

## Summary of Governor’s Proposed FY2023 Budget: Proposals Important to the Fiscal Health of the State and Its Residents

This analysis summarizes policy proposals and spending recommendations of particular relevance to low-income and modest-income Rhode Islanders and the advancement of their economic opportunity included in the Governor’s proposed FY2023 budget. Until the Governor and the General Assembly negotiate a final budget, Rhode Islanders will have opportunities to provide testimony and other input into the shaping of the annual budget, which becomes, in effect, a statement of our priorities as a state.

### OVERVIEW

On January 20, 2022, Governor Daniel McKee released his proposed \$12.82 billion budget for Fiscal Year 2023, which begins on July 1, 2022, as well as his proposed revised budget for Fiscal Year 2022, which began on July 1, 2021 and ends on June 30, 2022. The proposed FY2023 budget, like the current year’s budget, is an unusual one – benefitting from an unexpectedly large surplus of \$618.4 million<sup>1</sup> from Fiscal Year 2021, as well as from a considerable infusion of federal recovery funds from the America Rescue Plan Act (ARPA) and ongoing enhanced federal matching funds for Medicaid expenditures.

The FY2023 budget (see **Table 1**) is funded through four sources: \$4.73 billion in General Revenue; \$5.31 billion in Federal Funds, including ARPA money; \$432.2 million from Restricted Receipts, revenue targeted and limited to specific uses, such as transportation; and \$2.35 billion from Other Funds, including lottery revenue. The revised FY2022 budget proposal includes an additional \$59.4 million in ARPA State Fiscal Recovery Funds (SFRF) spending, for a total allocation of \$178.4 million.

**Table 1: FY2023 Proposed Budget (July 1, 2022 – June 30, 2023)**

Expenditures by Revenue Type	FY2023 Proposed Budget Amounts	FY2023 Proposed Budget Percentages
General Revenues	\$4.73 billion	37.9%
Federal Funds	\$5.31 billion	41.4%
Other Funds	\$2.35 billion	18.3%
Restricted Receipts	\$432.2 million	3.4%
<b>Total</b>	<b>\$12.82 billion</b>	<b>100%</b>

The proposed FY2023 budget and revised FY2022 budget, like the FY2021 and FY2020 budgets, are unusually large by historical standards. The FY2022 budget is unusual in that in most years, only one supplemental budget is passed at the end of fiscal year to reconcile the budget enacted at the start of the fiscal year with revised estimates, this year an additional supplemental budget was passed and enacted in January, in the very middle of the fiscal year, to authorize \$119 million in spending from ARPA funds. The revised FY2022 budget proposal includes an additional \$59.4 million in ARPA SFRF spending, for a total allocation of \$178.4 million.

In proposing to spend a total of \$178.4 million of ARPA SFRF in FY2022 and \$430.9 million in FY2023, the Governor has outlined a plan to spend the entire \$1.13 billion between FY2022 and FY2027. However, it is important to note that the budget bills before the General Assembly include spending for FY2023 and FY2022 only. The projected ARPA SFRF

spending for FY2024 and beyond remain suggestions for future budgets and impose no obligations on policymakers or state agencies. See Appendix I for the Governor's proposed annual spending of ARPA SFRF, as well as amounts targeted to specific selected proposals.

In this document, we have highlighted, for several areas, FY2023 budget proposals important to the fiscal health of the state and its residents.

## HEALTH COVERAGE & CARE

### Children and Families

**Postpartum Coverage:** Women who give birth while enrolled in Medicaid would be eligible for Medicaid for 12 months postpartum, up from the current 60-day coverage. This would provide comprehensive health care for lower-income women regardless of immigration status. For this measure, the budget includes \$4.3M in general revenue and \$2.3M in federal Medicaid funds, of which \$792K in general revenue and approximately \$600K from federal Medicaid funds would cover the implementation costs. The extended coverage would begin in October 2022.

**Cover All Kids:** The budget proposes making all children, regardless of immigration status, eligible for RItE Care, Rhode Island's Medicaid managed care program for children and families. This measure would extend eligibility to "undocumented" children, since most lawfully present children are already eligible. For an October 2022 start date, the budget includes \$1.9M in general revenue (including \$660K for technology implementation) to cover an estimated 400 children.

