**At the State House**

**House Finance Committee Passes “Skinny” Budget**

Last week, the House Finance Committee passed H.7171 SubA (on an 11-2 party-line vote), the budget for the current fiscal year. Like everything else in 2020, this budget was unusual in that it has very little new policy initiatives, but there are items for consideration. The full House is scheduled to vote on the legislation Wednesday starting at 3:00 p.m. If passed, the Senate is expected to vote on it this week as well.

So what is in the budget?

The SubA budget is a $12.73 billion budget. Of that amount, $4.153 billion comes from state-generated revenue.  To put that in perspective, last year's state-generated portion of the budget was $4.077 billion.  This is a maintenance budget.

To close the $275 million gap, from a big picture view, the SubA:

* Swaps $120 million of general revenue expenditures for federal funds
* Lowers previously anticipated state spending after 12/30 by $66 million.  The lowering of spending will have to be re-evaluated as time passes and the pandemic improves or worsens.
* Pays back $90 million of the $120 million owed to the Rainy Day Fund.  The Budget proposal delays repayment of $30 million of the amount owed to FY2022.
* Makes an adjustment of $70 million in surplus funds realized from the previous fiscal year.

With a few miscellaneous increases in expenditures ($11 million), you get to a closure of the $275 million.

The SubA budget does not raise taxes as proposed by the Governor back in January.  It continues the phase-out of the car excise tax.  It adds personnel in the Department of Labor to deal with the increase in unemployment claims due to the pandemic.  It calls for $300 million in short-term borrowing in anticipation of receipt of taxes.

The SubA includes many bond questions ($400 million if voters approve all questions) to be placed on the ballot of a special election to be held March 2, 2021.  The budget includes $1.5 million for election expenses given the probability that voting will rely heavily on mail ballots.

The following bond issues are proposed for voters' consideration:

1. Higher Education  Total = $107.3 million

This bond would include $57.3 million for repairs and new construction of a URI building to house musical, theatrical, visual and graphic arts programs; $38 million to reconstruct the Clarke Science Building at RI College; and $12 million for student support spaces at CCRI’s four campuses.

2. Beach, Clean Water and Green Bond  Total = $74 million

This bond question includes $33 million for capital improvements to state beaches, parks and campgrounds including Goddard Park beach, Roger Wheeler State beach, Scarborough State beach, Misquamicut State beach and Brenton Point; $4 million for I-195 infrastructure development; $4 million for up to 80% matching grants to municipalities to acquire or rehabilitate local recreational facilities; $3 million to pay for forest and farmland conservation easements; $15 million for wastewater collection and treatment upgrades, storm water improvements, water pollution control and drinking water supply improvements; $7 million for matching grants to municipalities for restoring or improving resiliency of infrastructure and vulnerable coastal habitats as well as restoring rivers and stream floodplains; $6 million to dredge the Downtown Providence River; and $2 million for Woonasquatucket River Watershed infrastructure.

3. Housing   Total = $65 million to increase the availability of affordable housing and to redevelop existing structures

4. Transportation  Total = $71.7 million to use for federal fund matching requirements to improve transportation infrastructure including ports, highways, roads and bridges.

5. Early Childhood Care and Education Fund Total = $15 million for physical improvements to and development of licensed early childhood care and education facilities. According to the bond request, in 2019, only 20% of the physical space licensed for the State’s 4 yr. old population meets the State definition of quality, and 18 cities and towns do not have any infant/toddler care options.

6. Cultural Arts & the Economy Grant Program Total = $7 million

This bond includes $2.5 million for Trinity Repertory Company; $1.5 million for RI Philharmonic; $2 million for the RI State Council on the Arts to be used for matching grants to nonprofit cultural organization that lease or own their performance space; and $1 million for a State Preservation Grant Program to assist nonprofit historic sites, museums and cultural art centers.

7. Industrial Facilities Infrastructure  Total = $60 million

Of the $60 million proposed in this bond, $40 million goes to industrial site development and infrastructure at Quonset; and $20 million goes to the Port of Davisville at Quonset to finance the Port master plan, pay for a new pier at Terminal Five, renovate Pier One and dredge the Quonset port.

Other budget items:

* H.7171 SubA allows the Governor to delay presenting the FY2022 budget to March 11, 2021.  The extra time will hopefully provide some clarity over what Congress will or will not provide in the form of stimulus to the states, and will give time to see how the vaccine distribution affects Rhode Island’s economy. This will, however, condense next year's budget process into three and a half months.
* Adjustments to revenues and expenses were made to reflect the recent “pause” and the closures that came with it.
* Because the budget technically covers expenditures made since July 1, 2020, many of the COVID related programs/expenses are reflected in the budget. For example, the budget includes $55.8 million from federal funds to support businesses experiencing disruptions related to the pandemic or the pause period. This includes $47 million for a grant program administered by the Division of Taxation. “To be eligible, businesses must be a locally-owned Rhode Island tax filer, been impacted by the pause period, and not have declared bankruptcy. Applicants are eligible for total reimbursement of losses from $500 to $50,000.” A total of $7.3 million was included for eviction diversion programs, as well as $500,000 to help property owners make residential units available to individuals experiencing homelessness.
* H.7171 SubA did not include the Governor’s RIte Share employer requirement program, nor does it include the legalization of recreational marijuana. These and many other policy issues will be up for debate in the next fiscal year budget.

To view the House Fiscal Staff’s 50 page summary go to: [H 7171 Sub A Running Summary.pdf (rilegislature.gov)](http://www.rilegislature.gov/Special/comdoc/House%20Finance/H%207171%20Sub%20A%20Running%20Summary.pdf)