

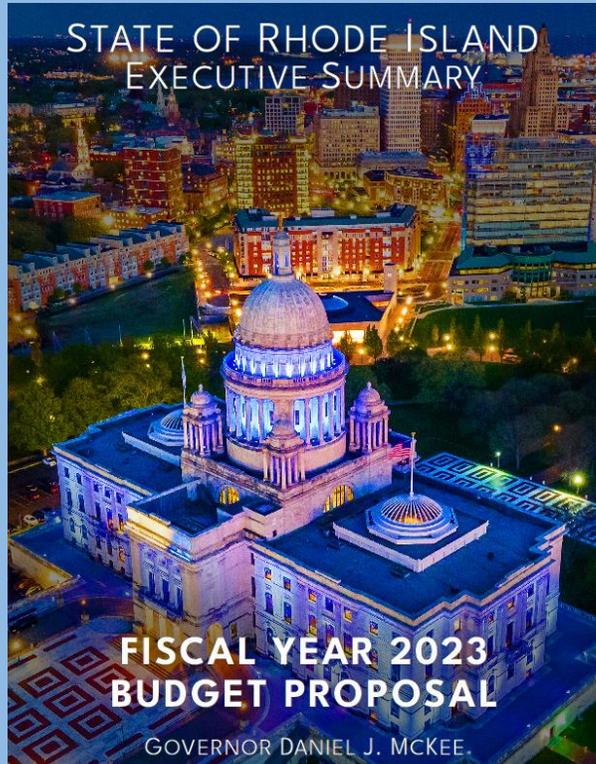


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FY 2023 Budget Overview

January 20, 2022 Embargoed until 4 p.m. January 20

Prepared by the Office of Management and Budget (OMB)



“The decisions we make this year have the potential to bolster Rhode Island’s economic comeback and propel our state into the next decade with strength.”

- Governor Daniel J. McKee

Funding Sources

The State must responsibly marshal the following resources to meet the immediate needs of the pandemic and make sustainable investments in a long-term recovery that creates a government that works for all

- **\$1.13 billion** in the State Fiscal Recovery Fund to replace lost public sector revenue, respond to the negative impacts of the pandemic, bolster the public health response, and invest in infrastructure/broadband
- **\$112.3 million** in the Capital Projects Fund
- **\$618.4 million** in a projected surplus FY 2022 that has been targeted for one-time investments

State Fiscal Recovery Fund

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Rhode Island Rebounds

The American Rescue Plan Act provided the State \$1.13 billion to fight the pandemic; support families and businesses; maintain vital public services; and build a strong, resilient, and equitable recovery

On January 4, 2022, Governor McKee signed into law RI Rebounds, a down payment that is approximately 10% of Rhode Island's State Fiscal Recovery Fund on the following:

- **\$45.0 million** to assist small businesses impacted by the pandemic, including the hard-hit tourism, hospitality and events industries
- **\$44.5 million** for children, families, and social supports
- **\$29.5 million** to promote affordable housing, housing supports, and broadband

State Fiscal Recovery Fund: **\$1.13B**

Selection of SFRF projects was driven by a public engagement process

The Governor's SFRF recommendations meet the following criteria:

- Consistent with priorities in Rhode Island 2030, meeting the U.S. Treasury recommendation that projects be identified through a public input process
- Compliant with U.S. Treasury guidance for allowable uses
- Time limited (obligated by December 2024 and spent by December 2026) and do not lead to outyear budget obligations

Full Allocation of State Fiscal Recovery Fund

The full \$1.13 billion must be obligated on or before December 31, 2024, for projects that are completed on or before December 31, 2026. The Governor proposes investing across these sectors through FY 2027.