**Pediatric Health Care Recovery:** The budget allocates \$7.5M in State Fiscal Recovery Funds (SFRF) in FY2023 on top of \$7.5M in SFRF in FY2022 for a relief program for pediatric providers to address a decline in enrollment and visitation resulting from the pandemic. Designed as an incentive program, a central aim is promoting developmental and psychosocial behavioral screenings.

### Long-Term Care

**Home and Community Based Services (HCBS):** Rhode Island law (the Perry Sullivan provision) requires that state Medicaid savings due to reduced use of nursing homes be allocated to fund and thereby strengthen Home and Community Based Services. According to the formula, the FY2023 budget should include for this purpose \$17.7M in general revenue and \$20.9M in federal Medicaid funds. The Governor's budget requests that the state be exempt from this allocation in FY2023 due to the even greater amount of enhanced federal funds being directed to HCBS. Under ARPA, the state is receiving a 10% increase to federal cost-sharing for HCBS; total funds, placed in a restricted receipt account, are \$47.6M, with \$15.4M of general revenue.

**Nursing Homes:** The budget adds \$1.4M in general revenue (with \$1.7M in federal Medicaid funds) to increase the FY2023 nursing home rate adjustment from 1.9 to 3.0 percent.

### Behavioral Health

**Certified Community Behavioral Health Clinics:** As one part of building a more comprehensive system to provide access to a broad range of behavioral health services, medical screening and monitoring, and social services, the budget includes \$28.1M in SFRF to support and expand the network of certified community behavioral health clinics.

**Psychiatric Residential Treatment:** For female youth who have complex behavioral health needs and who currently need to go out-of-state to receive intensive residential treatment, the budget includes \$6.0M in SFRF to establish at least one psychiatric facility in Rhode Island.

## Other

**Healthsource RI:** The budget uses \$2.8M from general revenue (\$11.6M all funds) for the normal operating expenses for HealthSource RI.

**Transition from Medicaid to Qualified Health Plans:** The budget provides \$339K in SFRF for FY2023 (and a proposed \$507K for FY2022) to cover the first month of qualified health plan premiums as part of a Healthsource RI program to enroll automatically, through the state's health insurance marketplace, eligible individuals transitioning off Medicaid when the pandemic's Public Health Emergency ends.

**Health Insurance Market Integrity Fund:** The budget includes \$12.4M in federal funds and \$6.2M from penalties paid by individuals who do not have health insurance to make \$18.0M in reinsurance payments to health insurance carriers and \$0.6M for program administration.

**Hospital Conversion Monitoring:** The budget would create two positions – a planning/program specialist and a nursing care evaluator – at the Department of Health, to monitor hospital conversions (acquisitions or mergers). The entity acquiring a hospital or resulting from a merger would fund these positions.

## BASIC NEEDS

**RI Works:** The budget includes \$250K from the \$96M TANF Block Grant to make two changes to the RI Works program: increasing the resource limit from \$1,000 to \$5,000 and increasing the monthly earned income disregard from \$170/month to \$300/month.

**Department of Human Services (DHS) Providence Office Consolidation:** In order to consolidate Providence DHS offices, including customer-facing spaces, the Governor's budget calls upon DHS to issue a Request for Proposals seeking approximately 7,500 square feet of office space, with annual rent not to exceed \$165,000 and with a ten-year lease costing \$1.7 million.

### **Food and Nutrition:**

- For the **RI Community Food Bank**, the budget includes an additional \$100K in new general revenue to the currently allocated \$350K, for \$450K total.
- The funding to support the **operations** of the **Meals on Wheels** program is level-funded at \$530K. The budget increases the allocation for Meals on Wheels by \$165K in general revenue and \$195K in federal Medicaid funds to increase the **per meal rate** paid for meals. Rates for standard meals would rise from \$6.50 to \$12.00 and from either \$4.01 or \$6.50 to \$12.00 for frozen ones. Rates for culturally appropriate meals would be set at \$14.05 and for therapeutic meals at \$12.17. Rates would be annually adjusted for inflation.

