



STATE OF RHODE ISLAND  
**OFFICE OF GOVERNOR DANIEL J. MCKEE**

August 30, 2021

The Honorable Janet Yellen  
Secretary, U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Yellen:

As Rhode Island recovers from a once-in-a-century public health crisis and embarks on an effort to rebuild our economy, we have an unprecedented opportunity to strategically invest \$1.13 billion in 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. The State reported a 7.2 percent increase in real GDP in the first quarter of 2021, exceeding the growth rates of the United States and the New England region. Rhode Island has also 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. As of August 30, Rhode Island ranked 8<sup>th</sup> in the nation and 1<sup>st</sup> in the region.

To ensure Rhode Island maintains its strong economic momentum and is equipped to respond to the Delta variant, we must put our State Fiscal Recovery Funds to work. Our plan to put these funds to work must reflect the input and needs of Rhode Islanders from every corner of the state and every background.

In recent months, my Administration has been holding a series of community conversations in which Rhode Island community leaders, stakeholders, and advocates have laid out what they think we should do to ensure immediate recovery and long-term growth. We have engaged members of the General Assembly in these sessions and will continue working in partnership with legislative leaders to advance our efforts. It's important that we begin making investments soon – in order to safeguard our recovery – and make them within a smart framework that ensures a prosperous and equitable future.

I am confident that by working together to invest the funds, 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



State of Rhode Island  
**Recovery Plan**

**State Fiscal Recovery Fund**  
August 2021 Report

**State of Rhode Island**  
**Recovery Plan – August 2021**

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## General Overview

This report is submitted by the State of Rhode Island pursuant to Section 602(d)(2) of the American Rescue Plan Act of 2021 (“the Act”). It is intended to provide the U.S. Department of the Treasury (“Treasury”) and Rhode Islanders with an explanation of the State’s planning activities with respect to the use of the \$1.13 billion in State fiscal recovery funds allocated to Rhode Island under this Act.

## Executive Summary

Through a collaborative and deliberate process, the State is working to ensure that funds will be used equitably, and for the highest and best purposes. The State has not finalized its plan to allocate the State Fiscal Recovery Fund balance. The State will update this plan in fall 2021 as required by Treasury guidance to provide project details and the allocation of funds by eligible use category.

While planning for the effective use of fiscal recovery funds, the State is engaged in ongoing efforts to address the immediate public health crisis and provide critical assistance to Rhode Island households and businesses. These activities are financed through the additional funds received by Rhode Island under the Act and previous federal stimulus bills. Examples of funding being used to address immediate needs are provided below:

### Public Health

The Act provided \$31 million for testing and activities to mitigate the spread of COVID-19 in K-12 schools and \$32 million for vaccination efforts. These funds are being used in conjunction with Federal Emergency Management Administration funding and grants from prior stimulus bills to continue the important public health efforts, including vaccination, testing, case investigation/contact tracing, and community mitigation.

### Housing

The Act provided \$152 million in emergency rental assistance to eligible Rhode Islanders who have fallen behind on their rent and/or utility payments and are at risk of homelessness or utility shutoff. This is in addition to \$200 million provided by previous federal stimulus packages. Additionally, \$50 million has been provided to assist eligible homeowners avoid pandemic-related foreclosures and utility shutoffs.

### Child Care

More than \$90 million in funding under the Act has been provided to bolster the critical child care sector. The State is using \$36 million in flexible Child Care Development Block Grant funds to support families,

essential workers in child care and licensed child care providers, especially in publicly funded child care programs. The State is also providing \$57 million of Child Care Stabilization Funds to help child care providers cover unexpected business costs associated with the pandemic and to help stabilize their operations so they may continue to provide care. This is in addition to funding already provided to child care providers under previous federal stimulus bills.

### Education

Approximately \$415 million in Elementary and Secondary School Emergency Relief (ESSER) was obligated to Rhode Island to provide local educational agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools. Rhode Island will use the funding to help safely reopen and sustain the safe operation of schools and address the impact of the pandemic on students. This is in addition to the more than \$200 million from previous federal stimulus bills.

### **Introduction**

The COVID-19 pandemic has revealed significant challenges facing many Rhode Islanders, including a lack of affordable housing, barriers to health care and economic vulnerabilities. The pandemic has also brought renewed focus to racial and socioeconomic inequities that have impacted our communities. The State is committed to finding solutions to ensure a more equitable and prosperous future for those who have been historically underserved.

