



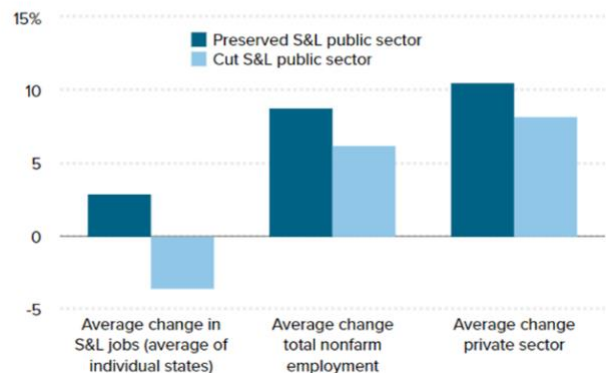
## Testimony regarding FY21 budget House Finance Committee November 18, 2020

The COVID-19 pandemic has created an economic crisis across the nation. Here in the Ocean State, we face an revenue shortfall for the fiscal year ending in 2021 and ongoing concerns for the impact on the state budget in the future.

It is often said that cutting spending will be necessary to put our economy back on track. This is a bad idea for at least two reasons: First, cuts will disproportionately harm Black and Latinx communities, which have been hit hardest by both the public health and financial crises of COVID-19. Second, we learned from the Great Recession of a decade ago that austerity and cost-cutting will only slow the economy, whereas investment will keep money flowing and keep more people employed (see *Figure 1*).

### States that cut their public-sector workforce had slower recoveries

Change in state and local government, total nonfarm, and private employment, June 2009–June 2015



### **As the 2021 budget is finalized, we urge the General Assembly to resist cutting programs and instead we strongly recommend that the adopted budget include a modest income tax increase**

for the top 1% of taxpayers who can afford to contribute a little more to help ensure that the needs of so many struggling Rhode Islanders and businesses can be met. Specifically, we recommend increasing the top marginal personal income tax rate from 5.99% to 8.99% on taxable income above \$475,000 as described in Rep Alzate’s bill H7921. If enacted, this proposal would bring in an estimated \$128.2 in much-needed revenue—that could help fund job training, education, childcare, state support programs, and small business growth. This proposal should be made effective for calendar year 2020 so that the state can realize the additional revenue for the 2022 fiscal year.

### **We also urge the assembly to include the following important investments in the FY21 budget:**

- **RI Works Cash Assistance:** Provide a \$100/year clothing allowance to infants and toddlers receiving RI Works benefits. School-aged children received this small, but important, benefit in August as authorized by the RI Works statute. But the law precludes the Department of Human Services from paying this one-time benefit to infants and toddlers. Federal TANF dollars can be used to cover the small cost.
- **Child Care Assistance:** Make permanent the temporary rate increases that were given to providers in the Child Care Assistance Program (CCAP) to help them stay afloat during the COVID shut down.

In addition, allocate an additional \$5 million in CARES Act funding to the Child Care Relief Fund. Including these investments in the FY21 budget will help to ensure that our child care sector survives through the pandemic and is prepared to serve Rhode Island's working families and young children as we emerge from the pandemic.

- **Affordable Housing:** Address the lack of affordable housing by including the affordable housing bond and scheduling a special election to allow for a vote on the bond early as soon as feasible and by enacting a dedicated funding stream for affordable housing as proposed in the Governor's budget.