## HOUSING

The Governor's proposed budget calls for using tens of millions of dollars in federal relief funds and general obligation bonds, along with some general revenue to expand affordable housing and to address other housing needs.

**New Positions:** The budget asks for \$709K from general revenue to fund 5 additional positions at the Commerce Corporation's Office of Housing and Community Development. These staff members will report to the recently-appointed Deputy Secretary of Commerce for Housing, a position authorized in the enacted FY2022 budget. These individuals would work on developing affordable housing, including the use of ARPA funds in this effort. The funds would provide for a project manager, a data and research analyst, a communications and stakeholder engagement professional, and two individuals focused on community and homelessness services development.

**Bond Funds:** The proposed capital budget uses \$30M from the \$65M in general obligation bonds approved by the voters in March 2021 to fund construction and redevelopment to provide affordable housing.

**ARPA Funds:** The FY2023 budget would make use of \$81.5M in ARPA recovery funds to develop affordable housing and provide homelessness services, among other housing-related projects. See **Appendix I** for additional details of programs and spending proposals.

## CHILD CARE ASSISTANCE PROGRAM (CCAP) AND PRE-K

The Child Care Assistance Program (CCAP) provides subsidies – for parents who are working, taking part in a training program, or enrolled in a higher-education program – to enroll their children under age 13 in center or family-based childcare.

**CCAP Income Limit:** The budget includes \$2.7M in ARPA Child Care Development Block Grant (CCDBG) funds to increase the income limit for CCAP from 180% FPL to 200% FPL (from \$41,454 annually to \$46,060 for a family of 3). The CCAP income limit was 225% FPL in 2007 when it was rolled back to 180% FPL as a budget-savings measure. The exit income for CCAP remains at 225% FPL (\$51,818 for a family of 3).

**Post-Secondary Education and CCAP Eligibility:** The budget makes permanent the pilot program enacted last session allowing parents who are attending post-secondary education to qualify for CCAP if they otherwise meet eligibility rules. The budget uses \$375K of the TANF block grant to implement this change.

**Child Care Rates for Provider Payments:** The budget includes \$4.7M in ARPA CCDBG funds to increase the rates paid to CCAP providers. During the pandemic – until the end of 2021 – special enhanced rates were in place, and those have been repealed as of January 2022. Whereas the previous, pre-pandemic base rate was 25% of the 2018 weekly market rate, the new base rate would be 40% of the 2021 weekly market rate for infant/toddler, preschool, and school-aged child care. Tiered rates based upon quality would continue. For family child care providers, the base rate would continue to be negotiated through collective bargaining and also include tiered rates.

**Child Care Payments Based upon Enrollment:** Whereas payment for CCAP services was traditionally done according to actual attendance by children, pandemic-era policy required payment for enrollment counts, a policy providing greater stability for providers and the industry. The budget calls for continuing this policy.

**Early Intervention:** The budget provides \$5.5M from ARPA funds for incentive bonuses to Early Intervention providers for achieving referral targets and decreasing staff turnover, but fails to provide a permanent rate increase for providers who serve infants and toddlers with developmental delays; the state has made no rate adjustment in 20 years.

**Pre-Kindergarten:** The budget recommends level funding of \$14.9M in general revenue for that part of the education funding formula that supports voluntary, free, and high-quality pre-kindergarten programs.

## K-12 EDUCATION

**Education Funding Formula:** With \$1,080.3 million, the budget fully funds the formula adopted in 2010. The budget proposes allocating \$49.7M in Pandemic Hold Harmless Funds so that no school districts lose education aid due to a COVID-related drop in enrollment. Combined with a decrease in Group Home bed counts and associated funding of \$663K as well as an increase of \$843K to correct a property tax data error, total education funding would be increased by \$24.0M.

