How Rhode Island Compares

State and Local Revenues and Expenditures

February 2022

RIPEC

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I. Introduction

In annually crafting their budgets, state and local governments make a series of significant policy choices as to how revenues will be raised and spent. These decisions most directly relate to the availability of resources and the needs of a community, but also reflect a community's history, demographics, culture, and values. Policy decisions on taxing and spending ultimately have important economic and social consequences for individuals, businesses, nonprofit organizations, and government itself.

Across the United States, state and local governments vary significantly in terms of their taxing and spending policies. Comparisons among state and local governments with respect to tax policy can provide valuable insight for policymakers given the competition among states for investment and growth. Similarly, comparing government spending can highlight policy priorities and reveal areas for potential efficiencies or enhanced investment. This information can be particularly useful as state and local governments in Rhode Island determine how best to invest large and unprecedented allocations of federal pandemic relief funds.

This report, "How Rhode Island Compares," uses the most recent available state and local revenue and expenditure data—for fiscal year (FY) 2019—to compare the Ocean State to the rest of the country and to the New England region.[1] To provide historical context and a sense of Rhode Island's taxing and spending trajectory, this report also shows how the state's revenues and expenditures changed between FY 2014 and FY 2019. Importantly, the very large disbursement of federal pandemic relief funds to state and local governments across the country—which has a large effect on taxing and spending—began in FY 2020 and therefore does not impact the revenue and expenditure trends explored in this report.

To accurately compare state and local government revenues and expenditures, this report utilizes data compiled by the U.S. Census Bureau in its Annual Survey of State and Local Government, the only nationwide, comprehensive source on local and state finances.[2] In addition, "How Rhode Island Compares" uses annual personal income data from the U.S. Bureau of Economic Analysis and annual population estimates from the U.S. Census Bureau's American Community Survey to calculate revenues and expenditures in personal income and per capita terms.

Total revenue and expenditure figures are useful for assessing finances within a single state over time but are less useful in making interstate comparisons. By calculating revenues and expenditures on both a per capita and per $1,000 of personal income basis, this report provides two common denominators for comparison across states. Per capita figures traditionally are used in discussions around state financial data to inform both government's ability to raise revenues from its citizens and the need to fund services based on population. Calculations per $1,000 of

[1] The fiscal year runs from July 1 to June 30 in Rhode Island and every other state except Alabama, Michigan, New York, and Texas. FY 2019 began on July 1, 2018 and ended on June 30, 2019.

[2] This data source provides a revenue and expenditure breakdown for all 50 states, the District of Columbia, and the United States. For the purposes of this report, U.S. totals factor in only states and exclude Washington D.C.

personal income measure taxing and spending in relation to a state's level of wealth and its citizens ability to pay, with personal income most closely aligned with taxation systems. Importantly, the pace of growth in personal income has greatly exceeded population growth in both Rhode Island and the United States. As a result, revenues and expenditures may increase on a per capita basis while decreasing on a personal income basis between two points in time.[3]

There are three sections in "How Rhode Island Compares" in addition to this introduction. Section II first analyzes the sources of Rhode Island's state and local revenues in regional, national, and historical context and then offers a comparative analysis of tax revenues, which are by far the largest single revenue source for state and local governments across the country. Likewise, Section III analyzes all expenditures in regional, national, and historical context before providing comparative analysis of major expenditure categories. Finally, this report provides commentary on Rhode Island's revenue and spending patterns as well as recommendations for state and local policymakers in Section IV.

As with last year's edition of "How Rhode Island Compares," a series of interactive datasets that complement this report and provide 50-state breakdowns of key revenue and expenditure data are available on RIPEC's website, here.

[3] In Rhode Island, personal income increased by 18.3 percent, from $50.6 billion to $59.9 billion, between 2014 and 2019. In that same time, the state's population grew by 0.4 percent, from 1.05 million to 1.06 million. Nationally, personal income grew from $14.9 trillion to $18.3 trillion, a 22.9 percent increase, while the U.S. population grew from 313.5 million to 324.0 million, a 3.4 percent increase.

II. Revenues

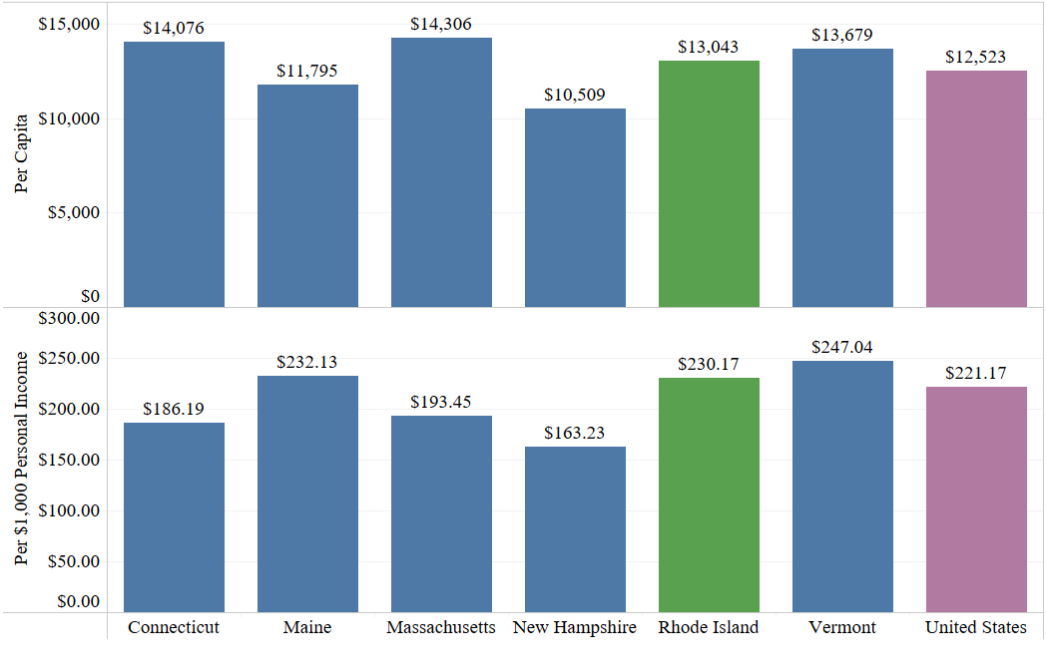
For the purposes of this report, revenues are funds received by a government from all external sources, net of refunds and other correcting transactions. Revenues are composed of four major categories: taxes, intergovernmental, non-general, and charges and miscellaneous general revenues. Taxes are further divided into four categories: property, income, general sales, and other. Intergovernmental revenues are transfers made from one government body to another, primarily from federal to state or local government, and from state to local government.[4] To prevent the duplication of revenues in this report, both state transfers to local governments and local payments to state governments have been removed.

Click here for a 50-state breakdown of total revenues and tax revenues on personal income and per capita bases, as well as a 50-state breakdown of revenue sources as a percent of total revenue.

Sources of Revenues

Total state and local revenues in Rhode Island totaled $13.8 billion in FY 2019. Figure 1 shows total state and local revenues in per capita and personal income terms for the New England states and the nation in FY 2019. Ocean State revenues were the fourth highest in New England in per capita terms and third highest based on personal income in FY 2019. In both metrics, Rhode Island revenues exceeded that of the United States. Of all 50 states, Rhode Island's total revenues for FY 2019 rank 18th highest on a per capita basis and 20th highest in terms of personal income.

Figure 1
Total Revenues Per Capita & Per $1,000 of Personal Income, FY 2019



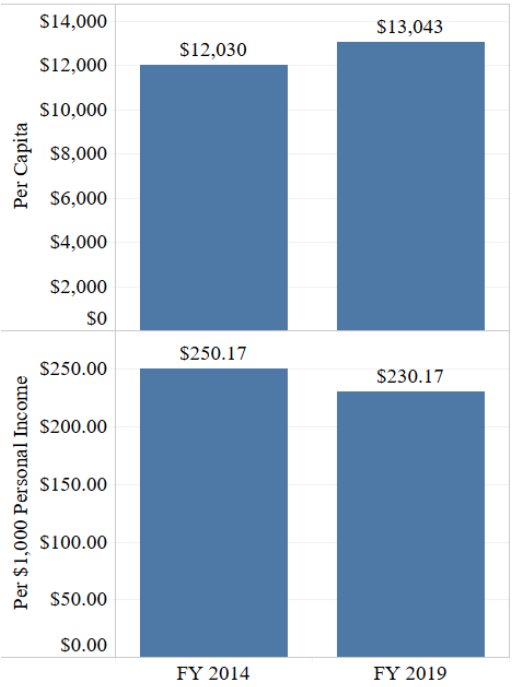
Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

[4] U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary.

Between FY 2014 and FY 2019, Rhode Island's total revenues grew from $12.7 billion to $13.8 billion, an 8.8 percent increase and an average annual increase of 1.8 percent. As illustrated in Figure 2, Rhode Island's total revenues grew on a per capita basis (by 8.4 percent) but declined in terms of personal income (by 8.0 percent) between FY 2014 and FY 2019. In comparison, U.S. revenues grew by 8.6 percent in per capita terms and decreased by 8.7 percent on a personal income basis in this period.

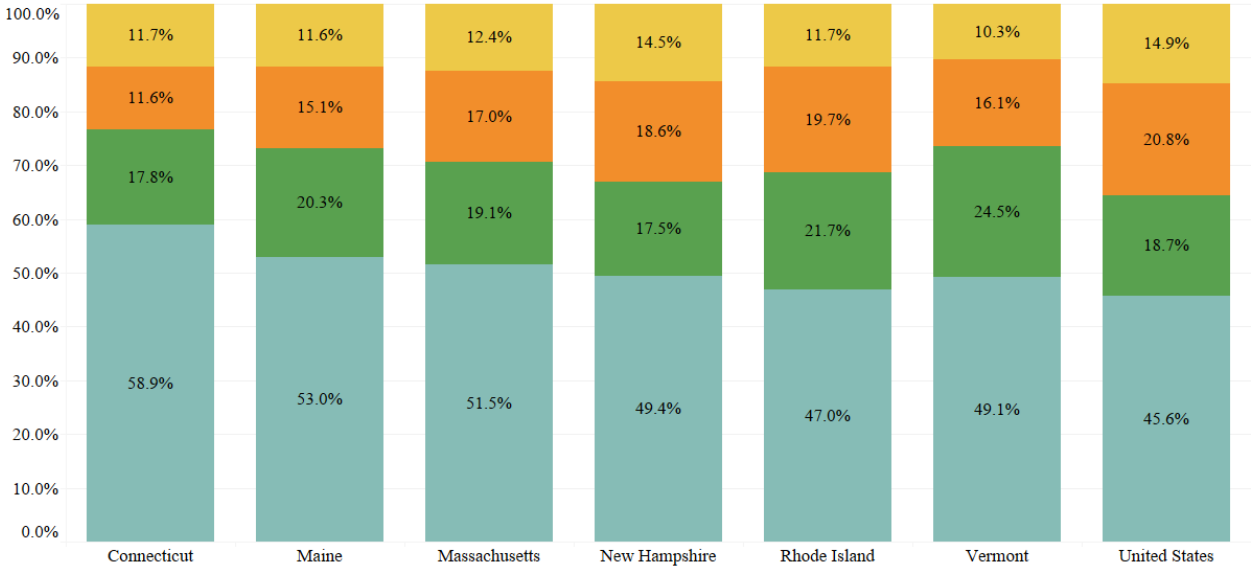
Figure 3 depicts the sources from which state and local revenue was derived for the New England states and the U.S. in FY 2019. Revenues derived from taxes by far comprise the largest category of total state and local revenues for both the U.S. and New England, but the New England region is more reliant on taxes relative to other categories of revenue than the nation overall. Rhode Island was less reliant on tax revenues than every other New England state in FY 2019, but a larger proportion of the state's total revenues came from tax revenue than was the case in the nation overall (47.0 percent vs. 45.6 percent).

