



SENATE FISCAL OFFICE
REPORT

**FY2022 GOVERNOR'S
AMERICAN RESCUE PLAN ACT PROPOSAL
2021-H-6494**

NOVEMBER 2, 2021

Senate Committee on Finance

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SUMMARY PRESENTATION



Senate Finance Committee

FY2022 Proposed Budget Amendment- ARPA Funds

Background

- On October 7, 2021, Governor McKee submitted a requested budget amendment for FY2022 (2021-H-6494) 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 “down payment” on larger, longer-term investments
- Invests in business supports, child care and childhood health, and housing affordability and security

Summary

| Investment Category | Cost |
|------------------------------------|---------------|
| Business Supports | \$45,000,000 |
| Child Care and Childhood Health | \$38,500,000 |
| Housing Affordability and Security | \$29,500,000 |
| Total | \$113,000,000 |

Investment Summaries: Business Supports

Business Supports

| Investment Category | Initiative | Cost |
|--------------------------|---|---------------------|
| Business Supports | | \$45,000,000 |
| | Small business grants; 20% to MBE | \$12,500,000 |
| | Technical assistance and technical infrastructure upgrades | \$10,500,000 |
| | Hospitality, tourism, travel, recreation, and cultural grants | \$8,000,000 |
| | Outdoor activity and ventilation/safe space investments | \$7,500,000 |
| | Placemaking initiatives (outdoor performances, installations, etc) and COVID-safe programming | \$3,000,000 |
| | Tourism marketing | \$2,000,000 |
| | Administrative costs at Commerce RI | \$1,500,000 |

Small Business Grants -\$12.5 million

Proposal

- Create a program to provide direct financial assistance to small businesses through grants.
- Model after CARES Act-funded programs Restore RI and the Small Business Relief Grant program
- 20% of funds to be targeted to minority-owned businesses
- Program sized to assist 3,000 businesses with direct financial resources, physical adaptation funding, technical assistance, and business support services
- Up to \$10,000 per recipient in direct or indirect funding

Timeline / Recurrence

- Invitation and selection process to begin immediately upon funding availability (75 days)
- Supports launching 15-60 days after selection
- Direct assistance program would begin 90 days after funding is available
- No anticipated recurring costs

Outcomes / Performance Metrics

- Specific target levels are not provided
- Total federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)
- Number of municipalities engaged in this initiative
- Number of jobs created or retained (as available)
- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments.

Technical Assistance and Technical Infrastructure Upgrades - \$10.5 million

Proposal

- Create a program to provide capacity-building support for businesses so they remain competitive and successful during the recovery and beyond
- Includes grants, vouchers for services, or direct provision of services to upgrade business' point-of-sale systems, develop websites and e-commerce platforms, improve their tech infrastructure, and receive digital literacy and tech training
- Done in partnership with a network of local small business providers, including business service providers and small business and community development entities
- Program sized to assist 3,000 businesses with direct financial resources, physical adaptation funding, technical assistance, and business support services
- Up to \$10,000 per recipient in direct or indirect funding

Timeline / Recurrence

- Invitation and selection process to begin immediately upon funding availability (75 days)
- Supports launching 15-60 days after selection
- Direct assistance program would begin 90 days after funding is available
- No anticipated recurring costs

Outcomes / Performance Metrics

- Specific target levels are not provided
- Total federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)
- Number of municipalities engaged in this initiative
- Number of jobs created or retained (as available)
- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments.

Hospitality, Tourism, Travel, Recreation, and Cultural Grants - \$8.0 million

Proposal

- Create a program to provide assistance to hard-hit businesses in the tourism and hospitality through direct grants
- Based on the CARES Act-funded HArT (Hospitality, Arts, and Tourism) Program
- Sized to assist 3,000 businesses with direct financial resources, physical adaptation funding, technical assistance, and business support services
- Up to \$10,000 per recipient in direct or indirect funding

Timeline / Recurrence

- Program design would be finalized and programs launched within approximately 60 days of after funding availability
- No anticipated recurring costs

Outcomes / Performance Metrics

- Specific target levels are not provided
- Direct Support
 - The number of businesses and organizations served
 - The amount of funds dispersed

Outdoor Activity and Ventilation Safe Space Investments - \$3.0 million

Proposal

Create a program based on the CARES Act-funded "Take It Outside" program to assist businesses in improving ventilation and increasing capacity for outdoor activities. Includes:

- Technical assistance to educate ways to improve ventilation systems
- Development of communication materials and/or tools businesses can use, one-on-one telephone, video or on-site conferences to advise small businesses and organizations on the equipment and set-up needed to improve their ventilation systems
- Direct payments for costs affiliated with purchasing, obtaining, delivering, installing, or otherwise enabling the use of HEPA filters or other HVAC/ventilation equipment for the purpose of increasing the supply of outdoor air in buildings
- Examples of increasing outdoor activities and capacity include: assisting restaurants with designing outdoor dining spaces and providing business plan development services to expand outdoor offerings. Intermediaries may either offer reimbursement for costs incurred by businesses or provide assistance

Timeline / Recurrence

- Program design would be finalized and programs launched within approximately 60 days of after funding availability
- No anticipated recurring costs

Outcomes / Performance Metrics

- Specific target levels are not provided
- Direct Support
 - The number of businesses and organizations served
 - The amount of funds dispersed

Placemaking Initiatives and COVID-safe Programming - \$3.0 million

Proposal

- Create a program to assistance to the event-based industry and other recreation and attraction businesses
- Includes funding to intermediaries such as municipalities, chambers, and business improvement districts for placemaking initiatives such as public art, main street improvement, public outdoor dining, and maintaining parks/plazas/recreation areas
- Include funding for catalytic events and new COVID-safe programming such as outdoor performances, online programming, and food festivals

Timeline / Recurrence

- Program design would be finalized and programs launched within approximately 60 days of after funding availability
- No anticipated recurring costs

Outcomes / Performance Metrics

- Specific target levels are not provided
- Placemaking, Attraction Development, and Events
 - Placemaking initiatives:
 - The number of projects funded
 - The number of businesses and organizations benefitting from these projects
 - The amount of funding going to these projects
 - Catalytic Events and COVID-Safe Programming
 - The number of projects funded
 - The number of businesses and organizations benefitting from these projects
 - The amount of funding going to these projects

Tourism Marketing - \$2.0 million

Proposal

- Provide funding support for tourism regions and airport destination marketing
- Estimated 2.5 times return in direct hotel revenue for every \$1 spent on paid advertising.

Timeline / Recurrence

- Program design would be finalized and programs launched within approximately 60 days of after funding availability
- No anticipated recurring costs

Outcomes / Performance Metrics

- Specific target levels are not provided
- Tourism Marketing:
 - The amount of funds going to advertising, marketing, and branding efforts
 - The number of views and impressions generated from these efforts (for mediums where this data collection is possible)

Commerce Administration Costs – \$1.5 million

Proposal

- To support the proposed small business initiatives Commerce estimates needing an additional 4–6 employees or contractors to help oversee the programming and ensure maximum effectiveness
- Staff will assist with program design, grant management, active contract management of technical assistance providers, and external engagement
- Commerce does not anticipate needing to retain these additional staff long-term once the programs end
- Hired through the Commerce Corporation, allowing flexibility in hiring and will therefore have no State FTE impact.
- Commerce expects to need these additional staff immediately.

Timeline / Recurrence

- Hiring would begin immediately upon funding availability
- No anticipated recurring costs beyond FY2022

Outcomes / Performance Metrics

- Specific target levels are not provided
- Total federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)
- Number of municipalities engaged in this initiative
- Number of jobs created or retained (as available)
- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments.

Investment Summaries: Child Care and Childhood Health

Child Care and Childhood Health

| Investment Category | Initiative | Cost |
|--|--|---------------------|
| Child Care and Childhood Health | | \$38,500,000 |
| | Bonus pay to child care workers | \$12,700,000 |
| | Employee bonus pay for DCYF providers | \$12,500,000 |
| | Pediatric primary care performance pay and stabilization grants and enhanced health screenings | \$7,500,000 |
| | Early intervention program stabilization and performance grants | \$5,500,000 |
| | Child care provider startup grants | \$300,000 |

Child Care - \$13.0 Million

Proposal

- \$12.7 million to provide Pandemic Retention Bonuses to 75.0 percent of the state's child care workforce.
 - Eligible child care workers would be able to receive a \$1,000 bonus, 2 times a year (every 6 months), for a maximum bonus of \$2,000.
- \$300,000 to provide start-up grants to 100 new Family Child Care providers.
 - Grants would be \$2,000/provider.
- Proposal includes administrative costs of 4.0 percent of total budget for each initiative.

Timeline / Recurrence

- All funds anticipated to be expended in FY2022.

Outcomes / Performance Metrics

- Goal of Pandemic Retention Bonus is to increase the retention rate among early childhood educators.
- Goal of provider start-up grants is to increase the number of Family Child Care providers in the state. Specifically providers who care for CCAP eligible children.
 - Should also open up an additional 800 child care seats.

DCYF Provider Workforce - \$12.5 million

Proposal

- Provide hazard pay to address workforce crisis for DCYF-contracted service providers
 - Private, community-based providers (residential, group homes, etc.)... NOT state workers
- Staff who make under \$75k per year eligible for an additional \$25,000 over three years
 - Federal cap on premium pay, \$25,000 per worker
 - Works out to \$695/month
 - About 1,500 workers impacted
- DCYF will implement by increasing provider rates and requiring a pass-through to employees
- Extension of a similar but broader workforce stabilization program that was operated in 2020 and funded through CRF
- No suitable funding alternative

Timeline / Recurrence

- Effective upon contract negotiation
- Would be retroactive to July 1, 2021, so full-year impact captured
- Only funds the first year, FY2022, but further investments can be made in FY2023 and FY2024

Outcomes / Performance Metrics

- Goal is to ensure that DCYF's array of placements and direct services remain viable so vulnerable children and youth get the care they need
- Success measured by vacancy/turnover rates and bed availability

Pediatric Health Care Recovery - \$7.5 million

Proposal

- Incentive program to support pediatric providers and address pandemic's impact on access to infant/child health services
- Providers have voiced financial solvency concerns
- \$6.0 million to provide stabilization grants to providers
 - Pay for performance program to incentivize recovery
 - Extension of a CRF provider relief program that operated in 2020 which, according to EOHHS, successfully increased screenings and vaccinations
- \$1.5 million to implement socio-emotional and social determinants of health screenings to address new child behavioral healthcare needs that have surfaced
 - Implementation, training, and payment
- No suitable funding alternative

Timeline / Recurrence

- EOHHS says that they would be able to release applications within 3 months of funding approval
- One-time funds in FY2022, but further investments could be made

Outcomes / Performance Metrics

- Goal is to support access to care early in life to support long-term wellness
- Success measured by
 - Pediatric primary care encounters
 - Lead/behavioral health screenings
 - Vaccination rates

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Early Intervention Recovery - \$5.5 million

Proposal

- Incentive program to support early intervention providers to promote access and engagement for young children with developmental needs
 - Currently, 4 of 9 EI providers are not taking new referrals
- \$4.5 million to provide stabilization grants to providers
 - Help reopen referrals and enhance outreach
 - Extension of a CRF provider relief program
- \$1.0 million in pay-for-performance bonus opportunities
 - Potential for providers to receive bonuses based on specific metrics, including reducing turnover and increasing enrollment to pre-pandemic levels
- Providers required to commit to 80% in-person visit target
- No suitable funding alternative

Timeline / Recurrence

- Expected program guidance within three months of funding approval
- One-time funds in FY2022, but further investments could be made

Outcomes / Performance Metrics

- Goal is to address concerns early in life and support long-term health/success for children with developmental needs
- Success measured by
 - Early intervention encounters
 - Referral to participation rate

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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



BUSINESS SUPPORTS

Business Supports – Small Business Grants

The Governor's budget amendment recommends \$12.5 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide financial assistance to small businesses and impacted industries through direct grants.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$12.5 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 businesses.

ANALYSIS AND BACKGROUND

According to the EOC, Rhode Island businesses continue to face challenges as they recover from the impacts the pandemic. Lingering concerns related to COVID-19 appear to be negatively impacting consumer confidence and suppressing purchasing, supply-chain problems are impacting the consistent availability of goods, and workforce shortages are hampering recovery and growth. Because of these challenges the Governor recommends the use of SFRF funds to provide direct financial assistance to business to help them survive in the near term and position them to thrive once economic conditions normalize.

