



Senate Finance Committee

FY2022 Proposed Budget Amendment- ARPA Funds

10.21.21

Background

- On October 7, 2021, Governor McKee submitted a requested budget amendment for FY2022 that allows the use of \$113 million in federal American Rescue Plan Act funds
- Proposal represents 10% of State Fiscal Recovery Funds available for Rhode Island
- Governor indicates it is a “downpayment” on larger, longer-term investments
- Invests in business supports, child care and childhood health, and housing affordability and security

Investment Summaries: Housing Affordability and Security

Housing Affordability and Security

Investment Category	Initiative	Cost
Housing Affordability and Security		\$29,500,000
	Affordable housing development	\$15,000,000
	Property acquisition for affordable and supportive housing	\$12,000,000
	Housing stability services	\$1,500,000
	Office of Housing and Community Development staffing	\$500,000
	Broadband mapping and coordination	\$500,000

Affordable Housing Development - \$15.0 million

Proposal

- Create a gap financing program that would supplement existing state-supported housing incentives, and thereby, expand the number of affordable units above that which can be developed under current capacity.
- \$15.0M for gap financing on approved projects
- Administered by Executive Office of Commerce and RI Housing
- Awards are to be made in coordination with existing affordable housing programs, including Building Homes RI and the federal Low Income Housing Tax Credit program to maximize the number of developable units.

Timeline / Recurrence

- Approved projects are expected to have obligated funds in FY2022 and to expend funds according to construction schedules through approximately FY2025.
- Projects anticipated to begin 6 months of program start; additional units available w/i 12-36 months
- Does not appear to have recurring costs.

Outcomes / Performance Metrics

- Specific target levels are not provided.
- Pace of construction, number of completed units available, demographic and geographic benefits, number of jobs created, and total amount of federal funds leveraged are offered as metrics

Affordable Housing Site Acquisition - \$12.0 million

Proposal

- Create a program that would fund the purchase and acquisition of real estate property for redevelopment as affordable and supportive housing

Timeline / Recurrence

- Because property availability is often limited the program will be designed to enable decisions to be made in multiple rounds
- Acquisitions are estimated to begin 6 months after funds are available
- All funds to be obligated and spent in FY2022.
- No recurring costs are expected

Outcomes / Performance Metrics

- Specific targets are not provided
- Metrics would look at the number of temporary shelter beds deployed and the number of affordable and supportive housing units developed.

Housing Stability - \$1.5 million

Proposal

- Increase housing navigation, stabilization, and mental health services to families and individuals experiencing homelessness
- Executive Office of Commerce’s Office of Housing and Community Development (OHCD) to administer in partnership with RIHousing. Sub-awards to be made to selected service providers
- Would require a contracted program manager within OHCD

Timeline / Recurrence

- Provider selections estimated to take place 4-6 months after funds are made available
- All funds expected to be obligated in FY2022. No recurring costs
- Follow-up funding “may be requested” to continue the program beyond FY2022

Outcomes / Performance Metrics

- Specific targets are not provided
- Housing stabilization/mental health outcomes anticipated to be realized over the longer term
- Metrics and tracking to be determined in first 3 months after funds are made available

Affordable Housing Capacity - \$500,000

Proposal

- Increase capacity at the Office of Housing and Community Development by adding 5-6 contract positions for a six-month period. Positions will include:
 - Research and development
 - Stakeholder engagement
 - Elevated Director of Homelessness Programs
 - New Director for Development Programs to assist in partnering with municipalities on affordable housing development
 - Service and performance managers focused on compliance

Timeline / Recurrence

- Staff search would begin immediately upon funding availability.
- Contract would be for 6 months
- All funds to be obligated and spent in FY2022.
- Costs are expected to continue beyond the six month contract period

Outcomes / Performance Metrics

- Specific targets are not provided
- number of completed units available, demographic and geographic benefits, number of jobs created, and total amount of federal funds leveraged are offered as metrics