Figure 2
Rhode Island Total Revenues Per Capita & Per $1,000 of Personal Income
FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

Figure 3
Revenue Sources, FY 2019



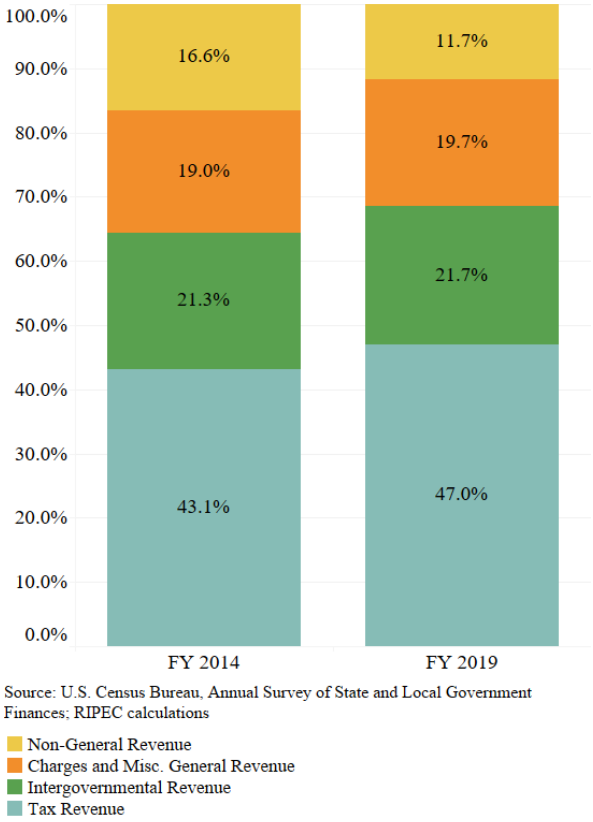
Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

Non-General Revenue
Charges and Misc. General Revenue
Intergovernmental Revenue
Tax Revenue

Rhode Island is less reliant on taxes than the remainder of the region, but it has a greater reliance on intergovernmental revenue—federal funding—than both the New England region overall and the nation. Over a fifth (21.7 percent) of total Ocean State revenues were derived from intergovernmental revenue in FY 2019, compared to 18.7 percent in the U.S. Of New England states, only Vermont relied more heavily on intergovernmental revenues (24.5 percent). Compared to other New England states, Rhode Island also has high reliance on charges and miscellaneous general revenues, defined as any revenues that are not taxes or intergovernmental revenues.[5] Lottery revenues, a type of miscellaneous revenue, help explain Rhode Island's high reliance relative to the region. In FY 2019, lottery revenues in Rhode Island made up 3.0 percent of total state and local revenues, a significantly higher proportion than both any other New England state and the U.S. overall.[6]

While Rhode Island is less reliant on taxes than other states in the region, Figure 4 shows that the Ocean State's tax reliance grew substantially as a proportion of total revenues between FY 2014 and FY 2019, from 43.1 percent of total revenues to 47.0 percent. The proportion of total revenues attributable to intergovernmental revenue and charges and miscellaneous general revenue also increased over this period, though less significantly. Non-general revenues—which include utility, liquor store, and insurance trust revenues—were the only major revenue source to decline as a proportion of overall revenues between FY 2014 and FY 2019.[7]

Figure 4
Rhode Island Revenue Sources
FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

[5] U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary.

[6] Of New England states, Massachusetts had the second largest reliance on lottery revenues (1.5 percent) in FY 2019. Across the U.S., lottery revenues comprised 0.7 percent of total state and local revenues. Lottery revenues are not accounted for consistently across states, however. In Rhode Island and across New England, lottery revenues include revenues for all gaming in the state, including sports betting, table games, and video lottery terminals. Casino revenues are not accounted for as lottery revenues in every state, however, including Nevada—a state that relies heavily on gaming revenues. Urban Institute and Tax Policy Center, Lottery Revenue, 1997 to 2019; U.S. Census Bureau, Annual Survey of State and Local Government Finances, FY 2019; RIPEC calculations.

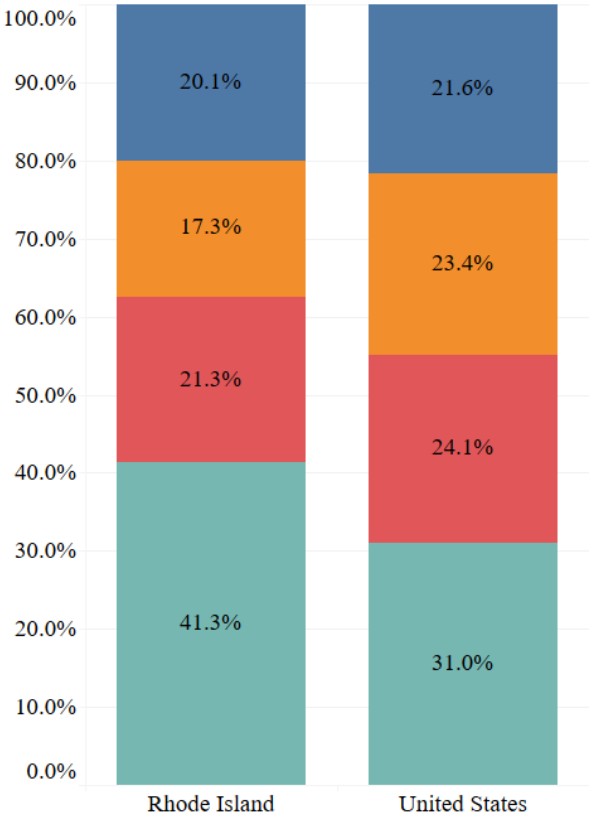
[7] Insurance trust revenues include unemployment, employee retirement, and workman's comp insurance. Rhode Island does not take in any liquor store revenues, but a significant minority of states do. The decline in reliance on non-general revenues is in large part attributable to a significant decrease in employee retirement revenues, which comprised over half of the state's non-general revenues in FY 2019 (57.1 percent). A significant decrease in employee retirement revenues between FY 2014 and FY 2019 ($579.3 million decrease) is likely the product of a difference in reporting, rather than in actual revenues, as contributions from both employees and employers increased in this period. U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary; R.I. Office of the General Treasurer, Employees' Retirement System of Rhode Island Annual Reports.

Taxes

Rhode Island's tax revenues are greater than that of the U.S. on a per capita basis (by 6.9 percent) and in terms of personal income (by 6.8 percent) but are relatively standard for New England. Of the six New England states, Rhode Island ranked fifth highest for tax collections when measured on a per capita basis (greater than only New Hampshire). In terms of personal income, Rhode Island's tax collections were the fourth highest in the region (greater than Massachusetts and New Hampshire).

Figure 5—which depicts the breakdown of state and local tax revenues for Rhode Island and the U.S. in FY 2019—highlights that, while property taxes are the single largest source of tax revenue in both Rhode Island and the nation, the Ocean State is significantly more reliant on property tax revenue than is the U.S. (41.3 percent vs. 31.0 percent). In fact, only six states derived a larger percentage of their total tax revenues from property taxes than did Rhode Island in FY 2019.[8] Conversely, a somewhat smaller proportion of Rhode Island's total tax revenue came from individual income tax than in the U.S. (21.3 percent vs. 24.1 percent). Sales tax revenue comprised a significantly smaller portion of total tax revenue in the Ocean State than in the nation in FY 2019 (17.3 percent vs. 23.4 percent). The State of Rhode Island has a high sales tax rate (7.0 percent) compared to the nation overall, but it has a relatively narrow sales tax base and is one of only 12 states not to offer a sales tax option to local governments.[9]

Figure 5
Rhode Island and United States Tax Revenue Breakdown, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

All Other
General Sales
Individual Income
Property

Figure 6 illustrates the breakdown of tax revenue categories for FY 2019 on a per income and per capita basis for New England states and the U.S. and shows that Rhode Island's reliance on property taxes may be outsized when compared to the nation but is typical for the region. In FY 2019, the Ocean State's property tax revenues were the

[8] These states are New Hampshire (62.5 percent), Texas (44.5 percent), Maine (44.4 percent), New Jersey (44.2 percent), Vermont (43.8 percent), and Alaska (43.4 percent).
[9] Of New England states, only Vermont offers a local sales tax option. Janelle Cammenga and Jared Walczak, 2022 State Business Tax Climate Index, Tax Foundation, December 2021

lowest in the region on a per capita basis (but eighth highest in the U.S.) and the third lowest in the region based on personal income (but sixth highest in the U.S.).[10] In terms of individual income taxes, Rhode Island collections were smaller than the U.S. in both per capita and personal income terms. Ocean State individual income tax collections were also lower end for New England states; they were fourth highest on a personal income basis and on a per capita basis they were higher than only New Hampshire, which does not apply a standard individual income tax.[11] Sales tax collections in Rhode Island were low when compared to the nation but were on the higher end for New England, respectively ranking third and second highest in the region in per capita and personal income terms.

Figure 6
Tax Revenue Per Capita & Per $1,000 of Personal Income, FY 2019

Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

All Other
General Sales
Individual Income
Property

While Rhode Island has a relatively high reliance on property tax revenue, its reliance decreased significantly between FY 2014 and FY 2019, with the share of total tax revenues attributable to property tax falling from 44.5 percent to 41.3 percent. All other taxation categories increased as a proportion of total tax revenue in this period. Nominally, total property tax revenue grew at a much slower rate than other sources of tax revenue—by 9.9 percent between FY 2014 and FY 2019,

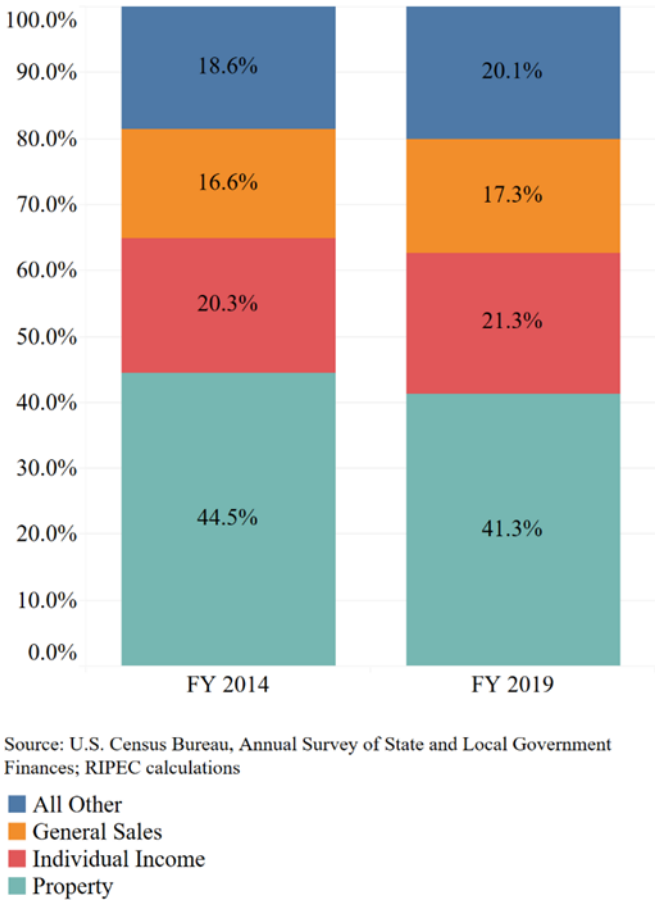
[10] In per capita terms, New Jersey has the highest property tax collections in the country, followed by New Hampshire, Connecticut, New York, Vermont, Maine, and Massachusetts. Maine has the nation's highest property tax revenue collections on a personal income basis, followed by Vermont, New Hampshire, New Jersey, New York, and Rhode Island.