Prior Relief Programming

The governmental response to the devastating impact that the pandemic has had on Rhode Island's businesses has been significant. Congress enacted six separate pieces of federal legislation with sweeping relief programming and funds, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Paycheck Protection Program and Healthcare Enhancement Act in 2020, and the American Rescue Plan Act in 2021. Nearly \$4.6 billion in various business supports have been made available in FY2021 and FY2022.

| Relief Program | Lead Agency | FY2021 | FY2022 |
|--|-------------|------------------|---------------|
| Paycheck Protection Program | SBA | \$2,906.1 | - |
| Economic Injury Disaster Loan | SBA | 1,332.2 | - |
| Restaurant Revitalization Fund | SBA | 106.4 | - |
| Shuttered Venue Program | SBA | 30.4 | - |
| Restore RI/HaRT/SBG | CommerceRI | 112.1 | - |
| State Small Business Credit Initiative | CommerceRI | - | 57.5 |
| Business Interruption Grants Program | CommerceRI | 45.4 | - |
| Economic Adjustment Assistance | CommerceRI | - | 6.8 |
| Total | | \$4,532.6 | \$64.3 |
| <i>\$ in millions</i> | | | |

Small Business Administration (SBA) Programming

- **Paycheck Protection Program:** The Paycheck Protection Program (PPP) was a small business loan program created by Congress in the CARES Act in March 2020. Small businesses could receive loans equal to their monthly average payroll cost in the year before the pandemic, multiplied by 2.5, up to a maximum of \$2.0 million. At least 60.0 percent of a PPP loan had to be used to fund payroll and

employee benefits costs and under certain conditions loans could be forgiven. Rhode Island businesses received \$2.9 billion in PPP loans.

- **Economic Injury Disaster Loan Program:** The Economic Injury Disaster Loan Program (EIDL) is the SBA's standing program to provide relief to businesses affected by an officially-designated disaster. The program provides up to \$2.0 million in assistance for eligible businesses. Repayment terms determined are based on the businesses ability to repay. Rates cannot exceed 4.0 percent and length cannot exceed 30 years. Rhode Island businesses have received \$1.3 billion in EIDL loans.
- **Restaurant Revitalization Fund:** ARPA established the Restaurant Revitalization Fund (RRF) to provide funding to help restaurants and other eligible businesses keep their doors open. The program provides restaurants with funding equal to their pandemic-related revenue loss up to \$10.0 million per business and no more than \$5.0 million per physical location. Rhode Island businesses received \$106.4 million from the RRF.
- **Shuttered Venue Program:** The Shuttered Venue Program (SVP) was an SBA program that provided grants for venue operators, promoters, live-events producers, and museums that were sidelined by the pandemic. Rhode Island businesses received \$30.4 million from the program.

Commerce RI Programming

- **Restore RI /HArT/SBG:** In FY2021, the EOC and the Rhode Island Commerce Corporation (Commerce RI) administered the CARES Act funded Restore RI, the Hospitality, Arts, and Tourism Grant (HArT), and the Small Business Grants (SBG) programs. Restore RI provided grants up to \$30,000 to assist small businesses with repositioning efforts in a pandemic business climate, financial planning assistance, receivership assistance, training and technical assistance, remote work capabilities, and other non-profit relief. The HArT program provided grants to prevent preventing the closure of arts, culture, hospitality and tourism businesses and institutions. The SBG was a Governor's initiative to provide grants businesses with less than \$1.0 million in revenues. Total funding for the programs in FY2021 was \$112.1 million.
- **Small Business Credit Initiative:** The ARP provided the State with \$57.5 million in federal in FY2022 from the U.S. Treasury's State Small Business Credit Initiative (SSBCI) grant. The grant provides small business credit support and investment programs, which the Executive Office of Commerce will administer.
- **Business Interruption and Relief Grants:** Business Interruption grants, funded with \$45.4 million in CARES Act fund, provided grants of up to \$30,000 to assist firms in covering expenses necessary for reopening and operating in a business environment changed by the pandemic, including personal protective equipment and physical alterations.
- **EAA Revolving Loan Fund:** The Budget includes \$6.8 million in federal American Rescue Plan Act (ARP) funding in FY2022 from the U.S. Department of Commerce's Economic Adjustment Assistance Revolving Loan Fund (EAA RLF) program. The program supports loans to businesses that cannot otherwise obtain traditional bank financing.

Proposed ARPA Spending

The Governor proposes establishing a new \$12.5 million small business grant program, based on the recent Commerce RI-administered pandemic programs that would provide businesses with flexible financial support. According to documentation from the Office of Management and Budget, the proposal is intended to target businesses with less than \$1.0 million in revenue and have not been previously served in other

rounds of pandemic assistance. However, this restriction does not appear in the legislation. Similarly, proposal documentation suggests an award range of \$5,000 to \$10,000; however, there is no proviso language setting a maximum award. Likewise, the proposal suggests that at least \$2.5 million, or 20.0 percent of funds would be reserved for minority-owned businesses and that Commerce RI plans to work with existing intermediaries to ensure this latter goal. None of these restrictions appear in the legislation.

While implied that grants would support struggling businesses, none of the documentation received outlines any qualifying criteria or restrictions that would target funding to businesses facing financial difficulties as a result of the pandemic.

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 small business grant program accomplishes this in several ways.

- **Population:** Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but meant to increase access and awareness but would otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials are available in a multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.
- **Outcomes:** According to the EOC, the primary outcomes of the grant program will be bolstering Rhode Island's recovery, strengthening its economic growth trajectory and assisting minority-owned businesses that have been traditionally underserved by similar efforts is a core goal.

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 small business grants program. These include:

- Federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)
- Number of municipalities engaged in this initiative
- Number of jobs created or retained (as available)

- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments.

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

Business Supports – Technical Assistance and Technical Infrastructure Upgrades

The Governor’s budget amendment recommends \$10.5 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide technical assistance to small businesses.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$10.5 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 businesses.

ANALYSIS AND BACKGROUND

According to the EOC, Rhode Island businesses have had to significantly adapt in order survive to the changing economic and commercial environment caused by the pandemic. Large amounts federal and state resources have been provided to not only financially support business, but to also advise them on new business practices, services, products, and potential new markets and how to access them.

Prior Relief Programming

In FY2021, the EOC and the Rhode Island Commerce Corporation (Commerce RI) administered the \$45.4 million CARES Act-funded Business Interruption and Relief Grants program. This program, along with elements from several other federal Coronavirus Relief Fund (CRF) funded programs such as Restore RI and the Hospitality, Arts, and Tourism Grant (HArT) program, supported efforts to build capacity at hard hit businesses. These efforts included technical assistance to help navigate the various federal and state programs offered during COVID, provided expertise to help businesses build their online presence and, and supported businesses in advancing their business plans and financial management. The programs also provided direct technology access and capacity and other IT related services and grants to support remote working infrastructure.

Proposed ARPA Spending

The Governor proposes establishing a program to provide technical assistance to small business and provide \$10.5 million in SFRF funds to pay for it. According to the EOC and proposal documentation, the technical assistance would include “grants, vouchers for services, or direct provision of services to upgrade business’ point-of-sale systems, develop websites and e-commerce platforms, improve their tech infrastructure, and receive digital literacy and tech training”. The proposal indicates that Commerce would do this in partnership with a network of local small business providers, including business service providers and small business and community development entities. The proposal documentation suggests that at least \$2.5 million, or 20.0 percent of funds would be reserved for minority-owned businesses and that Commerce RI plans to work with existing intermediaries to ensure this latter goal. However, none of these restrictions appear in the legislation. There does not appear to a maximum award, or it is not clear on whether technical assistance would be provided in addition to other proposed business supports.

While implied that grants would support struggling businesses, none of the documentation received outlines any qualifying criteria or restrictions that would target funding to businesses facing financial difficulties as a result of the pandemic.

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 technical assistance program accomplishes this in several ways.

- **Population:** Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but meant to increase access and awareness but would otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials are available in a multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.
- **Outcomes:** According to the EOC, the primary outcomes of the grant program will be bolstering Rhode Island's recovery, strengthening its economic growth trajectory and assisting minority-owned businesses that have been traditionally underserved by similar efforts is a core goal.

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 technical assistance program. These include:

- Federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)
- Number of municipalities engaged in this initiative
- Number of jobs created or retained (as available)
- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments.

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.

Business Supports – Hospitality, Tourism, Travel, Recreation, and Cultural Grants

The Governor’s budget amendment recommends \$8.0 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide direct assistance to support organizations and businesses involved in hospitality, tourism, travel, recreation, and culture.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$8.0 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 businesses.

ANALYSIS AND BACKGROUND

According to the EOC, the hospitality, leisure, and arts sectors of the Rhode Island economy have been and continue to be severely impacted by the pandemic. Restrictions on travel and on live and in-person activities have had a disproportionate impact on the sector as compared to others. As the industry emerges from the worst of the pandemic, it continues to face challenges in its recovery.

Prior Relief Programming

The governmental response to the pandemic has recognized the disproportionate toll it has taken on the hospitality, leisure, and arts sectors. Significant federal relief funds, either generally or specifically, have gone to support the struggling businesses and organizations involved in the sector. This support has come from the U.S. Small Business Administration’s pandemic programming, including the Paycheck Protection Program, the Economic Injury Disaster Loan Program, the Restaurant Revitalization Fund, and the Shuttered Venue Program. Specifically targeted at the hospitality and performing arts sectors, the latter two programs provided Rhode Island businesses and organizations with a combined \$136.8 million in support. Rhode Island also provided \$112.1 million in support to the sector through the federal Coronavirus Relief Fund (CRF) funded Restore RI; Hospitality, Arts, and Tourism Grant (HArT); and Small Business Grants programs.

Proposed ARPA Spending

The Governor proposes establishing a program to provide direct cash support to businesses and organizations in the hospitality, tourism, travel, recreation, and cultural sectors and requests \$8.0 million in SFRF funds to pay for it. According to the EOC and proposal documentation, the funds would be targeted at those businesses that were unable to take advantage of earlier federal funding opportunities and/or continue to encounter financial hardship directly related to the pandemic. These restrictions do not appear in the legislation. There does not appear to a maximum award per business and it is not clear whether the assistance would be provided in addition to other proposed business supports. Specific targets and goals are not identified in the documentation. EOC indicates that that program design would be finalized and launched within approximately 60 days of funding approval.

While implied that grants would support struggling businesses, none of the documentation received outlines any qualifying criteria or restrictions that would target funding to businesses facing financial difficulties as a result of the pandemic.

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 small business grant program accomplishes this in several ways.

- **Population:** According to the EOC and data from the U.S. Bureau of Labor Statistics, women, Black/African American, and Hispanic/Latino workers are disproportionately represented in the leisure and hospitality industries. The EOC indicates that efforts to support this sector would necessarily create employment opportunities for these “historically underserved, marginalized, and adversely affected individuals.” The agency also notes that leisure and hospitality workers work in lower-wage jobs and have been significantly impacted by the pandemic. Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but may otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email, and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials available in multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.
- **Outcomes:** According to the EOC, the primary outcomes of the grant program will be bolstering Rhode Island’s recovery, strengthening its economic growth trajectory, and assisting minority-owned businesses that have been traditionally underserved by similar efforts.

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 small business grants program. These include:

- The number of businesses and organizations served
- The amount of funds dispersed
- The number of businesses operating within the Leisure & Hospitality sector
- The number of employees operating within the Leisure & Hospitality sector
- The amount of hotel tax revenue generated
- The amount of meal and beverage tax revenue generated
- The number of travelers going through T.F. Green International Airports

Most of these data represent outputs- 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.

Business Supports – Outdoor Activity and Ventilation Safe Space Investments

The Governor's budget amendment recommends \$7.5 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide financial assistance to businesses in improve ventilation, create COVID-Safe environment, and support outdoor activities.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$7.5 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 businesses.

ANALYSIS AND BACKGROUND

According to the EOC, there continue to be both public health and business benefits associated with increasing ventilation in businesses and the capacity of outdoor business activity. COVID-19 appears to be approaching an endemic phase and variants remain a possibility. Businesses that are able to improve the ventilation of their operating environments provide a healthier setting for employees and customers. Because of these benefits, the Governor recommends the use of SFRF funds to provide direct support and technical assistance to businesses to improve ventilation and other modifications that improve public health.