Broadband Infrastructure- \$500,000

Proposal

- Develop statewide broadband plan for internet access for underserved households.
- \$400k for contracted mapping and needs assessment
- \$100k to hire a statewide broadband coordinator at Commerce Corp
- Work would set table for broader investments with potential Infrastructure Investment and Jobs Act funding

Timeline / Recurrence

- Commerce expects maps by fall 2021 and broadband team by winter 2021
- First additional access by winter 2022/2023
- \$200,000 annual recurring cost for staff at Commerce Corp

Outcomes / Performance Metrics

- Goal is to get closer to universal service levels regardless of income/geography
- Will map usage and reliability over time
- Look to establish best consumer rates in New England



Affordable Housing Development

The Governor’s budget amendment requests \$15.0 million of federal State Fiscal Recovery Funds (SFRF) to provide direct gap-financing for development of affordable housing in the State, citing a lack of affordable housing and high barriers to development. The Governor proposes to create a new federally funded program that would augment existing programs providing money to developers that cover the difference between development costs and the projected income needed to bring more affordable units to the market. Funds would be appropriated to the Executive Office of Commerce (EOC) and be administered by RIHousing.

FISCAL IMPACT AND TIMELINE

Fiscal Impact

The budget amendment increases federal funds within the Executive Office of Commerce by \$15.0 million in FY2022. The proposal does not appear to have recurring costs.

According to documentation from the Office of Management and Budget (OMB), this amount was determined in response to the total amount of financing assistance requested in response to an EOC/RIHousing affordable housing development assistance solicitation in 2021.

In March 2021, voters approved \$65.0 million in bonds to support affordable housing development. The EOC’s Office of Housing and Community Development (OHCD), in partnership with RI Housing, solicited applications for \$50.0 million of the bond funding and received \$54.0 million in total requests. The OHCD plans to award the funding in three cycles in FY2022. In order to average approximately 50.0 percent of the total requests per cycle, the agencies would need \$32.0 million above the original solicitation amount. This additional funding would be comprised of \$17.0 million from the Housing Production Fund (HPF) and the \$15.0 million from the SFRF.

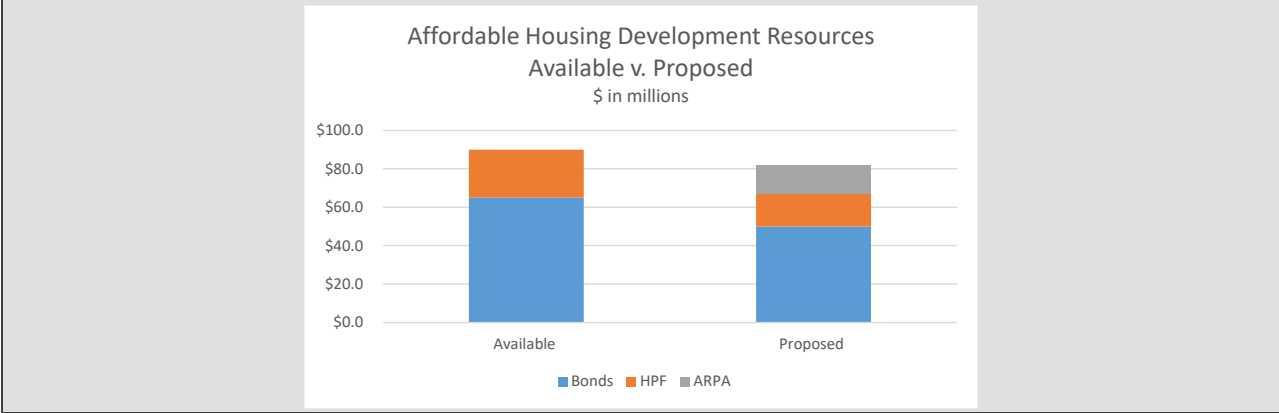
Source	Available	Proposed
Bonds	\$65.0	\$50.0
HPF	25.0	17.0
ARPA	-	15.0
Total	\$90.0	\$82.0

\$ in millions

Allocation Cycle			Total
1	2	3	
\$27.3	\$27.3	\$27.3	\$82.0

\$ in millions

Analyst Note: The Governor’s proposal recommends the deployment of \$82.0 million in FY2022, including \$15.0 million in ARPA funds, for purposes of gap-financing affordable development projects. It should be noted that the State already has \$90 million of recently appropriated money available for the same purpose.



