

2024 -- H 7403

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

A N A C T

RELATING TO PUBLIC FINANCE -- STATE FUNDS

Introduced By: Representatives Slater, Diaz, and Hull

Date Introduced: January 31, 2024

Referred To: House Finance

(by request)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 35-4-1 of the General Laws in Chapter 35-4 entitled "State Funds" is  
2 hereby amended to read as follows:

3 **35-4-1. Revenue credited to general fund — Exceptions — Deposits.**

4 All receipts and revenue of the state shall be credited by the general treasurer to the general  
5 fund of the state with the exception of receipts or revenue pertaining to the following funds:

6 (1) Permanent school fund;

7 (2) Touro Jewish synagogue fund;

8 (3) Land-grant fund of 1862;

9 (4) Veterans' home fund;

10 (5) United States cooperative vocational education fund;

11 (6) United States industrial rehabilitation fund;

12 (7) Forestry cooperative fund;

13 (8) State sinking fund;

14 (9) Fire insurance fund;

15 (10) Fund for relief of firemen;

16 (11) Fund for relief of policemen;

17 (12) Coastal Resources Management Council Dredge Fund;

18 (13) Funds received from the federal government in accordance with the provisions of parts

19 1 and 2 of title V of the Social Security Act, 42 U.S.C. § 501 et seq.;

1 (14) Any other funds that may by federal law or regulation, or by enactment of the general  
2 assembly, be allocated to a specific fund, provided, that nothing contained in this section shall  
3 amend or modify: § 19-3.1-9, which pertains to securities deposited by trust companies and national  
4 banks having trust departments; § 19-5-15, which pertains to credit unions; nor § 27-1-5, which  
5 pertains to deposits of securities by insurance companies with the general treasurer; ~~and~~

6 (15) Funds received until June 30, 2002, from the northeast dairy compact commission,  
7 which was enacted into law in Rhode Island by P.L. 1993, ch. 106, § 2-24-1 et seq. These funds  
8 are to be passed from the northeast dairy compact commission through the department of  
9 elementary and secondary education to reimburse school districts for school milk that is exempted  
10 from the federal over-order price regulation obligation at 7 CFR 1301. These funds are to be placed  
11 in a restricted receipt account established within the department of elementary and secondary  
12 education separate from all other accounts within the department of elementary and secondary  
13 education. All funds deposited in the restricted receipt account established in this section shall be  
14 disbursed prior to June 30, 2002; and

15 (16) State withholding taxes received by the director of revenue beginning July 1, 2023,  
16 which shall be remitted to the cities and towns pursuant to chapter 71 of title 44.

17 SECTION 2. Section 45-13-1 of the General Laws in Chapter 45-13 entitled "State Aid" is  
18 hereby amended to read as follows:

19 **45-13-1. Apportionment of annual appropriation for state aid.**

20 (a) As used in this chapter, the following words and terms have the following meanings:

21 (1) "Income" means the most recent estimate of per-capita income for a city, town or  
22 county as reported by the United States Department of Commerce, Bureau of the Census.

23 (2) "Population" means the most recent estimates of population for each city and town as  
24 reported by the United States Department of Commerce, Bureau of the Census.

25 (3) "Reference year" means the second fiscal year preceding the beginning of the fiscal  
26 year in which the distribution of state aid to cities and towns is made provided however that the  
27 reference year for distributions made in fiscal year 2007-2008 shall be the third fiscal year  
28 preceding the beginning of the fiscal year 2007-2008 and provided further that the reference year  
29 for distributions made in fiscal year 2008-2009 shall be the fourth fiscal year preceding the  
30 beginning of the fiscal year 2008-2009.

31 (4) "Tax effort" means the total taxes imposed by a city or town for public purposes or the  
32 totals of those taxes for the cities or towns within a county (except employee and employer  
33 assessments and contributions to finance retirement and social insurance systems and other special  
34 assessments for capital outlay) determined by the United States Secretary of Commerce for general

1 statistical purposes and adjusted to exclude amounts properly allocated to education expenses.

2 (b) Aid to cities and towns shall be apportioned as follows: For each county, city or town,  
3 let R be the tax effort divided by the square of per capita income, i.e.,  $R = (\text{tax effort})/(\text{income} \times$   
4  $\text{income})$ .

5 The amount to be allocated to the counties shall be apportioned in the ratio of the value of  
6 R for each county divided by the sum of the values of R for all five (5) counties.

