**At the State House**

**Last Week**

Last week the **House Finance Committee** was provided a briefing on **Governor Raimondo’s request for a major increase in bond authorization**, as well as a couple new bills introduced by the House Speaker and House Finance Chairman**.** Should the General Assembly include any or all bond requests in the FY2021 budget, those requests would then be placed on the ballot for consideration by Rhode Island voters.

The Governor’s request to amend Article 5 - Capital Bonding includes the following:

1.  Additional $5 million for recreational facility improvements, and I-195 infrastructure

2.  Additional $223 million for housing and infrastructure of which $40 million would go to community development housing projects, $107 million for health laboratories, $35 million for off-shore wind, and industrial land preparation projects, $11 million for Quonset dredging of Pier II, and a new $30 million bond for transportation infrastructure to make up for the decrease in gas tax revenue

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| Topic Original Request New Article Change |
| Higher Education $117.3 million $117.3 million $0Environment & Recreation $ 64.0 million $ 69.0 million $5 millHousing & Infrastructure $ 87.5 million $310.5 million $223.0 millTotal Bond Request $268.8 million $496.8 million $228.0 mill |

Treasurer Magaziner, provided testimony through his staff suggesting the State could withstand an additional $200 million in bonding in order to assist in the economic rebuilding of the Rhode Island as a result of the COVID pandemic. In June, the Treasurer’s office acknowledged that the original bond proposal exceeded 1 of 4 recommended limits used when evaluating debt proposals, but also stated that limits can be exceeded in times unforeseen events.

The Environment & Recreation bond shifts $1 million from the RICAP (a state pay–as-you-go fund) for beaches, parks and campgrounds to a bond and also shifts $4 million for the I-195 Park to a bond.

The House Finance staff provided background information in the area of housing bonds. In 2006, RI voters approved a $50 million housing bond that was ultimately used to fund 1,077 rental units and 149 ownership units for a total of 1,226 units. In 2012, the passage of a $25 million bond brought 726 rental units and 22 ownership units into the marketplace. In 2016, the voters approved a $40 million bond that allowed 1,078 rental units and 42 ownership units to be created. The new proposal calls for a $65 million bond of which $45 million would be used for the Affordable Housing program for purchase and rehab of housing units, pre-development expenses, home repairs and in-law apartments. Twenty million dollars of the bond would be used form community revitalization programs.

For a more thorough look at what is in the proposal, the House fiscal staff review can be accessed at: <http://www.rilegislature.gov/Special/comdoc/House%20Finance/07-29-2020%20%20July%2029%20Debt%20and%20TANS.pdf> The Department of Health’s presentation on the medical laboratory can be viewed at: <http://www.rilegislature.gov/Special/comdoc/House%20Finance/07-29-2020%20%20RIDOH%20COE%20for%20Laboratory_7.29.pdf>

And Secretary Pryor’s presentation on the economic development portion of the bond request can be accessed at: <http://www.rilegislature.gov/Special/comdoc/House%20Finance/07-29-2020%20%20Commerce%20RI%20House%20Finance%20Bond%20Hearing_7.29.2020.pdf>

Two bills introduced last week were held by the House Finance Committee for further study. Under current law, the General Assembly may only spend 97% of general revenues. Three percent of the revenues go into the State’s Rainy Day Fund. If the Rainy Day Fund exceeds 5% of revenues, then the amount over the 5% threshold goes into the State’s capital account. In 2006, RI voters changed the State Constitution to require the capital account (RICAP) to be used for projects only – not to pay down State debt.

**H.8119** asks voters to increase the amount sent each year to the Rainy Day Fund to 5% of general revenues, meaning the State could only “spend” 95% of the estimated general revenue instead of 97%. The bill also increases the threshold amount from 5% to 10%, meaning more money could build up in the Rainy Day Fund before it was shifted to the capital account to be spent on pay-as-you-go projects.

**H.8120** calls for the same final result as H.8119, but spaces the fiscal changes over a ten year period. The amount of money deposited into the Rainy Day Fund would increase by .2% increments over the 10 years to get to 95%; and the increase in the amount held in the Rainy Day Fund before transferring it to the capital fund would increase in .5% increments.

The following new bills were filed last week:

House Resolution No. [8119](http://webserver.rilin.state.ri.us/BillText/BillText20/HouseText20/H8119.pdf)  Mattiello, Abney**,**JOINT RESOLUTION TO APPROVE AND PUBLISH AND SUBMIT TO THE ELECTORS A PROPOSITION OF AMENDMENT TO THE CONSTITUTION OF THE STATE (LIMITATIONS ON STATE SPENDING) (This joint resolution proposes to submit to the electors a proposition to amend the constitution by increasing funding of the budget reserve account, also known as the "Rainy Day Fund", and limiting state spending.)

House Bill No. [8120](http://webserver.rilin.state.ri.us/BillText/BillText20/HouseText20/H8120.pdf) Mattiello, Abney**,**AN ACT RELATING TO PUBLIC FINANCE -- STATE BUDGET RESERVE AND CASH STABILIZATION ACCOUNT (This act would increase funding of the budget reserve account, also known as the "Rainy Day Fund," and would limit state spending.)