ANALYSIS AND BACKGROUND

According to OHCD, Rhode Island faces a shortage of affordable housing, with nearly 35.0 percent of all households paying over 30.0 percent of their income on housing costs (A household that pays more than 30.0 percent is defined as being housing-cost burdened). The causes of the shortage are complex and include labor shortages, local zoning and development barriers, and developer capacity. More significant are the

extraordinary regional costs that disincentivize development and the historically low-levels of state investment in affordable housing.

Existing State-level Affordable Housing Development Programming

Rhode Island currently supports the development of affordable housing through several initiatives.

- **Low Income Housing Tax Credit (LIHTC)** – The federal LIHTC subsidizes the acquisition, construction, and rehabilitation of affordable rental housing. The US Housing and Urban Development Agency (HUD) issues tax credits to RIHousing who then awards them to affordable housing developers through a competitive process.
- **Building Homes RI** - Over the past 15 years Rhode Island has authorized bonds to support affordable housing production. Voters approved \$50.0 million in 2006, \$25.0 million in 2012, and \$40.0 million in 2016. This funding, administered by the OHCD and RIHousing, is used to provide gap-financing to developers seeking to build affordable housing. The funds are awarded through a competitive process. Building Homes RI has supported 215 projects and the production of approximately 3,000 homes.

Since then the General Assembly has authorized and funded several key affordable housing initiatives:

- **Housing Bond 2021:** In December 2020, the General Assembly authorized a \$65.0 million bond referenda to support affordable housing development. The voters approved the bond in March 2021. An initial solicitation of applications for up to \$50.0 million of these funds was subsequently made, with \$54.0 million in total requests submitted.
- **Housing Production Fund Capitalization:** The FY2022 Budget as Enacted established a new restricted receipt account dedicated to the production of affordable housing. The General Assembly also appropriated \$25.0 million in general revenue to capitalize the fund.
- **Dedicated Funding for Housing Development:** The General Assembly established a dedicated funding stream for affordable housing by increasing the real estate conveyance tax on the portion of real estate value over \$800,000, with the marginal new revenue to be deposited into the Housing Production Fund. This change is estimated to generate \$1.9 million in FY2022.
- **Housing Incentives for Municipalities (HIM):** The General Assembly also sought to mitigate some of the barriers to affordable housing at the local level by creating a new incentive for municipalities to support and develop housing by making school impact offset payments through RIHousing.

Proposed New Program

The Governor proposes to use \$15.0 million of SFRF funds to create a new gap-financing program for developing affordable housing. Eligible projects would receive the amount of a demonstrated financing gap, and projects would require a federal match to qualify for these funds. The EOC would administer these funds in coordination with RIHousing, OHCD, and/or other agency partners. Applicants would seek funding in conjunction with the Building Homes RI program and Low-Income Housing Tax Credit application process to minimize ensure efficiencies and alignment of resources. Awards are planned to be made across three allocation cycles during FY2022. Approved projects are expected to have obligated funds in FY2022 and to expend funds according to construction schedules through approximately FY2025. Projects are anticipated to begin within 6 months of program start, with new additional affordable housing units becoming available within 12-36 months.

OUTCOMES

Equity

In its guidance governing the use of the SFRF, the US Treasury emphasizes addressing disparities amongst communities and ensuring equity. According to the Governor, the proposed affordable housing finance program accomplishes this in several ways.

