

ARPA Fiscal Recovery Funds Supplemental Proposal

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021. The American Rescue Plan Act provides \$360.0 billion to assist states and local governments to cover expenditures incurred from, and provide government services impacted by, coronavirus related revenue losses until December 31, 2024. From a state fiscal year perspective, this means funds will be available for use from FY 2021 through FY 2025.

The allocation to Rhode Island totals \$1.8 billion from three sources, the State Fiscal Recovery Fund, Local Fiscal Recovery Fund and Coronavirus Capital Projects Fund. The state has been allocated \$1.1 billion from the recovery fund and \$112.3 million for capital expenses, and local governments will receive \$536.8 million. Funds are intended to respond to the coronavirus pandemic and its negative economic impacts, and may be provided to households, small businesses, nonprofits, essential workers, or to impacted industries including tourism, travel, and hospitality, or infrastructure supports for water, sewer, or broadband systems.

Guidance on uses of the stabilization funds was issued in May and updated in July. For the capital fund, guidance was issued in September and a one year application window opened September 24. In adopting its FY 2022 budget in June, the Assembly preserved the full value of the American Rescue Plan Act stabilization funds for a more robust public process on the proposed uses.

On October 7, 2021, Governor McKee requested an amendment to the FY 2022 enacted budget to authorize use of \$113.0 million from the State Fiscal Recovery Fund, roughly 10 percent of the state's allocation. This has been introduced as legislation 2021-H 6494.

The table below aggregates the 11 specific items in that request into three larger topic areas: Housing and Broadband, Services to Children, and Business and Tourism. Items numbered to correspond to the memo submitted with the Governor's request and are described in the pages that follow.

Governor's ARPA Supplemental Request		
	Topic	Amount
<i>Housing and Broadband</i>		
1	Broadband Infrastructure	\$ 500,000
4	Affordable Housing Development	15,000,000
6	Housing Stability	1,500,000
8	Affordable Housing Capacity	500,000
9	Site Acquisition	12,000,000
	<i>Subtotal Housing and Broadband</i>	\$ 29,500,000
<i>Services to Children</i>		
2	Child Care Initiative	\$ 13,000,000
3	DCYF Provider Workforce Stabilization	12,500,000
5	Early Intervention Recovery	5,500,000
7	Pediatric Healthcare Recovery	7,500,000
	<i>Subtotal Services to Children</i>	\$ 38,500,000
<i>Business and Tourism</i>		
10	Small Business and Impacted Industry Financial and Technical Assistance	\$ 32,000,000
11	Tourism, Hospitality, and Events Industry Supports	13,000,000
	<i>Subtotal Business and Tourism</i>	\$ 45,000,000
	Total	\$ 113,000,000

Housing and Broadband

1. Broadband Infrastructure. The Governor proposes \$0.5 million from the state's allocation of federal State Fiscal Recovery funds for the Commerce Corporation to develop a state broadband infrastructure strategic plan. It includes \$0.4 million for the Commerce Corporation to hire a contractor to conduct a mapping and needs assessment of statewide broadband infrastructure and capacity. The contractor would acquire updated data to supplement an existing multilayered geographic information map of broadband access in Bristol and Newport counties, funded by the van Beuren Charitable Foundation, to cover the entire state and add layers for topography and service cost estimates. The remaining \$0.1 million would fund a new Broadband Director position at the Commerce Corporation, who would head an interagency broadband committee, oversee the creation of a broadband infrastructure strategic plan, and implement the plan. The Office estimates the annualized cost of the position to be \$150,000. The Infrastructure Investment and Jobs Act currently under consideration by Congress could make Rhode Island eligible for up to \$100.0 million from federal funds for broadband infrastructure upgrades, but none of these funds will be available if Rhode Island does not possess a designated broadband coordinator and a broadband strategic plan.

4. Affordable Housing Development. The Governor proposes \$15.0 million from State Fiscal Recovery funds to provide an enhanced level of gap financing, equal to the total funding gap for affordable housing developments. This creates an additional directed subsidy as a match to multiple sources of financing for affordable housing developments, including federal low income tax credits, affordable housing general obligation bond funds, and the Housing Production Fund authorized by the 2021 Assembly. As proposed, the application for these funds would be streamlined along with the federal tax credit and bond funding administered by Rhode Island Housing. Though not specified in the proposed language, documents sent in support of the request report that awardees would be required to have a federal award to be eligible.

6. Housing Stability. The Governor proposes \$1.5 million from State Fiscal Recovery funds to provide housing navigation, stabilization and mental health services for 500 people experiencing homelessness. The Office of Housing and Community Development and Rhode Island Housing will administer the program which provides grants to service providers, with training and policy support from the Continuum of Care and Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, and administrative support through the Affordable Housing Capacity initiative, discussed separately. The proposal assumes a six month launch period, and use of \$0.3 million for training.

8. Affordable Housing Capacity. The Governor proposes \$0.5 million from State Fiscal Recovery funds for contracted consultants for an estimated six month period to provide administrative personnel support to the Office of Housing and Community Development. The funding is intended to assist with managing the increased resources for federal and other housing related programs and address lack of administrative capacity as a barrier to implementing affordable housing initiatives. The proposal notes the need for support will exceed the six month period, but is anticipated to decline over time. It should be noted that the 2021 Assembly added a new position to increase such capacity; as of September the position is filled.

9. Site Acquisition. The Governor proposes \$12.0 million from State Fiscal Recovery funds to Rhode Island Housing to continue a site acquisition program, which began during 2020 in response to the coronavirus pandemic and was funded from federal Coronavirus Relief funds. The program subsidizes developers to acquire property to develop into long-term affordable and supportive housing for people experiencing homelessness. During 2020, \$1.6 million was spent to subsidize two developments.