The State is navigating this crisis knowing that the well-being of Rhode Islanders, families, businesses, and communities depends on the quality and characteristics of every transaction and every interaction, no matter how big or small. Looking to the future, the State recognizes that making sustainable investments is the cornerstone of a long-term recovery that results in an economy that works for everyone.

The Governor has listened to, and continues to work with community partners, industry experts, residents, municipal leaders, state departments and agencies, and the state Legislature. The approach being pursued by Rhode Island policy makers reflects a firm commitment to making choices based on the best available data, evaluating that data within a framework that emphasizes the needs of all Rhode Islanders, and protecting the public's interest in ensuring the use of funds achieves the most sustainable benefit possible.

### **Process**

Immediately following passage of the Act, the State began to engage various state agencies, industry experts, municipal leaders and community partners to gather feedback for the best uses of the State Fiscal

Recovery Funds. All potential projects are being vetted to ensure they comply with the detailed guidance regarding the permitted use of these funds that was released by Treasury between May and July 2021. Special consideration is being given to projects that demonstrate evidence of timely implementation and execution, the ability to generate benefits within one year (whether through increased access to services, realization of cost savings, job creation, enhanced service delivery, etc.), transformational capacity, sustainable growth, and equitable outcomes. For a more detailed explanation of the framework for decision making to ensure that the use of funds is permitted by Treasury guidance, please see the below section.

### A Framework for Decisions

The following table captures and summarizes some of the major questions policy makers are addressing as they consider how to use the resources provided under the Act.

## State Fiscal Recovery Fund Project Evaluation Matrix

	Eligibility	Administration / Tracking	Effectiveness
The Problem to be Addressed	<p>Not every problem can be addressed with SFRF funds.</p> <p>To be eligible for consideration, a project or use must:</p> <ol style="list-style-type: none"> <li>1. Respond to a problem caused by COVID*,</li> <li>2. Or be related to water, sewer, or broadband infrastructure.</li> </ol>	<p>Can the problem be measured?</p> <p>Is there a “before COVID” baseline?</p> <p>Can data be gathered to demonstrate a “post project” improvement?</p>	<p>Do we know how the problem arose?</p> <p>Was the problem caused by one simple factor or by the interaction of many complicated factors?</p>
The Solution to be Applied	<p>The purpose of SFRF is to keep people from getting sick and to build a solid base for enduring economic recovery.</p> <p>The Act clearly prefers some solutions over others.</p> <p>Is the proposed solution one that is statutorily preferred, or does it need to be justified?</p> <p>Will the solution contribute to investment in productive capacity?</p>	<p>How will the implementation of the solution/project be documented? (This is the who, what, where, when, and how of the project).</p> <p>How will the success or failure of the implementation process be monitored, evaluated and reported?</p> <p>How will mid-course corrections be documented and made if experience demonstrates the need for changes in administration?</p>	<p>Is this solution the best of all possible alternatives? Why? And how do we know?</p> <p>How will the substantive success of the project be determined?</p> <p>How will outcomes be documented and reported?</p>
The People and Businesses to be Helped	<p>Some communities and some groups of people were harmed by COVID more than others. The Act is designed to help those who need help the most.**</p>	<p>Can the participants be adequately communicated with?</p> <p>Will it be expensive, easy or difficult to monitor program or project participation?</p> <p>How many need to be engaged and how often?</p>	<p>How will questions of equity be handled?</p> <p>Will the project or use be subject to attack because it is perceived of as unfair, inappropriate or unnecessary?</p>

\* For the sake of brevity, this summary statement must suffice. The details are covered elsewhere.

\*\* Even beyond the disproportionately impacted classes specifically addressed, the Act’s design avoids capital infusions into large institutions and financial markets; it emphasizes assistance to households and small businesses. The Act was designed to stimulate investment in productive assets and sectors rather than fleeting consumption or acquisition of passive assets.



## **Uses of Funds**

The State is training program management teams, which will execute identified projects, to apply Treasury compliance and reporting guidance. Potential uses are being evaluated to ensure that they are eligible under the Act, manageable within the covered period and measurable using data that can be readily collected. Importantly, all potential uses are being analyzed and designed to reduce the possibility of generating unintended negative impacts.