- **Population:** According to the National Low Income Housing Coalition, Black, Native American, and Hispanic households are more likely than white households to be extremely low-income renters. By increasing Rhode Island’s affordable housing, the proposal would help those low-income renters from historically underserved and marginalized communities to access housing.
- **Awareness:** To ensure that targeted groups are aware of the services provided by these programs, EOC and RI Housing plan to partner with intermediaries that have extensive outreach experience with these communities. The EOC will also offer translation services.
- **Access and Distribution:** To enhance access to benefits and services across targeted groups as well as ensure distribution to as many individuals as possible, EOC plans to develop partnerships with intermediaries and other technical assistance partners that have experience working with these communities.
- **Outcomes:** By supporting the development of affordable and supportive housing options, the Governor maintains that the program will address existing inequities and close gaps for communities that are disproportionately affected by homelessness and housing stability, including low-income Rhode Islanders and Rhode Islanders of color. EOC and RI Housing plan to collect data on outcomes to measure impact across communities for additional input in future programming.

Analyst Note: Specific outcome measures were not identified in documents provided to date.

Performance Metrics

The Governor’s proposal recommends several data points as measures to evaluate the performance of the affordable housing development financing program. These include:

- Pace of construction
- Number of completed units available
- Demographic and geographic benefits
- Number of jobs created
- Total amount of federal funds leveraged.

Most of these data represent orders of magnitude and counts. Specific goals and targets, however, are not provided, nor is there a clear articulation of the total need, against which progress could be measured.

Site Acquisition for Affordable Housing

The Governor's budget amendment recommends \$12.5 million of federal State Fiscal Recovery Funds (SFRF) for the purpose of establishing and funding a new real estate acquisition grant program that would identify and procure sites for the development of affordable, supportive, and emergency shelter housing.

FISCAL IMPACT

The budget amendment would increase federal SFRF funds within the Executive Office of Commerce (EOC) by \$12.5 million in FY2022. The proposal does not appear to have recurring costs beyond FY2022.

ANALYSIS AND BACKGROUND

According to the EOC, there are many barriers to development of affordable and supportive housing. Included among these is the prohibitive and inflationary real estate prices that contribute to the high costs of development and exacerbate the gap between those costs and the ability for the project to be viable for the developer. Subsidizing the costs of site acquisition is a tool that Rhode Island uses to mitigate this barrier. Existing programs that have a site acquisition component include:

- **Building Homes RI (BHRI):** BHRI is the State's primary affordable housing development program. Administered by the EOC's Office of Housing and Community Development, it provides gap-financing to developers based upon a competitive process and available funding. The program is capitalized by proceeds from general obligation bonds. The most recent bond authorization was approved by voters in 2021 for \$65.0 million. Tier I funding priorities for the program include acquisition property and/or substantial construction and/or rehabilitation to provide new rental units for households earning up to 80.0 percent of area median income.
- **Low Income Housing Tax Credit (LIHTC):** The federal LIHTC program subsidizes the acquisition, construction, and rehabilitation of affordable rental housing. The U.S. Housing and Urban Development Agency (HUD) issues tax credits to RIHousing who then awards them to affordable housing developers through a competitive process.
- **COVID Acquisition Program (CARP):** The pandemic created a need to de-densify the homeless shelter system in order to prevent vulnerable Rhode Islanders from living in a situation where the likelihood of transmission of COVID-19 was high. Federal Coronavirus Relief Funds (CRF) were used by RIHousing, in partnership with the state, to create an emergency housing acquisition program to purchase real estate that could quickly be converted to housing of shelter-dependent homeless individuals. The property purchased is in the process of being redeveloped into permanent supportive housing for homeless individuals, closing a service gap.

Proposed ARPA Expenditures

The Governor recommends using \$12.0 million in SFRF funds to support the acquisition of real estate for the development of affordable housing. Funds would be appropriated to the EOC and administered in partnership with RIHousing. According to EOC, these funds will be targeted for sites to be used for developing housing for people currently experiencing homelessness. EOC plans to build on the CARP program to purchase properties for redevelopment as permanent supportive housing. Because the availability of property is often limited at any given time, EOC plans to design the

program that enables multiple rounds of award decisions. Nonetheless, the EOC estimates that new acquisitions will begin 6 months after funds are available and that all funds will to be obligated and spent in FY2022.

