing us to better meet the needs of this important and growing group of students. The needs of children receiving special education are not adequately addressed in the current funding formula.

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HEALTH COVERAGE AND CARE

(1) *Status quo*: Rhode Island's Medicaid program provides access to healthcare coverage for hundreds of thousands of low-income Rhode Islanders and is funded with federal and state funds. In certain cases, like the enactment of Cover All Kids in 2022, the State uses general revenue to support programs even when a federal match is unavailable. Through HealthSource RI, tens of thousands of Rhode Islanders can purchase insurance coverage subsidized through the Affordable Care Act. In all these cases, whether the coverage results in individuals receiving quality care and in an equitable way across groups remains in doubt.

(2) *New Measures in the Proposed FY2024 Budget*: Expanding reproductive healthcare, including access to abortion services, to pregnant people enrolled in Medicaid or health insurance through the state employment system would increase equity by decreasing disparities in access to affordable healthcare coverage. (Disparities in access to coverage, access to care, and health care outcomes are different matters; decreasing disparities in access to reproductive care coverage might not necessarily result in decreasing the existing racial disparities in maternal and infant morbidity/mortality.)

The State will begin a 14-month process of redetermining Medicaid eligibility for all enrollees in April 2023. The budget includes funding to cover the first two months of premiums for low-income and modest-income individuals who are no longer eligible for Medicaid because their income exceeds the limit. Adults with lower incomes will be automatically enrolled.

For behavioral healthcare, the budget includes \$7.2 million in state funds and a total of \$22.4 million to support the Certified Community Behavioral Health Clinics, a national model that would expand access to care, including to lower-income communities.

(3) *Additional Opportunities*: Requiring the inclusion of abortion care coverage in HealthSource RI health plans would improve the planned transition of individuals from Medicaid to qualified health plans.

Codifying under Rhode Island law the full range of Essential Health Benefits covered by the Affordable Care Act (ACA), in case the ACA faces further challenges at the federal level: guaranteed coverage for 10 essential health benefits, including the following: primary and preventive health care services with no out-of-pocket cost-sharing for patients; contraception as a preventative care service not subject to patient cost sharing; guaranteed coverage for preventative and wellness services and with no patient cost sharing; and guarantee of the ability to purchase and renew coverage regardless of pre-existing conditions.

The State could increase eligibility for the Medicare Savings Programs and use Medicaid funds to cover the cost of the monthly Medicare premium and out-of-pocket health care costs to advance economic security for very low-income seniors and people with disabilities who are enrolled in Medicare. Access to a direct care worker is a critical support for seniors and people with disabilities who want to remain in their homes, the majority of whom are women and many of whom are women of color. The State should provide funding to home health agencies to increase the wages paid to their workforce as well as for the direct care workers hired through the self-directed care programs.

Increasing the Medicaid eligibility cut-off for Rhode Islanders ages 65 and above from 100% to 138% of the Federal Poverty Level will increase equity with other Medicaid populations.

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SMALL BUSINESS/ECONOMIC DEVELOPMENT

(1) *Status quo*: The Governor's proposed FY2024 budget allocates \$77.7 million in state general revenue funds and \$187.1 million in federal funds, including American Recovery Plan Act (ARPA) funds, for the Executive Office of Commerce (EOC) and the Commerce Corporation (CC), a quasi-public agency. The funds are intended to support small and large businesses, including through economic development tax incentives. The EOC and CC can exercise some flexibility with the funds; the only programs explicitly identified as targeting minority-owned businesses are the Minority Business Accelerator program, funded with \$4.0 million in federal ARPA dollars in FY2024, and the Urban Ventures minority business incubator, funded with \$140,000 in General Revenue. Other programs encourage or require minority- and women-owned business enterprise participation, and these include RI Rebounds, Take It Outside, and technical assistance programs. According to the EOC, 20% of targets have been surpassed by all three programs. The proposed budget also funds, within the Department of Administration, the Division of Equity, Diversity & Inclusion (DEDI), with \$2.0 million, mostly from General Revenue. [DEDI's vision](#) is "To create and support a diverse and inclusive state government culture that values and reflects the changing demographics of Rhode Island by advancing equitable and fair opportunities for all Rhode Island Citizens to be employed by and/or do business with the State of Rhode Island."

