

Rhode Island's Debt Position and 2021 Bond Referenda, an Analysis

February 2021



RIPEC

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I. Introduction

Under the Rhode Island Constitution, any borrowing of funds at the general obligation of the state must be approved by both the General Assembly and the voters.¹ In her fiscal year (FY) 2021 budget proposal, submitted in January 2020, Governor Gina Raimondo asked the General Assembly to borrow \$451 million for new initiatives, consisting of ballot questions totaling \$268.8 million and other borrowing of \$183 million.² The ballot questions in this original budget submission consisted of three initiatives: \$117.3 million for higher education, \$87.5 million for housing and infrastructure, and \$64 million for beaches, clean water, and green initiatives.³

The COVID-19 pandemic and its resulting economic fallout upended the normal state budgeting cycle, however. Facing a massive shortfall in revenues and anticipating a federal relief package in addition to the \$2.2 trillion CARES Act passed in March, the Assembly deferred action on the FY 2021 budget for five months after the fiscal year commenced, on July 1, 2020.⁴ In late July, the governor proposed a budget revision to nearly double the total amount of general obligation bonds to \$496.8 million, adding borrowing of \$107.0 million for health laboratories, \$46.0 million for industrial facilities, \$40.0 million for housing, \$30.0 million for transportation, and \$5.0 million for beaches.⁵

As part of the FY 2021 enacted budget, passed in December 2020, the General Assembly ultimately approved \$400.0 million in total for ballot measures. The Assembly rejected the governor's health laboratories proposal, increased proposed borrowing for transportation and industrial facilities, and made some other small adjustments while also rejecting the other borrowing proposed by the governor.⁶ The Assembly separated the bond initiatives into seven ballot questions to be presented to the voters at a special election set for March 2, 2021.⁷ Figure 1 depicts the amount of funding for each item as proposed originally by the governor in January

¹ R.I. Constitution, [Art. IV, § 16](#). State borrowing that does not constitute a general obligation does not require voter approval but does require approval by the General Assembly under state law. R.I. Gen. Laws [§ 35-18-3](#).

² R.I. House Fiscal Advisory Staff, [Governor's FY 2021 Budget at a Glance](#).

³ R.I. OMB, [FY 2021 Budget Proposal—Executive Summary](#). Other borrowing included \$54.8 million for a new human resources, payroll, finance, and grants management system; \$17.0 million for a new child welfare information system; \$12.0 million to address overruns for the Eleanor Slater Hospital consolidation project; and \$35.0 million for a new southern barracks for the State Police. R.I. House Fiscal Advisory Staff, [Governor's FY 2021 Budget at a Glance](#).

⁴ By law, when the Assembly fails to approve a budget before the beginning of a fiscal year, the state operates under spending allotments to agencies in the same amounts as appropriated in the previous fiscal year. R.I. Gen. Laws [§ 35-3-19](#).

⁵ R.I. OMB, [Amendment to Article 5 – Relating to Capital Development Program \(20-H-7171\)](#), July 27, 2020. At the same time, the governor revised proposed other borrowing by reducing the amount of debt for the new human resources, payroll, finance, and grants management system by \$16.0 million and eliminating the proposed borrowing for Eleanor Slater Hospital. R.I. OMB, [Amendment to Article 4 – Relating to Debt Management Act Joint Resolutions \(20-H-7171\)](#).

⁶ R.I. Public Laws 2020, [chapter 8, Art. 2, § 1](#).

⁷ *Ibid.* Bond referenda are required to be presented to voters at a general election, except that the General Assembly may present referenda at a special election upon a finding of compelling need for the public health, safety, or welfare. R.I. Gen. Laws [§ 35-3-7.1\(c\)](#). In scheduling the special election, the Assembly included such finding of compelling need in accordance with the statute. R.I. Public Laws 2020, [chapter 8, Art. 2, § 1](#).

2020, as revised by the governor in July, and as finally enacted by the General Assembly in December.

Figure 1
FY 2021 Bond Referenda (\$ millions)

	Governor's Budget Proposal	Governor's Budget Amendments	Enacted Budget
<i>Higher Education Facilities Bond</i>	\$ 117.3	\$ 117.3	\$ 107.3
University of Rhode Island Fine Arts Center	57.3	57.3	57.3
Rhode Island College Clarke Science Building Renovation	38.0	38.0	38.0
Community College of Rhode Island Renovation and Modernization	12.0	12.0	12.0
Center for Ocean Innovation	10.0	10.0	-
<i>Beach, Clean Water, and Green Bond</i>	\$ 64.0	\$ 69.0	\$ 74.0
State Beaches, Parks, and Campgrounds	35.0	40.0	33.0
I-195 Park*	-	-	4.0
Local Recreation Projects	4.0	4.0	4.0
Natural and Working Lands	3.0	3.0	3.0
Clean Water and Drinking Water	15.0	15.0	15.0
Municipal Resiliency	7.0	7.0	7.0
Providence River Dredging	-	-	6.0
Woonasquatucket River Watershed	-	-	2.0
<i>Housing Community Opportunity</i>	\$ 25.0	\$ 65.0	\$ 65.0
<i>Transportation Infrastructure State Match</i>	-	\$ 30.0	\$ 71.7
<i>Early Childhood Care and Education Capital Fund</i>	\$ 15.0	\$ 15.0	\$ 15.0
<i>Cultural Arts and the Economy Grant Program and State Preservation</i>	\$ 6.0	\$ 6.0	\$ 7.0
Cultural Arts and the Economy Grant Program	5.0	5.0	6.0
State Preservation Grants Program	1.0	1.0	1.0
<i>Industrial Facilities Infrastructure</i>	\$ 41.5	\$ 87.5	\$ 60.0
Industrial Site Development	21.5	56.5	40.0
Port of Davisville Infrastructure at Quonset	20.0	31.0	20.0
<i>Health Laboratories</i>	-	\$ 107.0	-
Total	\$ 268.8	\$ 496.8	\$ 400.0

* I-95 Park infrastructure development was included among investments included in governor's budget amendment for State Beaches, Parks, and Campgrounds

Source: R.I. Senate Fiscal Office, "FY 2021 Budget: Changes to the Governor," December 15, 2020

The total proposed bonded indebtedness of \$400 million is the largest total bond referenda ever presented to Rhode Island voters, although bond referenda totaling \$392 million were on the ballot in 2004 (\$326.5 million were approved), and \$367.3 million in bonds were presented and approved

in the last referenda in 2018.⁸ Bond referenda in Rhode Island are rarely rejected by the voters; the last time any referenda question was rejected was in 2006.⁹

The use of bonded indebtedness to pay for capital projects is a customary and fiscally responsible practice by state governments. Since public capital facilities provide services over a long span of time, it makes financial and economic sense to pay for such facilities over a similarly long period. Borrowed funds spent on infrastructure projects can help to improve quality of life and drive economic growth. Borrowing also makes it possible for states to finance multiple, pressing infrastructure needs simultaneously. Of course, the public benefits resulting from the investment of borrowed funds will depend on the specific nature of the capital investment.¹⁰

The primary question in the case of proposed state borrowing is whether the debt is affordable. Specifically, how do debt service costs in the form of interest payments affect the state's operating budget and its ability to borrow in the future? This report analyzes Rhode Island's debt position and the state's ability to afford general obligation debt totaling \$400 million to be presented to the voters on March 2.