OUTCOMES

Equity

In its guidance governing the use of the SFRF, the U.S. Treasury emphasizes addressing disparities amongst communities and ensuring equity. According to the Governor, subsidizing the cost of site acquisition will have a demonstrable impact on the availability of affordable and supportive housing. Improving availability of housing advances equity in several ways.

- **Population:** According to the EOC, programs that support the development of affordable and supportive housing options for Rhode Islanders, especially individuals experiencing homelessness, provide a clear benefit to low-income Rhode Islanders as well as Rhode Islanders of color. HUD's Annual Homeless Assessment Report (AHAR) to Congress found that people identifying as Black or African American comprise 12.0 percent of the total U.S. population but account for 39.0 percent of all people experiencing homelessness. As a result, programs expanding affordable and supportive housing are designed to significantly improve housing opportunities for people of color in the State.
- **Awareness:** To ensure that targeted groups are aware of the services provided by these programs, the Deputy Secretary, OHCD, RI Housing, and other partners plan to work with intermediaries that have extensive outreach experience with these communities and will also offer translation services.
- **Access and Distribution:** To enhance access to benefits and services across targeted groups as well as ensure distribution to as many individuals as possible, EOC plans to develop partnerships with intermediaries and other technical assistance partners that have experience working with these communities.
- **Outcomes:** By supporting the development of affordable and supportive housing options, the Governor maintains that the program will address existing inequities and close gaps for communities that are disproportionately affected by homelessness and housing stability, including low-income Rhode Islanders and Rhode Islanders of color. EOC and RI Housing plan to collect data on outcomes to measure impact across communities for additional input in future programming.

Performance Metrics

The Governor's proposal recommends several data points as measures to evaluate the performance of the site acquisition program. These include:

- Number of temporary shelter beds deployed
- Number of additional affordable and supportive housing units made available

Most of these data represent orders of magnitude and counts. Specific goals and targets, however, are not provided, nor is there a clear articulation of the total need, against which progress could be measured.

Housing Stability

The Governor's budget amendment recommends \$1.5 million of federal State Fiscal Recovery Funds (SFRF) to provide expanded housing navigation, stabilization, and mental health services to families and individuals experiencing homelessness.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce by \$1.5 million in FY2022. The proposal does not appear to have recurring costs; however, EOC suggests the State consider continuing the initiative beyond FY2022 due to the impact the pandemic has had on vulnerable populations.

ANALYSIS AND BACKGROUND

Rhode Island addresses homelessness through a multi-prong approach that emphasizes getting families and individuals into housing first, and then surrounding them with supportive services intended to provide stability and prevent a return to homelessness. The services include mental health, substance abuse, and housing navigation. The latter is a best practice that involves helping a household that is homeless develop a housing plan, address the barriers identified during the plan, and acquire documentation and complete forms required for housing.

- **Continuum of Care:** The State coordinates around homelessness through a formal continuum of care (COC) model. The COC is administered by RIHousing and consists of homelessness stakeholders including the RI Coalition to End Homelessness and other homelessness assistance providers, schools, public housing authorities, faith-based organizations, victim services, mental health and social services, and public/private partnerships. The COC promotes planning and ensures alignment and maximum use of resources to address homelessness.
- **Office of Homelessness and Consolidated Homeless Fund:** The Housing Resources Commission (HRC) is the State's primary housing and homelessness policy making body and is staffed by the EOC's Office of Housing and Community Development. A division within the HRC/OHCD is the Office of Homelessness Services and Emergency Assistance. This office is responsible for administration of the State's Consolidated Homeless Fund (CHF) as well as planning related to the crisis of homelessness. The CHF brings together various federal resources available to support homelessness programs into a single, coordinated effort. The CHF provides grant funds to local government and non-profit organizations that provide services to the homeless. Eligible activities include essential services support to those in an emergency shelter, renovation costs to build or convert property into a shelter, shelter operation costs, rapid rehousing and state rental assistance, and lead mitigation expenditures.