Prior Relief Programming

State and federal resources have been directed towards improving healthy ventilation for Rhode Island businesses. The State's Business Interruption and Relief Grant program provided \$55.8 million for grants of up to \$30,000 to assist firms in covering expenses necessary for reopening and operating in a business environment changed by the pandemic. Eligible expenses include personal protective equipment and physical alterations such as HVAC. The State also used federal Coronavirus Relief Funds (CRF) to support the Take it Outside Initiative in FY2021. The initiative provided \$3.1 million in awards to businesses and intermediaries to cover the costs of wintertime events by procuring heat lamps, tents, tables and other capital investment. Other initiatives included making State-owned land available for fitness classes, outdoor meetings, recreational activities, and equipping outdoor office spaces with WiFi internet.

Proposed ARPA Spending

The Governor proposes \$7.5 million to support business investments in outdoor activity and improved healthy and ventilated spaces. According to Commerce RI, program elements may include:

- Technical assistance to educate and assist small businesses and organizations about ways to improve their ventilation systems.
- Development of collateral, outreach, marketing, and communication materials and/or tools businesses can use.
- One-on-one telephone, video, or on-site conferences to advise small businesses and organizations on the equipment and set-up needed to improve their ventilation systems.
- Payments for costs associated with purchasing, obtaining, delivering, installing, or otherwise enabling the use of HEPA filters or other HVAC/ventilation equipment for the purpose of increasing the supply of outdoor air in buildings.

Examples outdoor capacity include:

- Assisting restaurants with designing outdoor dining spaces.
- Providing business plan development services to expand outdoor offerings. Intermediaries may either offer reimbursement for costs incurred by businesses or provide assistance directly.

According to documentation from the Office of Management and Budget, the proposal does not include information on award ranges or maximum award size. The proposal also suggests that at least \$1.5 million, or 20.0 percent of funds, would be reserved for minority-owned businesses and that Commerce RI plans to work with existing intermediaries to ensure this latter goal. The legislation, however, does not include this requirement in proviso language.

While implied that this program would support struggling businesses, none of the documentation received outlines any qualifying criteria or restrictions that would target funding to businesses facing financial difficulties as a result of the pandemic, nor does the proposal provide for specific program outcomes or targets.

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 outdoor activity and ventilation investment program accomplishes this in several ways.

- **Population:** Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but may otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email, and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials available in multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.
- **Outcomes:** According to the EOC, the primary outcomes of the grant program will be bolstering Rhode Island's recovery, strengthening its economic growth trajectory, and assisting minority-owned businesses that have been traditionally underserved by similar efforts.

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 small business grants program. These include:

- Federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)

- Number of municipalities engaged in this initiative
- Number of jobs created or retained (as available)
- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments.

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

Business Supports – Placemaking Initiatives and COVID-Safe Programming

The Governor’s budget amendment recommends \$3.0 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide funding for placemaking initiatives and COVID-Safe events.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$3.0 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 businesses.

ANALYSIS AND BACKGROUND

According to the EOC, the tourism, travel, and events industry have been and continue to be severely impacted by the pandemic. Restrictions on travel and on live and in-person activities have had a disproportionate impact on the sector as compared to others. As the industry emerges from the worst of the pandemic, it continues to face challenges in its recovery.

Prior Relief Programming

The State, in partnership with key intermediaries such as the tourism regions, chambers of commerce, municipalities, and other associations, have worked to support businesses involved in tourism, travel, and live and in-person events. Funding has been made available through various sources including the Coronavirus Relief Fund (CRF) and other federal pandemic resources. Rhode Island also provided \$112.1 million in support to the sector through the federal Coronavirus Relief Fund (CRF) funded Restore RI; Hospitality, Arts, and Tourism Grant (HArT) program; and Small Business Grants programs.

Proposed ARPA Spending

The Governor proposes establishing a program to support activities and investments that strengthen the connection between Rhode Islanders and the places they share. These “placemaking” investments include main street improvements; maintenance and improvements to public parks, plazas, and recreational areas; public art installations; and improved event venues. COVID-Safe programming includes support for existing “catalytic” events (such as local outdoor festivals) and new events (such as outdoor performances, online programming, and outdoor food festivals).

The program would be administered by Commerce RI and would involve providing sub-awards to intermediaries such as municipalities, business improvement districts, chambers of commerce, tourism regions, and other related organizations. It is not clear from the legislation or the proposal documentation how awards would be determined or what types of projects would be supported. Little detail on specific program targets or program administration is provided.

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 small business grant program accomplishes this in several ways.

- **Population:** According to the EOC and data from the U.S. Bureau of Labor Statistics, women, Black/African American, and Hispanic/Latino workers are disproportionately represented in the leisure and hospitality industries. The EOC indicates that efforts to support this sector would necessarily create employment opportunities for these “historically underserved, marginalized, and adversely affected individuals.” The agency also notes that leisure and hospitality workers work in lower-wage jobs and have been significantly impacted by the pandemic. Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but may otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email, and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials available in multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.
- **Outcomes:** According to the EOC, the primary outcomes of the grant program will be bolstering Rhode Island’s recovery, strengthening its economic growth trajectory and assisting minority-owned businesses that have been traditionally underserved by similar efforts.

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 placemaking and COVID-Safe programming initiative. These include:

- The number of projects funded
- The number of businesses and organizations benefitting from these projects
- The amount of funding going to these projects for events

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.

Business Supports – Tourism Marketing

The Governor’s budget amendment recommends \$2.0 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide funding for tourism marketing.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$2.0 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 businesses.

ANALYSIS AND BACKGROUND

According to the EOC, the tourism, travel, and events industry have been and continue to be severely impacted by the pandemic. Restrictions on travel and on live and in-person activities have had a disproportionate impact on the sector as compared to others. As the industry emerges from the worst of the pandemic, it continues to face challenges in its recovery.

The State, in partnership with key intermediaries such as the tourism regions, chambers of commerce, municipalities, and other associations, have worked to support the tourism economy during the pandemic. Funding has been made available through various sources including the Coronavirus Relief Fund (CRF) and other federal pandemic resources. Rhode Island also provided \$112.1 million in support to the sector through the federal Coronavirus Relief Fund (CRF) funded Restore RI; Hospitality, Arts, and Tourism Grant (HARt); and Small Business Grants programs.

In addition to the direct and indirect pandemic relief that has been provided to the tourism industry, the State annually invests a portion of the proceeds from the 5.0 percent State hotel tax into marketing for the State. The Rhode Island Commerce Corporation, in conjunction with eight regional tourism districts, the Rhode Island Airport Corporation (RIAC), and municipalities are responsible for tourism marketing. The FY2021 Supplemental Budget included \$6.3 million in hotel tax distribution to municipalities, down 64.5 percent from FY2020, due primarily to the pandemic. The FY2022 Budget as Enacted included \$7.6 million.

Proposed ARPA Spending

The Governor proposes using \$2.0 million in SFRF funds to augment tourism marketing initiatives currently taking place in the State. The funding would be administered by Commerce RI with sub-awards to be made to the State’s tourism districts and the RIAC.

The legislation and proposal documentation provide no information on how funds would be distributed or coordinated. The proposal suggests performance metrics of the total amount of funds going to advertising, marketing, and branding efforts and the number of views and impressions generated by these efforts. According to the EOC, past activity suggests that every dollar invested in tourism marketing results in a \$2.50 return.

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 small business grant program accomplishes this in several ways.

- **Population:** According to the EOC and data from the U.S. Bureau of Labor Statistics, women, Black/African American, and Hispanic/Latino workers are disproportionately represented in the leisure and hospitality industries. The EOC indicates that efforts to support this sector would necessarily create employment opportunities for these “historically underserved, marginalized, and adversely affected individuals.” The agency also notes that leisure and hospitality workers work in lower-wage jobs and have been significantly impacted by the pandemic. Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but may otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email, and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials available in multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.
- **Outcomes:** According to the EOC, the primary outcomes of the grant program will be bolstering Rhode Island’s recovery, strengthening its economic growth trajectory and assisting minority-owned businesses that have been traditionally underserved by similar efforts.

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 tourism marketing spending. These include:

- The amount of funds going to advertising, marketing, and branding efforts
- The number of views and impressions generated from these efforts (for mediums where this data collection is possible)

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.

Business Supports – Administrative Costs at Commerce RI

The Governor’s budget amendment recommends \$1.5 million of federal American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) to provide funds for the administration of the various ARPA business supports proposals.

FISCAL IMPACT

The budget amendment increases federal funds within the Executive Office of Commerce (EOC) by \$1.5 million in FY2022. The proposal does not appear to have recurring costs.

ANALYSIS AND BACKGROUND

Commerce RI has 64.0 FTE positions that work across 7 divisions, with \$6.3 million in personnel costs and \$3.3 million in other operating costs in FY2022. Federal grants and program awards totaled \$87.4 million in FY2021. Marketing and tourism costs totaled \$3.5 million.

Proposed ARPA Spending

According to EOC, Commerce RI needs an additional 4 to 6 employees or contractors to administer the Governor’s proposed business supports and oversee program effectiveness and compliance. Proposal documentation indicates that the proposed staff would “assist with program design, grant management, active contract management of technical assistance providers, and external engagement.” It is not anticipated that the additional staff would have to be retained long-term once the programs end. Commerce RI would recruit and hire the staff and expects a two month selection process.

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 administration capacity at Commerce RI will support the various other proposed business supports and therefore accomplishes this in several ways.

- **Population:** Commerce plans to partner with organizations that can provide application and technical assistance, translation services, and other supports to minority businesses that are eligible but may otherwise be unaware of or have difficulty accessing. Partners and intermediaries would be selected based on knowledge, experience, and existing networks relative to minority and women-owned businesses.
- **Awareness:** Commerce plans to undertake in-person and direct canvassing, social media communications, email, and direct mail in its outreach efforts. It plans to empower local organizations that are closest to the targeted communities to augment outreach impact.
- **Access and Distribution:** To ensure eligible businesses are able access this program and meet eligibility requirements, Commerce plans to work with intermediaries and technical assistance partners. Commerce plans to have all communications and materials available in multiple languages and formats and to provide businesses with access to assistance that helps them demonstrate eligibility, through need calculations or other documentation. Commerce also plans to build on strategies used in prior pandemic assistance programming.

- **Outcomes:** According to the EOC, the primary outcomes of the programs supported by the increase in staffing and administration will be bolstering Rhode Island's recovery, strengthening its economic growth trajectory and assisting minority-owned businesses that have been traditionally underserved by similar efforts.

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 increase in administrative capacity at Commerce RI. These include:

- Federal, state, local, and private dollars disbursed (statewide and by municipality)
- Number of projects funded (statewide, by municipality, by type, by sector)
- Number of municipalities engaged in the initiatives
- Number of jobs created or retained (as available)
- Number of Rhode Island businesses (including small and minority-owned businesses) assisted or hired to support these infrastructure investments

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



CHILD CARE AND CHILDHOOD HEALTH

Child Care Investments

The Governor recommends \$13.0 million for:

- Pandemic Retention Bonuses for the state's childcare workforce.
- Start-up grants for new family child care providers.

FISCAL IMPACT AND TIMELINE

Fiscal Impact

The Governor proposes using \$13.0 million from the State Fiscal Recovery Funds to support investments in child care. The tables below outline how the total amounts were derived.

| Pandemic Retention Bonuses | | Family Child Care Start-Up Grants | |
|----------------------------|---------------------|-----------------------------------|------------------|
| Max. # of Eligible Workers | 8,200 | Participants | 100 |
| Assume 75% apply | 6,150 | Grant Amount | \$2,000 |
| Max. Bonus per Year | \$2,000 | Total Grants | \$200,000 |
| Total Bonuses | \$12,300,000 | Fiscal Intermediary Funds | \$100,000 |
| Fiscal Intermediary Funds | \$400,000 | Total | \$300,000 |
| Total | \$12,700,000 | | |

Timeline

The Governor's proposal states the Pandemic Retention Bonus will be implemented by the end of Fall 2021. The first round of awards would be launched 3-4 months later and the second round 8-9 months. It is possible this initiative crosses over into FY2023 in which case the funding would need to be shifted. The proposal is for one-time incentive bonuses for child care workers and does not require additional funding beyond what is proposed.

The Governor's proposal would also launch the Family Child Care Start-Up Grants in Fall 2021. It is not clear how long it will take from the time a provider receives the grant to the time they are a fully functional child care facility. This is a one-time start-up grant that does not require additional funding beyond FY2022. However, if the program is successful the Governor does recommend continuing the program in FY2023 and FY2024 which would require additional funds beyond what is included in the Governor's proposal.

ANALYSIS AND BACKGROUND

Pandemic Retention Bonuses

The Department of Human Services (DHS) states that child care providers, both center- and family-based, are suffering from high turnover and trouble retaining experienced staff. Providers are not able to open at full capacity due to staffing shortages, resulting in fewer child care spaces for parents who require child care to continue their employment.