The report next analyzes each of the ballot questions from several perspectives, asking:

- How will the borrowed funds be invested?
- What is the expected return on these investments?
- Are these investments consistent with long-term state debt obligations?
- Will these investments help the state achieve its policy goals?
- What is the "opportunity cost" if these investments are not approved?

⁸ R.I. OMB, [Governor's FY 2021 Capital Budget, Appendix E](#).

⁹ Ibid.

¹⁰ The PEW Charitable Trusts, [Strategies for Managing State Debt](#), June 2017; Congressional Research Service, "[Tax-Exempt Bonds: A Description of State and Local Government Debt](#)," February 15, 2018. Government Finance experts typically discourage the use of borrowing for operating expenditures. The PEW Charitable Trusts, [Strategies for Managing State Debt](#), June 2017. The \$400 million bond referenda to be presented to Rhode Island voters on March 2 are specifically limited to the funding of capital projects. R.I. Public Laws 2020, [chapter 8, Art. 2, § 1](#).

II. Is New Borrowing Affordable?

Assessing whether a state can afford to take on new debt—and how much—can be a difficult exercise, and policymakers need the right data to inform their choices. To respond more comprehensively to this challenge, most states conduct periodic debt affordability studies that set forth projections of debt obligations and include benchmarking metrics to contextualize debt relative to the state's ability to pay.¹¹

Debt Affordability Studies in Rhode Island

The Public Finance Management Board (PFMB) was created by the General Assembly in 1986 to provide advice and assistance to issuers of tax-exempt debt in Rhode Island.¹² In 2016, at the request of the general treasurer, the General Assembly enacted a series of measures to strengthen debt management in Rhode Island, including the requirement that the PFMB produce a debt affordability study every two years that recommends limits of indebtedness for all issuers of public debt in the state.¹³ The PFMB published its second report under the revised law in July 2019.¹⁴

The PFMB developed recommended limits on borrowing, based on guidance by Rating Agencies, relevant peer comparisons, and legal requirements of bond indentures. Of these limits, the most common affordability measure is borrowing expense, or debt service, as a proportion of state general revenues—essentially how much of the state's discretionary revenues are being consumed with debt service. In its 2019 Debt Affordability Study, the PFMB recommended that the ratio of debt service to general revenue not exceed 7.0 percent.¹⁵ The Governor's Capital Budget, as originally submitted in January 2020, projected that the ratio of debt service to general revenue would be 5.8 percent in FY 2020 and 5.58 percent in FY 2025.¹⁶

The PFMB employs a second borrowing limit focused on total tax-supported debt as a ratio of total personal income of the state's population. This broader metric represents the state's ability to pay its debts. The PFMB recommended in the 2019 Debt Affordability Study that all tax-supported debt be no more than 4.0 percent of total personal income.¹⁷ The Governor's Capital Budget as originally submitted projected that this ratio would remain significantly under 4.0 percent over the next five years, ranging from 3.08 percent in FY 2021 to 2.57 percent in FY 2025.¹⁸ Importantly, Rhode Island has significantly reduced its debt burden as a percentage of personal income over the past 20 years, as shown in Figure 2.

¹¹ The PEW Charitable Trusts, [Strategies for Managing State Debt](#), June 2017.

¹² R.I. Gen. Laws § 42-10.1-1.

¹³ R.I. Gen. Laws § 42-10.1-9.

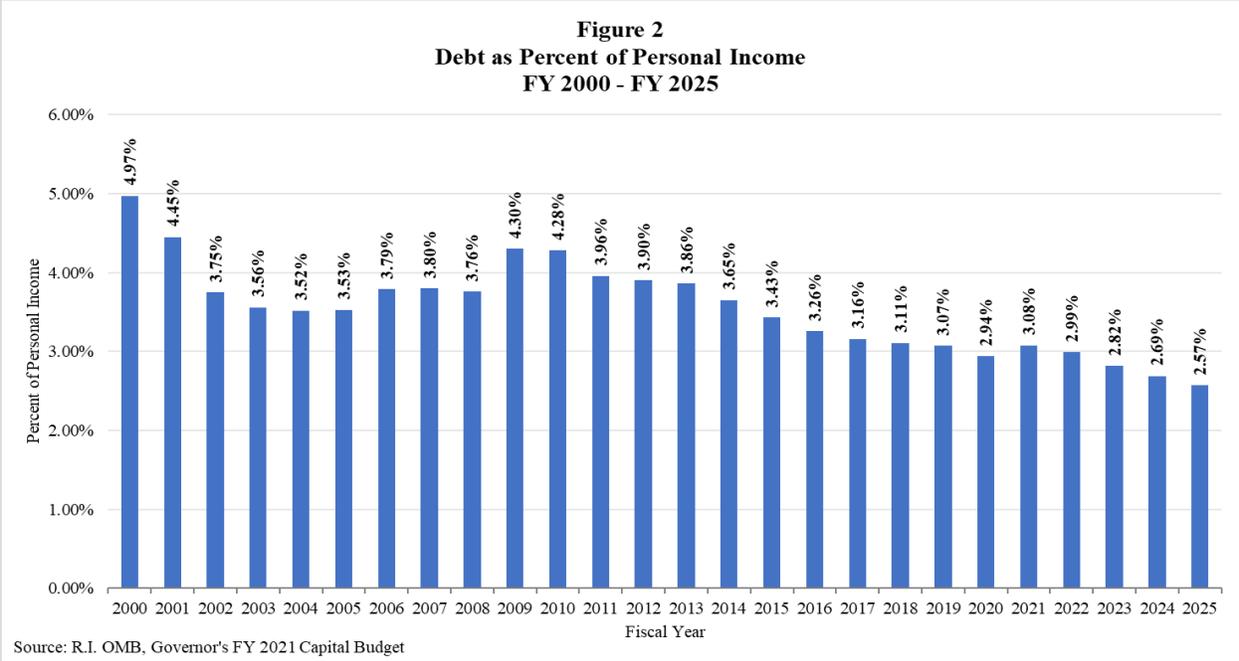
¹⁴ R.I. Public Finance Management Board, [Debt Affordability Study](#), July 25, 2019.

¹⁵ Ibid.