(2) *New Measures in the Proposed FY2024 Budget*: The budget seeks to increase the dollar amount of state procurement and construction contracts going to minority-owned and women-owned businesses from 10% to 15%. The 15% target would be split evenly between minority-owned and women-owned businesses, and the administration has testified that this goal is achievable. The FY2024 proposed budget would add an additional FTE to the Division of Diversity, Equity & Inclusion within the Department of Administration; this employee would be responsible for overseeing the contracting process, in part to ensure minority- and women-owned business enterprises are fairly and equitably awarded state agency contracts and subcontracts.

(3) *Additional Opportunities*: While it is not clear there are currently enough minority-owned businesses to apply for and fulfill a higher percentage target, it is the case that Non-Hispanic/Latino White Rhode Islanders account for 70% of the state population, meaning that the target of 7.5% of state contract dollars going to minority-owned businesses does not match the overall population. The State could certainly invest more funding in helping minority-owned businesses to get off the ground and to expand, creating a greater pipeline for such businesses to bid on state contracts going forward. Equity could be increased by improving the existing economic development and business support programs, whether through better targeting assistance, collecting data related to disparities, or evaluating program performance with an equity lens. Slightly more than \$4.0 million out of well over \$250 million is explicitly linked to supporting minority business owners; room exists to increase the proportion of support. The proposed budget provides \$5.0 million of ARPA funds for small business public health capital improvements and energy efficiency initiatives, and \$2.6 million more for a total of \$3.3 million in General Revenue for the Small Business Assistance Program to help struggling businesses obtain credit and other critical resources, there is not a specific requirement to ensure that Black-owned businesses, which have historically received the least number of loans and the smallest average loan amounts, can equitably access these funds.

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HOUSING

(1) *Status quo*: Rhode Island's state budget for housing and homelessness prevention programs relies heavily on federal funds (including one-time recovery act funds). In the current budget, over 70% of proposed housing funding are federal funds. Historically, RI has ranked last or near the bottom compared to other New England states in per capita state funding for housing. The proposed budget maintains the Livable Home Modification Grant which allows people with disabilities, but are unable to access Medicaid, to access funds for home modifications and live independently.

(2) *New Measures in the Proposed FY2024 Budget*: The FY2023 budget included a \$250 million housing investment, initially proposed to be spent down over several years (through FY2026) and allocated to specific programs. The proposed FY2024 budget advances the spend down period and makes the recovery act funds available this year. To respond to homelessness an additional \$30 million of federal funds was made available to provide temporary shelters, other housing solutions, or stabilization programs. Federal funding for rental relief has ended and specific funding allocated for rental assistance or other homelessness prevention programs does not exist in the proposed budget. Allocations to expand affordable housing production or preservation also do not exist in the proposed budget.

(3) *Additional Opportunities*: The State should better target budget surpluses and federal funds to address long-standing racial/ethnic disparities. For example, Black and Latino cost-burdened owner households in RI exceed all other racial ethnic categories by at least 8%; White residents have a homeownership rate approximately twice that of Black and Latino residents; and the rate of Asian homeownership is about a third lower than that of White residents. The State could target funding to provide housing for people with disabilities, in a specific number of units of affordable housing without segregating these Rhode Islanders into a single location.

CRIMINAL JUSTICE

(1) *Status quo*: Rhode Island last enacted bail reform in 2008, ending cash bail in some situations. Due to a disproportionate lack of ability to afford bail, Black Rhode Islanders spend a disproportionate amount of time in pre-trial detention.

(2) *New Measures in the Proposed FY2024 Budget*: The proposed budget does not include new proposals to improve the state's cash bail.

(3) *Additional Opportunities*: Cash bail reform, including pre-trial supervised release alternatives, might cost the state some small amount of revenue, but would increase racial equity by decreasing the amount of time Black Rhode Islanders spend in pre-trial detention, which can interfere with the ability to make a living. Overall, such reform might generate economic benefits for individuals, families, and the state.