Proposed ARPA Spending

According to the EOC, the current homelessness provider network is strained and expansion of services is needed. The Governor proposes to use \$1.5 million in SFRF funds to expand housing navigation, stabilization, and mental health services to families and individuals. The proposal anticipates that funding would be appropriated within OHCD, which would administer sub-awards to selected service providers. OHCD would partner with RI Housing to administer this initiative. The proposal assumes a 1:15 case manager to client ratio and a roughly six month implementation period through the end of FY2022. OHCD and RIHousing anticipate being able to assist approximately 500 additional people each month. The Continuum of Care would assist in developing standards to be

used in selecting service providers through this program. The funding would provide services for homeless persons that do not have rental obligations and are ineligible for Emergency Rental Assistance resources.

OUTCOMES

Equity

In its guidance governing the use of the SFRF, the U.S. Treasury emphasizes addressing disparities amongst communities and ensuring equity. According to the Governor, the proposed affordable housing finance program accomplishes this in several ways.

- **Population:** According to the EOC, programs that prevent homelessness and provide housing navigation, stabilization, and mental health services provide an immediate benefit to low-income Rhode Islanders as well as Rhode Islanders of color. The EOC cites a U.S. Department of Housing and Urban Development's 2020 Annual Homeless Assessment Report (AHAR) to Congress that found that people identifying as Black or African American comprise 12.0 percent of the total U.S. population but account for 39.0 percent of all people experiencing homelessness. As a result, programs expanding affordable and supportive housing are designed to significantly improve housing opportunities for people of color in the State.
- **Awareness:** In order to ensure that targeted groups are aware of the services provided by these programs, OHCD and the COC plan to partner with intermediaries that have extensive outreach experience with these communities and offer translation services
- **Access and Distribution:** In order to enhance access to benefits and services across targeted groups as well as ensure distribution to as many individuals as possible, OHCD and the COC plan to partner with intermediaries and other technical assistance partners that have professional experience in working with these communities.
- **Outcomes:** According to the EOC, efforts at preventing homelessness and providing housing navigation, stabilization, and mental service services, these programs will address existing inequities and close gaps for communities that are disproportionately affected by homelessness and housing instability, including low-income Rhode Islanders and Rhode Islanders of color. OHCD and the COC will work to collect data on outcomes to measure impact across communities for additional input in future programing.

Analyst Note: Specific outcome measures were not identified in documents provided to date.

Performance Metrics

The Governor does not provide specific goals, targets, or outcome measures for this proposal. Documentation from the Office of Management and Budget does indicate that outcomes for housing navigation services assistance would be realized in the initial period following the assistance. Outcomes for housing stabilization/mental health services would be realized over the longer term as reporting on whether participants remain stably housed continues. Developing standards for program deployment and a more detailed plan for tracking metrics will be developed over the roughly three month period following funding approval.

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Affordable Housing Capacity

The Governor recommends \$500,000 of federal State Fiscal Recovery Funds (SFRF) to pay for additional contract staff within the Executive Office of Commerce's (EOC) Office of Housing and Community Development (OHCD). The additional staffing is necessary to increase the OHCD's capacity to administer the expanded affordable and supportive housing programming proposed in the requested budget amendment.

FISCAL IMPACT

The budget amendment would increase federal SFRF funds within the Executive Office of Commerce by \$500,000 in FY2022 to cover one half year of contract employee costs. The EOC anticipates that the need for increased staffing at OHCD will continue beyond the proposed six months of funding in FY2022. The need for service and performance managers described below would decrease after the period of performance for ARPA funds (2026).