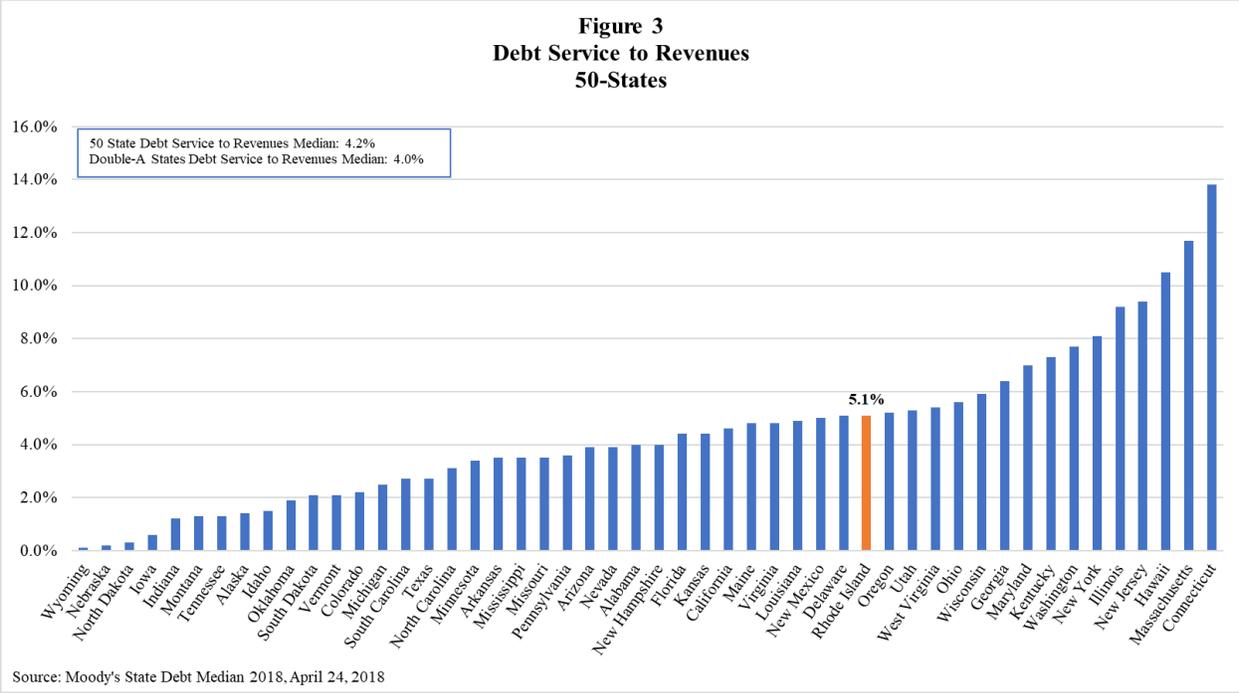
¹⁶ R.I. OMB, [Governor's FY 2021 Capital Budget](#).

¹⁷ R.I. Public Finance Management Board, [Debt Affordability Study](#), July 25, 2019.

¹⁸ R.I. OMB, [Governor's FY 2021 Capital Budget](#).



Another useful measure of Rhode Island’s level of debt is to compare the state’s debt burden to that of other states. As depicted in Figure 3 (reproduced from the 2019 Debt Affordability Study), Rhode Island’s ratio of debt service to revenues of 5.1 percent ranks 18th in the nation and is slightly higher than the U.S. median of 4.2 percent. Notably, Rhode Island compares favorably to its neighbors in New England in this regard; Connecticut and Massachusetts are respectively ranked first and second in the nation, with ratios well above that of the Ocean State.



Bond Ratings

Indicating how each state’s debt capacity and debt management practices impact the relative costs and risks associated with each state’s bonds, bond ratings additionally provide a picture of a state’s debt profile. Bond ratings are also important because they help determine interest rates; lower rated bonds typically have higher yields and interest rates, and, as a result, cost the issuer more in the long run. Rating agencies (Moody’s Investors Service, Standard and Poor’s, and Fitch Investors Service) evaluate a state’s economy, debt capacity, and management practices to determine the level of risk involved in purchasing a state’s debt securities and assign comparative ratings.

Rhode Island is typically in the middle range of states in terms of bond ratings. By way of example, Figure 4 shows the bond ratings for general obligation debt for all 50 states by Standard & Poor’s as of December 2020. In New England, Rhode Island’s S&P bond rating of “AA” is equivalent to ratings for Massachusetts, Maine, and New Hampshire, and more favorable than Connecticut, which has an “A” rating. Vermont’s bond rating of “AA+” is more favorable than that of Rhode Island.

Figure 4 Bond Rating By State							
AAA	AA+	AA	AA-	A+	A	BBB+	BBB-
Delaware	Hawaii	Alabama	Alaska	Pennsylvania	Connecticut	New Jersey	Illinois
Florida	Idaho (ICR)	Arizona (ICR)	California		Kentucky (ICR)		
Georgia	Nevada	Arkansas	Kansas (ICR)				
Indiana (ICR)	New York	Colorado (ICR)	Louisiana				
Iowa (ICR)	North Dakota (ICR)	Maine	West Virginia				
Maryland	Ohio	Massachusetts					
Minnesota	Oregon	Michigan					
Missouri	South Carolina	Mississippi					
Nebraska (ICR)	Vermont	Montana					
North Carolina	Washington	New Hampshire					
South Dakota (ICR)		New Mexico					
Tennessee		Oklahoma					
Texas (ICR)		Rhode Island					
Utah		Wisconsin					
Virginia		Wyoming (ICR)					

Note: ICR-Issuer credit rating. All other ratings are for the state's general obligation debt. Ratings for other debt issued by the state will vary based on the security backing the bonds
Source: S&P Global Ratings, 2020 U.S. State Ratings and Outlooks: Current List

The General Treasurer on Debt Affordability

After the submission of the governor’s proposed FY 2021 budget in January 2020, two major developments affected Rhode Island’s debt situation. First, due to the economic fallout caused by the pandemic, projected state revenues declined sharply (as determined by the May Revenue Estimating Conference).¹⁹ Second, the governor sought to significantly increase the total borrowing in general obligation debt. Even taking account of these developments, the general treasurer determined that the increased level of borrowing proposed was reasonable and affordable

¹⁹ RIPEC, [“Rhode Island’s May 2020 Revenue Estimating Conference in Historic and Regional Context,”](#) July 2020.

under the state's debt affordability guidelines, and that significant capacity for further bonding would remain for future budget cycles.²⁰

Factors affecting the affordability of the general obligation debt proposed for the March 2 special election have become more favorable since the treasurer's determination that the proposed borrowing level was affordable. For one, estimated state general revenues significantly improved (as projected by the November 2020 Revenue Estimating Conference).²¹ Moreover, in enacting the FY 2021 budget, the General Assembly reduced the governor's proposed total general obligation borrowing from \$496.8 million to \$400 million and did not authorize the additional \$183 million in borrowing requested by the governor. Thus, while the proposed \$400 million total in bond referenda is the largest ever presented to voters, the total debt appears to be within the state's debt affordability framework.

While the total in general obligation debt proposed for the March 2 referenda appears to be affordable under the state's debt affordability guidelines, the report next analyzes the projects for which debt would be acquired, as proposed in each ballot referendum.

²⁰ Memorandum from Treasurer Seth Magaziner re: Bonding in FY 21 Budget, July 2, 2020.

²¹ R.I. OMB, [November 2020 Revenue Estimating Conference](#).

III. March 2021 Ballot Initiatives

The General Assembly approved seven ballot initiatives in the total amount of \$400 million to be considered by voters at a special election on March 2, 2021. Figure 5 lists each question, the principal amount to be borrowed, interest, and total cost, as reported by the Rhode Island Secretary of State’s Office.²²

Figure 5			
2021 State Bond Referenda, Total Costs			
(\$ Millions)			
State Bond Questions	Principal	Interest	Total Costs
1. Higher Education Facilities	\$107.3	\$64.9	\$172.2
2. Beach, Clean Water, and Green Bond	\$74.0	\$44.8	\$118.8
3. Housing and Community Opportunity	\$65.0	\$39.3	\$104.3
4. Transportation Infrastructure State Match	\$71.7	\$43.4	\$115.1
5. Early Childhood Care and Education Capital Fund	\$15.0	\$9.1	\$24.1
6. Cultural Arts and the Economy Grant Program and State Preservation Grants Program	\$7.0	\$4.2	\$11.2
7. Industrial Facilities Infrastructure	\$60.0	\$36.3	\$96.3
Total Borrowing Costs for All Referenda	\$400.0	\$241.9	\$641.9

Source: R.I. Secretary of State, 2021 Voter Information Handbook

Each of the ballot questions is discussed below.

