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MEMORANDUM

To: The Honorable Ryan W. Pearson, Chairman, Senate Committee on Finance
From: Brian M. Daniels, Director, Office of Management & Budget
Date: April 21, 2022
Subject: Senate Finance Hearing Follow-up

Thank you for the opportunity to appear before and offer testimony to the Senate Committee on Finance regarding the Governor's FY 2023 budget request. This memo addresses questions raised at hearings about the expected ongoing costs of federally funded projects.

State Fiscal Recovery Fund – Ongoing Costs

Which projects proposed for support from the State Fiscal Recovery Fund are expected to have ongoing costs or obligations beyond the expiration of the federal funds?

When developing the FY 2023 budget proposal, Governor McKee sought to maximize the use of federal State Fiscal Recovery Funds (SFRF) to make investments in our state's economy and increase the income and standard of living for all Rhode Islanders. The proposed SFRF projects in Governor McKee's budget support the goals and objectives established in the Rhode Island 2030 plan (<https://www.ri2030.com/>) – the result of numerous community conversations intended to shape the future of the state.

Also, recognizing that one-time federal funds should be used for one-time expenditures, Governor McKee wanted to ensure that SFRF proposals had minimal to no ongoing costs beyond the expiration of federal funds. While policymakers may choose to extend investments in future years, the Governor's proposed projects are envisioned as one-time investments.

Attached is a spreadsheet summarizing each SFRF project according to its expected outyear fiscal impact. For consistency, we categorized all projects into four groups in the "Ongoing Obligations" column, as follows:

- **No** – These projects are envisioned as standalone, one-time investments. If any ongoing costs result from these initiatives, they will not create new budget obligations (e.g., maintenance on a new IT system would be no more than maintenance on the system it replaced).
- **No / Discretionary** – These projects do not result in any direct outyear budget increases. However, policymakers may choose to continue funding the program through general revenues or other sources (e.g., additional investments in affordable housing).

- **Yes** – These projects will likely involve new operating or personnel costs (e.g., newly authorized personnel, operating costs of a new facility, etc.). However, ongoing costs are often substantially lower than the initial investment amounts (e.g., ongoing annual maintenance costs for an IT system or new facility will be lower than the procurement amount).
- **Yes / Discretionary** – These projects will have some ongoing operating costs as described above, and policymakers may decide to maintain some level of support for the underlying investment (e.g., expanding a pilot program if it proves successful).

Finally, when reviewing the project funding spreadsheet, please keep in mind the following –

- Funding for all SFRF projects must be obligated by December 31, 2024, and all funds must be expended by December 31, 2026.
- The U.S. Department of Treasury requires many projects to comply with strict eligibility criteria, though a portion of the state’s SFRF allows greater eligibility under the “Revenue Replacement” category. For that reason, any changes to project amounts or scope and any new projects should be discussed with the Rhode Island Pandemic Recovery Office.
- Project amounts are allocated across multiple fiscal years. However, expenditures may not necessarily occur in the year they are budgeted, so the Governor’s budget requests reappropriations authority to carry forward any unspent project funds into the following year.
- Ongoing costs (for “Yes” and “Yes / Discretionary” projects) are expected to occur after all federal funds for a project are expended. As noted, project completion may be later than the last budgeted year.

If committee members have questions about specific projects, please feel free to reach out to me and my staff. Thank you for your consideration of these requests.