One concern that must be thoroughly accounted for in this planning exercise is the impact of the highly contagious Delta variant that is projected to strain the public health system. The State is carefully considering how best to use the State Fiscal Recovery Fund to provide for the additional health care capacity that might be necessary based upon the data and projections.

## **Promoting Equitable Outcomes Overview**

The State recognizes the challenges facing underserved communities and is committed to finding solutions. Toward that end, the State is deploying all resources, including the State Fiscal Recovery Fund, to not only address the impacts directly related to the pandemic, but also lay the groundwork to remedy entrenched inequities. This is also why state leadership and agencies continue to engage and listen to advocates and community group organizations that are most familiar with the issues facing underserved communities.

## **Measuring Equity**

The marginalized and adversely affected groups that the State intends to better support using the funds include, but are not limited to: minority-owned businesses; communities of color; employees in industries that disproportionately suffered negative economic impacts during the pandemic; low-income individuals at risk of experiencing homelessness or housing instability; households for whom homeownership is out of reach; and incarcerated individuals who historically do not have access to gainful employment and housing after their sentence.

As planning for the use of the State Fiscal Recovery Fund allocation continues, strategies are being developed to ensure the State collects data and measures the effectiveness of the projects to be undertaken. The State will continue to work with local nonprofits, community organizations and community leaders that serve marginalized and disproportionately impacted communities to measure equity in each investment. The State will also continue to use a wide range of outreach strategies to reach



these communities. Specific goals, metrics and intended outcomes will be outlined in detail as programming is further developed.

## **Equity Prioritization**

Many of the State's projects under consideration are intended to promote economic and racial equity by:

- Supporting minority businesses
- Assisting unemployed and underemployed Rhode Islanders
- Focusing on the urban core and low-income communities to increase economic opportunities, provide quality affordable housing and address disparities in health care

## **Equity by Expenditure Category**

### **Negative Economic Impacts**

Rhode Island is focused on building a sustainable and equitable economy. The State is committed to addressing the negative economic impacts of the pandemic across all socioeconomic boundaries. As projects are vetted and approved for implementation, this section will be updated.

### **Services for Disproportionately Impacted Communities**

The State's attention to equity will deliver services tailored to meet the needs of communities disproportionately impacted by the pandemic. As the projects are vetted and approved for implementation, this section will be updated.

## **Equity Efforts to Date**

Equity efforts to date have been centered on planning activities, as discussed above and in the *Community Engagement* section below. As projects enter the implementation stage, the State will report on those efforts.

## **Community Engagement**

The Governor and Lieutenant Governor have conducted extensive community engagement, including 11 community conversations, dozens of meetings with the nine Governor's Transition Working Groups (equity/justice, education, energy and the environment, transportation and infrastructure, and small business, among others), and a working group for housing initiatives. As detailed below, this extensive outreach has allowed the Governor and Lieutenant Governor to engage with community members, leaders and experts from every region of Rhode Island.

Additionally, the State solicited ideas from agencies and is collecting feedback from conversations facilitated by the Rhode Island Foundation.

Over the course of at least seven meetings for each of the Governor's Transition Working Groups, they developed a series of high-level recommendations for the Governor. These groups included more than 100 members, and each was paired with a member of the Governor's policy team. The groups engaged a diverse array of stakeholders, who were asked for recommendations on how to best use the State Fiscal Recovery Fund allocation.

Similarly, the Governor has convened a process to help develop a long-term strategy for a more resilient, prosperous and equitable Rhode Island throughout this decade. These discussions centered on creating a brighter future that, in part, will be made possible by the judicious use of the State Fiscal Recovery Fund allocation. The Governor initiated the 2030 Community Conversations to hear from members of the Legislature, keynote speakers with national expertise on key topics, local panelists, and community stakeholders. Community Conversations have been held on topics such as housing, tourism, small business, children and youth services, health, and higher education. So far, these virtual forums have been viewed more than 15,000 times and garnered more than 500 public comments. For those that cannot watch live, recordings with automatically generated captions are on Facebook. Outreach for each event is conducted via email, social media and promotion in local press.

The Governor has been clear and consistent in his desire that Rhode Islanders from every corner of the state and every background be involved in the planning and development process. In addition to the digital outreach that has been conducted, Rhode Island has planned a series of regional community conversations as part of a listening tour. These events will likely be held in person and are being designed with accessibility in mind. Translation services will be available at these events, giving persons with limited English proficiency an opportunity to provide input. In partnership with the University of Rhode Island's Economics Chair and other academic faculty from institutions around the state, the planning process will culminate in a document that can be used to guide future investments.