Early childhood education is a unique field in that it is a high-skill, low-wage industry. As wages in other jobs increase workers chose to move to another higher paying field. Early childhood educators also work daily with children who are not yet eligible for the COVID-19 vaccine, resulting in a higher risk of possible exposure. According to the DHS 2021 Market Rate Survey, the highest average hourly rate for a lead teacher is \$17.42.

Child care providers also struggle with the ability to pay their workers more as it would often require them to increase their tuition rates. The 75th percentile weekly cost for full time infant child care in a center is \$289/week, or \$1,252/month.

Analyst Note: Federal Guidance establishes the 75th percentile (of market rates) as the benchmark for equal access.

The Governor's proposal would provide a \$1,000 bonus, twice a year for a total of \$2,000, to eligible child care workers. The Administration estimates that 75.0 percent of eligible workers will apply resulting in 6,150 workers receiving the bonus. The goal of the Pandemic Retention Bonuses is to retain and adequately compensate existing staff.

In FY2021, DHS implemented one round of Child Care Stabilization Grants utilizing \$18.4 million from the Consolidated Appropriations Act funding. A total of 769 providers, 94.0 percent of total eligible child care providers, received funding. Through this Grant, child care centers were eligible to receive \$4,500 per classroom per month, and family child care providers were eligible to receive \$1,500 per provider per month. The FY2022 Budget as Enacted includes an additional \$57.3 million in American Rescue Plan Act funding to support another round of Child Care Stabilization Grants, set to begin in late October 2021.

Funding from Child Care Stabilization Grants can be used to support equipment and supplies needed to respond to COVID-19, mental health supports to children and employees, personal protective equipment, rent or mortgage obligations, as well as personnel costs including premium or hazard pay, costs for employee recruitment and retention and staff bonuses. The average spot bonus provided to workers through the first round of Child Care Stabilization Grants was \$716.

Family Child Care Start-Up Grants

DHS states that the number of Family Child Care (FCC) home providers has decreased by about 100 as a result of the COVID-19 pandemic. FCC providers are often older individuals who care for a smaller number of children in their home. Many of these individuals retired due to the pandemic and ongoing safety concerns. FCC providers also often invest their own money up front in order to start their business, which can be a barrier to some who cannot afford the start-up costs.

The Governor's proposal would provide \$2,000 start-up grants to 100 new FCC providers. This would also include technical assistance to ensure they are able to operate high quality programs able to serve the states CCAP population. If 100 new providers were able to open this could create an additional 800 child care seats.

FCC providers were also eligible for the Child Care Stabilization Grants discussed above and were able to receive an additional \$1,500 per provider per month under the first round of grants. A second round of grants is anticipated to open at the end of October 2021. Under this grant FCC providers would be eligible for a monthly amount of \$2,000 per provider.

OUTCOMES

Equity

According to the 2019 Workforce Needs Assessment conducted by DHS, the early child care workforce is approximately 90.0 percent woman. More than half of Family Child Care Providers are women of color. Both the Pandemic Retention Bonus and the Family Child Care Start-Up Grants would increase compensation for this workforce.

A lack of child care also causes women to leave the workforce as they are the primary care takers of young children. Creating additional child care seats will allow women to re-enter the workforce.

Performance Metrics

Pandemic Retention Bonuses: To the extent that Pandemic Retention Bonuses retain existing staff, the Governor's proposal includes the following performance metrics:

- Number of applicants to the program
- Number of applicants eligible for the first and second round of benefit allocations

- Percentage of applicants in each job position (lead teacher, assistant, etc.)
- Rate of retention among early childhood educators.

This information will be used to identify if the initiative is successful and any changes needed to increase potential future participation in the program.

Family Child Care Start-Up Grants: Success of this program will be measured by the following performance metrics:

- Number of new FCC providers who open as a result of the start-up grants
- Number of providers who open who are 3, 4, or 5 star programs as measured by BrightStars by 2024
- Percentage of providers who resume full enrollment/utilization of programs by 2024.

DCYF Provider Workforce Stabilization

The Governor recommends \$12.5 million in State Fiscal Recovery Funds (SFRF) to provide premium pay for child welfare staff at private, community-based providers that contract with the Department of Children, Youth, and Families (DCYF). According to the Administration:

- Child welfare providers are facing a staffing shortage that affects DCYF's placement options. Since the start of the COVID-19 pandemic, the Department has seen a reduction in available beds for youth because short-staffed providers are limiting capacity. This, in turn, impacts access to critical services.
- Under this proposal, workers making less than \$75,000 per year would be eligible for a bonus of up to \$25,000 spread over three years. The bonuses would be paid monthly, totaling approximately \$695 per worker per month. These are not State workers.
- A \$12.5 million appropriation would support pay increases for an estimated 1,500 workers in **FY2022 only**. The amount includes retroactive increases to July 1, 2021. Additional appropriations of \$12.5 million per year would be required if the program continues in FY2023 and FY2024.
- The Governor's proposed amendment appropriates \$12.5 million to DCYF and includes proviso language requiring that the funding be used to support workforce stabilization supplemental wage payments to eligible direct care and supporting care staff of contracted service providers.

FISCAL IMPACT AND TIMELINE

Fiscal Impact

The proposed amendment includes \$12.5 million in FY2022 based on an estimated \$695 monthly bonus for 1,500 eligible workers across 37 provider organizations. For a full-time hourly employee working 40 hours per week, this bonus equates to a raise of \$4.00 per hour. The American Rescue Plan Act (ARPA) limits the amount of allowable premium pay to \$25,000 per worker. The Governor's proposal assumes the maximum payment, but spreads this amount over three years.

Analyst Note: The General Assembly added 91.0 new FTE positions and approximately \$10.0 million from general revenues for frontline DCYF staff in FY2022. As of October 22, 2021, it appears that these positions have not been filled. This will likely result in a general revenue surplus that could be repurposed to enhance provider rates for the purposes of premium pay in the current year.

Timeline

The \$12.5 million figure accounts for a full year impact for FY2022, meaning that the wage increase would be retroactive to July 1, 2021. No rationale is given for why a retention bonus would be retroactive.

The full program would require additional investments in FY2022 and FY2023. U.S. Treasury guidance indicates that "premium pay may be provided retrospectively for work performed at any time since the start of the COVID-19 public health emergency, where those workers have yet to be compensated adequately for work previously performed."

DCYF will effectuate the supplemental wage payments by amending current agreements with provider organizations to allow for a temporary rate increase which must be passed through to eligible staff. DCYF reports that this will happen quickly upon funding approval. DCYF also anticipates that services and bed availability will begin stabilizing immediately once pay increases take effect, with noticeable improvements in child and youth outcomes within a year.

ANALYSIS AND BACKGROUND

The Department of Children, Youth, and Families (DCYF) contracts with an array of community-based providers to provide essential placements and services for vulnerable children and youth in Rhode Island. These contracts have not been substantially renegotiated since 2016, and rates have been held constant over the last five years. Provider rates directly translate to staff wages; thus, wages have either remained constant, or have been increased and resulted in an operating deficit for providers.

At the same time, DCYF has been working to maximize placement options to ensure that children and youth get the appropriate level of care. The Department has made progress in recent years to rebalance its service array to meet children's needs, for example by investing in foster care to reduce its reliance on group homes and other, more restrictive out-of-home care options.

According to DCYF, current staffing shortages are at a crisis level, which jeopardizes the progress DCYF has made in rebalancing its service array. A recent report from the Rhode Island Coalition for Children and Families (RICCF), which represents many provider organizations in the State, indicated an industry average vacancy rate of 31.0 percent. This has forced some providers to limit their capacity or close to new referrals, which has already compromised the availability and quality of care provided to abused and traumatized children. According to DCYF, 25.0 percent of youth in congregate care experienced a negative placement change as a result of the pandemic. In the long term, this could result in youth with complex mental health conditions being discharged from congregate care placements against court orders, or children remaining in psychiatric hospitals past medical necessity or being placed out-of-State due to the lack of other options. An immediate intervention could help ensure that DCYF does not lose progress and children and youth continue to receive the services they need in the appropriate setting. The Department anticipates that, by offering premium pay for staff, it will be able to stabilize placement options by incentivizing existing workers to stay as well as attracting and recruiting new staff. This will also enable the Department to work through a longer-term solution.

This initiative is related to a workforce stabilization loan program that was operated on a short-term basis during FY2020 using Coronavirus Relief Funds (CRF). The former program was administered by the Executive Office of Health and Human Services (EOHHS) and open to all direct care health and human services staff making less than \$20 per hour. The bonus amount was based on the number of hours worked and was paid on a weekly basis. The program guidance utilized baseline payroll data from providers. The loan was provided, and then forgiven once providers demonstrated that the funds were passed through as wage increases. According to DCYF, "this was an effective tool to mitigate staffing crises and increase retention among the frontline workforce."

This proposal is an allowable SFRF use under two expenditure categories: services for hard-hit communities and families and premium pay for essential workers. The U.S. Treasury has identified families and children involved in the child welfare system as a disproportionately impacted community.

OUTCOMES

Equity

The proposal identifies the following equity components:

- **Population:** The benefit is only available to individuals making at or below the average median income in Rhode Island.
- **Awareness:** All contracted providers have equal access to the benefit and the benefit is the same across all providers.

- **Access and Distribution:** The wage increases will be handled by the providers and automatic for eligible employees; they need not apply individually for an increase.
- **Outcomes:** By increasing compensation, historically underpaid staff will be paid more competitively, which in turn will improve the level of services that the Department can provide.

Performance Metrics

The Department will track performance using the following metrics:

- Employee vacancy and turnover rates at provider agencies.
- Increased placement stability for children in congregate care.
- Decrease in high-need youth being served in congregate care, by supporting youth in foster care and at home instead.
- Decrease in the length of stay in psychiatric hospital settings.

Pediatric Health Care Recovery

The Governor recommends \$7.5 million in State Fiscal Recovery Funds (SFRF) to bolster pediatric health care providers that support children enrolled in the Medicaid program. According to the Administration:

- Since the onset of the COVID-19 pandemic, families and children have either deferred or struggled to access health care services and supports. The delay in receiving pediatric services has adversely affected child health outcomes and can have long-term consequences. Additionally, new challenges have surfaced in children's behavioral healthcare, due to new and worsening stressors presented by the pandemic.
- Pediatricians are uniquely positioned to identify developmental concerns, untreated trauma, and socio-emotional needs early and support families in engaging in services that put children on a path toward healthy development.
- Under this proposal, \$6.0 million would be used for stabilization grants and a pay-for-performance program to offer financial assistance for pediatric providers affected by a decline in service utilization. An additional \$1.5 million would be used to enhance socio-emotional and social determinants of health screenings to address new child behavioral healthcare needs that have surfaced during the pandemic.
- A \$7.5 million appropriation would support the program in **FY2022 only**. Additional appropriations could be made in the future if desired.
- The Governor's proposed amendment appropriates \$13.0 million to the Executive Office of Health and Human Services (EOHHS), which includes the \$7.5 million for pediatrics plus \$5.5 million in separate funding for an early intervention provider stabilization program. The amendment includes proviso language requiring that \$7.5 million be used to support relief to pediatric providers in response to the decline in visitation and enrollment caused by the public health emergency.

FISCAL IMPACT AND TIMELINE

Fiscal Impact

The proposed amendment includes \$7.5 million in FY2022. This is the net of \$6.0 million for stabilization grants and a pay-for-performance program, based on the final expenses for a previous iteration of the program that operated in FY2021. EOHHS expects to use the same guidelines as the former program and expects the same level of participation from providers. The remainder of the funding is to enhance behavioral health screenings. It is unclear how the \$1.5 million expenditure estimate was derived.

This proposal is an allowable SFRF use under the public health expenditure category. The American Rescue Plan Act did not appropriate direct awards that could be used for this purpose. This objective could also be achieved using traditional funding (general revenue with a federal match).

Timeline

EOHHS will effectuate the program by establishing performance metrics, releasing guidance, opening and reviewing applications, and issuing payments based on provider responses. According to EOHHS, this will occur within three months of funding approval, with measurable outcomes soon after.

ANALYSIS AND BACKGROUND

The Rhode Island Medicaid program provides comprehensive health care coverage for low-income families with children. Benefits include access to primary/preventative care, immunizations, mental health services,

early intervention, and more. According to EOHHS, over half of the Rhode Island population under age 19 is covered by Medicaid.