**Multilingual Language Learners (MLL):** Level funds the MLL program at \$5.0M general revenue.

**School Breakfast program:** Level funds administrative cost reimbursement at \$270,000 general revenue.

## HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

### Higher Education

**General Revenue for Higher Education:** Although the large majority of funding for Rhode Island’s public colleges and university come from tuition placed in restricted receipts funds, general revenue allocated in the budget plays an important role. The FY2023 budget recommends increasing general revenue funding by \$12.5M, from \$233.0M to \$245.5M. This includes net increases for the three institutions as follows: \$6.4M for URI; \$3.1M for RIC; and \$3.1M for CCRI.

**Higher Education Academies:** The budget uses \$6.5M in SFRF funds for the Office of the Postsecondary Commissioner to establish three new academies to support, each year, 1,000 students ages 16 and above (including high school seniors and recent graduates) to continue their education. Services would include coaching, college readiness coursework, summer course enrollment, transition from high school to postsecondary education or workforce training.

### Workers and Workforce Development

The Department of Labor and Training, the Governor’s Workforce Board and the RI Department of Elementary and Secondary Education/Adult Education are the primary agencies responsible for the range of workforce development services for adults. The proposed FY2023 budget includes the following funding:

- **Department of Labor and Training (DLT):** A total of \$20M to DLT, the bulk of which (\$19M) is from federal funds from the Workforce Investment Opportunity Act (WIOA), with a small general revenue appropriation of \$900K.
- **Governor’s Workforce Board:** A total of \$34.5M. This includes \$6M in general revenue funds, of which \$600K must be used for enhanced training for direct care and support services staff to improve resident quality of care and address the changing needs of nursing facility residents due to higher acuity and increased cognitive impairments. There is an additional \$10.0M in ARPA funds for “enhanced real jobs” and \$18.4M in restricted receipts, which is primarily from the Job Development Fund.
- **Inmate Apprenticeship, Training, and Employment:** The budget includes \$500K in general revenue for a Real Jobs program that provides training and post-release employment opportunities for incarcerated individuals.
- **Adult Education Services:** A total of \$9.1M to the RI Department of Education to fund the network of community-based organizations that provide foundational skills (literacy, digital literacy, English language services) and workforce preparation services to low skilled adults as well as GED preparation and testing. Total funds include 2.2M in general revenue, \$3.5M from the Job Development Fund, \$2.4M in federal WIOA funds and \$1M from the TANF block grant.
- **Wages for Direct Support Professionals:** The Governor’s budget includes a wage increase from \$15.75 to \$18.00 per hour for direct support professionals working with adults with intellectual and developmental disabilities. The budget appropriates for this purpose \$16.1M general revenue (\$35.1M all funds). There are no wage increases proposed for direct support professionals who provide care for people with other disabilities and for seniors. EOHHS had proposed wage increases for home health aides, independent care providers, and personal choice providers for inclusion in the 2023 budget. The supplement FY2022 budget enacted in early 2022 allocated \$12.5M in SFRF to support the direct care staff of community-based providers under contract with DCYF to serve children and families. The proposed FY2023 budget does not include additional ARPA funds or other funds for a wage increase for these providers.

## ECONOMIC DEVELOPMENT

**ARPA Federal Recovery Funds for Small Business Assistance:** The budget commits \$50.0M in FY2023 to provide technical and financial assistance for small businesses, subsidies for SBA loan interest, and aid targeted to the tourism, hospitality, and event industries.

**Minority Business Accelerator:** From ARPA Federal Recovery Funds, the budget proposes spending \$1.5M in FY2023 to fund a minority business accelerator program, supporting technical and financial assistance and investment in minority-owned businesses.

**Minority Entrepreneurship:** The budget includes level funding of \$140,000 in funding for a minority urban business incubator. For FY2023, these funds would go to the non-profit Urban Ventures program.

**Rebuild RI Tax Credit:** The budget calls for increasing the total cap on this multi-year program from \$210M to \$225M, as well as for providing \$13.5M in general revenue to fund commitments already made. According to information provided by the Commerce Corporation to the November 2021 Revenue Estimating Conference, \$195.2M in tax credits and sales tax reimbursements had been authorized and \$40.3M distributed as of mid-October 2021. According to the House Fiscal Office, the General Assembly has so far allocated \$134.7M towards fulfilling these commitments.

