

Governor's FY 2023 Budget: Articles

Staff Presentation to the House Finance
Committee
February 17, 2022

Introduction

- 2022-7123 - FY 2023 Budget
 - Article 1 Section 1
 - Education Aid Hold Harmless
 - Article 1 Section 16 ARPA Projects
 - Municipal Learning Centers
 - Municipal & Higher Ed. Matching Grant Program
 - Article 5 – Question 2: public school repairs
 - Article 10 – Education
- 2022-H 7125 - similar to Article 5

Education Aid Hold Harmless

- Current law formula update
 - Results in \$25.8 million aid reduction
 - Pandemic impact on public school enrollment
- 2021 Assembly amended formula
 - Uses greater of March 2020 or March 2021 enrollment and percent of students in poverty
 - Adjusted for new/expanding charter schools
 - Applied only to FY 2022

Education Aid Hold Harmless

- Language imbedded in education aid appropriation is proposed to hold districts harmless from formula losses compared to FY 2022 aid
 - If FY 2023 calculation results in
 - more aid, LEA would receive aid as produced by the formula
 - less aid, LEA would receive FY 2022 level of funding
- Value of hold harmless: \$49.7 million from general revenues
 - Does not adjust for new/expanding charters

FY 2022 Data Correction

- Current law: corrections to data used to calculate funding formula aid are resolved the following year
 - 2019 Assembly enacted legislation
 - Underpaid districts receive full amount of funding owed
 - Overpaid districts subject to clawback prorated to month in which they were notified of issue
 - For example: FY 2022 data correction would be addressed with FY 2023 aid calculation

FY 2022 Data Correction

- August 2021 LEAs notified of errors that affect FY 2022 calculation
 - Data input errors from
 - Foster, West Warwick, N. Kingstown, & Cumberland
 - Updating data impacts 24 districts
 - Plus 16 charter/state schools w/students from those
 - Some gain, others lose; net increase is \$0.4 million
- Article 10 prevents any losses
 - Governor adds \$0.5 million
 - 22 districts held harmless
 - 12 charter/state

Education Aid Hold Harmless

Change to FY 2022	Current Law	Gov.	Chg.
FY 2023 Funding Formula (Art 1)	\$(25.8)	\$23.9	\$49.7
FY 2022 Data Fix (Art 10)	0.4	0.8	0.5
Total	\$(25.4)	\$24.7	\$50.1
<i>Districts</i>	\$(43.4)	\$5.8	\$49.1
<i>Charter/State Schools</i>	\$18.0	\$19.0	\$1.0

\$ in millions

School Construction Aid

- State reimburses cities and towns for a share of school capital projects
 - Includes principal and interest
- State shares are based on a district's wealth compared to state wealth
 - Minimum state share is 35%
 - 18 communities for FY 2022
 - Charter schools get 30%
 - Bonuses for regionals & specific types of projects

School Construction Aid: Current State Shares

Districts FY 2022	Share Ratio
Burrillville	48.7%
Central Falls	96.7%
Coventry	43.2%
Cranston	52.3%
Cumberland	37.3%
Glocester	41.2%
East Providence	52.6%
Johnston	37.8%