²² R.I. Secretary of State, [Voter Information Handbook, Special Election, March 2, 2021](#). State law requires that the Secretary of State shall publish certain information for each bond referendum, including the total cost of the project—comprised of financing and other costs—the estimated useful life of the project, and a “reasonably detailed description of the project or program, its purposes, and a project timetable.” R.I. Gen. Laws [§ 17-5-3](#). The interest rate of five percent assumed by the Secretary of State for the bond referenda is much higher than the current interest rate for municipal debt, which is less than two percent. Wall Street Journal, [“Covid-19 Pandemic Drives Municipal Borrowing to 10-Year High,” January 12, 2021](#).

Question 1: Higher Education Facilities

The General Assembly approved issuance of \$107.3 million in general obligation bonds to improve higher education facilities at each of Rhode Island's three public higher education institutions. Specifically, bond funds would go towards the construction and renovation of the University of Rhode Island's Fine Arts Center (\$57.3 million), the renovation of Rhode Island College's Clarke Science Building (\$38 million), and several renovation and modernization projects at the Community College of Rhode Island (\$12 million).²³ The Assembly adopted the governor's recommendations for these projects but rejected an additional \$10 million proposed to fund the development of a new Center for Ocean Innovation in collaboration with the University of Rhode Island's (URI) Graduate School of Oceanography.²⁴ General obligation bonds for higher education facilities have become a perennial component of bond referenda in Rhode Island, with proposed higher education projects included as a ballot referendum, and approved by voters, in every election since 2010.²⁵

University of Rhode Island Fine Arts Center

The state has proposed \$57.3 million in general obligation bonds to provide funding to design, renovate, and construct a new Fine Arts Center at URI's Kingston campus. The construction is expected to be completed, and the building ready for use, by September 2024. URI estimates the useful life of the renovated building to be approximately 50 years.²⁶ The URI Fine Arts Center houses programs in musical, theatrical, visual, and graphic arts. The first phase of this project, funded with \$14.3 million in Rhode Island Capital Plan funds, included upgrades to envelope and mechanical systems for five of the building's ten pods. General obligation bonds would be used to fund the second phase, which consists of demolishing the remaining five pods and constructing a new building to provide needed academic space, as well as limited upgrades throughout the Center.²⁷

Rhode Island College Clarke Science Building

The Higher Education Facilities bond also includes \$38 million in funding to renovate and expand the Clarke Science Building, which houses the School of Chemistry and Physics at Rhode Island College (RIC). The funding would be used to improve science and technology laboratories in the building. The renovation is expected to commence in 2022, and construction is anticipated to be completed in 2024. RIC estimates the useful life of the renovated Clarke Science Building would be approximately 50 years.²⁸

²³ R.I. Public Laws 2020, [chapter 8, Art. 2, § 1](#).

²⁴ [Governor's FY 2021 Budget, Executive Summary](#).

²⁵ R.I. OMB, [Governor's FY 2021 Capital Budget](#).

²⁶ R.I. Secretary of State, ["Voter Information Handbook," Special Election, March 2, 2021](#).

²⁷ Senate Fiscal Office, ["FY 2021 Budget: Changes to the Governor," December 15, 2020](#).

²⁸ R.I. Secretary of State, ["Voter Information Handbook," Special Election, March 2, 2021](#); Senate Fiscal Office, ["FY 2021 Budget: Changes to the Governor," December 15, 2020](#).

Community College of Rhode Island Renovations/Modernization

If approved by the voters, the Community College of Rhode Island (CCRI) would receive \$12 million from the Higher Education Facilities bond to fund renovation and modernization projects at the college's Knight and Flanagan campuses. The bond would be used to: modernize classrooms, labs, and student support spaces; upgrade student services and common areas; provide core building infrastructure upgrades; expand campus technology; improve energy efficiency; fund Americans with Disabilities Act upgrades; and improve campus traffic flow. The renovations are expected to commence in December 2021, and construction is anticipated to be completed on or about March 2023. CCRI estimates that the useful life of the Knight and Flanagan campus renovations would be approximately 30 years.²⁹

RIPEC Comments on Question 1

In today's knowledge economy, postsecondary education is a key driver of economic growth, with investment in higher education resulting in higher personal incomes for graduates as well as higher future Gross Domestic Product for areas with robust university systems.³⁰ Yet, Rhode Island historically has underinvested in its public higher education institutions in comparison to other states.³¹ Moreover, in recent years, state general revenues to support public higher education operations have grown at a slower pace than total expenditures.³² Given this context, the use of general obligation bonds to pay for capital improvements at state institutions has become an essential component of the state's financial support of public higher education.

Question 2: Beach, Clean Water, and Green Bond

Question 2, if approved, would authorize \$74 million in general obligation bonds for investments in the environment and public recreation facilities. The largest investment (\$33 million) would be allocated to fund major capital improvements at state beaches, parks, and campgrounds. The state's Clean and Drinking Water State Revolving Funds would receive \$15 million, and the remainder of the bond would fund municipal resiliency matching grants (\$7 million), Providence River dredging (\$6 million), the I-195 Park (\$4 million), local recreational project matching grants (\$4

²⁹ R.I. Secretary of State, "[Voter Information Handbook, Special Election, March 2, 2021](#)"; R.I. Senate Fiscal Office, "[FY 2021 Budget: Changes to the Governor](#)," December 15, 2020.

³⁰ Valero, A., Reenen, J., "[The Economic Impact of Universities: Evidence from Across the Globe](#)," Economics of Education Review; Schanzenbach, D., Bauer, L., Breitwieser, A., "[Eight Economic Facts on Higher Education](#)," The Hamilton Project.