**Wavemaker Fellowship:** The budget proposes expanding this program originally designed to offset student loans with tax credits for full-time Rhode Island workers in STEM (Science, Technology, Engineering, and Mathematics). A new category of eligible workers, those employed as a “high-demand healthcare practitioner” (to be defined by Commerce Corporation regulations) would become eligible for the credits. Instead of just adding this category, the program is being divided into two funds, one for healthcare and one for the STEM fields (“life, natural or environmental sciences; computer, information or software technology; advanced mathematics or finance; engineering; industrial design or other commercially related design field; or medicine or medical device technology”). The proposed \$2.4M in funding would provide \$800,000 for healthcare workers while level funding at \$1.6M support for STEM workers.

**Sunsetting of Programs:** The budget calls for extending the sunset dates – from December 31, 2022, to December 31, 2023 – of 13 economic development programs coordinated and managed by the Rhode Island Commerce Corporation. The programs proposed to be extended include the Rebuild RI Tax Credit, the Wavemaker Fellowship, Tax Increment Financing, and the I-195 Redevelopment Project Fund. The purpose of sunset dates is to encourage the General Assembly to review programs for their effectiveness in spurring economic activity and opportunity and to close those not achieving their stated purposes.

**Small Business Development Loan Fund Small Business Development Loan Fund:** The budget seeks to modify this tax incentive program by revising the application criteria to make eligible community-based financial institutions, including Rhode Island companies, whereas the original legislation limited entrance to a few large companies with specific federal certification. The budget would also allow the program’s tax credits to have broader applications and to be sold or transferred.

## BROADBAND

**Last-Mile Broadband:** In an effort to extend broadband to underserved communities and the sizable minority of Rhode Islanders who do not yet have such access to high-speed and reliable internet service, the FY2023 budget recommends using \$15.4M for FY2023 (\$25.0M overall for FY2023-FY2025) from State Fiscal Recovery Capital Projects funds. These funds will, in part, provide a state match to secure \$100.0M in additional federal funds from the Infrastructure Investment and Jobs Act. To fund a needs assessment, statewide mapping, and a coordinator position, the FY2022 supplemental

budget enacted in January 2022 committed \$500K from SFRF for broadband infrastructure planning work.

## REVENUE & TAXATION CHANGES

The proposed FY2023 budget calls for a number of targeted revenue cuts, with only one major proposal to raise revenue along with a few smaller fee changes. The legalization of cannabis for adult recreational use (see below) would create only \$128K in revenue after start-up implementation and regulatory costs.

**Hospital License Fee:** The General Assembly needs to authorize this fee each year. The proposed budget estimates that the fee would raise \$170.6M additional revenue that will be taken into account as the FY2023 budget is negotiated.

**Military Service Pensions:** This proposal would take effect in Tax Year 2023 and be phased in over five years, exempting a portion of military service pensions from state taxation, although still liable to federal taxation. The first year would exempt 20% of a pension, with an additional 20% covered each year. If enacted, this measure would result in a revenue decrease of \$736K for FY2023 and an estimated \$5.8M per year once fully in place.

**Corporate Minimum Income Tax:** The budget proposes reducing by \$25 per year, from \$400 to \$375, the minimum corporate taxes paid by all businesses. The amount was reduced from \$500 to \$450 in Tax Year 2016 and from \$450 to \$400 in Tax Year 2017. The new amount would take effect in Tax Year 2023 and reduce state revenues by an estimated \$812K in FY2023 and \$1.6M in FY2024.

**Interest Penalty on Delinquent Payment of Taxes:** The Governor proposes lowering from 18 percent to 12 percent the minimum interest rate applied to almost all delinquent tax payments. Beginning with Tax Year 2023, this change would result in an estimated \$2.5M decrease in general revenue for FY2023 and \$6.4M in FY2024. Although presented by the administration as targeted to businesses, this proposal would include all delinquent tax payments with the sole exception of delinquent payments for trust fund taxes owed.