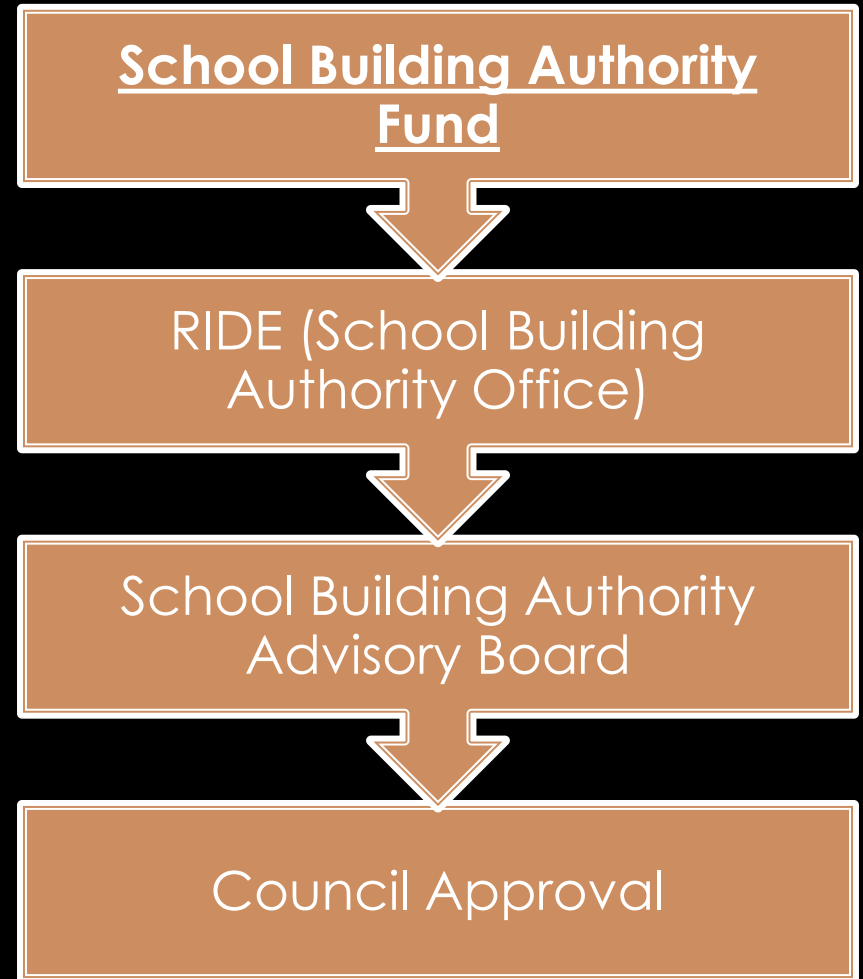
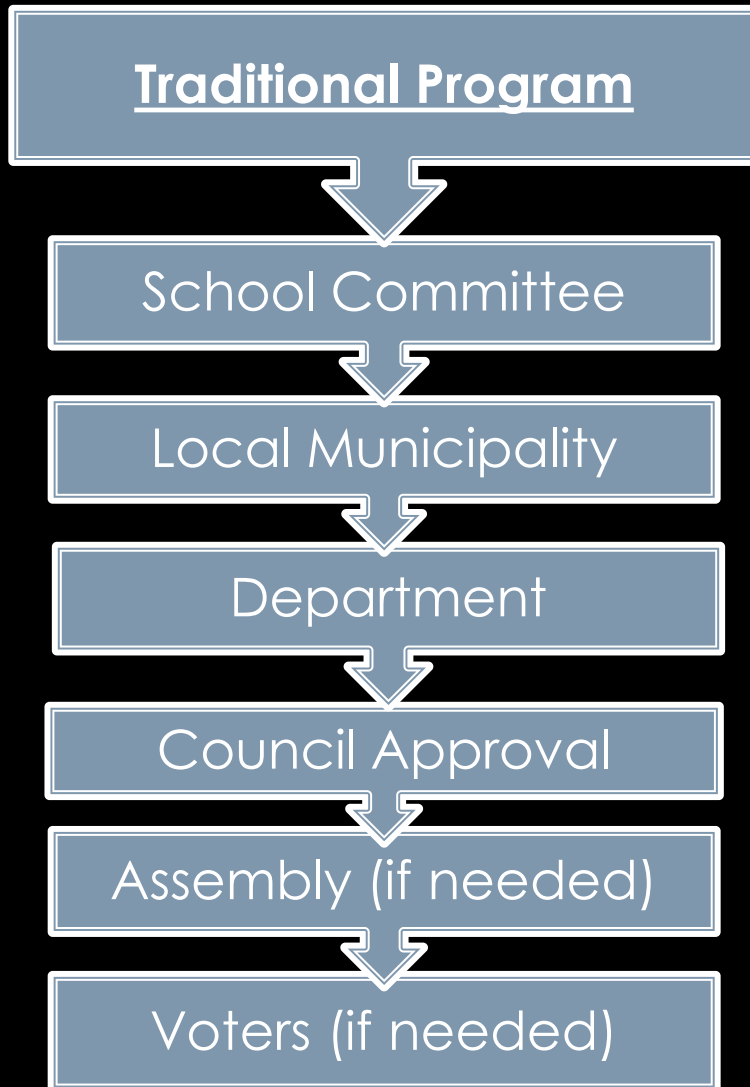
Districts FY 2022	Share Ratio
Lincoln	39.4%
North Providence	58.3%
Pawtucket	83.7%
Providence	81.6%
West Warwick	67.0%
Woonsocket	87.2%