³¹ Trandberg, D.A., Laderman, S.A., "[Evaluating State Funding Effort for Higher Education](#)," MHEC Policy Brief, June 2018; RIPEC, "[How Rhode Island Expenditures Compare: 2019 Edition](#),"

³² Rhode Island's total state expenditures from FY 2013 to FY 2018 increased by 16.8 percent. In the same period, the state's higher education expenditures grew by 10.1 percent. U.S. Census Bureau, "[Annual Survey of State and Local Government Finances](#)"; RIPEC calculations.

million), forested land and working farmland protection (\$3 million), and Woonasquatucket River Watershed improvements (\$2 million).³³

State Beaches, Parks, and Campgrounds

The ballot question includes investments of \$33 million for “major capital improvements” at state beaches, parks, and campgrounds. The funds are to be used for new or upgraded facilities at locations “such as” Goddard Memorial State Park, Roger Wheeler State Beach, Scarborough State Beach, Misquamicut State Beach, Colt State Park, Brenton Point State Park, and state campgrounds. However, the projects to be funded with the bond proceeds have not been specified.³⁴ Bond funds would be supplemented by \$15.6 million in Rhode Island Capital Plan funds from FY 2021 through FY 2025.³⁵

Clean Water and Drinking Water

This ballot question also includes \$15 million in funding to provide the state match of 20 percent to leverage approximately \$75 million in federal Environmental Protection Agency grants to recapitalize the Clean Water and Drinking Water State Revolving Funds administered by the Rhode Island Infrastructure Bank (RIIB).³⁶ The Clean Water State Revolving Fund provides below-market interest rate loans to municipalities and quasi-public agencies for projects that mitigate water pollution, including the construction of, and upgrades to, wastewater collection systems and treatment facilities, stormwater pollution prevention, and other water pollution abatement and water quality protection activities. The Drinking Water State Revolving Fund provides below-market interest rate loans to community public water systems, private and nonprofit water suppliers, and local governmental units to complete water infrastructure projects.³⁷ State investments in these Revolving Funds leverage much larger amounts of federal grants and private sector capital.³⁸ The Revolving Funds were last capitalized with \$6.1 million in state funds from proceeds of the 2018 general obligation bond.³⁹

Municipal Resiliency

If the ballot question is approved, funding of \$7 million would be provided for a new program of up to 75 percent matching grants to municipalities for restoring and/or improving the resiliency of

³³ R.I. Secretary of State, [“Voter Information Handbook,” Special Election, March 2, 2021](#). Most of these projects are anticipated to be completed within five years of their commencement and are estimated to have a useful life of 25 to 50 years, except for the forested land and working farmland investments, which are expected to be permanent, and the Providence River dredging, which has a useful life of approximately 20 years, according to RIDEM. Ibid.

³⁴ R.I. Secretary of State, [“Voter Information Handbook,” Special Election, March 2, 2021](#).

³⁵ R.I. House Fiscal Advisory Staff, [“FY 2021 Changes to Governor as Contained in 2020-H 7171, Substitute A,”](#) December 9, 2020.

³⁶ R.I. Secretary of State, [“Voter Information Handbook,” Special Election, March 2, 2021](#).

³⁷ Rhode Island Infrastructure Bank, [Programs](#).

³⁸ R.I. OMB, Presentation to Senate Finance Committee, August 18, 2020.

³⁹ R.I. Senate Fiscal Office, [“FY 2021 Budget: Changes to the Governor,”](#) December 15, 2020.

infrastructure, vulnerable coastal habitats, river and stream floodplains, and watersheds. According to the Voter Information Handbook, these grants would “help cities and towns to identify top hazards, improve community resiliency and strengthen public safety in the face of increased flooding and more frequent and intense storm events.”⁴⁰ This bond initiative expands upon an existing Municipal Resilience Program, under which RIIB provides matching grants to cities and towns. RIIB has provided a total of \$2 million in grants to 14 municipalities since 2019.⁴¹

Providence River Dredging

This ballot initiative also includes \$6 million to dredge the Providence River “for purposes of economic development, infrastructure maintenance, enhanced tourism opportunities, and improved water depths for boating recreation, and climate,” according to the Voter Information Handbook.⁴² This project was added by the General Assembly and not proposed by the governor. In 2018, voters approved a referendum to provide \$7 million for the dredging of the Woonasquatucket and Providence Rivers from the Providence Place Mall to the Crawford Street Bridge in Downtown Providence. The new bond funding would be used for a second phase to dredge the Providence River from the Crawford Street Bridge to the Point Street Bridge.⁴³

I-195 Park

If approved, the ballot question would authorize \$4 million for park infrastructure development on the nearly seven-acre park on former I-195 land that spans both sides of the Providence River and is connected by a pedestrian bridge that opened in 2019. Funds would be used to construct park infrastructure that enhances utilities, supports park operations and programming, and enables food and beverage services, according to the Voter Information Handbook.⁴⁴

Local Recreation Projects

The ballot question also would include \$4 million for up to 80 percent matching grants for municipalities to acquire, develop, or rehabilitate local recreational facilities such as parks, playgrounds, and athletic fields.⁴⁵ This funding would serve to continue a long-standing program funded by bond initiatives approved by the voters in the last four referenda. Grant applications are evaluated and ranked by the State Recreational Resources Review Committee. Since the inception of the program in 1988, the Rhode Island Department of Environmental Management (RIDEM) has awarded 519 grants totaling \$73 million in investments in each of the state’s 39 cities and towns.⁴⁶

⁴⁰ Ibid.

⁴¹ Rhode Island Infrastructure Bank, [Municipal Resilience Program](#).

⁴² Ibid.

⁴³ City of Providence, “[Downtown and Waterplace Park Dredging Information](#).”

⁴⁴ R.I. Secretary of State, “[Voter Information Handbook](#),” Special Election, March 2, 2021.

⁴⁵ Ibid.

⁴⁶ R.I. Senate Fiscal Office, “[FY 2021 Budget: Changes to the Governor](#),” December 15, 2020.

Natural and Working Lands

Funding in the amount of \$3 million is included in the ballot question to protect forested land and working farmland through the purchase of conservation easements and development rights by the Agricultural Lands Preservation Commission and the State Farmland Access Program. This funding would replenish the existing program, which has used voter-approved bond funds to preserve farmland. Importantly, bond funding would also add preservation of forestland to the program.⁴⁷

Woonasquatucket Watershed

Finally, the ballot question includes \$2 million in funding to the Woonasquatucket River Watershed Council to develop, improve, and rehabilitate public recreational projects and infrastructure along the Woonasquatucket River and its Greenway, from North Smithfield and Glocester through Smithfield, North Providence, Johnston, and Providence.⁴⁸ This funding was added to the ballot question by the Assembly, and not proposed by the governor. The Woonasquatucket River Watershed Council is not a public agency but a nonprofit organization that has worked to improve the Woonasquatucket Greenway since the 1990s and has considerable experience in administering federal and state funding for grant projects.⁴⁹

RIPEC Comments on Question 2

The investments proposed for Question 2 are largely consistent with long-standing state investments and general obligation bond expenditures. Nearly half of these bond funds would be invested in improvements to state beaches, parks, and campgrounds, including the I-195 Park. Importantly, Rhode Island has underinvested in recreation and natural resources in comparison to other states, despite the Ocean State's dependence on recreational tourism.⁵⁰ The \$15 million in funding for the Clean Water and Drinking Water State Revolving Funds provides state matching funds to these long-standing programs and would leverage much larger investments for critical upgrades to the state's drinking water and wastewater infrastructure.

The \$6 million investment in Providence River dredging would complete a necessary public infrastructure project. The investments in municipal resiliency build on RIIB's experience in administering a very similar pilot program and would represent perhaps the state's first major financial commitment to respond to the risks of climate change. The requirement of municipal funding participation should help to ensure funding for this program would go to high priority

⁴⁷ R.I. OMB, [Governor's FY 2021 Capital Budget](#), 15.

⁴⁸ Ibid.

⁴⁹ Woonasquatucket River Watershed Council, [History](#).