ANALYSIS AND BACKGROUND

The OHCD provides financial and operational support as well as staffing for all housing programs administered by the Housing Resources Commission (HRC), including the State's affordable housing, rental assistance, and homelessness programs. OHCD is also responsible for administering the federal Community Development Block Grant (CDBG) and other related programs. When the General Assembly established the Executive Office of Commerce (EOC) in 2013, it transferred the OHCD from DOA to the EOC. The OHCD is comprised of two sections and has 12.0 FTE positions. In the FY2022 Budget as Enacted, the General Assembly authorized a new Deputy Secretary position within the Executive Office of Commerce to be the lead on all housing policy and programs and to lead the OHCD. As of the latest FTE report (October 12, 2021), this position remains unfilled.

Proposed ARPA Expenditures

According to the EOC, the current limited staff capacity the OHCD is a barrier to the State being able to effectively respond to the opportunities and challenges related to increasing the State's supply of affordable and supportive housing. Additionally, the Governor's supplemental budget amendment proposes significant affordable and supportive housing programming, which would require more staff attention. To address the capacity problem, the Governor proposes to use \$500,000 of SFRF funds for additional contracted staff services in FY2022.

The proposal would fund contract positions for an estimated six-month period and would be focused on operations, research and data, and stakeholder engagement. Positions would include 2-3 service and performance managers to ensure federal program compliance and program performance outcomes. The proposal also includes a director for development programs to assist in partnering with municipalities to identify and expedite housing development opportunities.

According to the EOC, staffing searches would begin immediately upon funding availability.

Outcomes

Equity

In its guidance governing the use of the SFRF, the U.S. Treasury emphasizes addressing disparities amongst communities and ensuring equity. According to the Governor, increasing staff capacity will

have a demonstrable impact on affordable and supportive housing programs outcomes. Improving these outcomes advances equity in several ways.

- **Population:** According to the EOC, programs that support the development of affordable and supportive housing options for Rhode Islanders, especially individuals experiencing homelessness, provide a clear benefit to low-income Rhode Islanders as well as Rhode Islanders of color. The U.S. Department of Housing and Urban Development's 2020 Annual Homeless Assessment Report (AHAR) to Congress found that people identifying as Black or African American comprise 12.0 percent of the total U.S. population but account for 39.0 percent of all people experiencing homelessness. As a result, programs expanding affordable and supportive housing are designed to significantly improve housing opportunities for people of color in the State.
- **Awareness:** To ensure that targeted groups are aware of the services provided by these programs, the Deputy Secretary, OHCD, RIHousing, and other partners plan to work with intermediaries that have extensive outreach experience with these communities and will also offer translation services.
- **Access and Distribution:** To enhance access to benefits and services across targeted groups as well as ensure distribution to as many individuals as possible, EOC plans to develop partnerships with intermediaries and other technical assistance partners that have experience working with these communities.
- **Outcomes:** By supporting the development of affordable and supportive housing options, the Governor maintains that the program will address existing inequities and close gaps for communities that are disproportionately affected by homelessness and housing stability, including low-income Rhode Islanders and Rhode Islanders of color. EOC and RIHousing plan to collect data on outcomes to measure impact across communities for additional input in future programming.

Analyst Note: OMB requested that applicants identify measurable outcome measures. The EOC failed to identify these, indicating they would identify these in the future.

Performance Metrics

To the extent that improved staffing capacity improves affordable housing outcomes, the data points that the Governor's proposal recommends as measures to evaluate the performance of his proposed affordable housing development financing program apply to this proposal as well. These include:

- Pace of construction
- Number of completed units available
- Demographic and geographic benefits
- Number of jobs created
- Total amount of federal funds leveraged.

Most of these data represent orders of magnitude and counts. Specific goals and targets, however, are not provided, nor is there a clear articulation of the total need, against which progress could be measured.

Broadband Infrastructure

The Governor's budget amendment requests \$500,000 of federal State Fiscal Recovery Funds (SFRF) to support the planning and development of broadband infrastructure across the State.

FISCAL IMPACT

The budget amendment increases federal SFRF funds within the Executive Office of Commerce by \$500,000 in FY2022. Supporting documentation from the EOC suggests that although the proposal is primarily targeted for up-front planning, which is a one-time cost, additional out-year spending will be needed to engage in last-mile infrastructure projects and ensure reliable, high-speed internet for more people in Rhode Island. Statewide broadband coordination costs of approximately \$200,000 annually are expected to continue.