**Motorcycle Sales Tax:** The budget would make motorcycles that are traded in (when purchasing another motorcycle) exempt from the sales tax on the trade-in value, at an estimated revenue decrease of \$145K for FY2023. Under current law, the trade-in value of cars is exempt.

**Department of Environmental Management Fee Increases:** Through a set of 13 changes to air, ground, and water quality fees, all to be set through regulation rather than statute, the budget anticipates an estimated \$574K in additional revenue.

## CANNABIS LEGALIZATION

The budget includes a proposal to legalize cannabis and its sale for adult recreational use:

**Regulation:** Regulation would be placed with the existing Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR). OCR currently regulates medical cannabis products and sales.

**Taxation:** A retail excise tax of 10% would be instituted on top of the regular 7% state sales tax. An additional weight-based tax would be set on the cultivation of cannabis (\$10 per dried ounce of flower, \$3 per dried ounce of trim).

**Revenue:** Although revenue is estimated to reach \$16.9M in FY2024, sales are not expected to start until close to the end of FY2023, bringing in \$1.2M in revenue for FY2023; because most of the revenue will be directed to the costs of start-up, regulation, and expungement of criminal records, there will be only \$128K in net additional revenue. Revenue distribution will include 15% of revenue being provided to local governments.

**Equity:** The budget proposal addresses some equity concerns, most notably calling for automatic expungement of criminal records for offenses that will no longer be criminal. This means the burden and cost of expungement will be upon the state and not require those affected to file for expungement or pay for this. In addition, the proposal would require that at least 20% and a minimum of 5 of the first set of new retail licenses be awarded to minority-owned businesses. See **Appendix II** for details about these and other equity issues.

## REVENUE SHARING WITH CITIES AND TOWNS

**PILOT:** The budget recommends funding the Payment in Lieu of Taxes (PILOT) program with \$46.1M, the same amount as in the enacted FY2022 budget. The PILOT monies are state funds used to compensate local governments for property taxes they cannot collect from such institutions such as hospitals and colleges due to their tax-exempt status.

**Aid to Distressed Communities:** The budget would provide \$12.4M in aid, maintaining the current allocation.

**Car Tax Phase-Out:** The Governor's FY2023 budget proposes no change to the phasing out of the car tax, spending \$166.6M from general revenue to reimburse local governments for lost revenue. FY2023 will be the sixth and last year of the scheduled phase-out. Beginning with FY2024, the state will need to reimburse the local governments in excess of \$225M annually.

**Tangible Property Tax Exemptions:** The Governor proposes allowing greater flexibility on the part of municipalities to create exemptions to tangible property taxes assessed on businesses for the property and equipment they already own and use. Exemptions must be applied uniformly and be consistent with other local tax rules. Although this proposal does not require any revenue sharing at this time, a significant reduction in local tax collections could result in calls for the state to reimburse local governments for the lost revenue.

## BONDS

The Governor proposes putting to a vote, in the November 2022 elections, the issuance of three general obligation bonds (or other types of bonds or notes) to fund a number of environmental and recreational "Green Economy" projects (\$38 million), as well as work to repair and construct buildings for K-12 (\$250 million) and for higher education (\$62 million).

## RESOURCES/FURTHER READING

This budget summary is based upon the budget and other documents providing helpful information:

House Bill 7123 (the legislative text of the FY2023 Budget Proposal, including all of its articles): <http://webserver.rilegislature.gov/billtext22/housetext22/h7123.pdf>

House Bill 7122 (the legislative text of the FY2022 Supplemental Budget Proposal, including all of its articles): <http://webserver.rilegislature.gov/billtext22/housetext22/h7122.pdf>

Executive Summary, Fiscal Year 2023 Budget Proposal:

[http://www.omb.ri.gov/documents/Prior%20Year%20Budgets/Operating%20Budget%202023/ExecutiveSummary/0\\_Complete%20FY%202023%20Executive%20Summary.pdf](http://www.omb.ri.gov/documents/Prior%20Year%20Budgets/Operating%20Budget%202023/ExecutiveSummary/0_Complete%20FY%202023%20Executive%20Summary.pdf)