Healthy child development is essential to future positive academic, social, and health outcomes. For example, EOHHS reports a causal relationship between access to health care and academic milestones, such as ability to read in the third grade. However, during the pandemic, families and children struggled to access services and providers voiced concerns about financial solvency. Continued delays in access to primary care, developmental supports, and behavioral health care services could have a significant long-term impact on child development in Rhode Island. The proposed pediatric provider relief programs are intended to help children catch up on critical preventative care such as vaccines and developmental screenings and engage in services to address the trauma of the pandemic. EOHHS also anticipates an increase in provider responsibilities as the COVID-19 vaccines are approved for and administered to younger age groups.

This initiative duplicates a pediatric provider stabilization program that operated during FY2021 using Coronavirus Relief Funds (CRF). This was a combination of two sub-programs: pediatric primary care relief and pediatric primary care rate supplement. According to EOHHS, the new program will use the same process as the CRF-funded stabilization program.

The relief sub-program, totaling \$3.1 million, provided one-time grant payments to pediatric primary care providers to support system resiliency by keeping providers open and improving immunization rates following pandemic-related disruptions in care and practice cash flow. Awards were based on demonstrated financial shortfalls. The funding was issued based on providers' enrollment of Medicaid-covered children under age 18, not to exceed the amount of need demonstrated on the provider's application.

The relief sub-program was followed by a rate supplement sub-program, based on continued access issues due to social distancing and other business interruptions, limited transportation options, and general hesitancy to visit doctor's offices. EOHHS established a \$3.0 million rate supplement program to bolster Medicaid rates for providers that met particular performance metrics (i.e. a pay-for-performance program). EOHHS established the metrics and provided monthly financial incentives for practices that demonstrated success. The metrics were based on primary care visits with Medicaid-insured children by age group and put providers on a pathway to see at least 70.0 percent of their Medicaid-insured patients by the end of CY2020. Participating providers increased visits from a baseline of 67.7 percent of patients seen by between January 1 and July 31, 2020, to 81.1 percent by October 31, 2020. By comparison, during all of CY2019, 75.2 percent of Medicaid-covered children had a primary care visit.

According to EOHHS, these CRF-funded pediatric provider programs "demonstrated significant success in increasing vaccination and screening rates in the pediatric population." However, since the CRF-funded programs have ended, providers have continued voicing financial solvency concerns and cite inadequacy of Medicaid reimbursement rates as a contributing factor. The Governor's proposal would fund another iteration of each component of the stabilization programs, at a total of \$6.0 million.

In addition to a second round of the \$6.0 million pediatric provider stabilization programs, the Governor's proposal adds \$1.5 million to incorporate more rigorous behavioral healthcare screenings into primary care practices. The pandemic has impacted child development by inhibiting social interactions and increasing exposure to trauma and toxic stress. This program would be an extension of the pay-for-performance provider rate stabilization model noted above, where providers would receive separate financial incentives for meeting behavioral healthcare metrics. This would involve incentives for screenings for toxic stress and developmental, behavioral, and social-emotional needs as well as new referrals for follow-up treatment. A small amount of funding would be used to support practice facilitation, data support, and technical

assistance to implement new practice standards. There is no historical comparison for this initiative, and supporting documentation does not indicate how the \$1.5 million estimate was derived.

This proposal is an allowable SFRF use under the public health expenditure category.

OUTCOMES

Equity

The proposal identifies the following equity components:

- **Population:** This program bolsters critical supports for low-income families with children that receive healthcare through Medicaid. In addition, there are racial and ethnic disparities in rates of children who receive immunizations and screenings in Rhode Island, driven by a disparate use of pediatric primary care services. The pandemic threatens to widen these disparities, and adds new concerns that can be addressed through these programs.
- **Awareness:** EOHHS will utilize its internal list of providers to communicate directly with pediatric providers. EOHHS reports that it has also worked with the American Association of Pediatrics and other stakeholders and will continue that engagement to publicize the program.
- **Access and Distribution:** Funding will be distributed based on the size of the practice so that it is proportional to the need.
- **Outcomes:** Closing gaps in visits, vaccinations, lead screenings, and referrals to other services will be targeted to Medicaid-covered children, who are disproportionately children of color.

Performance Metrics

EOHHS will track performance using the following metrics:

- Health services delivered to Medicaid-covered children.
- Number of well-child visits.
- Number of vaccinations and vaccination rates.
- Number of lead screenings.
- Referrals to Early Intervention services.
- Participation rates of eligible families.
- Number of psychosocial-behavioral screenings.

Early Intervention Recovery

The Governor recommends \$5.5 million in State Fiscal Recovery Funds (SFRF) to bolster early intervention (EI) providers that support young children with developmental needs. According to the Administration:

- The pandemic has delayed child development and the State anticipates an increase in demand for behavioral healthcare and developmental supports. At the same time, providers face workforce shortages and financial solvency concerns. Four of the State's nine EI providers that provide such supports have stopped taking new referrals. This affects up to 75 children per week that may need services but cannot access them and can have long-term consequences for mental health and education.
- Under this proposal, the Medicaid program would allocate funding to providers to make up for losses incurred during the pandemic and help reopen referrals by enhancing outreach, rehiring and retaining staff, and expanding in-person delivery of services.
- A \$5.5 million appropriation would support providers in **FY2022 only**. Additional appropriations could be made in the future if desired.
- The Governor's proposed amendment appropriates \$13.0 million to the Executive Office of Health and Human Services (EOHHS), which includes the \$5.5 million for early intervention plus \$7.5 million in separate funding for a pediatric provider stabilization program. The amendment includes proviso language requiring that \$5.5 million be allocated to early intervention providers in response to a decline in enrollment for early intervention, family home visiting, and screening programs.

FISCAL IMPACT AND TIMELINE

Fiscal Impact

The proposed amendment includes \$5.5 million in FY2022. This is the net of \$4.5 million in stabilization grants for providers based on revenue losses in FY2021. The remaining \$1.0 million would fund a pay-for-performance program under which providers receive bonuses for demonstrating improvement on a number of State-defined metrics.

This proposal is an allowable SFRF use under the public health expenditure category. The American Rescue Plan Act did not appropriate direct awards that could be used for this purpose. This objective could also be achieved using traditional funding (general revenue with a federal match).

Timeline

This program is based on a smaller-scale program that operated in FY2021 using Coronavirus Relief Funds (CRF). EOHHS expects to use similar guidelines as the former program, and will effectuate the program by releasing guidance, reviewing applications, and issuing payments based on provider responses. According to EOHHS, this will occur within three months of funding approval, with measurable outcomes soon after.

ANALYSIS AND BACKGROUND

Early intervention (EI) programs serve children with special health care needs from birth through age three. These programs are federally required under the Individuals with Disabilities Education Act (IDEA). Providers connect children with developmental, cognitive, physical, medical, neurological, behavioral, and/or emotional conditions with specialized interventions, clinical treatments, and parent education designed to improve long-term outcomes. Early intervention is proven to reduce the need for special education services when children reach school age, according to the National Early Intervention

Longitudinal Study. EI programs serve over 4,000 children in Rhode Island annually, of whom approximately 60.0 percent are covered by Medicaid.

There are currently nine early intervention providers in the State: Children's Friend and Service, Community Care Alliance, Easter Seals, Family Service of RI, Groden Center, Looking Upwards, Meeting Street, Seven Hills RI, and J. Arthur Trudeau. As previously noted, four of these providers have stopped taking new referrals and are limiting capacity to current enrollees, leaving them unable to support the new demands that have surfaced during the pandemic.

The COVID-19 pandemic challenged Rhode Island's early intervention system. Medicaid claims declined by 7.4 percent in FY2020 compared to FY2019, and an additional 6.0 percent in FY2021 compared to FY2020. Enrollment declined 13.3 percent over the same two-year period. According to EOHHS, this is not due to a reductions in need, but barriers to access. Many children who should have been referred to early intervention programs were missed in 2020 due to the disconnection from traditional family supports, such as child care. Additionally, many children who should have received services in 2020 never began or successfully completed the program because of business interruptions. Providers have experienced high levels of staff turnover. According to EOHHS, almost a fifth of all staff leave every six months, which challenges the ability to provide consistent experiences for families and dedicate staff time towards outreach and engagement.

The Governor's proposal seeks to stabilize providers by establishing a grant relief program as well as a supplemental pay-for-performance bonus. In order to be eligible for the funding, providers will need to rebalance their service delivery to ensure that more visits occur in person, with providers committing to 80.0 percent in-person visits.

The proposed amendment assumes \$4.5 million in stabilization grants, based on demonstrated FY2021 losses plus a rate supplement. According to EOHHS, providers experienced a \$3.3 million revenue loss in FY2021. The grants will backfill this loss, which will then be supplemented by an additional 30.0 percent rate increase to account for the increased cost of service delivery and historically low Medicaid reimbursement rate. The additional funding could be used to pay for staff recruitment and retention efforts, outreach and engagement, professional development, or facility investments.

The remainder of the \$5.5 million appropriation, or \$1.0 million, would be used for pay-for-performance bonus allocations. Under this sub-program, providers would receive allocations, in addition to the stabilization grants, if they demonstrate improvement on the following metrics: recovering the referral pipeline to 2019 numbers; reducing staff turnover; increasing the rate of referrals reaching an eligibility evaluation appointment; increasing the number of families choosing to enroll in an individualized family service plan (IFSP); reducing the rate of families exiting the program due to lost contact; reducing disparities in performance metrics for families with Medicaid coverage and families of color; and improving in Early Intervention National Child Outcome #1: Positive Social Emotional Skills.

This program is based on a smaller-scale provider relief program that operated in FY2021 which provided \$2.2 million in stabilization grants to early intervention providers. According to EOHHS, this program demonstrated improvement in outcomes, including an increase in referrals and enrollments. However, it addressed a smaller portion of provider losses and did not increase capacity to pre-pandemic levels. Further, capacity has declined since the termination of the first program in December 2020. For example, staff capacity increased from 77.0 percent in June 2020 to 85.0 percent in January 2021, but is currently at 73.1 percent capacity.

This proposal is designed to work in tandem with the Pediatric Health Care Recovery initiative, where pediatric providers would be incentivized to enhance screenings and refer children to EI programs, and EI

providers would be able to increase their capacity to serve these new referrals. Both are allowable SFRF uses under the public health expenditure category.

OUTCOMES

Equity

The proposal identifies the following equity components:

- **Population:** Low-income children and children of color disproportionately struggle to engage with and complete EI programs. According to EOHHS, a higher proportion of Medicaid beneficiaries and a higher proportion of families of color who are referred to early intervention are not screened because of lost contact. Bolstering services and increasing outreach will seek to close these gaps.
- **Awareness:** EOHHS will utilize its internal list of providers and communicate directly with them to ensure participation.
- **Access and Distribution:** Funding will be distributed based on demonstrated need so that it is proportional, and all practices will have the opportunity to engage in pay for performance supports.
- **Outcomes:** Closing gaps in access to early intervention will improve long-term outcomes. Funding will be targeted to Medicaid-covered children, who are disproportionately children of color.

Performance Metrics

EOHHS will track performance using the following metrics:

- Decreasing staff turnover.
- Increasing rate of in-person service delivery.
- Increasing the percentage of referrals that convert to program enrollment.
- Decreasing the percentage of families that dis-enroll before meeting child outcomes.



HOUSING AFFORDABILITY AND SECURITY

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.

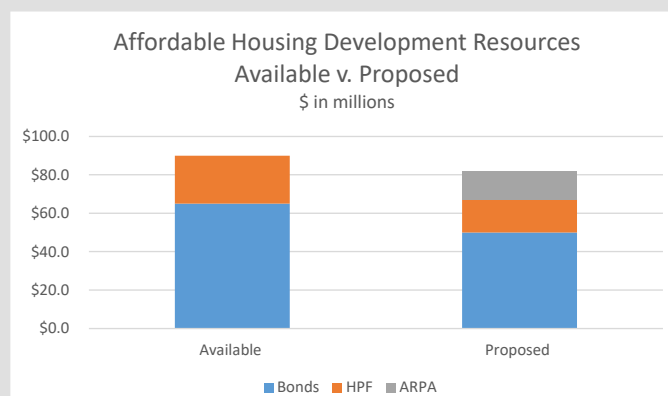
| Source | Available | Proposed |
|--------------|---------------|---------------|
| Bonds | \$65.0 | \$50.0 |
| HPF | 25.0 | 17.0 |
| ARPA | - | 15.0 |
| Total | \$90.0 | \$82.0 |

\$ in millions

| Allocation Cycle | | | |
|------------------|--------|--------|--------|
| 1 | 2 | 3 | Total |
| \$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.



