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Carcieri to unveil state budget plan today

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PROVIDENCE — Governor Carcieri will reveal detailed plans this afternoon to close what may be the largest budget deficit in Rhode Island history.

The stakes are high.

The governor's proposals could affect every business and individual taxpayer in Rhode Island, everyone with children in public schools, and all state employees, municipal workers and teachers. The governor may also unveil specific plans to use hundreds of millions of federal stimulus dollars, a pool of no-strings money that is controversial to say the least.

Observers interviewed yesterday acknowledged that the governor's budget plans may have lasting effects on the economic health of a state already suffering through its worst economic downturn in decades.

"Rhode Islanders are looking to our government leaders to take dramatic steps to get people back to work," said Laurie White, president of the Greater Providence Chamber of Commerce. "The window of opportunity is open a crack. Now let's make sure it gets flung wide open."

Specifically, the governor will release his state budget request for the fiscal year that begins July 1. He will also release an updated plan to address a host of current-year budget problems, with less than four months left in the fiscal year.

The combined deficits for the two fiscal years officially stand at about \$860 million, but the hole may exceed \$1 billion in the coming months if the economy continues to sour.

The General Assembly will debate the governor's recommendations before adopting a final version, a process that will consume state affairs for the remainder of the legislative session.

In dealing with deficits, state leaders don't have many options.

They can cut spending. They can raise revenue through new taxes or fees. Or this year, they can use \$430 million in federal stimulus funds available to help plug the hole.

"I'm afraid the stimulus will be used to balance the 2009 budget without the structural changes that need to take place. That's what we expect to see, and that's what we fear," said John Simmons, the executive director of the business-backed Rhode Island Public Expenditure Council. "Using [stimulus funds] just passes on the crisis to two years from now for when someone else is in office."

But for Rhode Island's cities and towns, today could mean the difference between balanced budgets and potential chaos. In January, the governor proposed a midyear cut of more than \$74 million in local aid.

In the weeks since, municipalities throughout the state have responded by rushing to negotiate salary and benefit concessions with their unions. But amid the rush of federal stimulus funds, could communities recoup some of that cash?

At least one local leader isn't optimistic.

"I just don't think it is realistic to believe that the stimulus money will go to help cities and towns," said Dan Beardsley, executive director of the Rhode Island League of Cities and Towns. "As helpful as that might be, I don't believe it's going to happen."

Meanwhile, taxpayers also stand to win or lose in Carcieri's budget.

The governor has already proposed bumping up the state cigarette tax by \$1 a pack. But his new budget plans are expected to include recommendations to cut taxes for businesses and individuals by as much as \$130 million.

Carcieri last month promised to begin phasing out the corporate business tax and eventually eliminate the estate tax.

"In 2009, we have another opportunity to be bold and to send a message that Rhode Island is open for business," said White, of the Providence Chamber. "Rhode Island's tax profile has been a major impediment to job growth and business formation for a long, long time."

Social service advocates fear the tax cuts would consume funds that could be used to help lower income residents.

"We cannot continue the failed tax policies from the last decade that cut taxes for wealthy individuals and businesses in the name of economic development," said Kate Brewster, executive director of The Poverty Institute at Rhode Island College.

Today's news also may induce the early retirements of hundreds of state employees, municipal workers and teachers.

The governor earlier in the year proposed raising the minimum retirement age to 59 and eliminating automatic cost-of-living increases to future municipal and state retirees, including judges and state police officers who leave after April 1. While the savings projections were later questioned, Carcieri is expected to release a revised proposal today.

The governor is scheduled to unveil his plans at a 3:30 p.m. news conference at the State House.

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