



## Testimony Regarding Article 5, Relating to Capital Development Program and Bonds House Finance Committee July 29, 2020

Now is the right time for Rhode Island to borrow money to make key investments in our recovery from the economic crisis brought on by COVID-19. Such investments can be found in the revised **Housing and Infrastructure Bond** proposed in **Article 5** of the FY2021 budget.

The revised bond measure calls for an additional \$40 million and a total of \$65 million in funds to be directed to affordable housing and associated community revitalization. According to the *Rhode Island Standard of Need*, which we publish every two years, housing costs are the second largest expense (after childcare) for a working family. We know that affordable, safe, and healthy housing is a vital economic development issue and promotes the health of our residents and communities. This bond measure, coupled with the effort to create a dedicated funding stream for affordable housing, will advance such economic development.

Other valuable infrastructure investments in this bond measure include capital funding for early childhood education and care and the creation of new health laboratories. There is also \$30 million targeted as matching funds to bring in federal transportation dollars; with regular capital funding uncertain due to the FY2020 withdrawal of much-needed money from the state's Rainy Day Fund, it is important to secure other resources to maintain the match.

At this time, in the midst of a joint public health and economic crisis, Rhode Islanders would be unwise to follow the advice of those calling for austerity. Cutting government spending and jobs will slow the economy and slow recovery; evidence from the Great Recession shows that cuts slowed recovery by years—just over two years longer to return to pre-recession levels for Rhode Island as compared to states that preserved or grew their state and local public sector workforce.<sup>1</sup> Furthermore, those most likely to suffer the greatest will be those who already face the most severe challenges in terms of employment, housing, and poverty; austerity and economic slowdown will aggravate income inequality. While almost everyone is suffering as a result of COVID-19, not everyone is suffering equally. The investments in this bond measure are the sort that can facilitate Rhode Island's emergence from recession, while also addressing longstanding issues of racial and other inequities.

Borrowing now is a relatively safe investment. Rates remain quite low, and strategic investments will likely produce returns in the form of greater economic activity and state revenue, and enough to enable repayment of the loans and interest. The alternative would not be the status quo, but rather a decline in economic activity and a deeper recession. We therefore urge the members of the House Finance Committee to place this bond measure before the voters this November.

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<sup>1</sup> See David Cooper, "Without federal aid, many state and local governments could make the same budget cuts that hampered the last economic recovery," (Working Economics Blog, May 27, 2020), <https://www.epi.org/blog/without-federal-aid-many-state-and-local-governments-could-make-the-same-budget-cuts-that-hampered-the-last-economic-recovery/>. Additional Rhode Island data provided by the Economic Policy Institute.