[11] New Hampshire taxes interest and dividends but not salaries or wages.

while income tax revenue grew by 24.0 percent, sales tax revenue grew by 23.5 percent, and all other tax revenue grew by 28.2 percent. Figure 7 shows how the composition of Rhode Island's total state and local tax revenue shifted between FY 2014 and FY 2019.

The decrease in property tax as a proportion of Rhode Island's state and local tax revenues is in large part due to the introduction of an education funding formula in 2010. Local property taxes are the primary means through which local governments fund elementary and secondary education in the Ocean State, and there has been a significant increase in the state share of total education revenue and a relative decline in the local share since the beginning of the formula phase-in in FY 2012.[12] However, in FY 2019, Rhode Island public schools still derived a notably larger portion of their revenue from local revenue sources, and a smaller portion from state sources, as compared to both the New England region and the United States.[13]

Figure 7
Rhode Island Tax Revenue Breakdown
FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

[12] Between FY 2009 and FY 2019, the state share of public school revenue grew by over five percentage points, from 35.3 percent to 40.8 percent. At the same time, the local share of public school revenue declined by over three percentages points, from 55.2 percent to 52.1 percent. The phase-in of the funding formula occurred over seven years. FY 2022 represented the first fiscal year in which all districts were fully phased in. R.I. House Fiscal Advisory Staff, Rhode Island Education Aid, September 2021.

[13] The state share of public school revenue in FY 2019 was 46.3 percent in New England and 46.7 percent in the U.S., compared to 40.8 percent in Rhode Island. Conversely, the local share of public school revenue was 52.1 percent in Rhode Island in FY 2019, compared to 48.2 percent in New England and 45.6 percent in the U.S. Ibid.

III. Expenditures

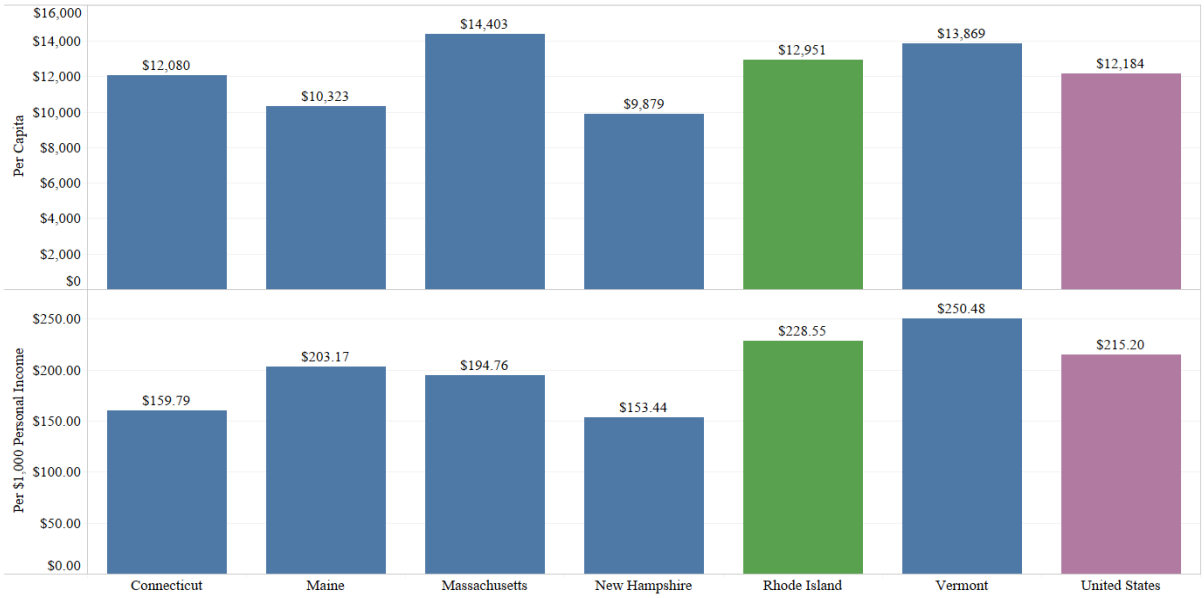
Government expenditures, as defined by the Census Bureau, exclude "funds paid out for retirement of debt, investment in securities, extension of credit or as agency transactions."[14] For the purposes of this report, expenditures are broken down into seven major categories: education, social services and income maintenance, public safety, government administration and interest on general debt, transportation, environment and housing, and other.[15]

Click here for a 50-state breakdown of total expenditures on personal income and per capita bases, as well as a 50-state breakdown of expenditures by category.

Total Expenditures

As shown in Figure 8, Rhode Island's total state and local expenditures in FY 2019 of $13.7 billion were somewhat high when compared to the region and the nation. Rhode Island's FY 2019 expenditures were higher than the U.S. in per capita and personal income terms (by 6.1 percent and 6.0 percent, respectively). Among U.S. states, Ocean State spending was 13th highest on a per capita basis and 18th highest on a personal income basis. Regionally, Rhode Island's expenditures ranked third highest on a per capita basis and second highest in terms of personal income.

Figure 8
Total Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

[14] U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary.

[15] The education category includes library expenditures and is called "education and libraries" in Census Bureau data, but because libraries make up a very small portion of expenditures in this category, this report simply refers to this category of expenditures as "education." In FY 2019, library expenditures made up 1.3 percent of total education and library expenditures in Rhode Island and 1.2 percent of U.S. library and education expenditures. The category of other expenditures is comprised of liquor store, insurance trust, utilities, miscellaneous commercial, and other and unallocable expenditures.

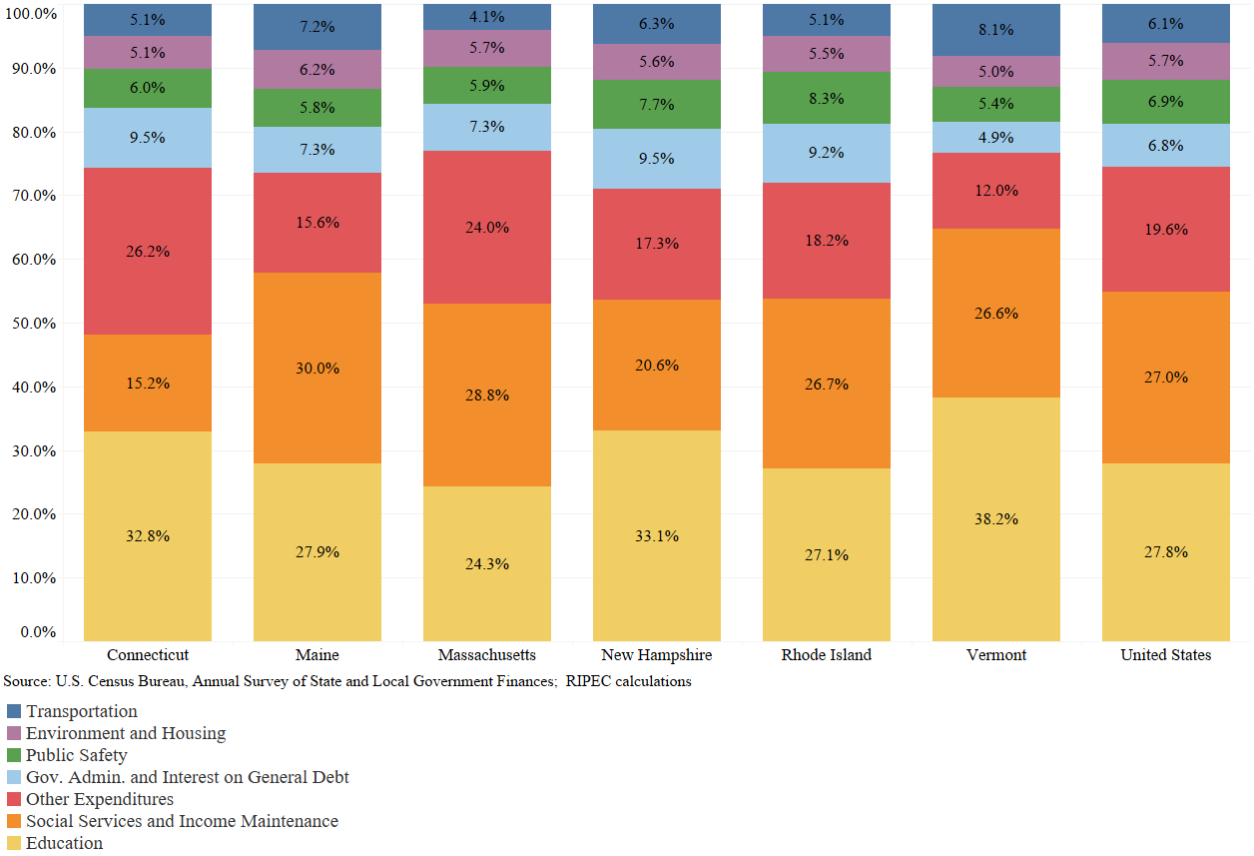
Rhode Island's total expenditures grew from $11.8 billion to $13.7 billion between FY 2014 and FY 2019, a 16.1 percent increase, or 3.2 percent average annual increase. As depicted in Figure 9, Ocean State expenditures grew by 15.7 percent on a per capita basis in this period and declined by 1.8 percent in terms of personal income. U.S. expenditures increased at a higher rate than did Ocean State spending on a per capita basis (16.6 percent) but decreased at a higher rate in terms of personal income (1.9 percent) between FY 2014 and FY 2019.

Figure 10 shows the distribution of spending across expenditure categories for New England states and the U.S. in FY 2019. Like the U.S. overall, education was the largest expenditure category in Rhode Island in FY 2019 (27.1 percent), followed closely by social services and income maintenance (26.7 percent). Together, these two expenditure categories comprised more than half of all Ocean State spending in FY 2019.