Services to Children

2. Child Care Initiative. This Governor proposes \$13.0 million from federal State Fiscal Recovery funds for child care incentives. This includes \$12.3 million for Pandemic Retention Bonuses of \$2,000 available to approximately 8,200 full and part-time childcare workers who stay in the workforce. The design is for

two \$1,000 payments over two six month periods and the proposal assumes 75 percent, or 6,150 child care workers will qualify through an application. The total also includes \$0.7 million to encourage more family-based child care providers to become certified. Of that, \$0.2 million would pay start-up costs such as insurance and inspections for an estimated 100 new providers and \$0.5 million for administrative expenses. The proposed legislation allows both the Department of Human Services and the Department of Children, Youth and Families to waive fees otherwise assessed. It appears this would refer to the \$100 license fee and \$50 child abuse and neglect clearance check. This amounts to a revenue loss of \$15,000 assuming 100 applicants.

3. DCYF Provider Workforce Stabilization. The Governor proposes \$12.5 million from the state’s allocation of federal State Fiscal Recovery funds to provide workforce stabilization payments to direct care staff of congregate care and community based providers in contract with the Department of Children, Youth and Families. This is in response to providers reporting a high number of vacancies and staff recruitment issues which has resulted in a capped or reduced number of youth that providers are able to serve. These funds will be distributed to provider employees earning less than \$75,000 annually and to support the recruitment of additional provider staff. There are currently 37 provider organizations employing up to 1,500 workers who would be eligible to receive enhanced wage rates which equates to \$694.50 per month per eligible staff member. Eligible employees would also receive funding from the enhanced wage rate for time worked retroactive to July 1.

5. Early Intervention Recovery. The Governor proposes \$5.5 million from the state’s allocation of federal State Fiscal Recovery funds for two initiatives related to Early Intervention services and the impact of the pandemic on the state’s nine providers. The first component is \$4.5 million for stabilization grant funding. Support would consider recent prior revenue losses as well as increased costs and would be used for salaries and bonuses, outreach activities, supplies and professional development. A similar program was funded earlier in the pandemic. The second component is \$1.0 million for pay for performance bonuses that would be based on achieving metrics that could include retaining staff, expanding access to services, and reducing disparities in coverage for families with Medicaid benefits.

7. Pediatric Healthcare Recovery. The Governor proposes \$7.5 million from the state’s allocation of federal State Fiscal Recovery funds for Pediatric Healthcare Recovery. Of this, \$6.0 million would be for stabilization and pay for performance programs designed to offer financial assistance to providers affected by a decline in visitation and enrollment in services and to reverse the decline. Similar efforts were funded earlier in the pandemic. He also proposes \$1.5 million for enhanced screenings for socio-emotional and social determinants of health. This would improve access to services for children with behavioral health conditions and related developmental delays.

Business and Tourism

10. Small Business and Impacted Industry Financial and Technical Assistance. The Governor proposes \$32.0 million from the state’s allocation of federal State Fiscal Recovery funds to the Commerce Corporation to provide grants and technical assistance to businesses impacted by the COVID-19 pandemic. The supporting memo describes three specific uses in addition to administrative costs.

Impacted Small Business and Industry	
Direct Grants	\$ 12,500,000
Technical Assistance	10,500,000
Public Health Capital Improvements	7,500,000
Administrative Costs	1,500,000
Total	\$ 32,000,000

Direct Grants. Of the total, \$12.5 million is for direct grants to businesses in disproportionately impacted industries. This would supplement previous federally funded programs such as the Small Business Relief Grant Program; the Hotel, Arts, and Tourism Grants Program; and Restore Rhode Island.

Technical Assistance. An additional \$10.5 million is included for technical assistance to provide online training and upgraded technical infrastructure, such as point-of-sale systems, website development, and e-commerce platforms. Technical assistance would be awarded in the form of direct grants, vouchers, or in-kind support.

Public Health Capital Improvements. The request also includes \$7.5 million for grants and technical assistance to help business upgrade ventilation and move programming outdoors. These funds would be used to provide businesses with reimbursements for eligible expenses or the necessary assistance directly.

Administrative Costs. The remaining \$1.5 million would support administrative costs associated with legal review, reporting requirements, requisite information technology upgrades, and additional staff or contractors for the Commerce Corporation to implement this initiative as well as the tourism program described in item 11.

11. Tourism, Hospitality, and Events Industry Support. The Governor proposes \$13.0 million from the state’s allocation of federal State Fiscal Recovery funds to the Commerce Corporation to address the negative impacts of the pandemic to the tourism, hospitality, and events industry. The supporting memo describes three specific uses. The proposal assumes funds will be allocated for three purposes. Administrative costs for this initiative are included as part of item 10 noted above.

Tourism, Hospitality, and Events Industry Support	
Direct Grants	\$ 8,000,000
Events, Public and Shared Spaces	3,000,000
Tourism Marketing	2,000,000
Total	\$ 13,000,000

Direct Grants. The request includes \$8.0 million for direct grants to businesses in the industry. This would supplement previous federally funded programs such as the Restaurant Revitalization Fund, the Small Business Relief Grant Program, and the Hotel, Arts, and Tourism Grants Program. Recipients of prior funding would still be eligible for new assistance if there is continued need.

Events, Public and Shared Spaces. The Governor proposes that \$3.0 million be awarded through intermediaries such as municipalities, chambers of commerce, and business improvement districts for “placemaking” improvements and pandemic-safe programming. This idea is to assist the recovery of related businesses from COVID-induced losses by facilitating current and future activity.

Tourism Marketing. The request also includes \$2.0 million for tourism marketing to be coordinated in conjunction with local tourism regions and the Rhode Island Airport Corporation.