7 The amount to be allocated for all cities and for all towns within a county shall be the  
8 allocation for that county apportioned proportionally to the total tax effort of the towns and cities  
9 in that county.

10 The amount to be allocated to any city or town is the amount allocated to all cities or all  
11 towns within the county apportioned in the ratio of the value of R for that city (or town) divided by  
12 the sum of the values of R for all cities (or all towns) in that county; provided, further, that no city  
13 or town shall receive an entitlement in excess of one hundred forty-five percent (145%) of that city  
14 or town's population multiplied by the average per capita statewide amount of the annual  
15 appropriation for state aid to cities and towns. Any excess entitlement shall be allocated to the  
16 remainder of the cities and towns in the respective county in accordance with the provisions of this  
17 section.

18 For fiscal year 2004, notwithstanding the provisions of subsection (a), aid calculations shall  
19 be based on a blended rate of ninety percent (90%) of the data from the 1990 census and ten percent  
20 (10%) of the data from the 2000 census. In each of the succeeding nine (9) fiscal years, the  
21 calculations shall be based on a blended rate that increases the percentage of data utilized from the  
22 2000 census by ten percent (10%) from the previous year and decreases the percentage of the data  
23 utilized from the 1990 census by ten percent (10%) from the previous year.

24 (c) The total amount of aid to be apportioned pursuant to subsection (b) above shall be  
25 specified in the annual appropriation act of the state and shall be equal to the following:

26 (1) For fiscal years ending June 30, 1994 through June 30, 1998, the total amount of aid  
27 shall be based upon one percent (1%) of total state tax revenues in the reference year.

28 (2) For the fiscal year ending June 30, 1999, the total amount of aid shall be based upon  
29 one and three-tenths percent (1.3%) of total state tax revenues in the reference year.

30 (3) For the fiscal year ending June 30, 2000, the total amount of aid shall be based upon  
31 one and seven-tenths percent (1.7%) of total state tax revenues in the reference year.

32 (4) For the fiscal year ending June 30, 2001, the total amount of aid shall be based upon  
33 two percent (2.0%) of total state tax revenues in the reference year.

34 (5) For the fiscal year ending June 30, 2002, the total amount of aid shall be based upon

1 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

2 (6) For the fiscal year ending June 30, 2003, the total amount of aid shall be based upon  
3 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

4 (7) For the fiscal year ending June 30, 2004, the total amount of aid shall be based upon  
5 two and seven-tenths percent (2.7%) of total state tax revenues in the reference year.

6 (8) For the fiscal year ending June 30, 2005, the total amount of aid shall be fifty-two  
7 million four hundred thirty-eight thousand five hundred thirty-two dollars (\$52,438,532).

8 (9) For the fiscal year ending June 30, 2006, the total amount of aid shall be based upon  
9 three percent (3%) of total state tax revenues in the reference year.

10 (10) For the fiscal year ending June 30, 2007 the total amount of aid shall be sixty-four  
11 million six hundred ninety-nine thousand three dollars (\$64,699,003).

12 (11) For the fiscal year ending June 30, 2008, the total amount of aid shall be sixty-four  
13 million six hundred ninety-nine thousand three dollars (\$64,699,003).

14 (12) [Deleted by P.L. 2009, ch. 68, art. 6, section 3.]

15 (13) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

16 (14) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

17 (d) For the fiscal year ending June 30, 2008 the apportionments of state aid as derived  
18 through the calculations as required by subsections (a) through (c) of this section shall be adjusted  
19 downward statewide by ten million dollars (\$10,000,000).

20 (e) For the fiscal year ending June 30, 2009, the total amount of aid shall be twenty-five  
21 million dollars (\$25,000,000) with such distribution allocated proportionately on the same basis as  
22 the original enactment of general revenue sharing of FY 2009.

23 (f) For the fiscal year ending June 30, 2009 and thereafter, funding shall be determined by  
24 appropriation; provided, however, that no portion of the state income tax paid to the cities and  
25 towns pursuant to chapter 71 of title 44 shall be considered part of an appropriation or allocation to  
26 the cities or towns under this chapter, but shall be considered a separate allocation to the city or  
27 town.

28 SECTION 3. Title 44 of the General Laws entitled "TAXATION" is hereby amended by  
29 adding thereto the following chapter:

30 CHAPTER 72

31 TRANSFER OF PORTION OF STATE INCOME TAXES OF NEW EMPLOYEES OF NOT-  
32 FOR-PROFIT HEALTHCARE INSTITUTIONS AND INSTITUTIONS OF HIGHER  
33 EDUCATION TO CITIES AND TOWNS

34 **44-72-1. Definitions.**

1 As used in this chapter, unless the context clearly indicates otherwise:

2 (1) "City" means the city or town where the institution or institutions has identified the  
3 location of its principal office with the Rhode Island secretary of state.