GOVERNOR'S RECOMMENDATION



STATE OF RHODE ISLAND
OFFICE OF GOVERNOR DANIEL J. MCKEE

October 7, 2021

The Honorable K. Joseph Shekarchi
 Speaker of the House
 Rhode Island State House
 Providence, RI 02903

The Honorable Dominick Ruggerio
 Senate President
 Rhode Island Senate
 Providence, RI 02903

Dear Speaker Shekarchi and Senate President Ruggerio:

As Rhode Island recovers from a once-in-a-century public health crisis and embarks on an effort to rebuild our economy, we have a once-in-a-generation opportunity to strategically invest \$1.1 billion in American Rescue Plan Act (ARPA) State Fiscal Recovery Funds to create a more resilient, equitable and prosperous state for all.

With one of the highest vaccination rates in the nation, Rhode Island is already emerging from the global pandemic with strength. Rhode Island has consistently ranked among the top 10 states nationally and led the Northeast in Moody's Back-to-Normal economic recovery index for the last several months. Rhode Island currently ranks 4th in the nation and 1st in the region.

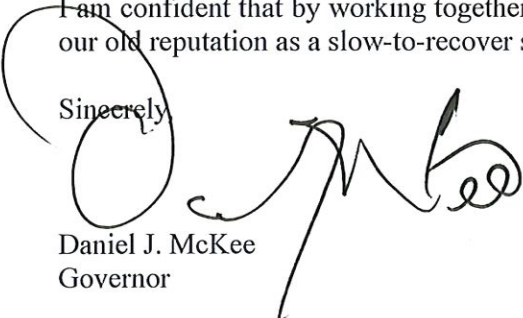
To ensure Rhode Island maintains its strong economic momentum, we must put some of our ARPA State Fiscal Recovery Funds to work now. With this letter, I am sharing a budget amendment which formally outlines my Administration's plan to use at least 10 percent of these federal funds to make a down payment on Rhode Island's economic comeback by investing in small businesses, child care and housing.

I thank you both for meeting with me regularly over the past six months to discuss, among other things, my Administration's plans for both short- and long-term investment strategies for Rhode Island's ARPA State Fiscal Recovery Funds. As you'll see, the budget amendment includes many of the priorities that we mutually agreed were important. Our team greatly appreciates the feedback and insight that you have provided throughout the process of finalizing our down payment proposal.

In addition to developing this much-needed short-term investment proposal, my Administration has also been holding a series of community conversations in which Rhode Island community leaders, stakeholders, legislators, and advocates have laid out what they think we should do to ensure long-term growth. In addition to housing, small business and child care, we've discussed the need to invest federal funds to address infrastructure, climate change, equity, public health, education and more. We look forward to submitting an allocation plan for the remaining ARPA State Fiscal Recovery Funds in our FY 2023 budget in January.

I am confident that by working together to invest the funds in both the near- and long-term, Rhode Island will shed our old reputation as a slow-to-recover state and will emerge from this pandemic stronger than we went in.

Sincerely,


 Daniel J. McKee
 Governor



OFFICE OF MANAGEMENT & BUDGET

STATE BUDGET OFFICE

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MEMORANDUM

To: Honorable Marvin L. Abney
Chairman, House Finance Committee
The Honorable Ryan W. Pearson
Chairman, Senate Finance Committee

From: Joseph Codega Jr.
Budget Officer, Office of Management and Budget

Date: October 7, 2021

Subject: Supplemental Request to Amend FY 2022 Appropriations Act (21-H-6122Aaa)

The Governor requests consideration of a supplemental budget request in the form of an amendment to Section 16 of Article 1 of the FY 2022 Appropriations Act (2021-H-6122 Substitute A as Amended). Please see attached for the legislative text which formally comprises this request.

The purpose of this extraordinary request is to seek immediate appropriations authority for \$113 million in federal funds awarded to Rhode Island as part of the State Fiscal Recovery Fund (SFRF) by the American Rescue Plan Act (ARPA). This amount represents approximately ten percent of the state's total \$1.13 billion SFRF allocation.

The requested legislation outlines appropriations by agency and by project, with some additional description contained proviso language accompanying each line item. These projects represent the Governor's most immediate policy priorities to sustain the operations of essential industries, assist vulnerable families in maintaining housing stability, provide timely supports to small businesses and impacted industries, and satisfy other urgent unmet needs.

The Governor's Office and Budget Office look forward to further discussion, deliberation, and legislative action in response to this request. Members of the House and Senate Finance Committees, their respective fiscal office staffs, and any other interested parties should not hesitate to reach out to myself, Joseph Codega Jr., Budget Officer, Office of Management and Budget; Dorothy Pascale, Acting Director of the Pandemic Recovery Office, Department of Administration; or, Kimberly Ahern, Policy Director, Office of the Governor.

The remainder of this memo provides a summary of each project, outlining the policy intent, proposed objects of expenditure, notes regarding implementation and administration, and a preliminary review of federal funds compliance considerations, along with other relevant information.

JC:21-Amend-20

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
James E. Thorsen, Director of Administration
Dorothy Pascale, Acting Director, Pandemic Recovery Office
Kimberly Ahern, Policy Director, Office of the Governor

Project Descriptions

1. Broadband Infrastructure

The Governor requests \$500,000 in federal funds from the state's allocation of the State Fiscal Recovery Fund (SFRF) for the purpose of developing a statewide plan to provide expanded broadband internet access to underserved households. Of this amount, \$400,000 will be utilized by the state to provide contractor support to conduct mapping and a needs assessment on statewide broadband infrastructure and capacity. The remaining funds support hiring a state broadband coordinator at the Commerce Corporation. It is anticipated that activities would be directed by the Executive Office of Commerce and coordinated with the Department of Business Regulation and the Commerce Corporation. These expenditures will ensure that the state is prepared to make best use of any future investment of ARPA funds.

These funds would be appropriated at the Executive Office of Commerce with proviso language stipulating that funds shall be used for broadband services which may include coordination, mapping, and development of a statewide plan to provide broadband access to unserved or underserved households and businesses.

The American Rescue Plan Act provides significant opportunities for broadband infrastructure investment, and this investment would lay the groundwork for thoughtful and deliberate future action. This initiative would allow the state to conduct preliminary activities such as documenting its greatest needs and developing strategies to pursue an equitable, accessible broadband infrastructure for targeted populations including K-12, public colleges, public housing authority residents, municipalities, seniors, and adults living with disabilities, and small businesses. The nature of broadband infrastructure is inherently complex, and Rhode Island is already at a disadvantage relative to peers in that the state lacks a current broadband strategic plan. Immediate appropriation of these funds would allow for planning work to begin immediately, so that future appropriations can be informed by adequate technical knowledge and understanding of the current baseline.

The Budget Office has considered alternative funding sources. Both the ARPA Capital Projects Fund and State Fiscal Recovery Fund include broadband investments as presumptively eligible categories. Additionally, the potentially forthcoming Infrastructure Investment and Jobs Act (IIJA) being considered in the United States Congress allocates significant funding specifically for broadband infrastructure. The current legislative text of the IIJA includes a requirement for state matching funds. State matching requirements are a common provision in federal awards which typically must be satisfied with *state* resources; however, the broadband funding proposed in the IIJA allows for an exception that the state may utilize any CARES Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), or ARPA funds to satisfy the 25 percent state match. In this way, an investment of SFRF has the potential to offset what might otherwise require appropriations of general revenue. Additionally, the coordination made possible by this investment could help to organize the various broadband and internet-access related investments made possible by recent federal awards including \$1.5 million of Community Development Block Grant – CV (CDBG-CV) awards being deployed by the Office of Housing and Community Development and other investments by the Office of Healthy Aging so that future investments could proceed in coordinated fashion.

The requested expenditures would be a compliant use of State Fiscal Recovery Funds under the U.S. Department of the Treasury Expenditure Category¹ for infrastructure, under the subcategory of other broadband investments. Under the interim final rule, eligible projects are expected to focus on locations

¹ All references of 'Expenditure Categories' refer to the State Fiscal Recovery Fund eligible expense categories, as outlined in the Interim Final Rule and subsequent guidance published by the U.S. Department of the Treasury.

that are unserved or underserved. The project explained above will allow the state to target further broadband investment to those communities.

2. Child Care Initiative

The Governor requests \$13.0 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of providing necessary funding to the child care industry in order to retain existing providers, attract new providers, and meet the immediate needs of this essential industry. Child care has faced challenge and disruption during the pandemic, which has had consequences not only for industry participants, but for Rhode Island families, labor force, and employers. Of the total requested appropriations, \$12.7 million would be reserved to provide semiannual bonuses, not to exceed \$1,000 per award, and \$2,000 annually per recipient to full- and part-time staff of state-licensed child care providers in FY 2022. The remaining \$300,000 would be reserved to provide assistance to providers seeking to open new Family Child Care provider sites, including \$2,000 startup grants. In addition to the startup grant, recipients would be eligible for forgiveness of fees otherwise paid to state entities, such as licensing fees paid to the Department of Human Services and child abuse and neglect background check fees paid to the Department of Children, Youth, and Families. Fee forgiveness would result in forgone state revenue and would not be backfilled by SFRF. Additionally, a portion of the budgeted amounts would be expended to provide technical assistance for new Family Child Care providers and to cover costs of administration.

These funds would be appropriated to the Department of Human Services with proviso language stipulating that the funds are to be used for semiannual child care provider retention bonuses and startup grants to newly established Family Child Care providers. The proviso language further empowers the directors of the Departments of Human Services and Children, Youth, and Families to waive fees otherwise assessed upon child care provider applicants who have been awarded the Family Child Care provider startup grant.

This initiative also directly addresses critical needs resulting from labor shortages in the child care industry. The child care industry provides an essential service to Rhode Island families, and the uninterrupted operation of child care providers is critical in getting Rhode Islanders in all industries back to work. When considering the benefit to the child care provider workforce, it should be noted that nearly all early childhood educators are women and women of color. Child care provider entities are typically small businesses themselves, which are an integral component of the Rhode Island economy. Issuance of direct supplemental payments to child care workers is a promising practice. Nationally, more than 15 states have existing wage supplement programs for early childhood educators, which have proven effective at supporting retention in the field. Additionally, several states, such as Illinois, Colorado, and Michigan, are making targeted child care workforce investments using stimulus funding.

This investment provides a cost-effective means of expanding the state's child care capacity by offering grants to offset the startup costs for new Family Child Care providers. In addition to covering these costs, DHS will provide technical assistance to new providers to ensure that they have strong business models and are opening high-quality programs that serve CCAP families and participate in the state's Quality Rating and Improvement System (QRIS) system. Especially during the pandemic, Family Child Care providers (i.e. "home-based") have been an in-demand option for many Rhode Island families, and this initiative would provide for expansion to help satisfy existing demand. Immediate appropriation of these funds will allow the state to provide a timely response to an ongoing and urgent crisis.

All discretionary funds received by DHS across CARES, CRRSAA and ARPA have been obligated. In addition, CRRSAA-funded child care stabilization grants were disbursed to providers throughout the spring and summer of 2021, and an additional \$56 million in ARPA grants will be disbursed to providers in November 2021.

The requested expenditures would be a compliant use of State Fiscal Recovery Funds under the Expenditure Category of aid to other industries disproportionately impacted by the public health crisis.

3. DCYF Provider Workforce Stabilization

The Governor requests \$12.5 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of providing workforce stabilization payments to the direct care staff of the service provider organizations (both congregate care and community-based providers) in contract with the Department of Children, Youth, and Families (DCYF).

These funds will provide for one-time (FY 2022 only) supplemental wage payments to recognize the extraordinary demands placed upon these essential workers during the pandemic as well as to incentivize retention and recruitment. Only employees earning less than \$75,000 would be eligible for supplemental wages. There are currently 37 DCYF-contracted service provider organizations employing up to 1,500 direct care workers whose wages would make them eligible for this wage supplement. The proposal provides for a payment equal to \$694.50 per month per eligible staff member and allows eligible employees to receive a full 12 months of payments including retroactive payments to the beginning of FY 2022. The request does not include any costs of administration as DCYF already has established relationships with service providers and modification to these agreements will not require additional resources. It is expected that DCYF will effectuate the supplemental wage payments by entering into agreements with provider organizations allowing for a temporary wage increase which must be passed on to the eligible employees and recruitment of staff.

These funds are to be appropriated to the Department of Children Youth and Families and proviso language in the requested appropriations bill stipulates that all funds shall be used for workforce stabilization supplemental wage payments to eligible direct care staff of contracted service providers.