House Fiscal Advisory Staff's Governor's FY 2023 Budget at Second Glance (January 27, 2022): <https://www.rilegislature.gov/housefiscalreport/2020/Governor's%20FY%202023%20Budget%20at%20Second%20Glance.pdf>

Senate Fiscal Office's Governor's FY2023 and FY2022 Supplemental Budgets, 2022-H-7123 AND 2022-H7122, First Look (January 24, 2022): <https://www.rilegislature.gov/sfiscal/Budget%20Analyses/FY2023%20SFO%20Governor%27s%20Budget%20-%20First%20Look.pdf>

## ENDNOTES

1 When the FY2022 budget was enacted in early July of 2021, it already took into consideration a known surplus of \$281.4 million. Due to increased revenue collected by the state above this amount, along with a major adjustment due to FEMA expenditures and reimbursement, the adjusted opening surplus for FY2022 has been revised to \$618.4 million. The revisions in the proposed FY2022 supplemental budget leave \$135.5 million left over as an opening surplus for the proposed FY2023 budget.

## Appendix I: Proposed ARPA SFRF Spending

The Economic Progress Institute has detailed elsewhere the flow of approximately \$2.5 billion in American Relief Plan Act funds received by Rhode Island (<http://www.economicprogressri.org/wp-content/uploads/2021/08/ARP-Flow-Chart-FINAL.pdf>). Some of these funds go directly to local governments or flow through the state to various agencies (with targeted uses). When people speak of \$1.13 billion in ARPA funds, they are referring to that portion designated as State Fiscal Recovery Funds (SFRFs) and subject to allocation as part of the state budget process. These funds must be allocated by December 31, 2024 and spent by December 31, 2026, the midpoint of FY2027. It is this pool of money that the Governor is proposing to spend between FY2022 and FY2027, although the current budget proposals do not actually include spending for FY2024 and later. Table A1 shows how the Governor proposes spending the \$1.13 billion in SFRF.

Table A1: Proposed Overall Spending of ARPA State Fiscal Recovery Funds by Fiscal Year	
Fiscal Year (July through June)	Proposed Amount
FY2022	\$178.4 million
FY2023	\$430.9 million
FY2024	\$278.6 million
FY2025	\$167.7 million
FY2026	\$43.1 million
FY2027	\$15.3 million
<b>Total</b>	<b>\$1.13 billion</b>

Table A2 shows the APRA SFRF allocations approved and enacted in January 2022 and the additional APRA SFRF allocations proposed in the revised FY2022 budget.

Table A2: Proposed ARPA SFRF Spending in FY2022		
Program	FY2022 Spending Enacted in January 2022 Supplemental Budget Bill	FY2022 Spending Proposed in Governor's Revised FY2022 Budget Bill
Affordable Housing Development (Commerce)	\$15.0 million	
Homelessness Assistance (Commerce)	\$1.5 million	
Site Acquisition	\$12.0 million	
Office of Housing and Community Development (Commerce)	\$0.5 million	
Small Business Financial/Technical Assistance (Commerce)	\$32.0 million	
Hospitality/Event/Tourism Assistance (Commerce)	\$13.0 million	
Broadband Planning/Mapping (Commerce)	\$0.5 million	
Pediatric Primary Care (EOHHS)	\$7.5 million	
Early Intervention (EOHHS)	\$5.5 million	
Stabilization of Direct Care Staff (DCYF)	\$12.5 million	
Child Care Support (DHS)	\$19.0 million	
Ongoing COVID Pandemic Response (Dept. of Admin.)		\$50.0 million
Convention Center Assistance (Dept. of Admin.)		\$8.4 million
Auto-Enrollment for Qualified Health Plans (Dept. of Admin.)		\$0.5 million
RI Bridges Eligibility Extension Functionality (DHS & EOHHS)		\$0.5 million
<b>Total</b>	<b>\$119.0 million</b>	<b>\$59.4 million</b>

Table A3 shows the proposed ARPA spending for 2023 and overall for several proposals highlighted in this summary.