Figure 9
Rhode Island Total Expenditures Per Capita & Per $1,000 of Personal Income, FY 2014 & FY 2019

Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Community Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

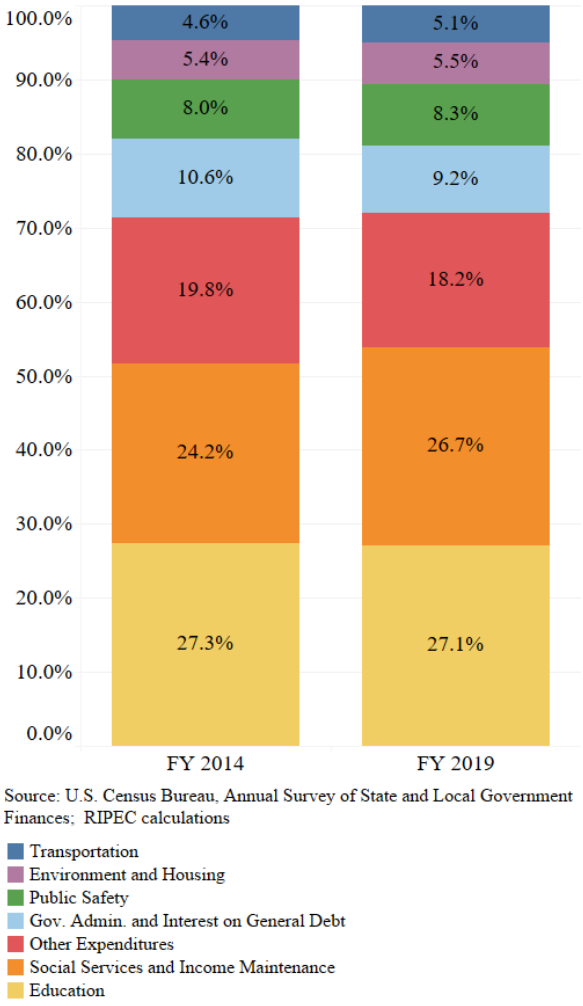
Figure 10
Expenditures by Category, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

The portion of Ocean State expenditures devoted to education was somewhat smaller than that of the United States and relatively low compared to the region overall in FY 2019, with only Massachusetts dedicating a smaller proportion of its budget to education. While the percentage of Rhode Island's expenditures attributable to social services and income maintenance was somewhat smaller than that of the national total, it was the third highest in the New England region. A larger proportion of Rhode Island's state and local expenditures went towards public safety (8.3 percent) than both the U.S. and any other New England state. Compared to the U.S., Rhode Island also dedicated a relatively large amount to government administration and interest on general debt (9.2 percent), while dedicating relatively little to transportation (5.1 percent).

Figure 11
Rhode Island Expenditures by Category
FY 2014 & FY 2019

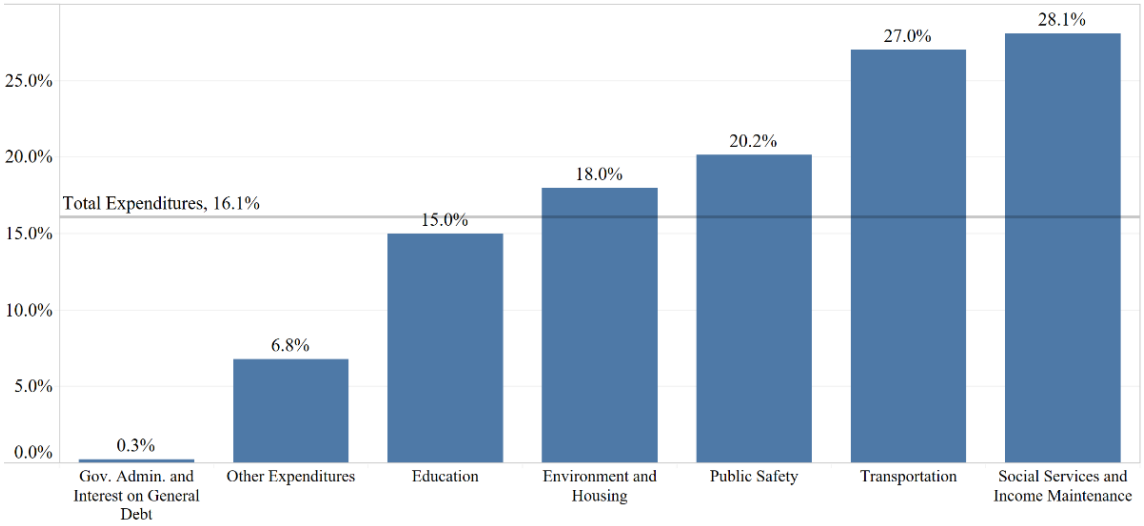


Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

Figure 11, which compares the categorical distribution of Rhode Island spending in FY 2014 to FY 2019, shows that the proportion of Rhode Island's expenditures attributable to education has declined slightly (by 0.2 percentage points) in this period while expenditures attributable to social services and income maintenance grew substantially (by 2.5 percentage points). More of Rhode Island's expenditures went towards public safety in FY 2019 than in FY 2014 (8.3 percent vs. 8.0 percent), and the same is true for transportation (5.1 percent vs. 4.6 percent). In contrast, the proportion of total expenditures attributable to government administration and interest on general debt fell by 1.4 percentage points

Figure 12 provides a different way of viewing trends in Rhode Island's categorical spending, comparing the nominal growth in each spending category to the nominal growth of overall state and local expenditures between FY 2014 and FY 2019. Government administration and interest on general debt expenditures increased by only 0.3 percent, a far lower rate than total expenditure growth of 16.1 percent in this period, while education expenditures grew at a slightly lower rate (15.0 percent) than total expenditures. On the other hand, environment and housing, public safety, transportation, and social services and income maintenance spending grew at higher rates than did total expenditures. Particularly notable is the growth in state and local spending on transportation (27.0 percent) and social services and income maintenance (28.1 percent), as compared to the overall growth rate of 16.1 percent over this period.

Figure 12
Rhode Island Categorical Expenditure Change
FY 2014 - FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

Education

As depicted in Figure 13, education is comprised of four categories of spending: elementary and secondary education, higher education, libraries, and other.[16] In sum, these expenditures account for the largest percentage of state and local budgets in the nation and in Rhode Island, representing more than one quarter—27.1 percent—of total Ocean State expenditures in FY 2019. Rhode Island spent more overall on education than the U.S. in both per capita and personal income terms (by 3.2 percent and 3.1 percent, respectively) in FY 2019. Rhode Island's spending on education is largely in line with the New England region, however, ranking third highest in the region in per capita terms and second highest on a personal income basis.

Rhode Island overspends on elementary and secondary education relative to the nation. The Ocean State's expenditures in this category were 12.7 percent higher than those of the U.S. on a per capita basis and 12.6 percent higher in terms of personal income in FY 2019, even though Rhode Island has low levels of elementary and secondary school enrollment, ranking 46th highest of U.S. states for K-12 enrollment per capita in the 2018-2019 school year.[17] Rhode Island's elementary and

[16] Other education spending includes state educational administration and services, tuition grants, fellowships, aid to private schools, and special programs. Higher education spending includes the "activities of institutions operated by the state except that agricultural services and experiment stations are classified under Natural resources and hospitals serving the public are classified under Hospitals. Revenue and expenditure for dormitories, cafeterias, athletic events, bookstores, and other auxiliary enterprises financed mainly through charged for services are reported on a gross basis." U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary

[17] The only states with lower K-12 enrollment per capita in the 2018-2019 school year were Pennsylvania, Maine, New Hampshire, and Hawaii, respectively. New England states generally have low K-12 enrollment per capita compared to the U.S.; Vermont ranked 43rd, Massachusetts ranked 42nd, and Connecticut ranked 38th. Institute of Education Science, National Center for Education Statistics, Elementary and Secondary Information Table Generator; U.S. Census Bureau, American Community Survey 5-Year Estimates; RIPEC calculations.

secondary education expenditures are typical for, but on the higher end of, New England states, respectively ranking third and second highest in the region in per capita and personal income terms.

Conversely, Rhode Island substantially underspends the nation on higher education; the Ocean State's higher education expenditures were 32.7 percent lower than those of the U.S. in both per capita and personal income terms in FY 2019. However, Rhode Island's higher education expenditures are typical for the region, ranking second highest in New England in terms of personal income and fourth highest on a per capita basis. Rhode Island's public higher education enrollment per capita was lower than the U.S. overall and on the low end of states in the fall of 2019 (ranked 37th highest).[18] Importantly, private higher education enrollment is relatively high in Rhode Island and in the New England region generally. In fact, only two states—Massachusetts and New Hampshire—had a smaller proportion of total higher education enrollment attributable to public institutions than did Rhode Island in the fall of 2019.[19]

Figure 13
Education Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019

Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

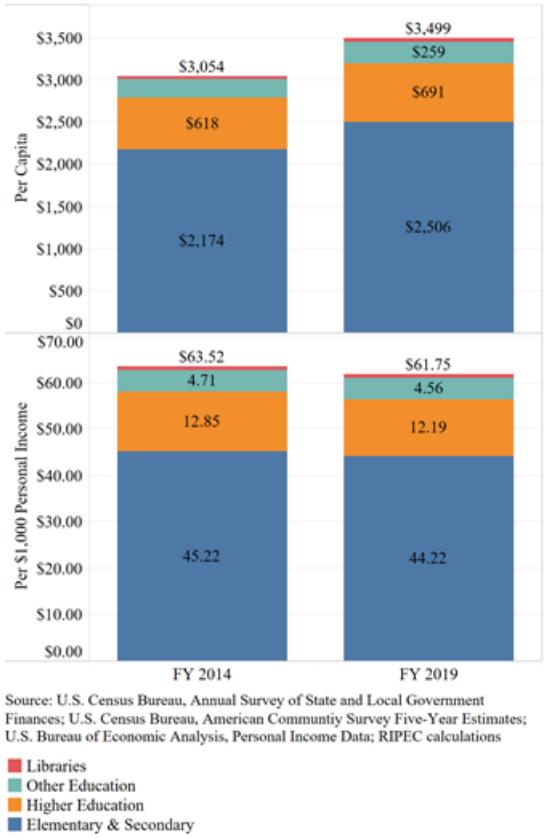
Libraries
Other Education
Higher Education
Elementary & Secondary

[18] Rhode Island is typical of the region in this regard. Vermont ranked 34th highest, Maine ranked 41st, Connecticut ranked 46th, and Massachusetts and New Hampshire respectively ranked 49th and 50th. Institute of Education Science, National Center for Education Statistics, Total fall enrollment in public degree granting postsecondary institutions, by state or jurisdiction: selected years, 1970-2019, Total fall enrollment in degree granting postsecondary institutions, by state or jurisdiction: selected years, 1970-2019; U.S. Census Bureau, American Community Survey 5-Year Estimates; RIPEC calculations.

[19] In the U.S. overall, nearly three-fourths—73.8 percent—of higher education enrollment was attributable to public institutions in the fall of 2019. For every state in New England, a smaller proportion of higher education enrollment was attributable to public institutions than in the U.S.: Connecticut (57.1 percent), Maine (67.4 percent), Massachusetts (41.2 percent), New Hampshire (22.0 percent), Rhode Island (49.7 percent), and Vermont (61.0 percent). When public and private higher education enrollment per capita are considered in combination, Rhode Island ranked fifth highest of U.S. states. Ibid.