Category	Proposed Amount
Housing	\$250,000,000
Economic and Workforce Development	\$211,825,000
Aid to Small Business and Impacted Industry	\$180,535,000
Public Health	\$152,292,751
Climate	\$132,000,000
Children, Families, and Education	\$118,575,000
Behavioral Health	\$42,392,390
Public Infrastructure and Technology	\$26,475,000
Administrative Costs (1.5%)	\$16,965,916
Total	\$1,131,061,057

Breakdown by Categories

Housing (\$250.0M)

Addresses the housing crisis – from homelessness assistance (\$26.5M) and down payment assistance (\$50M) to affordable housing development (\$90M) and incentives for more workforce housing (\$20M)

Aid to Small Business & Impacted Industry (\$180.5M)

Financial support to small businesses through assistance grants (\$45M) and loans/access to capital (\$20M), with targeted assistance to impacted industries such as tourism and hospitality (\$28.5M) and minority-owned businesses (\$10M)

Economic & Workforce Development (\$211.8M)

Investments in growing sectors such as the blue economy (\$70M) and biosciences (\$30M), coupled with investments in Real Jobs RI (\$40M) and new Higher Education Academies (\$22.5M)

Public Health (\$152.3M)

Continued support for the State's efforts to address COVID-19, of which \$50M will assist health care providers to address the pandemic's impacts on their workforce

Breakdown by Categories (cont.)

Climate (\$132.0M)

Invests in port development to position RI for offshore wind development (\$60M for Quonset's Port of Davisville; \$35M for South Quay), coupled with support for households and organizations to convert to electric heat (\$37M).

Behavioral Health (\$42.4M)

Support infrastructure of Certified Community Behavioral Health Clinics (\$28.1M), establishes a Psychiatric Residential Treatment Facility to prevent out-of-state placements for girls and young women (\$6M) and creates a Mental Health Court pilot (\$4.2M)

Children, Families, and Education (\$118.6M)

Supports wage incentives for child care providers, (\$42M), pediatric relief programs (\$15M), and early intervention programs (\$11M). Proposes municipal learning centers (\$15M) and nonprofit support (\$10M).

Public Infrastructure and Tech. (\$26.5M)

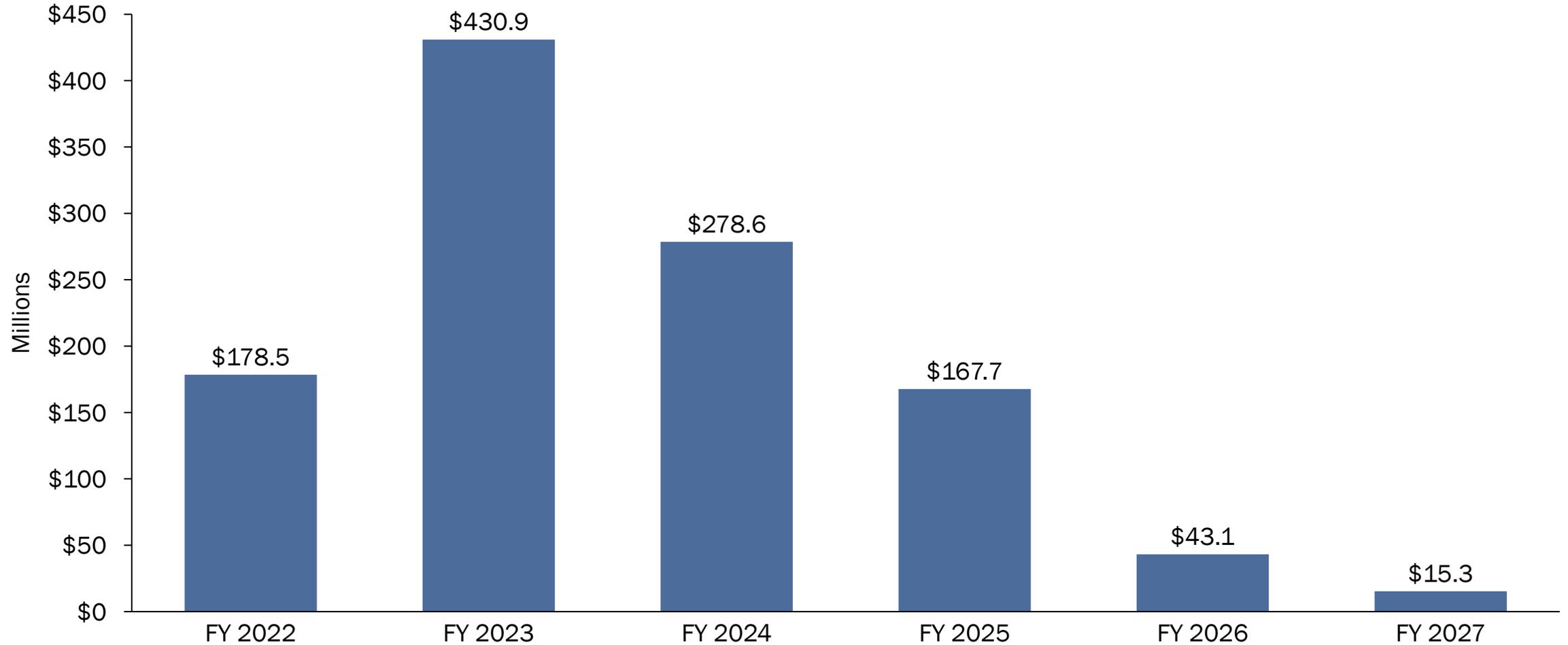
Establishes a Pawtucket Bus Hub Passenger Facility (\$5M), supports municipal commercial districts (\$5M), and invests in key state IT improvements, including a new permitting system for DEM (\$5.8M)