School Construction Aid: Current State Shares

Regional Districts FY 2022	Base w/Min	Regional Bonus	Total Share Ratio
Bristol-Warren	35.0 %	28.0%	63.0%
Chariho	35.0%	26.0%	61.0%
Exeter/West Greenwich	35.0%	26.0%	61.0%
Foster/Glocester	37.2%	14.0%	51.2%

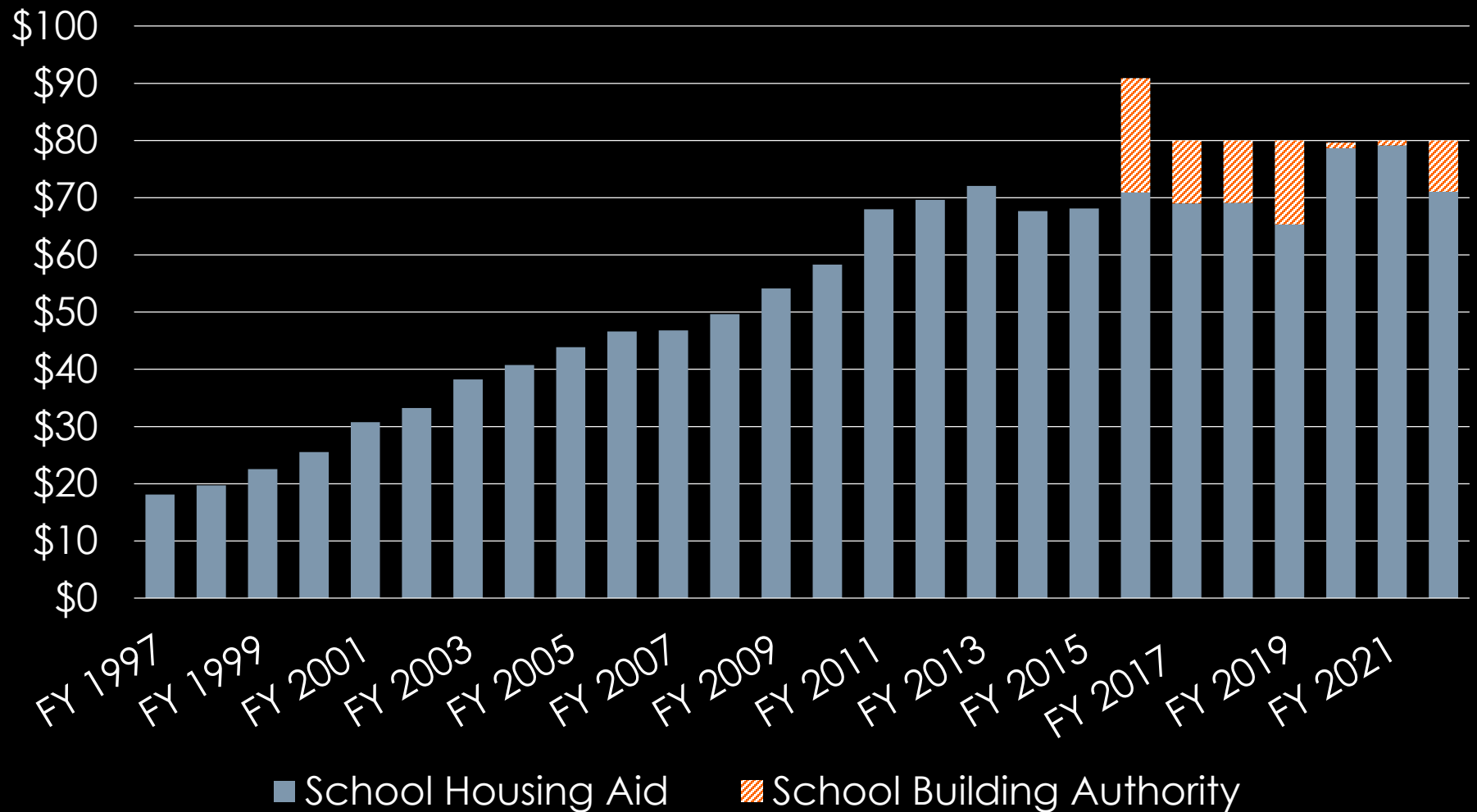
- All other districts not listed get 35%
- Charter schools get 30%