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PUBLIC TRANSPORTATION

(1) *Status quo*: RIPTA's annual budget, consisting of federal and state subsidies as well as passenger fares, is above \$100 million. Regular passenger fares account for under 10% of revenue. The FY2023 budget includes \$2.5 million in ARPA funds for a free bus service pilot program on the R line. When RIPTA's service is poor (including deterioration of the central bus terminal at Kennedy Plaza), this disproportionately impacts low-wage workers, people with disabilities, and senior Rhode Islanders.

(2) *New Measures in the Proposed FY2024 Budget*: The proposed budget does not include new proposals to improve the state's public transportation system.

(3) *Additional Opportunities*: Approximately 11% of Rhode Islanders do not own cars, and these people are more likely than car owners to be people of color or women, regardless of race or ethnicity. New investments in public transportation, including fare-free service, will increase equity and access to jobs and economic opportunity.

PAID LEAVE

(1) *Status quo*: Rhode Island became one of the first states in the nation to implement Paid Family Medical Leave (PFML) in 2013 through the Temporary Caregiver Insurance (TCI) program. Since then, many other states, including neighboring Massachusetts and Connecticut, have passed more extensive paid leave programs, which provide wage replacement to workers who need time off from work (without losing their jobs) to care for a seriously ill family member or to bond with a new child. The benefit length was increased from 4 to 6 weeks over the course of two years. Rhode Island state employees remain unable to access TCI.

(2) *New Measures in the Proposed FY2024 Budget*: The proposed budget does not include proposals to strengthen the state's PFML program.

(3) *Additional Opportunities*: As wage replacement sits at 60% of a worker's regular wages, many lower-wage workers cannot afford to participate in the program, although they do pay into it. Increasing access to the program to lower-income workers, who are disproportionately women and people of color, would increase equity. To make this possible, the wage replacement rate will need to be increased for lower-income workers, ideally to the level of their regular paychecks. More generally, the benefit should be extended to the recommended 12 weeks, to match many other states. The program is funded entirely by workers, and equity could be increased by shifting some of the burden to employers.

IMPORTANT POLICY AREAS NOT INCLUDED IN THIS EQUITY ANALYSIS

This equity review is not intended to be a comprehensive accounting of every dollar and program in the budget, but to show what an equity perspective might reveal, at least for some, though not all, subgroups covered under Rhode Island's Fair Employment Practices statute. Other critical policy areas not addressed here include the following: Child Care Assistance (CCAP & Pre-K), Post-Secondary Education, Disability Rights, Aid to Distressed Communities, Food/Nutrition Assistance, Workforce Development, Cannabis Legalization, Public Health, Intellectual and Developmental Disabilities, Democracy (including access to Voting), Climate Change, Environmental Justice, Corrections/Incarcerated Persons, and additional issues affecting Seniors.

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CONCLUSION

The examples shared in this review, although not comprehensive, show what can be accomplished when an equity lens is applied. Policymakers should use an equity lens from the start. For example, they could ask: Does Rhode Island's Paid Leave program increase equity, and for whom? Even if yes, can it be improved to increase equity further? What policy proposals would trigger an improvement? Paid leave is only one of nine policy areas considered in the review and one of maybe two dozen policy areas included in the state budget and expenditures each year. Applying an equity lens will help remove systemic inequities and prevent new disparities from emerging.

Racism and sexism are embedded in our state's laws, policies, and programs. As a result, and despite decades of efforts, wage, wealth, health, and other significant gaps persist, impacting Black, Latino, Indigenous, and other Rhode Islanders of color, of all genders, including non-binary people. Within various racial and ethnic groups, women have often faced additional disparities in many of these policy areas; likewise, disparities experienced by women often vary by race and ethnicity. Applying an equity lens to our state budget and investing in the health and well-being, economic development, and leadership and empowerment in and across these communities, particularly by focusing on those who experience the most profound inequities, will result in a more prosperous Rhode Island.