⁵⁰ In FY 2017, Rhode Island's Natural Resources, Parks, and Recreation expenditures ranked 42nd highest in the nation on a personal income basis and 41st on a per capita basis. RIPEC, "[How Rhode Island Expenditures Compare: 2019 Edition](#)." In 2019, the traveler economy in Rhode Island generated \$7.1 billion of economic activity and supported 87,852 jobs. Tourism Economics, "Economic Impact of Visitors in Rhode Island 2019," Prepared for RI Commerce Corporation.

projects. The investments in local recreational projects and natural and working lands would provide funding to long-standing programs overseen by RIDEM with proven track records. The \$2 million in funding granted to the Woonasquatucket Watershed Council raises some question as to accountability since a nonprofit organization would control the grant process, but the Council has a long history of involvement in improving the Woonasquatucket Greenway and has considerable experience managing government grants.

Question 3: Housing and Community Opportunity

If approved, Question 3 would authorize \$65 million in general obligation debt “to increase the availability of affordable housing and support community revitalization through the redevelopment of existing structures, new construction, and property acquisition.”⁵¹ Construction of affordable housing is expected to commence as early as 2021 and be completed by 2026. The useful life of redeveloped and/or newly constructed affordable housing is estimated to be a minimum of 30 years.⁵² The governor’s revised proposal increased this total referendum from \$25 million to \$65 million, with \$45 million dedicated to developing new housing units and preserving and repairing existing housing stock, and \$20 million for community revitalization projects, although this allocation is not specified in the authorizing legislation for the referendum.⁵³

Since 2006, voters have approved three housing bonds totaling \$125 million. Except for \$10 million approved in 2018 for community revitalization, this funding has been administered through the Building Home Rhode Island (BHRI) Program by the Housing Resources Commission, with administrative assistance from RI Housing. The BHRI Program consists of forgivable loans provided to private and nonprofit developers. According to RI Housing, previous bonds have financed 3,246 homes, of which 60 percent were new construction and 40 percent were preservation. Of the homes financed, 93 percent are rental units and 83 percent are multifamily units. Every dollar of BHRI funds has leveraged \$5.30 from other private and public sources. RI Housing has administered community revitalization funding and to date has disbursed \$3.7 million of the \$10 million authorized in anticipation of producing 152 residential units, 15 commercial units, and 7 public facilities.⁵⁴

RIPEC Comments on Question 3

There is a critical need for affordable housing in Rhode Island, with nearly 37 percent of households considered housing cost burdened (defined by spending more than 30 percent of household income on housing costs).⁵⁵ In the absence of general revenue appropriations for housing, housing bonds have become the primary source of state funding to increase and preserve affordable housing. Question 3 lacks specificity as to how the bond funds will be used, but it is

⁵¹ R.I. Public Laws 2020, [chapter 8, Art. 2, § 1](#).

⁵² R.I. Secretary of State, [“Voter Information Handbook,” Special Election, March 2, 2021](#).

⁵³ R.I. Commerce, [Presentation to House Finance Committee](#), July 29, 2020.

⁵⁴ R.I. Housing, [Presentation to Senate Committee on Rules, Government Ethics & Oversight](#), March 4, 2020.

⁵⁵ HousingWorks RI, [“2020 Housing Fact Book.”](#)

anticipated that most and perhaps all funding connected with this referendum would be administered through the exiting BHRI program, which has a successful track record and has used the funding to leverage larger sources of federal and private funding, as well as delivering a strong return on investment. While meeting a critical need, the bond funding is not part of a larger state housing strategy. Moreover, the impact of this bond funding on the state's housing challenges has been limited, both in its exclusive focus only on the low-income segment of the housing market and in the relatively small number of new units constructed—about 2,000 units over 14 years. If bond funds are used for community revitalization projects, this program is less targeted than BHRI and does not have the same long track record.

Question 4: Transportation Infrastructure State Match

Question 4, if approved, would provide \$71.7 million in general obligation bonds to match \$286.8 million in federal funding to be used solely for the purpose of continuing the rebuilding of Rhode Island's deficient roads and bridges. The bond proceeds, combined with federal funding, would be used in FY 2021 and FY 2022. The useful life of each project would differ, although the useful life of a bridge can be up to 75 years.⁵⁶

In her original budget, the governor requested \$64.2 million in revenue bonds to finance improvements of the Henderson Bridge and other projects. The governor later reduced the request for revenue bonds to \$40 million and added a proposed \$30 million bond referendum to finance transportation.⁵⁷ The General Assembly did not authorize the revenue bond but increased the general obligation bond to \$71.7 million. Most of these funds would be used for the required 20 percent state match for newly secured federal funds, including federal funds for the replacement of the Henderson Bridge, the Cranston Huntington Viaduct Bridge, and other highway improvements.⁵⁸ The bond funding also would help to offset a loss of approximately \$20 million in gas tax revenues resulting from the pandemic and a reduction of \$30 million in Rhode Island Capital Plan funds for transportation. Without these matching funds, the state would be required to delay and/or reduce the scope of planned projects.⁵⁹

RIPEC Comments on Question 4

General obligation bonds have historically been used as the state's match for federal transportation funds, with gas tax revenues used to pay for borrowing. Resources from motor vehicle fees and Rhode Island Capital Plan funds have largely replaced general obligation debt, however, and no new bonds for transportation have been authorized since 2010.⁶⁰ While the replacement of state debt with pay-go funding has been an important fiscal reform in funding transportation and the

⁵⁶ R.I. Secretary of State, "[Voter Information Handbook](#)," Special Election, March 2, 2021.

⁵⁷ R.I. OMB, [Amendment to Article 4 – Relating to Debt Management Act Joint Resolutions \(20-H-7171\)](#).

⁵⁸ R.I. Senate Fiscal Office, "[FY 2021 Budget: Changes to the Governor](#)," December 15, 2020.

⁵⁹ R.I. OMB, Presentation to Senate Finance Committee, August 18, 2020.

⁶⁰ R.I. House Fiscal Advisory Staff, "[FY 2021 Changes to Governor as Contained in 2020-H 7171, Substitute A](#)," December 9, 2020.

state should strive to return to this financing policy, general obligation bonds are appropriate instruments to fund infrastructure such as bridges and highways, and current circumstances—new federal funding and shortfalls in expected state revenues for transportation—support the general obligation debt proposed in Question 4. Rhode Island’s roads and bridges are among the worst in the nation.⁶¹ The bond funds would be used to leverage much larger amounts of federal funding to complete essential road and bridge improvements and avoid delays or scope reductions of planned projects.

Question 5: Early Childhood Care and Educational Capital Fund

Question 5 proposes \$15 million in general obligation bonds to create an Early Childhood Facilities Fund, administered under the supervision of the Rhode Island Department of Human Services (DHS) to improve the quality of early childhood education facilities across the state. This initiative was included in the governor’s original FY 2021 budget submission as part of the larger \$87.5 million Housing and Infrastructure Bond.⁶² The funding would be distributed through small grants for urgent health and safety needs and provide for quality improvement and reconfiguration of space; larger grants to address the creation or rehabilitation of vacant or blighted properties to create new, high quality spaces; and a set aside for intensive project technical support. DHS plans to disburse bond proceeds over a three-year period, commencing in fiscal year 2022. While each project and facility would differ, DHS expects that investments under this Fund would have a useful life of between 10 and 20 years.⁶³

This bond initiative follows a 2019 Facilities Needs Assessment that found many existing community-based early learning centers and public school buildings suffered from deferred maintenance and poor overall building conditions that impact children’s health and safety, as well as quality in programming.⁶⁴ The initiative is modeled after the Early Education and Care and Out of School Time (EOST) Capital Fund established through general obligation bond funding in Massachusetts.⁶⁵ Unlike the Massachusetts program, however, grants funded by this bond referendum would not be limited to nonprofit providers.