School Construction Aid – Approval Processes



School Housing Aid

Historical Expenditures (in millions)



School Construction Aid - History

- Prior to FY 1998 only projects supported by local GO bonds were reimbursed
- 1997 Assembly expanded program
 - Projects financed by lease revenue bonds, capital leases, & capital reserves
- Beginning in 2003, Assembly made various legislative changes in effort to control growth
 - Concerns over escalating costs

School Construction Aid - History

- 2003 Assembly:
 - Limited bond interest aid to those financed through RIHEBC for favorable rates and low administrative cost to districts
 - Sunset Regents' approval after 3 years
 - Instructed RIDE to study cost of building new schools
 - Report submitted on March 29, 2004
 - School Construction Regulations adopted by Regents in May 2007

School Construction Aid - History

- 2007 Assembly required its approval for any local borrowing requiring voter approval
 - Providence PBA does not require voter approval
- 2008 Assembly required bonds be refunded when savings are available
 - Savings split based on share ratio
- 2010 funding formula had 2-year increase in state's min. share to 40% by FY 2013
 - Previously 30%

School Construction Aid - History

- 2012 Assembly adopted Governor's proposal to freeze state's minimum share at 35%
- 2013 Assembly allowed locals to keep 80% of refunding savings
 - Time-limited to encourage districts with higher state shares to refund bonds and save money

School Construction Aid - History

- 2011 Assembly imposed a 3-year moratorium on new project approvals
 - Exception for health and safety reasons
 - Requires RIDE to develop recommendations for cost containment strategies
- 2014 Assembly extended to May 1, 2015
 - **\$197.8 million of health & safety projects approved during the moratorium**

School Building Authority

- 2015 Assembly created new School Building Authority Capital Fund
 - Administered by newly created School Building Authority
 - Advisory board created to advise Authority
 - Council still has final approval of all projects
- SBA fund created to
 - Support smaller projects – same cost sharing
 - Address emergent needs faster than traditional program

State of RI Schoolhouses

- Jacobs Engineering began assessment of school buildings in Feb. 2015
- *State of RI Schoolhouses* report issued in September 2017 identified
 - \$627.5 million for safe, warm, & dry projects
 - \$54.5 million in “priority” repairs
 - \$2.2 billion in facility deficiencies
 - \$793.5 million for future facility costs over the next 5 years
 - \$3.0 billion in total 5-year need

School Building Task Force

- Governor Raimondo established the School Building Task Force
- Recommendations include:
 - Temporary incentives to increase state share
 - Increased oversight by the SBA
 - Additional maintenance requirements
 - Development of prototypes
 - \$500 million of general obligation bonds
 - \$250 million each in 2018 and 2022

School Building Authority

- 2018 Assembly enacted numerous program changes
 - Based on School Building Task Force recommendations
 - Temporary state share incentives
 - Triggered by passage of \$250 million bond on November 2018 ballot
 - Permanent bonus for school safety projects
 - Additional oversight for large projects
 - Facility maintenance spending requirements

State Share Bonuses

Permanent Bonuses	State Share Increase
Each regionalized grade	2% per grade (up to 26% for a fully regionalized district)
School safety & security Must be 75% of project cost	5%

Temporary State Share Incentives

Temporary Incentives	Add	Start By
Health & safety	5%	2022
Educational enhancements (CTE & early ed.)	5%	2022
Replacing a facility with a Facilities Condition Index of 65%+	5%	2023
Increase functional utilization of a facility from less than 60% to 80%	5%	2023
Decrease functional utilization of a facility from >120% to between 85% and 105%	5%	2023
Consolidation of 2 or more buildings within or across districts	5%	2023

Temporary State Share Incentives

- Eligibility
 - Construction must begin by December 30, 2022 or 2023
 - 5-year window for completion
 - 25% of total project costs or a minimum of \$500,000 must be specifically directed to any of the specific incentives
- Design was to create surge of activity to address concerns quickly