Housing

The Governor calls for the largest share of State Fiscal Recovery Fund funding, a quarter of a billion dollars, to be invested in housing and homelessness assistance

- Invests **\$90M** in project financing to create and preserve about 1,500 units for households earning up to 80% of AMI
- Establishes a **\$25M** grant program to acquire properties to be redeveloped into affordable housing
- Uses **\$20M** to support workforce housing and **\$10M** to increase developers' ability to get projects under way
- Allocates **\$50M** to provide \$17,500 in down payment assistance to households
- Assists individuals and households experiencing homelessness or housing instability by providing **\$26.5M** in enhanced infrastructure and supports

Six-Year SFRF Spending Plan



Capital Projects Fund

Except for broadband investments, projects using the \$112.3M allocation must promote education, workforce development, and health monitoring. The Governor's proposal includes the following projects

- **Municipal Matching Grant Program (\$46.7M)** – Matching funds for cities and towns to renovate or build a community wellness center
- **Rhode Island College Student Services Center (\$35M)** – A centralized hub where students can complete essential tasks to provide a more convenient experience
- **Last-Mile Broadband Grants (\$25M)** – Provides state matching funds for broadband infrastructure projects to municipalities, public housing authorities, business cooperatives, and local internet service providers for last-mile projects

Administrative costs account for \$5.6M of the fund

One-Time Surplus Investments

FY 2022 Projected Surplus: \$618.4M

What created this surplus?

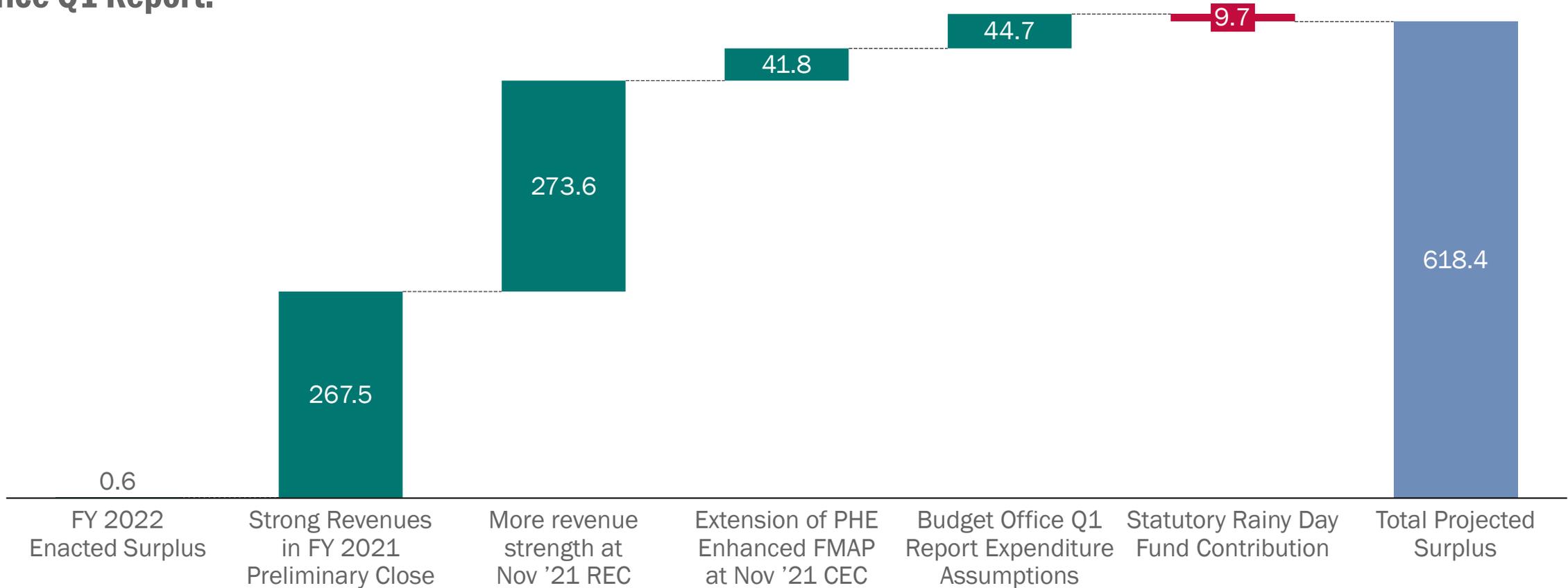
- Strong revenue collections
- Lower expenditures
- Enhanced Medicaid reimbursements