Project	Planned Project Expenditure Schedule							Ongoing Obligations*	Notes
	FY22	FY23	FY24	FY25	FY26	FY27	SFRF Total		
9-8-8 Mental Health Hotline	\$-	\$1,875,000	\$-	\$-	\$-	\$-	\$1,875,000	Yes	9-8-8 is a federal mandate and will require operational funding. BHDDH is exploring non-general revenue sources for ongoing support.
Affordable Housing Predevelopment Program	\$-	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$-	\$10,000,000	No / Discretionary	
Aid to the Convention Center	\$8,370,000	\$17,700,000	\$13,425,000	\$5,540,000	\$2,000,000	\$-	\$47,035,000	No	Capital investments are expected to address deferred maintenance concerns and will likely reduce maintenance costs over time.
Aid to Tourism, Hospitality, and Events Industries	\$13,000,000	\$15,500,000	\$-	\$-	\$-	\$-	\$28,500,000	No	
Auto-Enrollment Program HSRI	\$502,526	\$339,079	\$-	\$-	\$-	\$-	\$841,605	No	
Bioscience Investments	\$-	\$5,000,000	\$15,000,000	\$9,000,000	\$1,000,000	\$-	\$30,000,000	No / Discretionary	These are primarily one-time investments. Project sustainability would be evaluated as part of the selection process.
Blockchain Digital Identity	\$-	\$1,500,000	\$1,000,000	\$-	\$-	\$-	\$2,500,000	Yes / Discretionary	The blockchain digital identity application would incur an annual Maintain, Operate, and Enhance (MOE) cost. The recurring fiscal impact of cost savings will also be realized. Examples include the reduction of paperwork processing and the efficiencies from a centralized, secure, verified source of citizen and business information that can be shared across all agencies. Policymakers may decide to expand the program to additional areas of government.
Blue Economy Investments	\$-	\$10,000,000	\$40,000,000	\$20,000,000	\$-	\$-	\$70,000,000	No / Discretionary	These are primarily one-time investments. Project sustainability would be evaluated as part of the selection process.
Certified Community Behavioral Health Clinics	\$-	\$28,100,000	\$-	\$-	\$-	\$-	\$28,100,000	No / Discretionary	This one-time support will assist behavioral health providers to support start-up costs associated with the implementation of the CCBHC care model. The funding will be authorized for use on initial costs only. Providers may request rate increases to support services in future years.
Child Care Investment: Enhanced TEACH Program	\$-	\$1,333,000	\$667,000	\$-	\$-	\$-	\$2,000,000	No	
Child Care Investment: Increasing Supply of Family Providers	\$300,000	\$300,000	\$-	\$-	\$-	\$-	\$600,000	No	
Child Care Investment: Retention Bonuses	\$18,700,000	\$18,700,000	\$-	\$-	\$-	\$-	\$37,400,000	No / Discretionary	This temporary measure is aimed at incentivizing individuals to fill these jobs and stay in them. Providers may request rate increases to support services in future years.
Child Care Investment: Workforce Registry and Quality Improvements	\$-	\$950,000	\$550,000	\$500,000	\$-	\$-	\$2,000,000	Yes (Workforce Registry) No (Quality Improvements)	Maintenance costs are anticipated for the workforce registry, which will be incorporated into DHS's IT budget from general revenue or other sources.
Community Revitalization	\$-	\$15,000,000	\$10,000,000	\$-	\$-	\$-	\$25,000,000	No / Discretionary	
COVID-19 Ongoing Response	\$50,000,000	\$75,000,000	\$25,052,439	\$-	\$-	\$-	\$150,052,439	No	
Crisis Intervention Trainings	\$-	\$550,000	\$550,000	\$550,000	\$550,000	\$-	\$2,200,000	No / Discretionary	Best practices indicate that 25% of officers from each police department are trained as crisis intervention traing (CIT) Officers. Once each department hits the 25% benchmark, it is expected that CIT will shift to a continuing education model. Refresher courses and special subject trainings would be provided. Full CIT academies could still be offered, but it is anticipated there would be decreased demand and a need for no more than four training academies annually.
DCYF Provider Workforce Stabilization	\$12,500,000	\$-	\$-	\$-	\$-	\$-	\$12,500,000	No / Discretionary	This temporary measure is aimed at incentivizing individuals to fill these jobs and stay in them. Providers may request rate increases to support services in future years.
Development of Affordable Housing	\$15,000,000	\$20,000,000	\$30,000,000	\$25,000,000	\$-	\$-	\$90,000,000	No / Discretionary	
Down Payment Assistance	\$-	\$15,000,000	\$20,000,000	\$15,000,000	\$-	\$-	\$50,000,000	No / Discretionary	
Early Intervention Recovery	\$5,500,000	\$5,500,000	\$-	\$-	\$-	\$-	\$11,000,000	No / Discretionary	This one-time infusion of funding supports access to needed services for children. Providers may request rate increases to support services in future years.
Eligibility Extension Compliance (DHS)	\$527,915	\$36,182	\$-	\$-	\$-	\$-	\$564,097	No	One-time costs associated with the extension of Medicaid eligibility under the Public Health Emergency
Eligibility Extension Compliance (EOHHS)	\$10,094	\$56,722	\$-	\$-	\$-	\$-	\$66,816	No	One-time costs associated with the extension of Medicaid eligibility under the Public Health Emergency
Eligibility Extension Compliance (HSRI)	\$92,176	\$125,618	\$-	\$-	\$-	\$-	\$217,794	No	One-time costs associated with the extension of Medicaid eligibility under the Public Health Emergency
Emergency Staffing ESH	\$-	\$194,557	\$-	\$-	\$-	\$-	\$194,557	No	
Emergency Staffing ESH State Psychiatric Hospital	\$-	\$92,168	\$-	\$-	\$-	\$-	\$92,168	No	
Emergency Staffing ESH Zambrano	\$-	\$167,775	\$-	\$-	\$-	\$-	\$167,775	No	
Emergency Staffing RIVH	\$-	\$95,500	\$-	\$-	\$-	\$-	\$95,500	No	