Figure 14—which depicts education expenditures for Rhode Island on per income and per capita bases for FY 2014 and FY 2019—indicates that the Ocean State was consistent in allocating about 70 percent of education expenditures to elementary and secondary education and about 20 percent to higher education in both years. Rhode Island's total education expenditures grew by 14.6 percent on a per capita basis and declined by 2.8 percent in personal income terms in this period. Elementary and secondary education spending grew at a higher rate than higher education spending in per capita terms (15.3 percent vs. 11.8 percent) and decreased at a lower rate in terms of personal income (2.2 percent vs. 5.1 percent).

Figure 14
Rhode Island Education Expenditures Per Capita & Per $1,000 of Personal Income, FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

Social Services and Income Maintenance

Social services and income maintenance expenditures are divided by the U.S. Census Bureau into five categories: public welfare, hospitals, health, employment security administration, and veterans' services.[20] For the purposes of this report—and due to a variance in methods of Medicaid administration between states—this category is analyzed in total rather than by way of its components.[21] Social services and income maintenance is the second largest component of state and local budgets in the U.S. overall and in the Ocean State, making up over a quarter (26.7 percent) of Rhode Island's total expenditures.

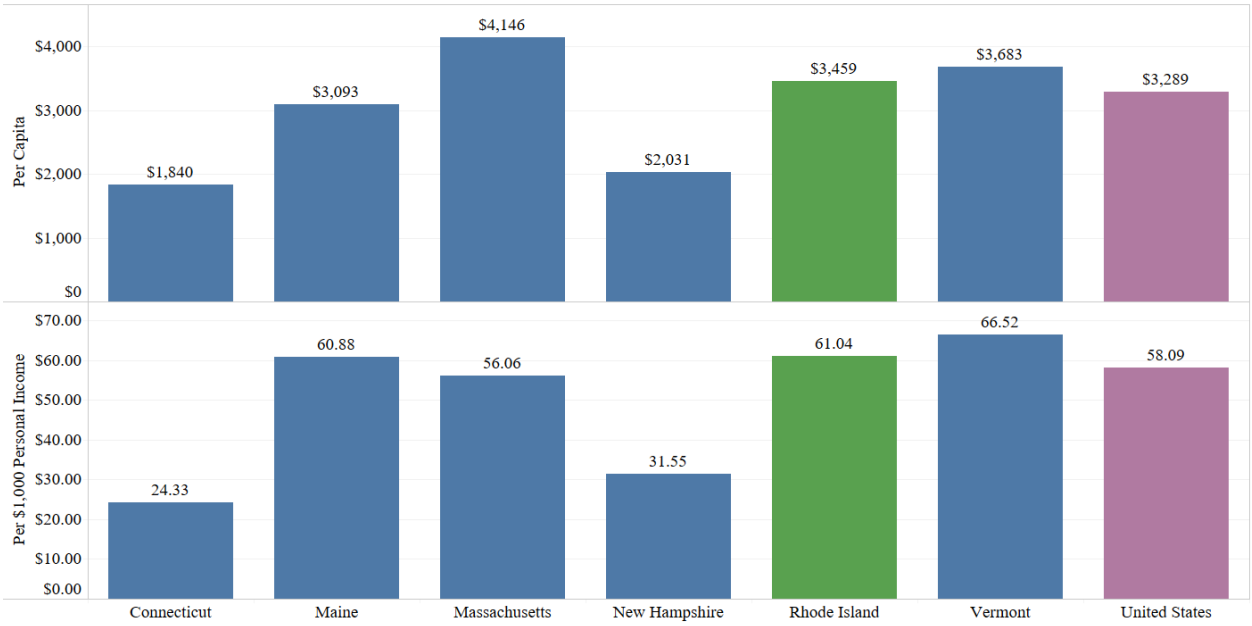
As illustrated in Figure 15—which shows social services and income maintenance expenditures for the New England states and the U.S. for FY 2019—Rhode Island spending in this category is high relative to the nation. The Ocean State's social services and income maintenance expenditures for FY 2019 exceeded those of the U.S. by 5.0 percent both in per capita and personal income terms. Rhode Island spending in this category was on the higher end of New England states,

[20] Employment security administration spending comprises only those expenditures for the administration of unemployment compensation programs and employment offices, rather than the unemployment compensation fund itself. Unemployment compensation expenditures are categorized under insurance trust expenditures and accounted for in this report in the category of "other expenditures." U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary.

[21] Some states maintain public state- or local-run hospitals, which are classified as hospital expenditures by the U.S. Census Bureau, while other states pay private non-profit and for-profit hospitals through vendor payments, which are classified as public welfare. Kaiser Family Foundation, Hospital Beds per 1,000 Population by Ownership Type; U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary; Urban Institute, State and Local Finance Initiative, Health and Hospital Expenditures.

ranking third highest on a per capita basis and second highest in personal income terms. Compared to both the region and nation, Connecticut and New Hampshire are outliers in this category, spending far less on both a per capita and personal income basis. Significantly, Rhode Island had a slightly lower percentage of its population living below the federal poverty line (10.8 percent) than did the nation (12.3 percent) in 2019, but it also had the second highest poverty rate in the New England region, after Vermont (10.9 percent).[22]

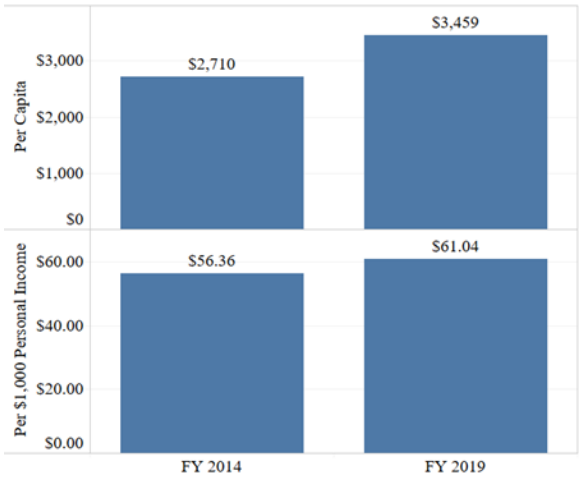
Figure 15
Social Services & Income Maintenance Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

Figure 16 shows Rhode Island's social services and income maintenance expenditures in FY 2014 and FY 2019 on a personal income and per capita basis and indicates significant growth in spending in this period. Social services and income maintenance spending increased in terms of personal income (8.3 percent) and on a per capita basis (27.6 percent). In nominal terms, social services and income maintenance grew by 28.1 percent over this five-year period, for an average annual growth rate of 5.6 percent—significantly greater than total spending (16.1 percent overall and 3.2 percent on an average annual basis). The category of social services and income maintenance represented the fastest growth rate of any category of expenditures.

Figure 16
Social Services & Income Maintenance Expenditures Per Capita & Per $1,000 of Personal Income FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

[22] U.S. Census Bureau, American Community Survey Briefs: Poverty: 2018 and 2019.

Rhode Island's significant increase in social services and income maintenance spending in this period is in large part due to growing Medicaid expenditures. Rhode Island's poverty rate declined by 3.5 percentage points between 2014 and 2019 and, as a result, there was a nominal decrease in Ocean State spending on cash assistance payments as well as other public welfare expenditures.[23] At the same time, Medicaid expenditures in Rhode Island increased by 25.4 percent, or $563 million (representing 70.2 percent of the total $802.5 million nominal increase in social services and income maintenance spending between FY 2014 and FY 2019). The majority—58.8 percent—of Rhode Island's Medicaid expenditures were covered by the federal government in FY 2019, but state spending on Medicaid in FY 2019 totaled $1.15 billion, an increase of $118 million, or 11.5 percent, over FY 2014. This change is not unique to Rhode Island; U.S. states combined experienced a 36.6 percent increase in Medicaid spending between FY 2014 and FY 2019.[24] A portion of this increase can be attributed to Medicaid expansion under the 2010 Affordable Care Act, which first became available in Rhode Island in FY 2014.[25] In FY 2019, the state share of total expansion population costs of $491 million were 6.5 percent, with the remaining 93.5 percent paid by the federal government via intergovernmental transfer.[26]

Government Administration and Interest on General Debt

Five categories of spending comprise government administration and interest on general debt: interest on general debt, judicial and legal expenditures, financial administration, general public buildings, and other government administration. Collectively, this spending makes up the fourth largest category of state and local expenditures in Rhode Island and the fifth largest nationally, comprising 9.2 percent of Rhode Island's total expenditures, compared to 6.8 percent nationwide.

Figure 17, which shows the government administration and interest on general debt expenditures for the New England states and the U.S. in FY 2019, illustrates that Rhode Island is an outlier in this category, outspending the region and nation in both measures. Rhode Island's government administration and interest on general debt expenditures exceed the second-highest spending New England state in this category, Connecticut, by 3.4 percent in per capita terms and by 32.0 percent in personal income terms. The Ocean State's government administration and interest on general debt expenditures were 35.5 percent higher than the U.S. on a per capita basis and 35.4 percent

[23] Ibid. Other public welfare includes payments to other governments for welfare purposes, amounts for administration, support of private welfare agencies, and other public welfare services. U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary.

[24] National Association of State Budget Officers, State Expenditure Report, Examining Fiscal 2013-2015 State Spending; National Association of State Budget Officers, 2021 State Expenditure Report: Fiscal Years 2019-2021; RIPEC calculations.

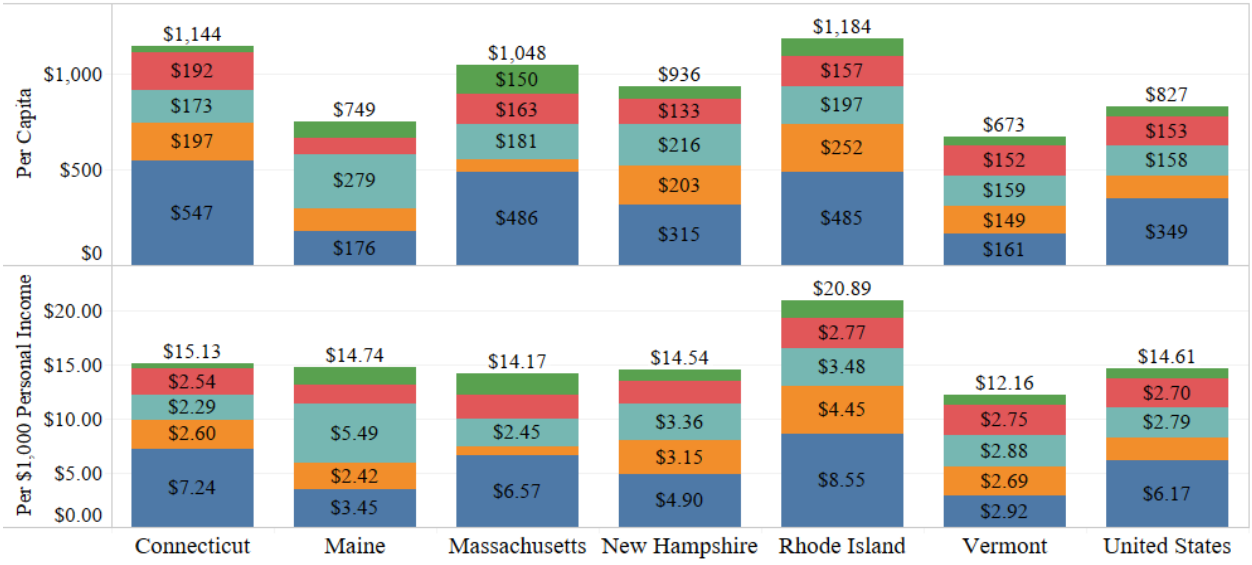
[25] Between FY 2013 and FY 2019, enrollment in Medicaid in Rhode Island expanded by 113,000 (a 58.0 percent increase), with over two-thirds of that increase attributable to the newly covered population. R.I. Executive Office of Health and Human Services, Rhode Island Medicaid Expenditure Report, SFY 2019, May 6, 2021.