What criteria were used in selecting items for surplus spending?

- Address underinvestment in operations and righting past wrongs
- One-time items that do not result in future obligations
- Improve long-term budget outlook by lowering operating costs, avoiding expected cost growth, and/or pre-funding anticipated costs

Sources of the FY 2022 Surplus

Strong revenue performance, federal support, and constrained spending drive a \$618.4M surplus in Budget Office Q1 Report.



Proposed Surplus Investments

- Transfer \$210M+ to the **Rhode Island Capital Projects Fund** that, coupled with existing RICAP funding will allow for a new Zambarano medical hospital (\$108.2M); utility and infrastructure improvements at the Pastore Campus (\$120.8M); and state-run group home improvements (\$13.1M)
- Transfer \$50M to the **Information Technology Investment Fund** to replace DLT's mainframe and provide an electronic medical records system for Eleanor Slater
- Allocate \$100M in **State match for federal transportation projects** for two years, unlocking \$400M in federal funding
- Provide \$21.9M in **State match for federal clean and drinking water programs** for two years
- Pay off **1991/1992 pension deferral obligations** (\$62M), resulting in annual savings to the State of at least \$6M for more than a decade

Eleanor Slater Hospital (ESH)

The Governor is committed to continuing the transformation of the ESH system to ensure that Rhode Islanders receive the most appropriate level of care

- Creates a 100-bed integrated medical facility at the Zambarano Campus using \$108.2M in RICAP funding
- Invests in existing infrastructure at both Zambarano Campus and Pastore Campus to provide excellent care until the new facility opens
 - \$14.3M in mechanical upgrades at Zambarano Campus, and \$3.2M to develop the Beazley Building's ventilator unit
 - \$19.7M in existing debt proceeds to address safety issues at the Regan Building on the Pastore Campus
- Creates the new Rhode Island Psychiatric Hospital, which will be almost entirely offset by a reduction in the ESH budget

Ballot Initiatives: \$350M



K-12 School Construction: \$250M

- Direct Funding for School Construction Projects – \$200M
- School Building Authority Capital Fund – \$50M



Higher Education: \$62M

- URI Narragansett Bay Campus Improvements – \$50M
- CCRI Academic Enhancements – \$12M



Green Economy: \$38M

- Municipal Resiliency Matching Grants – \$16M
- Small Business Green Energy Loan Program – \$5M
- Brownfields Remediation and Development – \$4M
- Narragansett Bay and Watershed Restoration – \$3M
- Forest Conservation – \$3M
- State Open Space Land Acquisition Program – \$3M
- Local Open Space Land Acquisition Program – \$2M
- Local Recreation Grant Program – \$2M

Operating Budget Proposals

Small Business Package

The Governor recommends the following initiatives to improve conditions for small businesses:

- Reduces the corporate minimum tax to \$375, which will benefit about 65,000 entities
- Creates a taxpayer steward position within the Division of Taxation
- Allows cities and towns to provide a local tax exemption for tangible property taxes on business assets
- Reduces the interest rate for late payments on personal and corporate income taxes, bringing Rhode Island in line with its neighbors
- Eliminates the sunset provision on the sale of liquor to-go, allowing restaurants and brewpubs to permanently sell alcoholic beverages with take-out orders
- Allows individuals to use home kitchens to make baked goods for retail sale (annual sales capped at \$25,000) – an activity that currently requires the use of a commercial kitchen
- Expands the types of entities eligible for the Small Business Development Fund, provides discretion for tax credit awards, and expands the types of taxes against which the tax credits are allowed
- Exempts from sales tax the trade-in value of motorcycles

Act on Climate

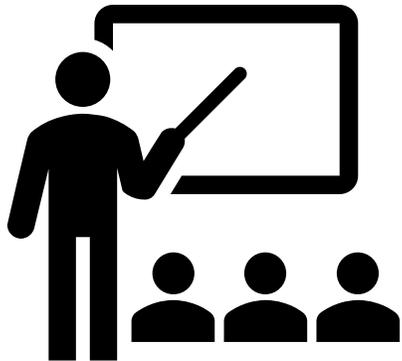
The 2021 Act on Climate instructs the State to develop a plan to reduce all climate emissions to net-zero by 2050. The FY 2023 budget proposal takes key steps toward that goal

- Establishes an annual, dedicated funding source of \$6M to be used for any program or investment (e.g., energy efficiency, renewable energy, clean transportation, clean heating, energy storage, etc.) that supports the reduction of greenhouse gases
- Allows for the administration and implementation of statewide energy efficiency programs funded with this source
- Creates three positions in the Office of Energy Resources and one in the Department of Environmental Management to support state efforts to address and mitigate climate change

Local & Education Aid



Fully funds the **car tax phase-out** –
\$166.6 million in relief with no revenue
loss to cities and towns



Fully funds the **education aid funding
formula** and ensures that school
districts do not receive a reduction in
aid compared to FY 2022 regardless of
enrollment shifts

Other Items

Military Pension Taxation Phase-out

Phases out the taxation of military service pensions over five years

Postpartum Medicaid Extension and Cover All Kids

Extends Medicaid coverage to women from 60 days postpartum to 12 months regardless of immigration status as well as children who would otherwise be eligible except for their immigration status

Wavemaker Fellowship

Expands participation to about 100 health care professionals who will receive a two-year fellowship (\$4,000 per year)

Local Agricultural and Seafood Act Grants

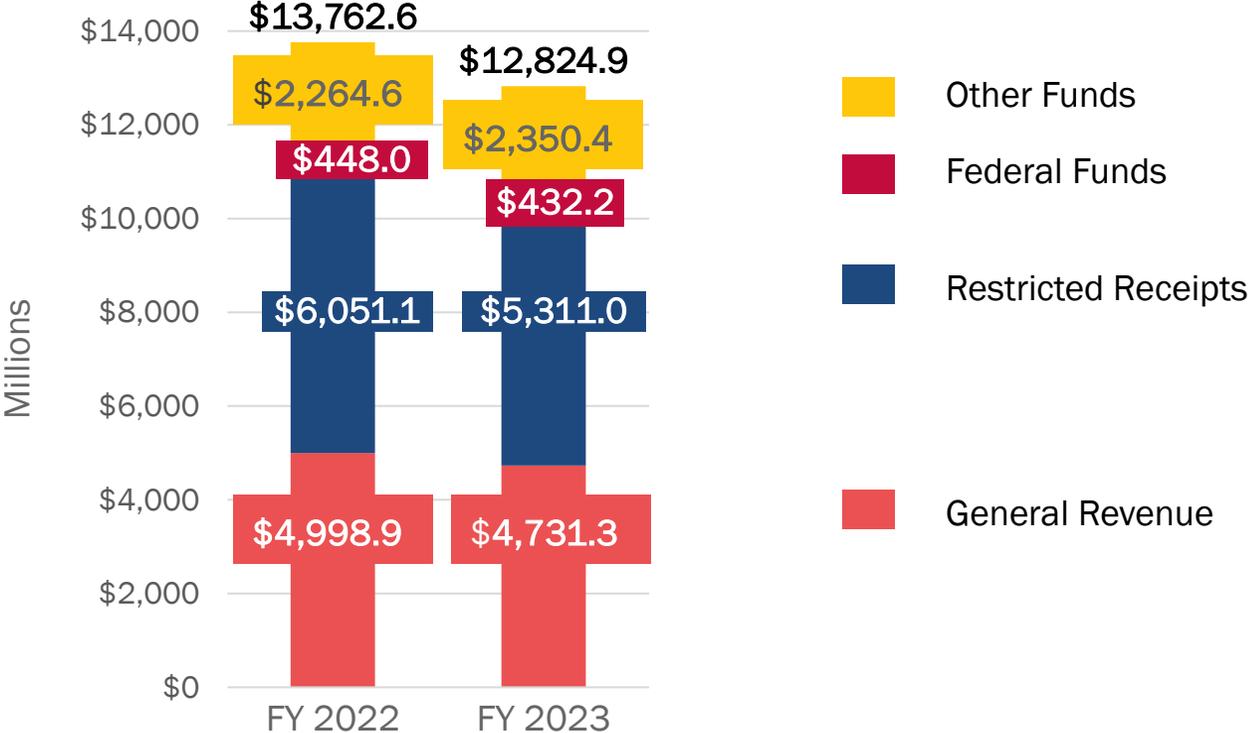
Increases allocation to the program by \$150,000