ANALYSIS AND BACKGROUND

According to the EOC, it is currently estimated that 45.0 percent of Rhode Islanders live in areas that do not have access to internet infrastructure that meets the federal standard for download and upload speeds. However, additional detail and work is needed to ensure that the State has accurate maps that provide the depth of analysis (down to the individual street level) to refine the State's understanding of infrastructure gaps.

ARPA Spending Proposal

According to the EOC, the Governor's proposal to support broadband infrastructure in Rhode Island would accomplish several important objectives,

- **Mapping:** A portion of the funding request would enable the State to complete additional and targeted broadband mapping needed to develop strategic implementation plans.
- **Planning:** The proposal would fund the development of the strategic implementation plans broadband strategic plans, which are needed to best deploy anticipated federal funds.
- **Staff:** The funding would also provide personnel costs to support one additional staff member within the EOC to lead statewide broadband coordination.

OUTCOMES

Equity

In its guidance governing the use of the SFRF, the U.S. Treasury emphasizes addressing disparities amongst communities and ensuring equity. According to the Governor, the proposed broadband program accomplishes this in several ways.

- **Population:** According to the EOC, the State plans to work to identify the specific areas in the state without sufficient internet access and strategize efficient, affordable, and future-proof mechanisms to ensuring that access. According to EOC, preliminary data show that those who lack access presently are a) our smallest businesses and lower-income residents, for whom internet is often cost-prohibitive and b) those who live in areas of the state that have historically not had access to reliable, high-speed internet. The proposal suggests that additional funding beyond FY2023 could target infrastructure projects that serve these historically underserved groups. These efforts will be targeted and based on broadband speed test data showing speeds

less than the federal minimum requirement as well as American Community Survey and other survey data on households reporting lack of access to devices or connectivity.

- **Awareness:** The State plans to work with those who represent publicly assisted housing, older adults, school districts, libraries, small and micro businesses, and others who support various resident and business stakeholders to ensure the widest input on perceived needs around broadband in the state.
- **Access and Distribution:** Federal guidance requires efforts to target those who are not reliably served by minimum thresholds of broadband internet access and also sets minimum thresholds for any funded infrastructure project. The State plans to work to ensure that those areas identified for targeted interventions have low barriers to entry for utilization of improved network speeds
- **Outcomes:** The proposal does not include specific equity outcomes but the EOC indicates that the program plans to target the infrastructure to Rhode Islanders who are either unconnected or under-connected (e.g., only have access through a smartphone data plan). Based on current research and available data, these priority populations and geographies are: 1) residents in our urban core across all ages; 2) residents in Aquidneck; 3) residents in public housing; 4) K-12 students; and 5) older adults.

Analyst Note: Specific outcome measures were not identified in documents provided to date.

Performance Metrics

The Governor does not provide specific goals, targets, or outcome measures for this proposal. The EOC indicates that it plans to leverage the broadband maps to track usage and internet reliability throughout the life cycle of this initiative. These maps layer: 1) Available fiber, 2) Demographics, 3) Business usage as well as projected usage requirements, 4) Topography, 5) Access rates, and 6) Speed (average, peak) and latency.

EOC notes that if additional funding is allocated beyond this proposal and the state is able to engage in infrastructure projects, it plans to track the following metrics: (1) Average and peak-time speeds and latency of networks, ensuring a minimum 100/50mbps and goal of 200/200mbps for residential projects and 1/1g for commercial and municipal projects. Commerce will also track the rate of shift in these speeds over time and for each local last-mile project. (2) Cost to install amortized against operating cost: Will these projects be “net less” than current state within ten years of build out? (3) Cost to consumer, seeking to establish best-in-New England rates for both residents and businesses. (4) Number of residents, households, and businesses are accessing internet in-home/at-work due to these last-mile projects.