⁶¹ More than 80 percent of Rhode Island’s non-interstate National Highways System is in poor or fair condition. Additionally, Rhode Island has the highest percentage of bridges considered structurally deficient in the nation (23.3 percent). American Society of Civil Engineers, “[Report Card for Rhode Island’s Infrastructure: 2020.](#)”

⁶² [Governor’s FY 2021 Budget, Executive Summary.](#)

⁶³ R.I. Secretary of State, “[Voter Information Handbook, Special Election, March 2, 2021.](#)”

⁶⁴ Local Initiatives Support Corporation, “[Rhode Island Early Learning Facilities Needs Assessment,](#)” November 2019.

⁶⁵ Mass.gov, [Early Education and Out of School Time \(EOST\) Capital Fund.](#)

RIPEC Comments on Question 5

Research has demonstrated the importance of high quality early learning on educational attainment.⁶⁶ In recent years, Rhode Island has significantly expanded access to high quality pre-K education, mostly through federal funding.⁶⁷ Rhode Island also has focused investments to enhance the state’s early childhood education programs, including tiered reimbursement rates for providers in the Child Care Assistance Program.⁶⁸ These bond funds would respond to a demonstrated unmet need for capital improvements in pre-K and childcare facilities. Moreover, given that this new program will be modeled after the Massachusetts program, there will be a targeted focus on childcare facilities serving low-income populations.

However, it is unclear if this bond initiative is part of a larger strategy. As emphasized in the 2019 Facilities Needs Assessment, facilities are only part of the equation; additional funding would be required to improve and expand high quality childcare for low-income families.⁶⁹ Moreover, while the state has been most focused on improving access to quality pre-K, these bond funds would be used for facilities serving all children, including infants and toddlers. Also, the program to be funded by the referendum would be entirely new for DHS, which would need to establish a regulatory and administrative structure to oversee the grant process. Since facilities in public school buildings also may be eligible for capital funding through the state’s school building assistance program, there would be a need for coordination between these two programs. Finally, there is a concern that some of the investments to be made under this program would have a shorter useful life than the 20-year term of the bond.

Question 6: Cultural Arts and the Economy Grant Program and State Preservation Grants Program

If approved, Question 6 would provide general obligation bond funding in the total amount of \$7 million, of which \$6 million would fund 1:1 matching grants under the Cultural Arts and the Economy Grant Program to be administered by the Rhode Island State Council on the Arts (RISCA). The grants would be used for capital improvement, preservation, and renovation projects for public and nonprofit artistic, performance centers, museums, and cultural art centers throughout the state. Of the \$6 million in grants under the Cultural Arts and the Economy Grant Program, \$4 million is earmarked for two organizations—Trinity Repertory Company (\$2.5 million) and Rhode Island Philharmonic (\$1.5 million)—with the remaining \$2 million to be awarded on a competitive

⁶⁶ According to one recent study, individuals who attend preschool are more likely to complete a postsecondary degree and have greater postsecondary outcomes, than individuals who do not attend preschool. Reynolds, A.J., Ou, S., Temple, J., “[A Multicomponent, Preschool to Third Grade Preventative Intervention and Educational Attainment at 35 Years of Age.](#)” JAMA Pediatr, March 2018.

⁶⁷ [Governor’s FY 2021 Budget, Executive Summary.](#)

⁶⁸ Ibid.

⁶⁹ Local Initiatives Support Corporation, “[Rhode Island Early Learning Facilities Needs Assessment,](#)” November 2019.

basis to 501(c)(3) nonprofit cultural organizations which lease or own their performance space. In awarding such grants, RISCA shall consider financial need, the availability or actual expenditure of matching funds for the projects, available gifts or grants for projects, the amount of square footage to be improved, geographical location, and the characteristics of the audiences who will benefit.⁷⁰

The referendum also includes \$1 million to provide funding, administered by the Rhode Island Historical Preservation and Heritage Commission (HPHC), to municipalities and nonprofit organizations to preserve, renovate, and improve public and nonprofit historic sites, museums, and cultural art centers located in historic structures in the state.⁷¹

Question 6 is essentially a smaller sequel to the \$35 million bond referendum approved by the voters in 2014. The 2014 initiative included \$30 million to RISCA for capital grants to arts and cultural organizations, of which \$23 million was earmarked for nine specifically named organizations and the remaining \$7 million was used to fund competitive grants to small- and medium-sized organizations. RISCA has awarded nearly all the funding authorized by the 2014 bond to 69 organizations.⁷² The 2014 bond also included \$5 million to the HPHC for capital grants. The HPHC has awarded 56 grants, leveraging \$6.4 million in other funding, with 48 construction projects completed.⁷³

RIPEC Comments on Question 6

Rhode Island's vibrant arts culture and historic features are an essential part of the state's character and a driver of tourism, jobs, and tax revenue. Aside from bond funding, the state provides relatively few funds to arts and historic preservation. In requiring a 1:1 match, the arts funding in Question 6 would leverage at least an equivalent amount of investment from private or other sources. The funding for historic preservation similarly has leveraged other sources of funding through the HPHC. Question 6 builds on existing grant programs with considerable track records, and the overall bond funding is relatively modest. There is a question as to why two large organizations would receive direct earmarks and therefore not be subject to the competitive process, although in the absence of these earmarks, the needs of large organizations could crowd out needs of smaller arts groups.

Question 7: Industrial Facilities Infrastructure

If approved, Question 7 would provide \$60 million in general obligation bond funding for economic development activity through the Quonset Development Corporation (QDC). The funding would include \$40 million to industrial site development, replicating Quonset's "Site

⁷⁰ R.I. Secretary of State, "[Voter Information Handbook](#)," Special Election, March 2, 2021.

⁷¹ Ibid.

⁷² Rhode Island State Council on the Arts, [Creative & Cultural Economy Bond Initiative](#).

⁷³ Rhode Island Historical Preservation and Heritage Commission, [State Preservation Grants Funded by the Creative and Cultural Economy Bonds \(2014\)](#), January 31, 2021.