Project	Planned Project Expenditure Schedule							Ongoing Obligations*	Notes
	FY22	FY23	FY24	FY25	FY26	FY27	SFRF Total		
Enhanced Real Jobs	\$-	\$10,000,000	\$15,000,000	\$15,000,000	\$-	\$-	\$40,000,000	No / Discretionary	
ERP	\$-	\$2,200,000	\$-	\$-	\$-	\$-	\$2,200,000	No	Other funding has been appropriated for this project and additional resources are being explored. Once implemented, state resources will support the new system. DOA also expects to realize savings from implementation.
Galilee Port Rehabilitation	\$-	\$6,000,000	\$4,000,000	\$10,000,000	\$16,000,000	\$10,000,000	\$46,000,000	No	
Higher Education Academies OPC	\$-	\$6,504,000	\$4,500,000	\$4,500,000	\$4,500,000	\$2,496,000	\$22,500,000	No / Discretionary	
Homelessness Infrastructure	\$-	\$5,000,000	\$-	\$-	\$-	\$-	\$5,000,000	Yes / Discretionary	Some ongoing operating costs may be required for expanded shelter capacity.
Housing Stability	\$1,500,000	\$7,000,000	\$7,000,000	\$6,000,000	\$-	\$-	\$21,500,000	Yes / Discretionary	If the service supports are proven successful, this initiative would require ongoing funding. Existing funding sources, such as the Housing Production Fund, could be leveraged, but additional funding sources may need to be identified. Ongoing support of programs would likely be sought from the Consolidated Homeless Fund.
Lead Abatement & Fire Safety Upgrades in Foster Homes	\$-	\$1,500,000	\$375,000	\$-	\$-	\$-	\$1,875,000	No / Discretionary	
Main Streets Revitalization	\$-	\$5,000,000	\$-	\$-	\$-	\$-	\$5,000,000	No / Discretionary	
Mental Health Court Pilot Program	\$-	\$1,390,934	\$1,378,760	\$1,447,696	\$-	\$-	\$4,217,390	Yes / Discretionary	The creation of new staffing positions may require general revenue in future years.
Minority Business Accelerator	\$-	\$1,500,000	\$6,000,000	\$2,500,000	\$-	\$-	\$10,000,000	No / Discretionary	
Municipal Learning Centers	\$-	\$5,000,000	\$5,000,000	\$5,000,000	\$-	\$-	\$15,000,000	Yes / Discretionary	After the SFRF funding ends in FY 2025, there will be ongoing operating expenses, which may be borne in part or whole by municipal partners.
Nonprofit Assistance/Food Insecurity	\$-	\$10,000,000	\$-	\$-	\$-	\$-	\$10,000,000	No / Discretionary	
OER Electric Heat Pumps	\$-	\$4,900,500	\$10,233,000	\$10,665,000	\$8,377,000	\$2,824,500	\$37,000,000	No / Discretionary	
OHCD Capacity and Support	\$500,000	\$500,000	\$500,000	\$-	\$-	\$-	\$1,500,000	Yes	The creation of new staffing positions will likely require general revenue in future years unless positions are eliminated.
OHIC Health Spending Accountability and Transparency Program	\$-	\$500,000	\$-	\$-	\$-	\$-	\$500,000	No / Discretionary	If the project is successful, additional revenue would be needed to continue operations. OHIC is exploring non-general revenue sources to support the efforts.
Pediatric Health Care Recovery	\$7,500,000	\$7,500,000	\$-	\$-	\$-	\$-	\$15,000,000	No / Discretionary	This is a one-time infusion of funding to support access to needed services for children. Providers may request rate increases to support services in future years.
DEM Permit and Licensing IT Investments	\$-	\$2,825,000	\$2,000,000	\$500,000	\$500,000	\$-	\$5,825,000	Yes	There is an expected recurring fiscal impact as these systems will have ongoing costs. Current systems also have ongoing costs associated with them.
Port of Davisville	\$-	\$6,000,000	\$19,360,000	\$27,000,000	\$7,640,000	\$-	\$60,000,000	No	While the construction of the new Terminal 5 Pier will require maintenance and a minor increase in operational costs, it is anticipated that these operations and maintenance costs will be fully recovered through fees collected from private entities through usage of these assets.
Psychiatric Residential Treatment Facility	\$-	\$6,000,000	\$-	\$-	\$-	\$-	\$6,000,000	Yes	Additional funds will likely be required if the project scope expands beyond the budget proposal. Future operating costs may be partially offset with savings from reduced out-of-state placements.
Radio System	\$-	\$2,700,000	\$-	\$-	\$-	\$-	\$2,700,000	Yes	Any annual appropriations are incurred through a service contract through a vendor. A warranty will be included to offset any further financial burden under the agreement.
RIBridges Mobile Access and Childcare Tracking	\$-	\$2,400,000	\$2,400,000	\$1,900,000	\$-	\$-	\$6,700,000	No	Once the mobile application and child care attendance enhancements are delivered, maintenance would be covered under the standard M&O rules of the contract with the vendor.
RIPTA - Pawtucket/Central Falls Bus Hub Passenger Facility	\$-	\$4,000,000	\$1,000,000	\$-	\$-	\$-	\$5,000,000	Yes	Ongoing maintenance costs, which may be incorporated into the larger facility operating costs.
SBA Loan Interest Subsidy	\$-	\$20,000,000	\$-	\$-	\$-	\$-	\$20,000,000	No	
Site Acquisition	\$12,000,000	\$3,000,000	\$5,000,000	\$5,000,000	\$-	\$-	\$25,000,000	No / Discretionary	
Small Business Financial and Technical Assistance	\$32,000,000	\$13,000,000	\$-	\$-	\$-	\$-	\$45,000,000	No	
South Quay Marine Terminal	\$-	\$12,000,000	\$23,000,000	\$-	\$-	\$-	\$35,000,000	No / Discretionary	This proposal is envisioned as a multi-phase project, with the opportunity for future expansions.
Statewide Broadband Planning and Mapping	\$500,000	\$-	\$-	\$-	\$-	\$-	\$500,000	No	
Statewide Housing Plan	\$-	\$2,000,000	0	\$-	\$-	\$-	\$2,000,000	No	
Support for Survivors of Domestic Violence	\$-	\$1,000,000	\$3,500,000	\$-	\$-	\$-	\$4,500,000	No / Discretionary	
Tax Modernization/STAARS Cloud Migration and Other IT	\$-	\$750,000	\$1,500,000	\$-	\$-	\$-	\$2,250,000	No	While migration to the cloud will incur ongoing maintenance, the cost of maintaining and replacing physical servers will offset the additional costs. The cost of maintaining and supporting these initiatives is anticipated to be covered by ongoing planned maintenance and support budget allocations for the current mail and IT support expenses.
Unemployment Insurance Trust Fund Contribution	\$-	\$30,000,000	\$-	\$-	\$-	\$-	\$30,000,000	No	
Wi-Fi and Tech at the ACI	\$-	\$3,100,000	\$100,000	\$50,000	\$50,000	\$25,000	\$3,325,000	Yes	Monthly billing and maintenance costs.