The Lieutenant Governor has convened a series of meetings to bring together housing experts, community advocates and residents to address one of the greatest challenges facing Rhode Island: a lack of affordable housing. She is focused on formulating plans to address the myriad issues that fall under housing as a policy issue, including homelessness, affordable housing, the creation of housing stock at all levels and funding sources for housing programs. The meetings have included input from state agency leadership, state legislators, nonprofits and advocacy groups.

Finally, the Rhode Island Foundation conducted additional community outreach. It has partnered with the Economic Progress Institute, the Rhode Island Public Expenditure Council and others to administer stakeholder interviews, community focus groups and visioning sessions. These community engagement efforts have focused on including people of color, the elderly and those without a postsecondary credential. They have established a dedicated email address and online form to receive feedback from the community at large.

The Rhode Island Foundation has received over 400 recommendations from Rhode Islanders of all demographic identities from at least 30 of the 39 cities and towns. Their programs include various accommodations such as translation and bilingual services and alternative interview formats. One of the guiding principles of this initiative is equity, in that their recommendations aim to address the root causes and conditions of systemic inequalities, which predated and were exacerbated by the COVID-19 pandemic.

The Rhode Island Foundation anticipates providing the State with its feedback and recommendations by the end of September 2021 and has already shared its progress and process during one of the Governor's Community Conversations. This collaborative relationship has maximized the ways in which the community could engage and provide their expertise, ideas and recommendations. The State will review these recommendations when they are made available and will consider them when approving the projects.

## **Labor Practices**

Rhode Island is committed to implementing strong labor standards in connection with all State Fiscal Recovery Fund-supported infrastructure projects to ensure the delivery of high-quality projects and strengthen employment opportunities for workers in the state.

The use of Act funds for infrastructure initiatives will comply with the requirements of Rhode Island General Law ("RIGL") 37-13 and the general prevailing rate of pay for regular, holiday and overtime wages to be paid to each craftsperson, mechanic, teamster, laborer or other type of worker performing work on public works projects when state or municipal funds are used in excess of \$1,000.

Contractors must refer to the applicable Davis Bacon Wage Determination rate schedule found online at the U.S. System for Award Management (SAM) to determine the prevailing wage rates for a public works construction project. The prevailing wage rates to be applied are those that are effective as of the date of the awarding of the contract to the general contractor. Contractors must also adjust employees' hourly

wage rates (if applicable) every July 1 in accordance with any updated Davis Bacon Wage Determination rates.

### *Compliance Enforcement*

- The Rhode Island Department of Labor and Training Prevailing Wage Section has been actively conducting compliance investigations on prevailing wage projects as well as through various awarding authorities throughout the state.
- Any violation of RIGL 37-13-13 of Certified Weekly Payroll Forms and Daily Logs will result in the Department imposing a penalty on the contractor of a minimum of \$100 for each calendar day of noncompliance.

### **Use of Evidence**

State agencies are required to report how their proposals and/or the proposals provided by the community incorporate evidence-based interventions; and/or if projects would be evaluated through rigorous program evaluations that are designed to build evidence. All proposals are being scrutinized to determine if they would result in readily available evidence to gauge their efficacy.

### **Project Inventory**

Under development. Rhode Island will provide an update as required by Treasury guidance.

### **Performance Report**

Key performance indicators and outcome measures will be included in the updated plan to be filed upon completion.

### **Ineligible Activities: Tax Offset Provision (States and Territories Only)**

Rhode Island has not used nor plans to use State fiscal recovery funds for ineligible activities.

Rhode Island's Fiscal Year 2022 budget, signed by the Governor on July 6, 2021, made several changes that reduced tax revenue, including the exemption from personal income taxation of Wavemaker Fellowship awards, the exemption from the real estate conveyance tax of the transfer of affordable housing projects, and the elimination of the State's sales tax permit fee. The total impact of these changes in Fiscal Year 2022 is expected to reduce revenue by \$0.4 million, with similar impacts in the following fiscal years. These revenue-reducing covered changes therefore fall below the de minimis threshold established by the interim final rule and do not qualify under the tax offset provision.