Providers that contract with DCYF provide critical care to some of the most vulnerable children in the state, many of whom are victims of abuse and trauma, but current staffing shortages are at a crisis-level and are severely compromising the availability and quality of care. Without expanded support to the workforce, DCYF will continue to see decreasing availability of care to vulnerable children and youth; DCYF has seen a decrease in available beds for youth by 30 percent (87 beds total) since the beginning of the pandemic due to provider caps and site closures. The current shortage of placement capacity in state and out of state programs has resulted in youth being unable to be discharged from hospital psychiatric programs and has resulted in waiting lists to access services. As such, it has placed DCYF in jeopardy of violating the orders of the family Court in placing children and youth in residential treatment programs in accord with their treatment needs. Currently, DCYF's three residential treatment centers face challenges adhering to regulatory staffing ratios that are intended to ensure the health and safety of the children and youth.

According to an August 2021 report from the Rhode Island Coalition for Children and Families (RICCF), organizations are experiencing a 31 percent job vacancy rate overall, with a 36 percent vacancy rate in direct care positions and 25 percent vacancy rate in supervisory and clinical positions. These vacancy rates far exceed the national best practice rate of 10 percent and are considered unsustainable. A total of 75 percent of responding residential agencies and 38 percent of community-based agencies indicated that they have capped or reduced the census of youth they are able to serve because of staffing. Capped or reduced capacity threatens the youth in DCYF custody and threatens the department's ability to successfully fulfill its legislative mandate. Respondents indicated that residential programs are operating at 55 percent of contracted capacity, while community-based programs are operating at 64 percent capacity (full, budgeted capacity is typically between 80 and 90 percent, with variation among programs). Data indicate that community-based agencies currently have positions which have been vacant on average 11.3 weeks. Job

vacancies of this duration indicate that there are not enough viable candidates willing to work for the current wages levels community-based agencies can offer under the current rate structure.

DCYF contracted service provider organizations were not able to access stimulus funding made available through rate increases provided to adult providers, nor stimulus money made available to providers that direct bill Medicaid-reimbursable services. DCYF contracted congregate care services were provided workforce stabilization hazard pay funding during the summer months of the pandemic as well as PPP and CRF funding, but this funding was not on a scale provided to other similar, non-DCYF contracted services.

The American Rescue Plan Act did not appropriate any direct awards specific to families involved in the child welfare system. ARPA funding would provide temporary wage stabilization for the DCYF providers which is critically needed at this time. The wage stabilization will support the provider ability to recruit and retain staff.

The requested expenditures would be a compliant use of the State Fiscal Recovery Funds. Eligible Expenditure Categories may include premium pay or services to disproportionately impacted communities. U.S. Treasury has identified families and children involved in the child welfare system as a community that has been disproportionately impacted by COVID-19.

4. Development of Affordable Housing

The Governor requests \$15.0 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of incentivizing the development of affordable housing.

These funds are to be appropriated to the Executive Office of Commerce with proviso language indicating the intent that these funds shall be administered by RI Housing for the development of affordable housing units. It is the intent that requested appropriations would provide gap financing for the development affordable housing which will be awarded through a competitive application process to projects with needs unmet by existing state and federal funding opportunities. It is expected that projects with unmet needs could include otherwise qualified applicants of existing programs which were denied funding on the basis of over-enrollment as well as otherwise viable applicants with a financing gap which cannot be met with existing financing mechanisms.

This initiative intends to address the lack of housing development and affordable housing. The requested funding is intended to provide additional gap financing to projects which would otherwise be denied funding for existing opportunities including the Building Homes Rhode Island (BHRI) program and Housing Production Fund (HPF) based on over-enrollment. Additionally, this benefit may be layered on top of BHRI, HPF, federal Low Income Housing Tax Credits (LIHTC), or federal historic tax credits to provide additional gap financing. For example, the four percent LIHTC program is an important tool in affordable housing development, but a four percent subsidy is insufficient to cover a projected financing gap for many applicants. Enhanced gap financing made possible by additional SFRF funds may allow projects to commence which would not otherwise.

The Budget Office has examined alternative funding mechanisms, and discussions with the Executive Office of Commerce and related entities suggest that there is sufficient demand to justify additional funding. The first round of applications for BHRI, the program financed with \$50 million in the 2021 voter-approved bond authorization, received over \$54 million in requests – indicating an unmet demand. Immediate appropriation of funds will allow for additional projects to move forward immediately before the development opportunities languish.

The requested expenditures would be a compliant use of the State Fiscal Recovery Fund under the Expenditure Category of services to disproportionately impacted communities. The development of affordable housing for the benefit of low-income households and communities is an allowable use of SFRF, and the agency has indicated that the investment would be targeted at assisting individuals with an income below 80% of area median income.

5. Early Intervention Recovery

The Governor requests \$5.5 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of assisting Early Intervention (EI) providers mitigate the economic impact of the pandemic, avoid further closures, and provide continued services to children with developmental needs.

These funds are to be appropriated to the Executive Office of Health and Human Services and proviso language in the requested appropriations bill stipulates that the funding is targeted to respond to a decline in enrollment for early intervention, family home visiting, and screening programs. Of the \$5.5 million, a total of \$4.5 million would be used to provide stabilization grants, and \$1.0 million would provide performance-based bonuses. Stabilization grant award amounts would consider revenue losses in FY 2021 and FY 2022, as well as the increased cost of service delivery. Uses of this grant would include activities such as funding for staff salaries and bonuses, technology for outreach and engagement, professional development, and COVID-19 safety supplies. Performance bonuses would be based on targets/metrics that include retaining staff, expanding access to services for families in need, and reducing disparities in coverage for Medicaid families and families of color. Participating programs will be required to commit to having 80 percent of all services delivered in person beginning in FY 2022.

This initiative intends to address the critical situation created by staffing shortages and limited provider capacity coupled with an anticipated increase in the number of children requiring services. Due to lack of staff, four of nine EI providers are currently closed to new referrals. In addition, referrals between FY 2019 and FY 2020 decreased by 15.3 percent, while 24 percent of families meant to receive services in 2020 either lost contact or exited from EI before completion of program goals. The social and economic repercussions of the COVID pandemic and their corresponding effects for mental health of parents and children, suggest a greater number of families that would benefit from EI services. Immediate appropriation of these funds will allow providers to reduce staff turnover rates, leading to improved service provision and outreach capacity serving an anticipated higher caseload of families.

The Budget Office has examined alternative financing mechanisms for this initiative and has found no suitable alternative. This investment would be complementary to a \$1.6 million investment financed by the Children's Relief Fund, administered through EOHHS. These funds have been committed to projects including re-hiring previously furloughed staff and increasing current system capacity to 85 percent, an increase of approximately 15 percentage points from June 2020 levels. While this funding did provide relief, it was not sufficient to meet ongoing needs and mitigated only a small portion of total losses incurred in 2020, providing no support for continued losses in 2021. The current proposed initiative would be a one-time infusion of funding to support access to services for families in need, but further investments will be needed to secure operations in the long-term.

The requested expenditures would be a compliant use of State Fiscal Recovery Funds under the public health services eligibility subcategory. As outlined above, the pandemic has impacted child development, increased risk of mental health issues, increased trauma and toxic stress exposure, inhibited social interactions that buffer against adversity, and interrupted access to services designed to address risks to healthy development and mental health.

6. Housing Stability

The Governor requests \$1.5 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of housing stability, dedicated to expanded housing navigation, stabilization, and mental health services for families and individuals. This appropriation would be supported by the contracted administrative and program management support capacity proposed under "Affordable Housing Capacity".

These funds are to be appropriated the Office of Housing and Community Development within the Executive Office of Commerce with proviso language that funds shall be used to expand housing navigation and stabilization services to address the rise in pandemic-related homelessness.

This initiative intends to address the strained homeless provider network, and immediate appropriation of these funds will allow assistance to be provided as soon as possible to address critical needs. The Budget Office has examined alternative financing mechanisms for this initiative and has found no suitable alternative. Emergency Rental Assistance program funds, for example, generally cannot be used to provide services to individuals experiencing homelessness because the program requires individuals to have ongoing rental obligations.

The requested expenditures would be a compliant use of the State Fiscal Recovery Fund under the Expenditure Category of services to disproportionately impacted communities. The program is narrowly tailored at providing housing navigation, stabilization, and mental health services for homeless individuals ineligible for the Emergency Rental Assistance program. Unhoused individuals have been identified by U.S. Treasury as a population that was disproportionately impacted by the pandemic.

7. Pediatric Healthcare Recovery

The Governor requests \$7.5 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of pediatric relief programming. The funds will provide for stabilization grants to pediatric primary care practices as well as finance a pay-for-performance program to incentivize recovery.

These funds are to be appropriated to the Executive Office of Health and Human Services and proviso language in the requested appropriations bill stipulates that SFRF financing be allocated to support relief to pediatric providers in response to the decline in visitation and enrollment caused by the public health emergency. Of this amount, \$6.0 million is for stabilization and pay for performance funding to provide a meaningful incentive for pediatric primary care providers to improve performance on state defined metrics and drive investment into pediatric primary care to support the staffing and infrastructure needed to rebound from the COVID-19-related delays in care and to boost pediatric vaccination rates. An additional \$1.5 million will invest in enhanced socio-emotional and social determinants of health screenings.

Throughout the public health emergency many children and their families with behavioral health conditions and related developmental delays were unable to access services and family supports. This initiative would address the delay in receiving health services for children and respond to the additional behavioral health needs created and exacerbated by the public health emergency. Immediate appropriation of these funds will boost critical preventative care, such as vaccines and developmental screens, and engage services to address the trauma induced by the pandemic.

The Budget Office has examined alternative financing mechanisms for this initiative and has found no suitable alternative. This program will build on the successful CARES Act-funded pediatric relief programs to address the critical gap in preventative care that is harming children in Rhode Island, particularly publicly insured children and children of color. The requested expenditures would be a compliant use of State Fiscal Recovery Funds under the public health services eligibility subcategory. This pandemic has directly

impacted child development, increased risk of mental health issues, increased trauma and toxic stress exposure, inhibited social interactions that buffer against adversity, and interrupted access to services designed to address risks to healthy development and mental health.

8. Affordable Housing Capacity

The Governor requests \$500,000 in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of temporary contract staffing support at the Office of Housing and Community Development (OHCD). The funds would provide for contract positions for an estimated six-month period focusing on areas such as research and data, stakeholder engagement, and a dedicated program director for homelessness programs.

These funds are to be appropriated to the Office of Housing and Community Development within the Executive Office of Commerce and proviso language in the requested appropriations bill stipulates that funds be used for the purposes of supporting contract staffing capacity at OHCD.

Currently, OHCD is involved in both planning and administration of efforts related to a wide range of housing efforts across the state. Such efforts include federally funded programs and include various Community Development Block Grants, the Neighborhood Stabilization program, and Emergency Shelter Grants, as well as state housing initiatives that include the general obligation bond funds approved by voters in 2016 and 2021, the Building Homes Rhode Island program, and the \$25.0 million Housing Production Fund created in the enacted FY 2022 Budget, as well as various initiatives addressing homelessness.

This initiative intends to address the limited staffing capacity at OHCD, which is a barrier to the state's ability to respond to the opportunities and challenges related to increasing the state's supply of affordable housing. Immediate appropriation of these funds would allow appropriate resources to be contracted to meet current surge in demand. The Budget Office has examined alternative financing mechanisms for this initiative and has found no suitable alternative, other than general revenue, as the nature of this investment is not consistent with the compliance requirements of other federal funds. This investment would be complementary to ongoing and planned investments financed by affordable housing bonds, the general revenue funded Housing Production Fund, and federally funded eviction diversion and homelessness programs.

Although this investment is related to the development of affordable housing units, the requested expenditures surrounding the personal and predevelopment work would be a compliant use of State Fiscal Recovery Funds only under the Revenue Replacement / Provision of Government Services category.

9. Site Acquisition Program

The Governor requests \$12.0 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of a property acquisition grant program for affordable and supportive housing development. The funds would provide for a grant program administered by RI Housing. Immediate appropriation of these funds is necessary to begin the process of addressing critical, acute needs of Rhode Islanders experiencing homelessness and housing instability.

These funds are to be appropriated to the Executive Office of Commerce and proviso language in the requested appropriations bill stipulates that funds shall be allocated toward the acquisition of properties for redevelopment as affordable and supportive housing.

This investment would be complementary to ongoing and planned investments financed by affordable housing bonds and the general revenue-financed Housing Production Fund. Funds from the U.S. Department of Housing and Urban Development's HOME program could also be used to supplement any

future projects for site acquisition, site improvements, demolition, relocation, and other strategies to increase homeownership and affordable housing opportunities in low-income areas.