<i>Project</i>	<i>Planned Project Expenditure Schedule</i>							<i>Ongoing Obligations*</i>	<i>Notes</i>
	<i>FY22</i>	<i>FY23</i>	<i>FY24</i>	<i>FY25</i>	<i>FY26</i>	<i>FY27</i>	<i>SFRF Total</i>		
Workforce Housing	\$-	\$12,000,000	\$8,000,000	\$-	\$-	\$-	\$20,000,000	No / Discretionary	
Administrative		\$16,965,916					\$16,965,916	No	The Pandemic Recovery Office is a temporary program that will sunset in FY 2027. Any remaining staff would be absorbed into other positions in government.
<i>* Ongoing Obligation Categories</i>									
No – These projects are envisioned as standalone, one-time investments. If any ongoing costs result from these initiatives, they would not create new budget obligations (e.g., maintenance on a new IT system would be no more than maintenance on the system it replaced).									
No / Discretionary – These projects do not result in any direct outyear budget increases. However, policymakers may choose to continue funding the program through general revenues or other sources (e.g., additional investments in affordable housing).									
Yes – These projects will likely involve new operating or personnel costs (e.g., newly authorized personnel, operating costs of a new facility, etc.). However, ongoing costs are often substantially lower than the initial investment amounts (e.g., ongoing annual maintenance costs for an IT system or new facility will be lower than the procurement amount).									
Yes / Discretionary – These projects will have some ongoing operating costs as described above, and policymakers may decide to maintain some level of support for the underlying investment (e.g., expanding a pilot program if it proves successful).									