[26] Spending on this population is covered by the federal government at a higher rate than the non-expansion population; federal support for the expansion population phased down from 95 percent in current year (CY) 2018 to 90 percent in CY 2020 and was at 93.5 percent in FY 2019. The same year, the non-expansion population was supported by the federal government at a rate of 52.57 percent. R.I. Office of the Auditor General, Single Audit Report, Fiscal Year Ended June 30, 2019; R.I. Caseload Estimating Conference Report, May 2019; U.S. Congressional Research Service, Medicaid's Federal Medical Assistance Percentage (FMAP), Updated July 29, 2020.

higher in terms of personal income. Rhode Island spending in other government administration—the second largest source of government administration and interest on general debt spending—was high relative to the nation and exceeded spending by any other state in the region on both a per capita and personal income basis. Regarding the largest source of spending in this category, the state's interest on general debt expenditures were high relative to the U.S. and were the highest in New England on a personal income basis and third highest in per capita terms.

However, a relatively large percentage of Rhode Island's interest on general debt expenditures—40.9 percent—are comprised of private activity bonds, which, in many cases, are not actually paid for by state government but by the quasi-government agency issuing the debt. Rhode Island is a national outlier in this respect; only 17.6 percent of interest on general debt expenditures come from private activity bonds in the U.S. When private activity bonds are discounted, Rhode Island's interest on general debt expenditures are lower than that of the U.S. on both a per capita and personal income basis. Of New England states, Rhode Island has the largest portion of interest on general debt expenditures made up of private activity bonds—though every New England state exceeds the nation in these terms. When such bonds are excluded, the Ocean State's interest on general debt expenditures are the third highest in New England in terms of personal income as well as on a per capita basis.

Figure 17
Government Administration & Interest on General Debt Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

- General Public Building
- Judicial & Legal
- Financial Administration
- Other Gov. Administration
- Interest on General Debt

While high compared to the region and nation, spending in this category is growing at a far slower pace than total spending (0.3 percent growth vs. 16.1 percent growth between FY 2014 and FY 2019). Moreover, and as Figure 18 highlights, Rhode Island expenditures on government administration and interest on general debt decreased both in per capita terms (0.1 percent) and on a personal income basis (15.3 percent) between FY 2014 and FY 2019. Interest on general debt saw even larger decreases both in per capita (14.3 percent) and personal income (27.4 percent) terms. Other government administration spending grew during this period on a per capita basis (7.2 percent) but declined in terms of personal income (8.8 percent).

Figure 18
Rhode Island Government Administration & Interest on General Debt Expenditures Per Capita & Per $1,000 of Personal Income FY 2014 & FY 2019

Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

- General Public Building
- Judicial & Legal
- Financial Administration
- Other Gov. Administration
- Interest on General Debt

Public Safety

Four categories make up public safety expenditures: police protection, fire protection, correction, and protective inspection and regulation. Public safety is the fifth largest expenditure category in Rhode Island, making up 8.3 percent of Rhode Island's total expenditures in FY 2019, and represents the fourth largest category in the U.S., comprising 6.9 percent of total expenditures.

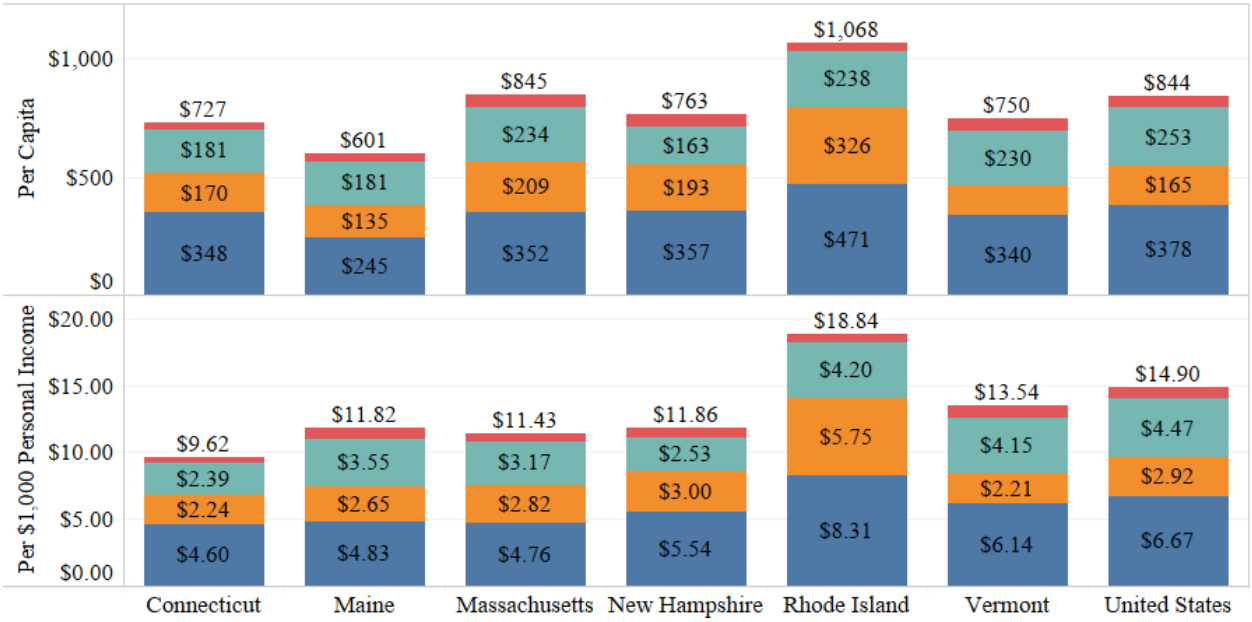
Illustrated in Figure 19, Rhode Island is a regional and national outlier in terms of its public safety expenditures. Ocean State spending on public safety exceeded that of the U.S. by 23.4 percent in both per capita and personal income terms in FY 2019 and was higher than that of any other New England state according to both metrics. This difference is the result of relatively high spending on both police and fire. Rhode Island spent 21.9 percent more than the U.S. on police protection in both per capita and personal income terms and ranked 6th highest in this category among U.S. states in per capita terms and 4th highest on a personal income basis.[27] Ocean State spending on police protection exceeded that of every other New England state in both per capita and personal income terms. While Rhode Island spending on police protection is among the highest in the nation, its crime rate is among the lowest. In 2019, Rhode Island ranked 42nd highest among U.S.

[27] Respectively, the states that spent more than the Ocean State on police expenditures per capita were New York, California, Alaska, Maryland, and Nevada. Those states to exceed Rhode Island spending on police expenditures on a personal income basis were, respectively: Nevada, New Mexico, and Alaska.

states for incidents of violent crimes per 1,000 residents and 40th highest for incidents of property crimes.[28] Rhode Island's ratio of police officers to population is on par with the nation overall.[29]

Particularly in terms of fire protection expenditures, Rhode Island is a regional, as well as national, outlier. In FY 2019, the Ocean State outspent the nation in fire protection by 65.6 percent on a per capita basis and by 65.3 percent on a personal income basis, and in both measures spent more than any other state in the nation. Rhode Island spent 62.9 percent more on a personal income basis and 43.7 percent more on a per capita basis than the second highest spenders in the New England region. Rhode Island employs the eighth highest number of firefighters per capita in the United States but employs fewer firefighters on a per capita basis than do New Hampshire, Maine, or Massachusetts, which respectively rank first, second, and third highest in the nation in this measure.[30]

Figure 19
Public Safety Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019



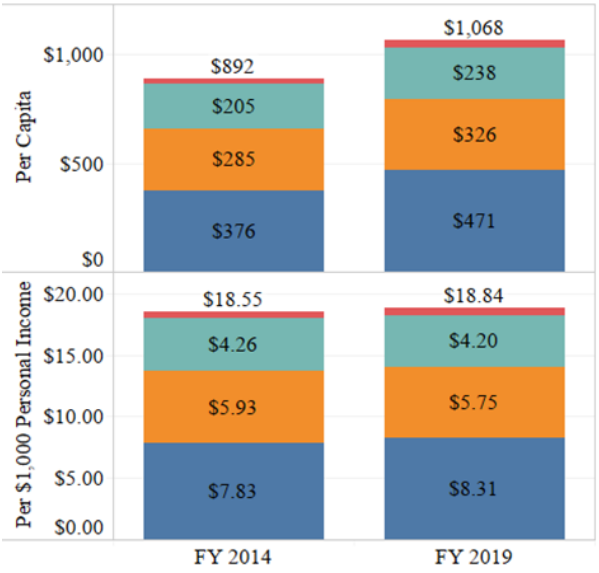
Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

Protective Inspection & Regulation
Correction
Fire Protection
Police Protection

[28] U.S. Dept. of Justice, Federal Bureau of Investigation, Crime in the United States by State, 2019.
[29] In 2019, both Rhode Island and the U.S. had 2.4 police officers per 1,000 residents. U.S. Dept. of Justice, Federal Bureau of Investigation, Crime Data Explorer.
[30] U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, Occupational Employment and Wages, May 2020: Firefighters.

According to the Urban Institute, a Washington D.C. think tank, states with more cities per capita and high population density tend to have higher fire expenditures.[31] Additionally, higher density states are more likely to account for emergency medical services in their fire protection expenditures than more sparsely populated states.[32] However, Rhode Island's ranking as the second most densely populated state in the nation only partially explains its particularly high fire protection expenditures, which are more than triple those of the nation's most densely populated state, New Jersey, in per capita and personal income terms, and significantly higher than Massachusetts and Connecticut—the nation's third and fourth most densely populated states—in both measures.[33]

Figure 20
Rhode Island Public Safety Expenditures Per Capita & Per $1,000 of Personal Income
FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

- Protective Inspection & Regulation
- Correction
- Fire Protection
- Police Protection

While spending slightly less than the U.S. total on correction in both personal income and per capita terms, Rhode Island's correction expenditures are high when considering that the state's per capita incarceration rate was tied with Vermont for second lowest in the nation in 2019.[34] Rhode Island outspent every other New England state in correction on a per capita and per income basis in FY 2019.