The requested expenditures would be a compliant use of the State Fiscal Recovery Fund under the Expenditure Category of services to disproportionately impacted communities. The program will fund the acquisition of properties for redevelopment as both affordable and supportive housing for the unhoused. The development of affordable housing for the benefit of low-income households and communities is an allowable use of SFRF, and the agency has indicated that the investment would be targeted at assisting individuals with an income below 80% of area median income.

10. Small Business and Impacted Industry Financial and Technical Assistance

The Governor requests \$32.0 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of providing direct financial assistance and technical assistance to small businesses and impacted industries. Of this amount, \$12.5 million would provide direct grants offering immediate financial support to small businesses and industries affected by the pandemic with the aim of delivering 20 percent of these funds to minority owned businesses, \$10.5 million would provide technical assistance to support businesses and hard-hit industries in capacity building, navigating the pandemic, and upgrading technical infrastructure, \$7.5 million would provide support for increasing outdoor activities, maintaining clean and safe business districts, and for public health improvements like HEPA filters and ventilation, and \$1.5 million would cover costs of administration.

These funds are to be appropriated to the Executive Office of Commerce and transferred to Commerce RI for administration. Proviso language included in the requested appropriations bill stipulates that funds shall be allocated to a program of financial and technical assistance to small businesses and COVID-impacted industries.

Immediate appropriation of these funds will allow programming to be initiated beginning approximately 90 days after funding is approved. While a variety of federal resources have been made available to small business and impacted industries, including the Paycheck Protection Program, the Economic Injury Disaster Loan program, the Restaurant Support Program, Restore RI, these programs have ended, or funds have been fully committed.

This initiative intends to address the impacts of the pandemic on small businesses. Direct financial assistance would provide small businesses with cash resources necessary to invest in staying afloat despite the past and ongoing challenges of the pandemic economy. Technical assistance would provide businesses with supports necessary to emerge from the pandemic stronger than ever, and may include grants, vouchers for services, direct provision of services (e.g. to upgrade point-of-sale systems, website and e-commerce development, information technology systems improvement, and digital literacy), and technical training. Furthermore, the Commerce Corporation would provide these technical assistance services in partnership with a network of local small business providers and small business community development entities. Finally, public health improvements and support for outdoor activities would confer benefits to the businesses themselves as well as the community at large. There is continued interest in boosting ventilation and increasing capacity for outdoor activities in the context of emerging COVID variants and this initiative would build on prior efforts such as the Commerce Corporation's "Take it Outside" campaign.

The requested expenditures would be a compliant use of State Fiscal Recovery Funds under the Expenditure Category of addressing the negative economic impacts of the public health crisis. U.S. Treasury has identified small businesses as having been disproportionately impacted by the pandemic. The agency has built into the program design the ability to demonstrate with data that (1) the small business and specific

industries receiving assistance were in fact negatively impacted by COVID and (2) how the particular aid provided responds to those impacts.

11. Tourism, Hospitality, and Events Industry Supports

The Governor requests \$13.0 million in federal funds from the state's allocation of the State Fiscal Recovery Fund for the purpose of supporting the recovery to the travel, tourism, and events industries. Of this amount, \$8.0 million will provide direct grants to support tourism, hospitality/travel, sports/recreation, arts/cultural, and event businesses that either did not take advantage of previous opportunities for federal funding or require continued assistance. Another \$3.0 million will be used to fund subawards to intermediaries (including municipalities, chambers and business improvement districts) for placemaking initiatives (e.g. public art installations, main street improvements, public or co-shared dining spaces, outdoor performance venues, etc.) and the development of COVID-safe programming including outdoor events and online programming. The remaining \$2.0 million would fund tourism marketing to be coordinated with the tourism regions and Rhode Island Airport Corporation.

The requested funds would be appropriated to the Executive Office of Commerce and transferred to Commerce RI for administration. Proviso language in the requested appropriations bill stipulates that funds shall be allocated to a program of assistance to the tourism, hospitality, and events industries.

This initiative intends to address ongoing negative impacts of the pandemic on these industries, including losses from business closures and decreased travel rates. Immediate appropriation of these funds would allow programs to be launched approximately 60 days after funding is approved. While a variety of federal resources have been made available to businesses in the impacted industries, including the Paycheck Protection Program, the Economic Injury Disaster Loan program, the Restaurant Revitalization Fund, the Shuttered Venue Operators Grant Program, the Hotel, Arts and Tourism Grant program, and Restore RI, these programs have ended, or funds have been fully committed.

The requested expenditures would be a compliant use of State Fiscal Recovery Funds under the Expenditure Category of addressing the negative economic impacts of the public health crisis for industries disproportionality impacted. The project demonstrates with data (1) that the hospitality, events, and tourism industries receiving assistance were negatively impacted by COVID and (2) how the particular aid is responsive and proportional to those impacts.

It is enacted by the General Assembly as follows:

SECTION 1. Section 16 of Article 1 of Chapter 162 of the Public Laws of 2021 is hereby amended to read as follows:

The appropriations from federal funds contained in Section 1 shall not be construed to mean any federal funds or assistance appropriated, authorized, allocated or apportioned to the State of Rhode Island from the State Fiscal Recovery Fund, and the Coronavirus Capital Projects Fund enacted pursuant to the American Rescue Plan Act of 2021, P.L. 117-2. For fiscal year 2022, State Fiscal Recovery Fund monies apportioned to the State of Rhode Island pursuant to the American Rescue Plan Act of 2021, P.L. 117-2, are hereby appropriated in the following amounts for the stated departments and purposes set forth below. The state controller is hereby authorized and directed to draw his or her orders upon the general treasurer for the payment of such sums or such portions thereof as may be required from time to time upon receipt by him or her of properly authenticated vouchers.

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| <u>Executive Office of Commerce</u> | <u>\$74,500,000</u> |
|-------------------------------------|---------------------|

Of this amount, \$32,000,000 shall be allocated to a program of financial and technical assistance to small businesses and COVID-impacted industries, \$15,000,000 shall be allocated under the administration of the Rhode Island Housing and Mortgage Finance Corporation to the development of affordable housing units, \$13,000,000 shall be allocated to a program of assistance to the tourism, hospitality, and events industries, \$12,000,000 shall be allocated toward the acquisition of properties for redevelopment as affordable housing and supportive housing, \$1,500,000 shall be allocated to expanding housing navigation and stabilization services to address the rise in pandemic-related homelessness, \$500,000 shall be allocated to broadband services which may include coordination, mapping, and development of a statewide plan to provide broadband access to unserved and underserved households and businesses, and \$500,000 shall be dedicated to expanding programmatic and administrative capacity for affordable housing in Rhode Island.

| | |
|--|---------------------|
| <u>Executive Office of Health and Human Services</u> | <u>\$13,000,000</u> |
|--|---------------------|

1 Of this amount, \$7,500,000 shall be allocated to support relief to pediatric providers in response
2 to the decline in visitation and enrollment caused by the public health emergency.

3 Of this amount, \$5,500,000 shall be allocated to early intervention providers in response to a decline in
4 enrollment for early intervention, family home visiting, and screening programs.

5 Department of Children, Youth, and Families \$12,500,000

6 This amount in its entirety shall be allocated to support workforce stabilization supplemental
7 wage payments to eligible direct care and supporting care staff of contracted service providers.

8 Department of Human Services \$13,000,000

9 Of this amount, \$12,700,000 shall be allocated to pay semiannual retention bonuses for direct
10 care staff at child care centers and licensed family providers in response to pandemic-related staffing
11 shortages. A total of \$300,000 shall be reserved for family child care incentive start up and technical
12 assistance grants. The Director of Human Services and the Director of Children, Youth and Families
13 may waive any fees otherwise assessed upon child care provider applicants who have been awarded the
14 family child care provider incentive grant.

15 SECTION 2. This act shall take effect upon passage.

2021 -- H 6494

LC003150

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

A N A C T

RELATING TO MAKING REVISED APPROPRIATIONS IN SUPPORT OF FISCAL YEAR
2022Introduced By: Representative Marvin L. AbneyDate Introduced: October 20, 2021Referred To: House Finance

(Governor)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 16 of Article 1 of Chapter 162 of the Public Laws of 2021 is hereby
2 amended to read as follows:

3 The appropriations from federal funds contained in Section 1 shall not be construed to
4 mean any federal funds or assistance appropriated, authorized, allocated or apportioned to the State
5 of Rhode Island from the State Fiscal Recovery Fund, and the Coronavirus Capital Projects Fund
6 enacted pursuant to the American Rescue Plan Act of 2021, P.L. 117-2. For fiscal year 2022, State
7 Fiscal Recovery Fund monies apportioned to the State of Rhode Island pursuant to the American
8 Rescue Plan Act of 2021, P.L. 117-2, are hereby appropriated in the following amounts for the
9 stated departments and purposes set forth below. The state controller is hereby authorized and
10 directed to draw his or her orders upon the general treasurer for the payment of such sums or such
11 portions thereof as may be required from time to time upon receipt by him or her of properly
12 authenticated vouchers.

13 Executive Office of Commerce \$74,500,000

14 Of this amount, \$32,000,000 shall be allocated to a program of financial and technical
15 assistance to small businesses and COVID-impacted industries, \$15,000,000 shall be allocated
16 under the administration of the Rhode Island Housing and Mortgage Finance Corporation to the
17 development of affordable housing units, \$13,000,000 shall be allocated to a program of assistance
18 to the tourism, hospitality, and events industries, \$12,000,000 shall be allocated toward the

1 acquisition of properties for redevelopment as affordable housing and supportive housing,
 2 \$1,500,000 shall be allocated to expanding housing navigation and stabilization services to address
 3 the rise in pandemic-related homelessness, \$500,000 shall be allocated to broadband services which
 4 may include coordination, mapping, and development of a statewide plan to provide broadband
 5 access to unserved and underserved households and businesses, and \$500,000 shall be dedicated to
 6 expanding programmatic and administrative capacity for affordable housing in Rhode Island.

7 Executive Office of Health and Human Services \$13,000,000

8 Of this amount, \$7,500,000 shall be allocated to support relief to pediatric providers in
 9 response to the decline in visitation and enrollment caused by the public health emergency. Of this
 10 amount, \$5,500,000 shall be allocated to early intervention providers in response to a decline in
 11 enrollment for early intervention, family home visiting, and screening programs.

12 Department of Children, Youth, and Families \$12,500,000

13 This amount in its entirety shall be allocated to support workforce stabilization
 14 supplemental wage payments to eligible direct care and supporting care staff of contracted service
 15 providers.

16 Department of Human Services \$13,000,000

17 Of this amount, \$12,700,000 shall be allocated to pay semiannual retention bonuses for
 18 direct care staff at childcare centers and licensed family providers in response to pandemic-related
 19 staffing shortages. A total of \$300,000 shall be reserved for family childcare incentive start up and
 20 technical assistance grants. The Director of Human Services and the Director of Children, Youth
 21 and Families may waive any fees otherwise assessed upon childcare provider applicants who have
 22 been awarded the family childcare provider incentive grant.

23 SECTION 2. This act shall take effect upon passage.

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 LC003150
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO MAKING REVISED APPROPRIATIONS IN SUPPORT OF FISCAL YEAR
2022

- 1 This act would appropriate federal funds awarded to Rhode Island as part of the State Fiscal
- 2 Recovery Fund (SFRF) by the American Rescue Plan Act (ARPA).
- 3 This act would take effect upon passage.

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LC003150
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Senate Fiscal Office

Stephen H. Whitney

Senate Fiscal Advisor

Robert C. Bromley

Senior Legislative Fiscal Analyst

Administration
Board of Elections
Commission on Disabilities
Convention Center Authority
Ethics Commission
General Treasurer
Governor
Human Rights Commission
I-195 Redevelopment Commission
Lieutenant Governor
Military Staff
Public Defender
Public Utilities Commission
Quonset Development Corporation
RI Emergency Management Agency
Secretary of State

Kelly M. Carpenter

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Arts Council
Atomic Energy Commission
Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Health & Educational Building Corporation
Higher Education
Judiciary
Narragansett Bay Commission
Resource Recovery Corporation
RI Infrastructure Bank
Student Loan Authority

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and Hospitals
Business Regulation
Commission on Deaf and Hard of Hearing
Health
HealthSource RI
Mental Health Advocate

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Public Safety
Revenue
RI Commerce Corporation
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Shanna Vecchio-Schubert

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Attorney General
Corrections
Historic Preservation and Heritage Commission
Human Services
Labor and Training
RI Airport Corporation
RI Public Transit Authority
RI Turnpike & Bridge Authority
Transportation

