

## McKee prioritizes tax cuts, education in \$13.8B budget for fiscal 2024

*Christopher Allen*



GOV. DANIEL J. MCKEE on Thursday released a \$13.75 billion spending plan for the next fiscal year, prioritizing housing development, the improvement of educational and health outcomes, and other investments. / AP FILE PHOTO/STEVEN SENNE

PROVIDENCE – Gov. Daniel J. McKee on Thursday released a \$13.75 billion spending proposal for the next fiscal year, an increase of \$148.6 million over fiscal 2023, prioritizing housing development, the improvement of educational and health outcomes, and other investments his administration claims will raise incomes for Rhode Island residents.

The proposal includes \$5.3 billion in general fund expenditures, a \$260 million increase over the current budget.

The roughly 200-page document was transferred to lawmakers on Thursday.

The proposal follows McKee's tax reduction regime outlined during his Jan. 17 State of the State address, cutting the state sales tax from 7% to 6.85%, a move McKee says would save taxpayers close to \$60 million over the next two years, and make Rhode Island more

competitive with neighboring states. McKee also recommends reducing the corporate minimum tax by \$25 and stopping the scheduled 3-cent increase in the gas tax, which is tethered to inflation, and issuing refunds of gross receipt taxes paid on electricity and natural gas through March 2023.

Asked during a Thursday briefing why the proposal did not make further cuts to the sales tax, Brian Daniels, budget director of the Office of Management and Budget, said the governor's proposal was meant to gradually decrease the tax over time.

"The goal is to continue chipping away at this," he said. "We want to make sure we are doing tax relief that we can afford."

On education, McKee is requesting a \$57.8 million increase in K-12 funding, hoping to replace the projected \$30 million of lost income that would have otherwise occurred given the decrease in public school enrollment and the current funding formula. This increase includes an additional \$11.6 million toward categorical funding for multilingual learners and special education; \$8.5 million in transitional support; \$9.9 million for economically disadvantaged students; and \$2.5 million to support school district efforts to mitigate student homelessness.

The budget proposal also includes a year-over-year funding increase for the state's three institutions of higher education – Rhode Island College, the University of Rhode Island and the Community College of Rhode Island – by 6.8%, or \$14.2 million.

Utilizing remaining State Fiscal Recovery Funds, the plan would allocate \$8 million for RICONnect, the program created to re-enroll students whose academic progress was disrupted during the pandemic. It also invests \$7 million to preserve 800 pre-K seats and \$1.3 million for an additional 35 pre-K classrooms for the 2024-25 school year.

Other uses of SFRF include:

- \$45 million investment in the development of a bioscience lab space.
- \$30 million in supplemental funding to expand homeless shelter capacity.
- \$25 million for the South Quay Marine Terminal.
- \$20 million to cities and towns for municipal road projects.
- \$5 million to help small businesses boost energy efficiency.
- \$1.6 million to operate the federally mandated "9-8-8" hotline operated by the Department of Behavioral Healthcare, Developmental Disabilities & Hospitals.

McKee wants to shore up the state's reserves by allocating \$55 million to a separate fund on top of the federally mandated rainy day fund that captures 3% of state revenues and use \$35 million in surplus funds to pay down debt obligations, which the administration projects would result in yearly savings of \$4.5 million.

Housing initiatives include the use of \$2.7 million in general revenue funds to hire 21 full-time employees to staff the Department of Housing now charged with implementing the \$250 million allocated in the previous budget, bringing the total to 38 full-time employees.

The capital improvement budget adds \$60 million to the \$478 million budgeted in 2023 for capital projects, including renovations to the William M. Davies Jr. Career and Technical High School (\$35 million), the Statehouse (\$75.7 million) and state-run group homes (\$7.5 million).

The enacted fiscal 2023 budget included \$186.9 million for pandemic response, none of which has been spent to date. McKee recommends tapping \$34.9 million of these monies

to supplement the R.I. Department of Health's response plans.

House Speaker K. Joseph Shekarchi, D-Warwick, in a statement said his office had been briefed on McKee's major proposals and looked forward to finding "common ground on shared priorities."

"As always, we will rely on a thorough vetting of proposals through the House Finance Committee process. I am confident that effort will yield a final product we can all be proud of," Shekarchi said.

Other health care initiatives in McKee's proposal include \$7.5 million for Certified Community Behavioral Health Clinics set to come online in 2024 and providing abortion coverage to individuals enrolled in Medicaid and state employees covered by the state insurance program.

This expansion is projected to cost \$592,405, and requires passage of the Equality in Abortion Coverage Act, companion legislation recently introduced by Sen. Bridget Valverde, D-North Kingstown, and House Majority Whip Katherine S. Kazarian, D-East Providence.

Andrea Palagi, McKee's communications director, said the governor remained committed to signing the Equality in Abortion Coverage Act when it reaches his desk.

"This will help ensure that vital health care services are accessible to those who need them," she said.

*(Update adjusts the number of housing department full-time employees in the 12th paragraph and adds comments from K. Joseph Shekarchi and Andrea Palagi in paragraphs 15-20.)*

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