Rhode Island's public safety expenditures are not only high relative to the region and the nation but are also growing at a high rate relative to total spending. Between FY 2014 and FY 2019, public safety expenditures nominally increased by a rate of 20.2 percent, compared to total expenditure growth of 16.1 percent. As depicted in Figure 20, this increase was in large part driven by police

[31] Urban Institute, What Drives State Spending.
[32] According to the National Fire Protection Association's U.S. Fire Department Profile 2018, 62 percent of U.S. fire departments provided basic life support (BLS) or advanced life support (ALS) services in 2018. Larger communities are more likely to combine BLS/ALS expenses with local fire departments. The U.S. Census Bureau reports expenditures on BLS/ALS services that are not combined with local fire departments in the health spending category. U.S. Census Bureau, Annual Survey of State and Local Government Finance Glossary.
[33] New Jersey's FY 2019 fire safety expenditures were $104 on a per capita basis and $1.50 on a personal income basis. Population density was determined by: U.S. Census Bureau, American Community Survey 5-Year Estimates; U.S. Census Bureau, State Area Measurements and Internal Point Coordinates; RIPEC calculations.
[34] Rhode Island's correction expenditures were 21st highest in the U.S. in per capita terms and 23rd highest on a personal income basis. Vermont and Rhode Island had 260 residents per 100,000 incarcerated in 2019. The only state with a smaller incarcerated population was Massachusetts. In contrast, Rhode Island had the nation's 9th highest correctional population per capita in 2019 (2,190 residents per 100,000). The correction population includes individuals on parole and probation as well as those who are incarcerated. U.S. Bureau of Justice Statistics, Correctional Populations in the United States, 2019.

protection spending. Nominally, police protection spending grew by 25.6 percent in this period, compared to a 14.8 percent increase in fire protection, and a 16.5 percent increase in correction spending.

Environment and Housing

Four categories of spending make up environment and housing: natural resources, parks and recreation, housing and community development, and sewerage and solid waste management. This category comprised 5.5 percent of total state and local expenditures in Rhode Island in FY 2019 and was the state's sixth largest spending category. In comparison, it comprised 5.7 percent of total state and local expenditures in the United States and was the nation's seventh largest spending category.

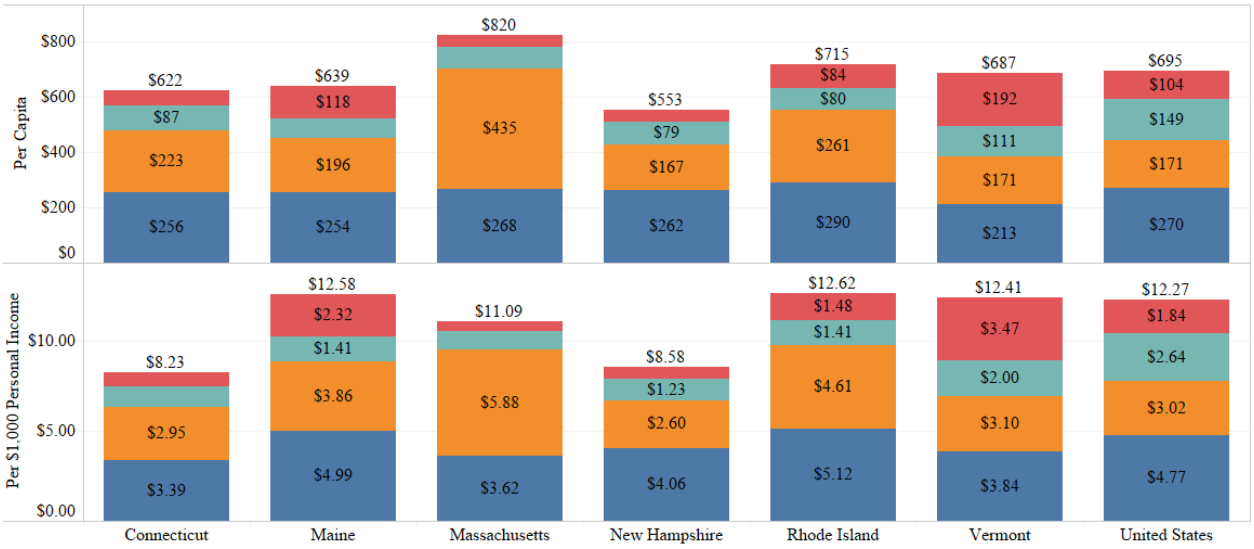
Figure 21 depicts expenditures on environment and housing for New England states and the U.S. on a per capita and per income basis for FY 2019. The Ocean State had slightly higher environment and housing expenditures than did the nation, but it apportioned a smaller amount to natural resources and parks and recreation. Rhode Island's natural resources expenditures were 21.3 percent lower than those of the U.S. on a per capita basis and 21.7 percent lower on a personal income basis in FY 2019. For parks and recreation, Rhode Island spent 60.3 percent less than the nation in per capita terms and 60.7 percent less on a personal income basis. In contrast, Rhode Island spending on housing and community development was higher than that of the U.S. by 41.7 percent in both measures. Similarly, Rhode Island's sewerage and solid waste management spending exceeded that of the nation by 7.1 percent on both a per capita and personal income basis.

Regionally, spending across categories of environment and housing expenditures varied greatly in FY 2019, but Rhode Island was generally in line with other New England states, which tend to overspend the nation on housing and community development, while underspending on parks and recreation and natural resources. In per capita terms, Rhode Island was the only New England state to overspend the nation on sewerage and solid waste management (both Maine and Rhode Island overspent the U.S. in terms of personal income). Rhode Island's total environment and housing spending was high for the region, ranking second highest on a per capita basis and highest in terms of personal income.

By way of state-funded programs, Rhode Island spends relatively little on housing development. However, states with larger low-income populations—like Rhode Island, in comparison to the region overall—tend to receive more housing funding from the U.S. Department of Housing and Urban Development. Additionally, small states like Rhode Island receive a relatively high amount of per capita funds from other federal housing programs, and governments in New England tend to receive more aid from certain federal sources, like Community Development Block Grants, than states in other regions because municipal governments employ a greater number of planners and similar staff per capita than do county governments.[35]

[35] Urban Institute, What Drives State Spending.

Figure 21
Environment & Housing Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019

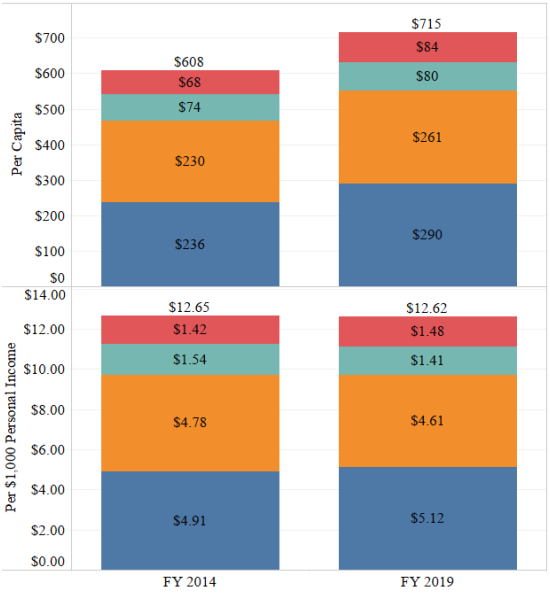


Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

Natural Resources
Parks & Recreation
Housing & Community Development
Sewerage & Solid Waste Management

Between FY 2014 and FY 2019, Rhode Island spending on environment and housing nominally increased at a rate of 18.0 percent, exceeding total expenditure growth of 16.1 percent. Figure 22 depicts the Ocean State's environment and housing expenditures on a personal income and per capita basis in FY 2014 and FY 2019 and shows that spending in this category grew in per capita terms by 17.6 percent while experiencing a slight decrease of 0.2 percent on a personal income basis. While every environment and housing subcategory saw spending increases on a per capita basis in this period, natural resources and sewerage and solid waste management experienced the highest rates of growth.

Figure 22
Rhode Island Environment & Housing Expenditures Per Capita & Per $1,000 of Personal Income FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

Natural Resources
Parks & Recreation
Housing & Community Development
Sewerage & Solid Waste Management

Transportation

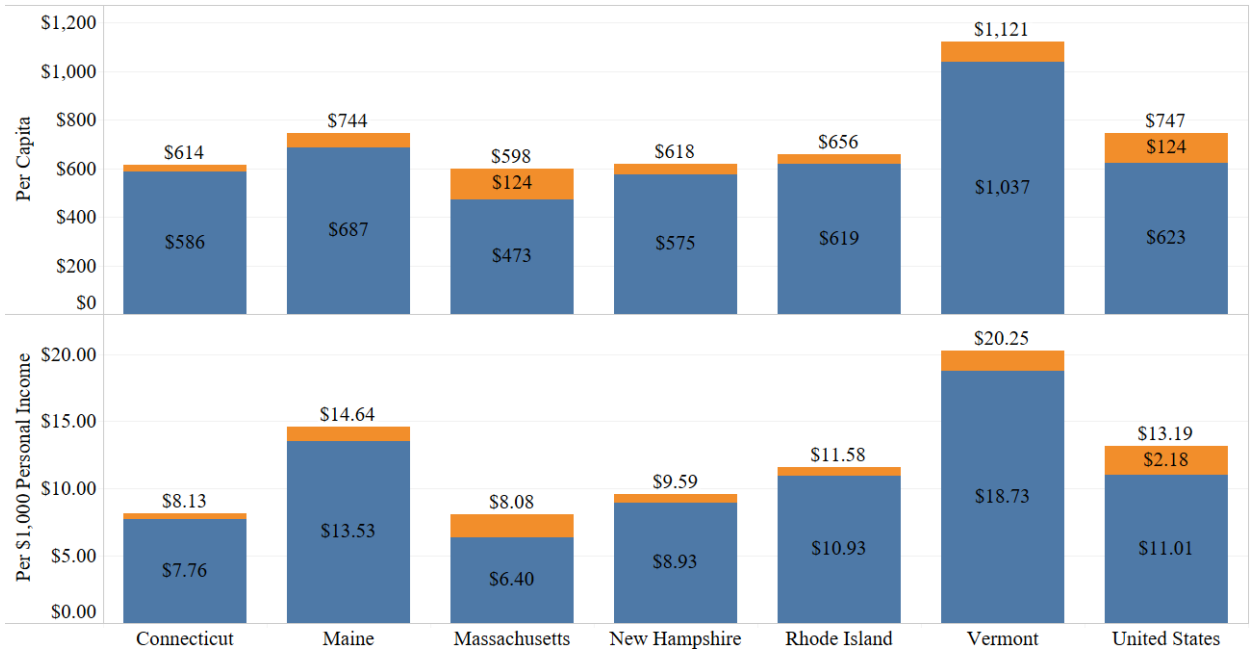
Transportation consists of four categories of spending: highways, air transportation, parking facilities, and sea and inland port facilities.[36]

[36] Spending on transit is accounted for under other expenditures, rather than as a transportation expenditure. Rhode Island's transit expenditures nominally increased at a rate lower than the state's total expenditure increase between

Transportation is the second smallest spending category in the U.S. and the smallest spending category in the Ocean State, comprising 5.1 percent of total expenditures compared to 6.1 percent nationally. In both Rhode Island and the U.S., most transportation expenditures are directed to highways.

