

RIFDA Legislative Update May 2017

As we are near the end of May we are fast approaching the busy June timeframe for the RI General Assembly. This is the time where normally both Houses are working hard towards finalizing the state budget as well as determine the fate of many bills that have been heard and are currently being “held for further study”. Normally the House and Senate work closely in an attempt to modify or “improve” the budget originally submitted to them from the governor. As the resulting negotiations between the two houses ensues this is where the fate of many bills are determined. Some bills are negotiated between the Senate and House as part of the negotiation process. Others are impacted by financial factors encompassing the budget – can the state afford this particular bill, what will be the impact, and ultimately, if passed, where will the revenue come from.

This is never an easy process but as a result of the latest financial audit which shows anticipated income to the state having a huge shortfall resulting in a huge budget deficit for the fiscal year, this has become much more difficult. The latest estimate shows a \$112M shortfall. This has negatively impacted the budget process significantly. Many of the proposals submitted by the Governor – such as the free education for Rhode Islanders – a major part of her agenda faces uncertainty. Where would this additional revenue come from when there is a deficit to cover? Additionally, major initiatives suggested (and campaigned for) by other government leaders are in jeopardy.

Speaker Mattiello’s announced recently that his number one initiative – the plan to reduce and ultimately eliminate the car tax has been adjusted and extended to longer term program. The budget crisis needs revenue and it would be impractical to reduce an income source at this time. Senate President Ruggiero stated last week that state government support of the new Pawtucket Red Sox stadium is off the table for this session.

As a result of this situation the upcoming month will be much more significant in dealing with revenue issues than looking to expand programs that we simply cannot afford – even though long term they could very well improve the state’s economic outlook. The thinking within the legislature is currently much more focused on short term remedies rather than long term programs.

This budget focus further impacts pending legislation. The House and Senate leaders need to minimize bills that add costs. For example, although the state has reduced a number of business taxes and fees – most notably the corporate tax - in each of the last two sessions – and looks to reduce it more to incentivize business development – this may not move forward this year as it would reduce state income. Additionally, other bills that may ordinarily not pass this session could be viewed in a new light if they can provide short term revenue to the state.

Something like the beverage tax which both House and Senate Leadership have not supported could have a life in this overall process as this would produce revenue – estimated by some to be \$50M.

So, in summary, this is a critical time for General Assembly and the Governor's office as they do not want to take a step back on their initiatives and campaign promises – but they must present a balanced budget over the next month. Budget decisions impact businesses and consumers alike and where Rhode Island's economic recovery has improved - all be it slower than anticipated - over the past two years it has a long way to go and decisions made by leadership are critical to sustaining growth.