4 (2) "Director" means the director of the state division of taxation.

5 (3) "Educational institution" means any not-for-profit provider of higher education,  
6 including, but not limited to, private colleges and universities.

7 (4) "Healthcare institution" means any facility or campus providing not-for-profit  
8 healthcare services, including, but not limited to, hospitals and other licensed inpatient centers,  
9 ambulatory surgical or treatment centers, skilled nursing centers, residential treatment centers,  
10 convalescent, extended care and rehabilitation facilities, health maintenance organizations, health  
11 clinics, free-standing emergency rooms, diagnostic, laboratory and imaging centers, visiting nurses'  
12 associations, or other therapeutic health settings.

13 (5) "Health service corporation" means any not-for-profit entity formed for purposes  
14 including, but not limited to, establishing, maintaining managing and operating a healthcare system,  
15 service, network or plan, for conducting scientific or medical research, and/or for training  
16 healthcare providers and researchers.

17 (6) "Initial employment level" means for the tax year January 1, 2023, to December 31,  
18 2023, the aggregate and average numbers of persons employed by the institution in a particular city  
19 for whom state income taxes were withheld and reported to and/or paid to the state division of  
20 taxation.

21 (7) "Institution" or "institutions" means collectively not-for-profit health care institutions,  
22 health service corporations, and institutions of higher education as defined in this subsection.

23 (8) "New employee" or "new employment" means for each calendar year beginning  
24 January 1, 2024, the number of persons employed by the institution during that year at a particular  
25 city, over and above the number of employees reported as the initial employment level, and for  
26 whom state income taxes were withheld by an institution and submitted and/or paid to the state  
27 division of taxation.

28 (9) "Not-for-profit corporation" means a legal entity, whether a corporation, partnership or  
29 other such entity, formed for some charitable or benevolent purpose and not-for-profit which has  
30 been exempted from taxation pursuant to the general laws or Internal Revenue Code § 501(c)(3),  
31 26 U.S.C. § 501(c)(3).

32 (10) "State" means the State of Rhode Island.

33 **44-72-2. Procedures.**

34 (a) No later than July 30, 2024, all institutions defined in § 44-72-1 shall provide to the

1 director the initial employment level for the institution for the calendar year 2023, and the total  
2 amount of state income taxes withheld from the payroll and provided to the state department of  
3 revenue for the aggregate number of employees for the calendar year 2023. A copy of the  
4 information shall at the same time be provided to the chief financial officer of each city.

5 (b) No later than December 31, 2024, each institution shall provide the director and the  
6 chief finance officer of each city with the following:

7 (1) The aggregate number of new employees for the period January 1, 2023, through  
8 December 31, 2023, for whom state income taxes were withheld and submitted to the state  
9 department of revenue; and

10 (2) The total amount of annual state income taxes submitted to the division of taxation for  
11 all new employees.

12 (c) No later than December 31 of each subsequent calendar year, each institution shall  
13 provide the director and the chief financial officer of each city with the following:

14 (1) The aggregate number of new employees for the individual calendar year; and

15 (2) The total amount of annual state income taxes submitted to the division of taxation for  
16 all new employees for the individual calendar year, including estimated state taxes;

17 (3) The total aggregate number of employees for all calendar years since the initial  
18 reporting period; and

19 (4) The total amount of annual state income taxes submitted to the division of taxation,  
20 including estimated state taxes, for the total aggregate number of employees for all calendar years  
21 since the initial reporting period.

22 (d) All data provided to the director and the chief financial officer of each city shall be  
23 signed by the person compiling the data and the person authorized to sign on behalf of the  
24 corporation.

25 (e) No later than September 1 of each fiscal year beginning with fiscal year 2024, the state  
26 shall remit or transfer to each city treasurer an amount representing twenty-five percent (25%) of  
27 the state income taxes of the aggregate number of total new employees in each city since the initial  
28 reporting period.

29 SECTION 4. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO PUBLIC FINANCE -- STATE FUNDS

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- 1           This act would allocate, to the cities and towns of the state, a portion of state income taxes  
2 for new employees of not-for-profit healthcare institutions and private educational institutions in  
3 order to assist the cities and towns to absorb desirable and necessary growth in such institutions.  
4           This act would take effect upon passage.

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