Figure 23, which depicts transportation expenditures for New England states and the U.S. in FY 2019, shows that Rhode Island's spending on transportation is low for the nation but relatively typical for the region. Among New England states, all but Vermont spent less than the nation on a per capita basis, and all but Vermont and Maine underspent the nation in terms of personal income. In both measures, Rhode Island ranked third highest in the region. Rhode Island spent less than the U.S. on transportation, and its expenditures on highways were 0.6 percent lower than those of the nation on a per capita basis and 0.7 percent lower on a personal income basis. Rhode Island's lower allocation to highways compared to the nation are attributable, in part, to its higher population density and lower road utilization.[37] However, Rhode Island's roads and bridges are currently ranked among the worst in the nation.[38]

Figure 23
Transportation Expenditures Per Capita & Per $1,000 of Personal Income, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

FY 2014 and FY 2019 (10.1 percent vs. 16.1 percent). On a per capita basis, transit expenditures increased by 9.4 percent in this period, while decreasing by 7.2 percent in personal income terms.

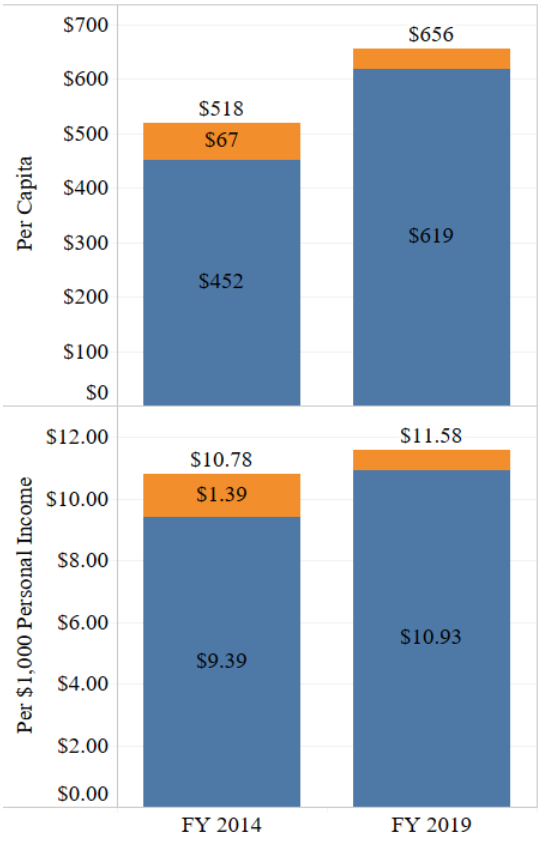
[37] Urban Institute, State and Local Finance Initiative: Highway and Road Expenditures. In 2019, Rhode Island's 7,202 miles of annual vehicle-miles of travel per capita was 37.9 percent lower than the U.S. per capita total of 10,565 miles. U.S. Department of Transportation Federal Highway Administration, Highway Statistics 2019, Selected Measures for Identifying Peer States; RIPEC calculations.

[38] American Society of Civil Engineers, Report Card for Rhode Island's Infrastructure, 2020.

Rhode Island spending on transportation has grown significantly in recent years. It increased at a considerably higher rate than total expenditures between FY 2014 and FY 2019 (27.0 percent vs. 16.1 percent). Figure 24, which depicts Rhode Island transportation expenditures in FY 2014 and FY 2019 in per capita and personal income terms, shows that Ocean State spending in this category grew in both the former and latter measurement (by 26.6 percent and 7.4 percent, respectively). Much of this increase was driven by highway spending, which experienced a nominal growth rate of 37.7 percent in this period. This growth is in good part attributable to the state's ambitious RhodeWorks program; approved in 2016, RhodeWorks created a funding source (tolling) to significantly increase investment in the repair and construction of the state's roads and bridges.[39]

The Ocean State's increase in transportation spending during this period outpaced that of the nation, bringing it closer in line with—though still lower than—the U.S. In per capita terms, Rhode Island spending on transportation was 18.1 percent lower than the nation in FY 2014 and 13.0 percent lower in FY 2019. Similarly, Ocean State transportation expenditures were 19.0 percent lower than the U.S. on a personal income basis in FY 2014 and 13.0 percent lower in FY 2019.

Figure 24
Rhode Island Transportation Expenditures Per Capita & Per $1,000 of Personal Income, FY 2014 & FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; U.S. Census Bureau, American Communtiy Survey Five-Year Estimates; U.S. Bureau of Economic Analysis, Personal Income Data; RIPEC calculations

[39] R.I. Dept. of Transportation, Quarterly Report, October – December 2021, January 30, 2022.

IV. RIPEC Comments

In terms of overall state and local revenues, including federal funding, Rhode Island was somewhat high compared to other states (ranked 18th highest per capita), but middling in the New England region (fourth highest per capita and third highest per income) in FY 2019. Rhode Island's total state and local expenditures were relatively high in FY 2019, ranking 13th highest of U.S. states in per capita terms and ranking on the higher end of New England states (third highest per capita and second highest per income). From FY 2014 to FY 2019, both state and local revenues and expenditures in the Ocean State grew more slowly than in the U.S.

Taxes comprised a larger proportion of total revenues in Rhode Island than in the nation overall in FY 2019, although the Ocean State—due in part to its greater reliance on intergovernmental revenues in the form of federal funding—was less reliant on tax revenues than any other New England state. As with taxes overall, Rhode Island was significantly more reliant on property tax revenues than the nation, although Rhode Island's property tax collections were on the lower end of New England states. Importantly, between FY 2014 and FY 2019, Rhode Island's reliance on property taxes decreased considerably as a proportion of total taxes—falling from 44.5 percent to 41.3 percent—in large part through increased state funding for K-12 schools. Yet, Rhode Island continues to rely more on local revenue to fund the K-12 system than both the region and the nation. Given the limitations of less affluent communities to raise property tax revenues, challenges consequently remain for equitable funding of K-12 schools in Rhode Island.[40]

Rhode Island allocated the largest portion of its expenditures in FY 2019 to education, spending slightly more than the U.S. in per capita and per income terms, but significantly overspending the nation on elementary and secondary education while significantly underspending on higher education. Despite Rhode Island's relative overspending on K-12 education, its student proficiency test scores are on par with or below the nation, with particularly poor outcomes for students in urban schools, raising a serious question as to the state's return on investment. Similarly, Rhode Island's relative underinvestment in higher education raises concerns, since economic development and growth are tied closely with education levels.[41] This underinvestment in higher education is linked to Rhode Island's low ranking in public higher education enrollment per capita (37th highest in the U.S.), which raises concerns as to access to affordable higher education options for Rhode Island students.

Social services and income maintenance expenditures comprised Rhode Island's second largest spending category in FY 2019 and were not only high compared to the nation (5.0 percent higher per capita and per income) but played an outsized role in driving increased spending in recent years. From FY 2014 to FY 2019, spending in this category grew by 28.1 percent—significantly greater than the state's total spending growth rate of 16.1 percent. Rhode Island's poverty rate

[40] For more, see: Rhode Island Public Expenditure Council, "A System Out of Balance: Property Taxation Across Rhode Island," January 2022.
[41] Noah Berger and Pete Fisher, "A Well-Education Workforce is Key to State Prosperity," Economic Policy Institute, August 22, 2013.

decreased in this period, and likewise so did spending on cash and other public assistance programs. Spending on Medicaid, however, increased significantly. While most of that increase was paid for with federal funds, there also has been significant growth in state spending on Medicaid, a trend apparent not only in Rhode Island, but across the United States.

Public safety expenditures made up less than a tenth of Rhode Island's total state and local expenditures in FY 2019, but they greatly exceeded national and regional spending, and grew at a rate greater than total expenditures (20.2 percent vs. 16.1 percent). Rhode Island had the highest fire protection expenditures in the U.S. on both a per capita and personal income basis in FY 2019, and in both measures Rhode Island spending on police protection was among the highest in the nation, though its crime rate was among the lowest. While spending less than the U.S. on correction in per capita and personal income terms, Rhode Island's correction expenditures were the highest in New England in both measures, while the state's incarcerated population per capita tied for second smallest in the nation in 2019.

The Ocean State had slightly higher environment and housing expenditures in per capita and personal income terms than did the nation in FY 2019 but apportioned a comparatively small amount to natural resources and parks and recreation. This underinvestment was highlighted in a 2018 report commissioned by the Rhode Island Department of Environmental Management, which lead to general obligation bond spending and modest operating increases in this area.[42] Rhode Island spending on housing and community development was significantly higher than that of the U.S., however the Ocean State spends relatively little in state funds on housing development.

Rhode Island's FY 2019 transportation expenditures were relatively typical for New England but below national benchmarks. This can be attributed in part to the state's comparatively high population density and low road utilization, but Rhode Island's roads and bridges are currently among the worst in the nation. The state has significantly increased investment in transportation in recent years, and spending grew significantly more than total expenditures and at a rate faster than U.S. spending on transportation between FY 2014 and FY 2019.

Given these findings, RIPEC offers the following considerations for state and local policymakers:

- Rhode Island should continue to increase the state share of elementary and secondary education funding to both decrease reliance on property tax revenues and increase equity in elementary and secondary education expenditures. At the same time, policymakers should seek to slow the growth in total state and local expenditures for K-12, and focus investments on improving student outcomes.

[42] R.I. Department of Environmental Management, "Rhode Island State Parks Organizational Management and Operations Study," 2018; Tourism Economics, "Economic Impact of Visitors in Rhode Island 2019," Prepared for R.I. Commerce Corporation.

- Given the critical importance of higher education to economic prosperity, policymakers should allocate more resources for higher education and seek to grow enrollment in public higher education institutions to improve access and affordability for Rhode Island students.

- Rhode Island should focus on controlling the growth of spending on social services and income maintenance, particularly spending on Medicaid, which is growing at a faster rate than total expenditures.

- Rhode Island should seek to constrain the growth of total spending to bring the state more in line with the region and nation.

- State and municipal policymakers should focus on at least slowing the growth of public safety expenditures—which are very high compared to the U.S. and the region and growing faster than total spending—to bring them more in line with national and regional benchmarks.

- There is need for further investment in natural resources and parks and recreation, particularly given the state's economic reliance on tourism, even though Rhode Island recently increased spending in these areas.

- While the Ocean State has significantly increased transportation spending in recent years, given that the state's transportation infrastructure remains among the worst in the nation and its spending in this category was still below that of the nation in FY 2019, policymakers should continue to increase investments to improve the state's roads and bridges.

Policymakers make important decisions every budget season, but large inflows of federal funding to state and local governments in the form of pandemic relief—combined with strong state general revenues—today present an unprecedented opportunity for policymakers to reconsider the configuration of local revenue streams and to invest state and local funds in areas in which the state has historically underinvested.[43]

[43] Under the American Rescue Plan Act (ARPA), the State of Rhode Island was allocated $1.1 billion in flexible fiscal recovery funds and local governments were allocated $536.9 million. In addition, funds were distributed under ARPA for K-12 education ($400 million), public and private higher education institutions ($168 million), and the capital project fund ($113 million). U.S. Dept. of Treasury, Coronavirus State and Local Fiscal Recovery Funds, Final Rule, January 2022.