Temporary State Share Incentives

- Limitations:
 - Max increase in any LEAs state share is 20%
 - The Local share cannot decrease by more than half
 - With this measure, no local project can be 100% state funded
 - State's share can't increase by more than half
 - Ex: community with 35% state share can receive max 17.5% increase

Projects Approvals

Base State Share Approvals	March 2018 Est.	January 2022	Difference
FY 2018	\$300.0	\$283.6	(\$16.4)
FY 2019	300.0	383.0	83.0
FY 2020	300.0	629.5	329.5
FY 2021	300.0	143.5	(156.5)
FY 2022*	200.0	923.3	723.3
Total	\$1,400.0	\$ 2,362.9	\$962.9

\$ in millions; does not include incentives

*Jan 2022 is estimated for FY 2022

Impact to School Construction Aid

Chg. To \$80 M	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
March 2018 Estimate	\$(8.9)	\$(1.5)	\$11.4	\$24.4	\$37.4	\$48.9
Actual/ Gov. Rec.	\$(14.7)	\$(1.4)	\$(0.9)	\$(9.0)	\$8.5	\$17.7
Difference	\$(5.8)	\$0.1	\$(12.3)	\$(33.4)	\$(28.9)	\$(31.2)

\$ in millions

- FY 2022 difference reflects:
 - COVID-19 project delays
 - Local bond refinancing

New Requested Debt – GO

November 2022

Ballot #	Project	Amount	Annual Debt
1	Higher Education Total	\$62.0	\$5.0
	<i>URI Narragansett Bay Campus</i>	50.0	4.0
	<i>CCRI Renovations & Modernization</i>	12.0	1.0
2	Rhode Island School Buildings	250.0	20.1
3	Green Economy - Environment and Recreation	38.0	3.0
	Total	\$350.0	\$28.1

\$ in millions; annual debt assumes 5% rate and 20 year term

Article 5, Question 2

- Proposes \$250 million of GO bonds be submitted to voters on November ballot
 - \$200 million for locals & \$50 million for SBA Capital Fund
 - SBA funding specifically for “facility equity”
 - Facility Equity Initiative piloted in FY 2022 - Central Falls, Woonsocket, Pawtucket, Providence, & West Warwick
 - Differs from first bond
 - No limit on how much can be authorized in any given year
 - No requirements for proportional distribution

Article 10

- Article 10 also further specifies use of new \$250 million bond in Article 5
 - \$200 million for direct assistance to locals
 - \$50 million for School Building Authority Capital Fund for “facility equity”
 - No more than 5% of excess funds issued any given year can be transferred to capital fund
- Combined the changes do not add cost
 - Changes payment source

Article 5, Question 2

- 2018 bond:
 - No more than \$100 million could be authorized in any given year
 - Required funds be distributed proportionally
 - SBA provided 15% of total approved project costs upfront, including interest
 - Projects approved between May 2015 & July 2018 received 15% of portions that had not been completed
 - FY 2019 through December FY 2022 awarded funding based on full approval amounts
 - No more than 5% of excess could be transferred to Capital Fund

Article 5, Question 2

Capital Budget Recommendation			
GO Bond Proceeds	2018	2022	Total
Prior years	\$48.5	\$-	\$48.5
FY 2022	108.7	-	108.7
FY 2023	67.8	-	67.8
FY 2024	25.0	42.8	67.8
FY 2025	-	67.8	67.8
FY 2026	-	67.8	67.8
FY 2027	-	67.8	67.8
Post-FY 2027	-	3.8	3.8
Total	\$250.0	\$250.0	\$500.0

\$ in millions

Article 5, Question 2

Capital Budget Recommendation			
GO Bond Proceeds	Capital Budget	Annual Debt Service	Cumulative Debt Service
Prior years	\$48.5	\$4.0	\$4.0
FY 2022	108.7	9.0	13.0
FY 2023	67.8	5.6	18.6
FY 2024	67.8	5.6	24.2
FY 2025	67.8	5.6	29.8
FY 2026	67.8	5.6	35.4
FY 2027	67.8	5.6	41.1
Post-FY 2027	3.8	0.3	41.4
Total	\$500.0	\$41.4	