Readiness” initiative throughout Rhode Island. Funds would facilitate the preparation of business-ready parcels for purposes related to manufacturing and other commercial activities. QDC would administer the effort, including small grants for pre-development purposes. The remaining \$20 million would fund continued growth and modernization at Quonset’s Port of Davisville, specifically to finance construction of a new pier, the rehabilitation of Pier One, and dredging to accommodate offshore wind project cargo while maintaining the Port’s existing business.⁷⁴

The proposed \$40 million investment in site readiness follows a \$1 million site readiness pilot program included in the FY 2020 budget, which has provided grants to municipalities and private companies for 15 projects, mostly for planning and permitting assistance.⁷⁵ While the bond initiative references “replicating” QDC’s Site Readiness program, that QDC program consists of investments made by QDC in permitting, planning, engineering, and infrastructure to prepare parcels for commercial development at the Quonset Business Park, which QDC controls. According to the RI Ports Coalition website on Question 7, the bond funding for site readiness would include “everything from environmental studies, permitting and engineering to installation of utility infrastructure, environmental remediation, and construction of large-footprint buildings.” Grants would be made through a competitive process administered by QDC.⁷⁶

The \$20 million investment in the Port of Davisville would contribute to financing of the \$201.5 million Port Master Plan and would supplement \$50 million in general obligation bonds for the Port of Davisville approved by the voters in 2016. The Port of Davisville receives the large majority of import vessel calls to terminals in Narragansett Bay and is ranked among the top ten auto importation ports in North America. The proposed investments would position Rhode Island to benefit from the growing offshore wind projects in the Northeast.⁷⁷

RIPEC Comments on Question 7

A limited availability of industrial space in Rhode Island hinders the state’s ability to expand its industrial capacity and grow key advanced industry sectors, such as biomedical innovation and the shipbuilding and maritime industry.⁷⁸ The proposed bond follows a much smaller pilot program for site readiness administered by the Commerce Corporation. The site readiness initiative, however, lacks specifics and gives broad authority to QDC to determine how grant dollars will be allocated. The bond initiative references that new bond funding would replicate QDC’s site readiness program on a statewide basis, but the program would necessarily be different since QDC controls the parcels involved in the current program. And, while QDC’s technical expertise will

⁷⁴ R.I. Secretary of State, [“Voter Information Handbook,” Special Election, March 2, 2021.](#)

⁷⁵ R.I. Commerce Corporation Press Release, [“Raimondo Administration Announces First Round of Site Readiness Awards,”](#) January 29, 2020.

⁷⁶ R.I. Ports Coalition, [“Vote Yes on 7 FAQ.”](#)

⁷⁷ Quonset Development Corporation, [“Quonset Business Park: Site Readiness, Port of Davisville Infrastructure Modernization.”](#)

⁷⁸ Rhode Island had an industrial vacancy rate of 1.8 percent at the end of 2018, and leaders in several advanced industries have highlighted the need for increased industrial capacity. City Facilitators, New Localism Associates, Quartz, [“Rhode Island Innovates 2.0.”](#)

be useful in administering the program, the Corporation typically has not managed statewide grants. Since grants will likely result in significant benefits to communities and private developers, it would be useful to have a prescriptive and transparent process to circumscribe QDC's discretion.

The \$20 million investment in the Port of Davisville fits the more traditional use of general obligation debt for long-term public infrastructure projects. The funding is consistent with a larger QDC master plan and builds upon a larger bond initiative approved in 2016 and other capital funds. The Port has been relatively successful in attracting imports, particularly automobiles, and has the potential to attract business from the growing offshore wind industry.

IV. Conclusion

Over the last 20 years, Rhode Island has improved its debt position, reducing its ratio of debt service to revenues such that Rhode Island is now ranked 18th in the nation while Connecticut and Massachusetts rank respectively first and second. Rhode Island is also in a middle category in bond ratings compared to other states. Importantly, the state recently has strengthened oversight of its public debt, including a requirement that the PFMB produce a debt affordability study every two years that recommends limits of indebtedness for all issuers of public debt in the state. Employing guidelines set forth in the most recent debt affordability study (2019), the treasurer determined in July 2020 that the increased level of bonded indebtedness proposed by the governor was reasonable and affordable. Since the treasurer's determination, factors affecting affordability became more favorable—specifically, projected state general revenues significantly improved, and the General Assembly reduced the total level of proposed general obligation borrowing from \$496.8 million to \$400 million while also rejecting other borrowing requested by the governor.

Given the state's current debt status, the treasurer's determination of affordability, and developments that have improved affordability since the treasurer's determination, RIPEC supports the total level of borrowing to be submitted to the voters at the March 2 special election. The affordability of such borrowing is further supported by the historically low interest rates currently available for state general obligation debt. Moreover, given the economic fallout of the pandemic, capital investment through borrowing is one of the few levers available to help accelerate the recovery of the state's economy.

Affordability is only part of the equation, however. The investments to be funded should also be analyzed in terms of return on investment, consistency with long-term state debt obligations, alignment with state policy goals, and the opportunity costs if investments are not approved.

In general, the bond initiatives proposed for the March 2 special election are consistent with capital investments in public infrastructure approved by voters in prior referenda. Investments in higher education facilities (Question 1) clearly fall in that category.

Similarly, most of the investments proposed to improve the environment and public recreational facilities (Question 2) build on long-standing capital investment programs, although the relatively large investment in beaches, parks, and campgrounds is noteworthy and is supported by the state's comparative underinvestment in these recreational assets. Also noteworthy is the inclusion in Question 2 of funding for a municipal resiliency program, perhaps the state's first major financial commitment to respond to the risks of climate change.

The bond initiative for housing and community opportunity (Question 3) is the fourth housing bond put before voters since 2006. All or most of this funding is expected to be administered through BHRI, which has a successful track record and has used bond funding to leverage larger sources of federal and private funding. In the absence of general revenue appropriations for housing, housing bonds have been the primary source of state funding to increase and preserve

affordable housing. While meeting a critical need, this bond funding is not part of a larger state housing strategy, and the impact of this bond funding on the state's housing challenges is limited, both in its focus only on the low-income segment of the market and in the relatively small number of new units constructed. The bond question includes funding for community revitalization projects, but this program is less targeted than BHRI and does not have the same long history of success.

The bond initiative for transportation (Question 4) represents a departure from the state's more fiscally responsible approach over the past ten years of relying on current funding instead of bonds for transportation. However, the use of general obligation debt is justified at this time due to the loss of gas tax revenues and Rhode Island Capital Plan allocations, as well as the availability of new federal funding.

A new Early Childhood Care and Educational Capital Fund (Question 5) would serve the important purpose of improving the quality of early childhood education and would respond to a demonstrated unmet need for capital improvements in pre-K and childcare facilities. The program to be funded by the referendum would be an entirely new program for DHS, which would need to establish a regulatory and administrative structure to oversee the grant process. It is also unclear that this bond initiative is part of a larger strategy, and funding in addition to these capital dollars would be required to improve and expand high quality childcare for low-income families.

The bond initiative for cultural arts and state preservation grants (Question 6) is essentially a much smaller sequel to the \$35 million bond referendum approved by the voters in 2014. Aside from bond funding, the state provides relatively little funding to arts and historic preservation. Question 6 builds on existing grant programs with successful track records.

The proposed bond initiative for industrial facilities infrastructure (Question 7) is in two parts. First, the proposed investment in site readiness follows a much smaller pilot program administered last year by the Commerce Corporation but lacks specifics and gives broad authority to QDC to determine how grant dollars will be allocated. Since grants supported by this funding likely will result in significant benefits to communities and private developers, it would be useful to have a prescriptive and transparent process that circumscribes QDC's discretion. Second, the Port of Davisville investment fits the more traditional use of general obligation debt for long-term public infrastructure. The funding is consistent with a larger QDC master plan and builds upon a larger bond initiative approved in 2016, as well as other capital funds.