Table A3: Proposed ARPA SFRF Spending on Specific Programs		
Program	Proposed FY2023 Spending	Proposed Total Spending FY2022 - FY2027
Higher Education Academies	\$6.5 million	\$22.5 million
Minority Business Accelerator	\$1.5 million	\$10.0 million

The FY2023 budget would make use of \$81.5M in ARPA relief funds as part of \$250M in spending on housing from FY2022 through FY2027, as detailed in Table A4.

Table A4: Proposed ARPA SFRF Spending on Housing		
Program	Proposed FY2023 Spending	Proposed Total Spending FY2022 - FY2027*
for RI Housing to <b>develop affordable housing</b> units	\$20.0 million	\$90.0 million
to help eligible first-time home buyers with up to \$17,500 for making <b>down payments</b>	\$15.0 million	\$50.0 million
for RI Housing to undertake <b>community revitalization</b> by repairing homes and acquiring and redeveloping blighted properties	\$15.0 million	\$25.0 million
for increasing the housing supply for families earning up to 20% above the area median income level; such housing is often called <b>workforce housing</b> rather than affordable housing	\$12.0 million	\$20.0 million
to provide housing stability services for people making a transition from homelessness or prison to housing	\$7.0 million	\$21.5 million
for funding <b>homelessness infrastructure</b> , including acquiring or building permanent or temporary shelters or other options and providing wrap-around services for people making use of such shelters or other housing so that people avoid returning to homelessness	\$5.0 million	\$5.0 million
for RI Housing to acquire properties ( <b>site acquisition</b> ) to redevelop into affordable housing	\$3.0 million	\$25.0 million
for an <b>Affordable Housing Predevelopment Program</b> to fund an increase in the capacity of housing developers to expand affordable housing production	\$2.5 million	\$10.0 million
to underwrite a comprehensive <b>Statewide Housing Plan</b> , including a needs assessment.	\$2.0 million	\$2.0 million
for <b>OHCD Predevelopment and Capacity Building</b> to fund staffing for the administration of affordable housing projects; these funds appear to support increased staffing at the Office of Housing and Community Development	\$0.5 million	\$1.5 million
<b>Total</b>	<b>\$81.5 million</b>	<b>\$250.0 million</b>
<b>This includes funds appropriated in the Supplemental FY2022 Budget adopted in January 2022. See Table A2.</b>		

## Appendix II: Equity Dimensions of the Proposal to Legalize Cannabis for Adult Recreational Use

The Economic Progress Institute (<http://www.economicprogressri.org/wp-content/uploads/2021/07/EPI-Cannabis-Legalization-in-RI-July-2021.pdf>) and other organizations and individuals have raised concerns about equity in the legalization of cannabis, and the budget proposal does address some of these concerns:

- Significantly, the proposal calls for **automatic expungement of criminal records** for offenses that will no longer be criminal. This means the burden and cost of expungement will be upon the state and not require those affected to file for expungement or pay for this.
- However, the proposal prohibits recreational use both indoors in public housing and outdoors, making it **difficult for residents of public housing** to engage in what will otherwise be a perfectly legal activity.
- The proposal also **leaves employers with the authority to fire employees** who engage in this legal activity outside of work.
- The proposal would create the **Governor’s Cannabis Reinvestment Task Force**, the responsibilities of which are described in the budget legislation as follows: “[to] present recommendations to the office of cannabis regulation and the office of management and budget specifically relating to the long-term reinvestment of adult use cannabis revenues in existing or new programs or initiatives which shall include, but not be limited to: job training, small business access to capital, affordable housing, health equity, and neighborhood and community development.” In addition, the Task Force’s recommendations “shall contemplate an overall proportion of cannabis revenues to be reinvested in these targeted areas, and shall be made with a specific focus on racial equity, worker and family economic empowerment, the disproportionate impact of cannabis-related law enforcement policies and procedures, and structural barriers to participation in Rhode Island’s cannabis industry.”
- The proposal would require that **at least 20% and a minimum of 5 of the first set of new retail licenses be awarded to minority-owned businesses**.
- The proposal does require a **disparity study**, to be completed by January 1, 2024, to consider whether minority-owned businesses have had access to the new market.