Adult-use Marijuana

Allows for controlled, phased-in introduction of retail licenses, results in minimal net revenue in FY 2023

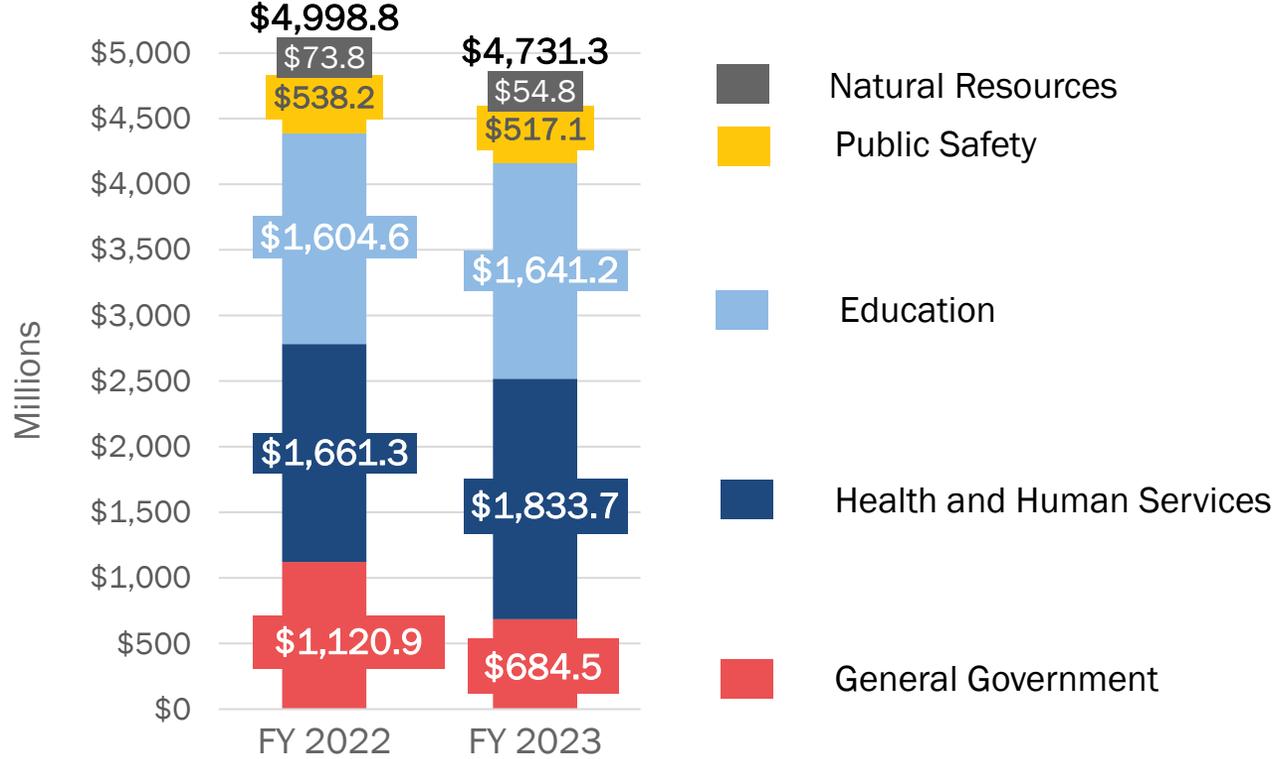
Budget Overview

Expenditures by Source

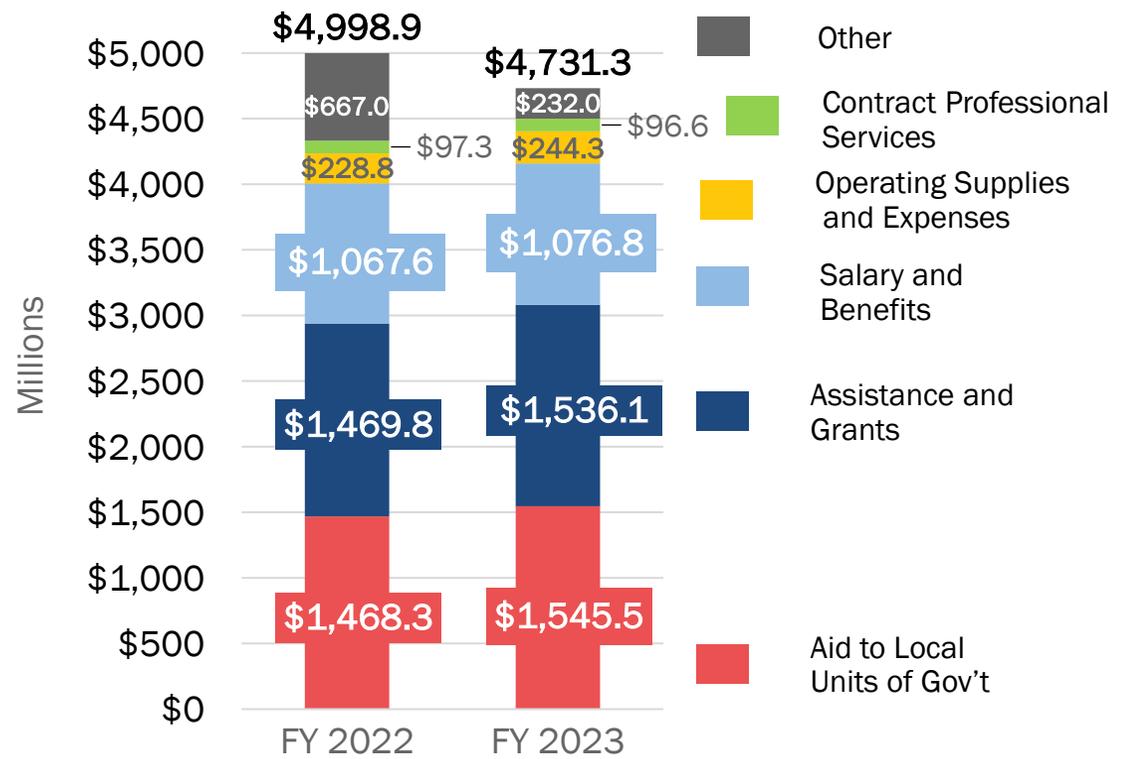


Budget Overview (cont.)