\$ in millions

Article 5, Question 2

Capital Budget Recommendation Plus Aid			
GO Bond Proceeds	Cumulative Debt Service	Traditional Housing Aid	Total
FY 2022	\$13.0	\$71.0	\$84.0
FY 2023	18.6	88.5	107.1
FY 2024	24.2	97.7	121.9
FY 2025	29.8	105.0	134.8
FY 2026	35.4	110.0	145.4
FY 2027	41.1	115.0	156.1

\$ in millions

2022- H 7125

- Also addresses School Construction Aid
 - \$300 million GO Bond
 - \$250 million for direct assistance
 - \$50 million for SBA to distribute
 - No facility equity requirement
 - To be spent over 5 years
 - No more than \$100.0 million issued in any given year
- Numerous changes to program itself
 - Fiscal impact in out-years
 - Governor does not propose any changes

2022- H 7125

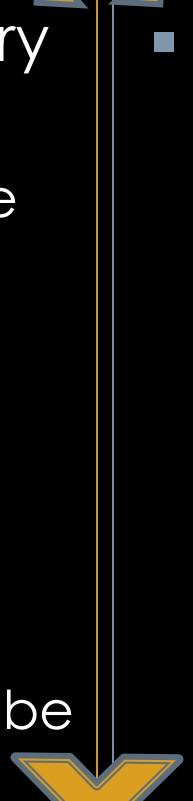
- Changes include
 - New apprenticeship program requirements
 - Capital reserve requirements for LEAs that do not meet minimum maintenance spending
 - Bonuses/Incentives
 - Extends 3 current incentives for 5 more years
 - Creates 2 new temporary incentives
 - Minority owned & RI based businesses
 - Permanent bonuses for energy
 - SBA to issue rules/regs. around energy standards
 - New staff to support zero energy capable schools

American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - RI to get \$1.8 billion over 2 years
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - \$536.8 million to locals
- Use spans several state fiscal years
 - Must obligate by Dec. 31, 2024 - **FY 2025**
 - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**
 - Governor programs all funding from FY 2022 through FY 2027

ARPA State Fiscal Recovery Funds Timeline

FY 2021: March 2021 ARPA becomes law

- 
- \$1,131M - fiscal recovery funds
 - May 2021 interim final rule
 - June 2021 compliance & reporting guidance
 - July 2021 (FY 2022) most recent FAQs updated
 - Dec. 31, 2024 funds must be obligated by (FY 2025)
 - \$112M capital projects fund
 - Sept. 2021 guidance
 - Sept. 24 application opens
 - December 27, 2021 deadline to request funding (FY 2022)
 - September 24, 2022 deadline to submit grant plan (FY 2023)

FY 2027: All funds must be spent by December 31, 2026

American Rescue Plan Act

- Governor programs all funding from FY 2022 through FY 2027 to over 50 projects
 - FY 2022 allocation appear in 2022-H 7122
 - Includes \$119 million approved on Jan 4
 - Remaining allocations in Art 1 2022-H 7123
 - Sec.1 - FY 2023 allocations
 - Sec. 16 - FY 2024-27 & item descriptions by agency
 - Projects mostly one time
 - Some likely create expectation of future support
 - Some funding replaces current state support

ARPA Projects

State Fiscal Recovery Funds - Category	Amount
Housing	\$250.0
Economic and Workforce Development	211.8
Small Business & Impacted Industry	180.5
Public Health	152.3
Children, Families and Education	118.6
Behavioral Health	42.4
Public Infrastructure & Technology	26.5
Climate	132.0
Administration	17.0
Total	\$1,131.1

\$ in millions

State & Local Fiscal Recovery Funds

A. Respond to the public health emergency (PHE) and its economic impacts

B. Respond to workers performing essential work during COVID-19 PHE by providing premium pay to eligible workers

**ARPA specifies
four eligible
uses**

C. Provision of government services to the extent of the reduction in revenue due to the COVID-19 PHE

D. To make necessary investments in water, sewer or broadband infrastructure

State & Local Fiscal Recovery Funds

U.S. Treasury Eligibility Categories	Code	Share of Total	Project Count
Support public health	A-1	19.4%	9
Address negative economic impacts	A-2	19.0%	11
Services to disproportionately impacted communities	A-3	17.9%	9
Premium pay	B	1.1%	1
Revenue replacement	C	41.0%	21
Infrastructure – water, sewer, broadband	D	0.0%	1