General Revenue Expenditures by Function



General Revenue Expenditures by Category



General Revenue Surplus Statement At-a-Glance

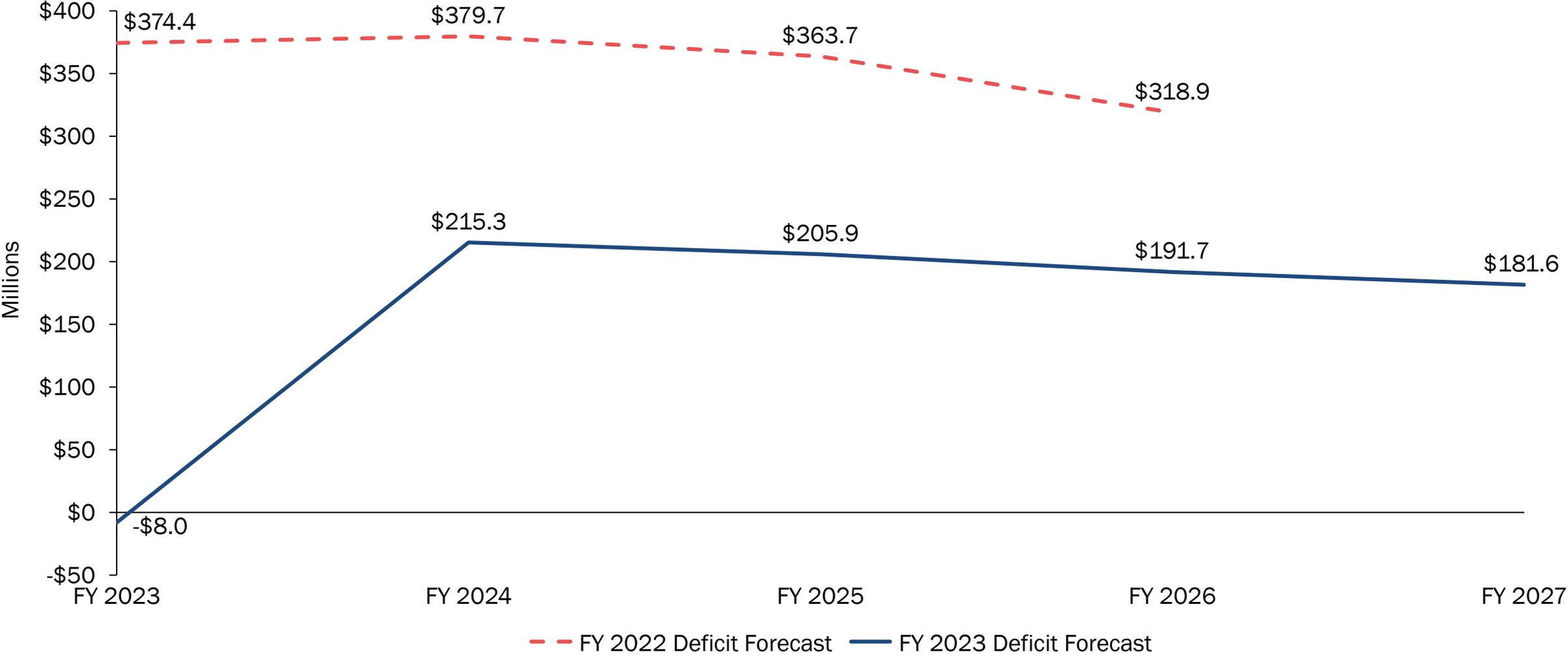
	<u>FY 2022 (revised)</u>	<u>FY 2023</u>
Opening Surplus	\$ 375.0	\$ 135.5
Adjustments and Reappropriation	\$ 221.1	\$ -
Opening Resources Subtotal	\$ 596.1	\$ 135.5
	\$ -	\$ -
Enacted/Adopted Revenue	\$ 4,684.3	\$ 4,753.4
Changes to Revenue	\$ 6.0	\$ (3.1)
Revenue Subtotal	\$ 4,690.3	\$ 4,750.4
	\$ -	\$ -
Opening Resources and Current Revenue	\$ 5,286.4	\$ 4,885.9
Transfer to Budget Reserve	\$ (152.0)	\$ (146.6)
Total Resources Available	\$ 5,134.4	\$ 4,739.3
	\$ -	\$ -
Enacted Expenditures	\$ 4,550.8	\$ 4,731.3
Changes in Expenditures	\$ 448.1	\$ -
Expenditure Total	\$ 4,998.9	\$ 4,731.3
	\$ -	\$ -
Surplus/(Deficit)	\$ 135.5	\$ 8.0

Governor's recommended budget allocates surplus funds across both fiscal years.

Adopted revenue includes reenactment of Hospital Licensing Fee.

All figures in millions.

Outyear Deficit



Q&A



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