ARPA Projects

- Municipal Learning Centers
 - \$15.0 million for 11 municipal learning centers
 - Governor categorizes this project as category C – revenue replacement
- Municipal & Higher Ed. Matching Grant Program
 - \$46.7 million from Capital Projects funds for matching grants to cities & towns

ARPA Projects

- Municipal Learning Centers
 - Year-round educational programs
 - Focus on out-of-school time & school vacations
 - Could include tutoring, art & music classes, early education, non-profit services
 - Provided for free or on a fee-for-service basis
 - Funding appears to support 11 centers in 6 communities
 - \$4.7 million for centers & \$0.3 million for 2.0 FTE
 - Grants administered by RIDE
 - Support in first few years
 - Other state/local resources needed beyond FY 2025

Governor	
FY 2023	\$5.0
FY 2024	5.0
FY 2025	5.0
Total	\$15.0

\$ in millions

ARPA Capital Projects

Capital Projects Fund	Amount
Municipal & Higher Ed Matching Grant Program	\$46.7
RIC Student Services Center*	35.0
Broadband	25.0
Administration	5.6
Total	\$112.3

\$ in millions; *Heard 02/08

Municipal & Higher Ed Grants

- \$46.7 million for matching grants to municipalities that renovate or build a community wellness center
 - Previous information suggested coordination w/ \$15.0 million municipal learning center initiative
 - Allowable use of ARPA Capital Projects Fund
 - Must identify & address critical need for project
- FY 2023 & FY 2024 each include \$23.4 million
 - For 50% state match to total project costs
 - Assumes \$5.0 million grant cap per project

Municipal & Higher Ed Grants

- Grants to be administered by the Pandemic Recovery Office
 - Eligibility essentially consistent with U.S. Treasury guidelines
 - Advances benchmark for substantial completion ~30 days to Dec. 1, 2026
 - Requires projects be under contract by Dec. 1, 2024
- Interest from 12 Communities
 - Assumes renovations for 3, new construction for 8
 - Some include multiple locations; discussions ongoing
 - Facilities required to operate for at least 5 years

Municipal & Higher Ed Grants

Community	Build/ Renovate	Total Cost	50% Match
Bristol/Warren	Build	\$7.2	\$3.6
Cranston	Build	2.5	1.3
East Providence	Build	2.5	1.3
Hopkinton	Build	4.5	2.3
North Kingstown	Build	2.5	1.3
Providence	Renovate	4.4	2.2
Richmond	Build	2.5	1.3
Smithfield	Build	2.5	1.3
South Kingstown	Renovate	1.2	0.6
Westerly	Renovate	2.5	1.3
Woonsocket	Build	2.5	1.3
Grand Total		\$34.8	\$17.4

\$ in millions

ARPA - Capital Projects Fund

- American Rescue Plan includes state and local fiscal recovery funds including capital projects
- Capital Projects Fund - \$112.3 million
 - For “critical capital projects directly enabling work, education, and health monitoring, including remote options”

Capital Projects Fund

- To be eligible, project must meet all of the following criteria
 - Invests in capital assets designed to directly enable work, education & health monitoring
 - Designed to address a critical need that resulted from, was made apparent or exacerbated by COVID-19 PHE
 - Designed to address a critical need of the community to be served by it

Capital Projects Fund

- Presumptively eligible projects
 - Broadband infrastructure
 - Digital connectivity technology
 - Multi-purpose community facility projects
 - Construct or improve buildings designed to jointly & directly enable work, education, and health monitoring
 - Community schools that provide academic programming to students, adult education, health monitoring, workforce training, career counseling
 - Libraries
 - Community health centers

Capital Projects Fund

- Project criteria for case-by-case review
 - Directly enables work, education and health monitoring
 - Addresses a critical need that results from or was exacerbated by public health emergency
 - Addresses a critical need in the community to be served by it
- Ineligible projects
 - General infrastructure
 - Highways, bridges, transit systems and ports

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