

# House gets \$6.6-billion state budget

The governor's proposed cuts in welfare and state employee benefits are rolled back under the House plan.

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BY SCOTT MAYEROWITZ, KATHERINE GREGG and ELIZABETH GUDRAIS

Journal State House Bureau

PROVIDENCE -- A key House committee yesterday approved a \$6.66-billion state budget that provides a tax cut for the state's richest taxpayers while averting most of the welfare and state employee-benefit cuts Governor Carcieri proposed.

## Budget highlights

\$6.66 BILLION BUDGET, a 4.9-percent increase over this year.

RESTORES CUTS to state-funded health care program for poor.

PROVIDES TAX CUT for those earning more than \$250,000.

EXEMPTS FIRST \$6,000 of a vehicle's value from the car tax.

\$1 MILLION in tax credits for companies that donate to private or parochial schools.

\$33.3 MILLION MORE in local school aid.

The tax-and-spending plan, headed for a House floor vote Monday, also guarantees aid increases of 4.8 percent to every school district.

Other highlights: a reduction in local car taxes, a potential \$50 million in construction subsidies for what the lawmakers hope will be more affordable housing and a tax credit for companies that donate to private and parochial schools.

The state and federally financed budget for the year that begins July 1 increases overall spending by 4.9 percent and includes \$3.2 billion in state general revenues.

The House Finance Committee unanimously passed the budget in less than two hours. By contrast, last year's debate took about eight hours.

Each of Carcieri's four budgets has included some type of cut in social services. And this year, like years past, the Assembly's leadership has worked to keep some of the programs that Carcieri suggested shrinking.

Just about all of the money for the state-financed RIte Care health insurance program was restored. However, lawmakers did go along with several of Carcieri's reductions to the Family Independence Program -- Rhode Island's version of welfare-to-work.

"We came into the year knowing it was going to be devastating. Today, we gave a huge sigh of relief," said Elizabeth Earls, executive director of the Rhode Island Council of Community Mental Health Organizations.

Carcieri is still reviewing the budget and said he hopes "to work with the leadership of the General Assembly to secure approval of a responsible budget plan that responds to the needs of average Rhode Islanders."

## **TAXES**

The budget reflects a \$7.2-million income-tax cut for the wealthy that the House has already passed.

Dropping the top rate from 9.9 percent -- with deductions -- to a flat 8 percent would benefit about 1,700 people who earn \$250,000 or more.

The average tax cut for each person would be \$4,267.

By 2011, the flat tax would fall to 5.5 percent, costing an estimated \$73.1 million that year.

"Giving tax cuts for a handful of wealthy Rhode Islanders was unnecessary and completely unaffordable given some of what we've seen in the human-service cuts," said Kate Brewster, executive director of the Poverty Institute at Rhode Island College.

But Steven M. Costantino, D-Providence, chairman of the Finance Committee, said 9.9 percent is scaring people away from the state and the flat-tax option is meant "to keep people here."

The budget does not reflect the cornerstone of the Senate's own tax-relief package: reducing to 4 percent over six years the current 5.5-percent cap on annual increases in municipal tax levies.

But Senate leaders are pursuing the proposal through a separate bill that cleared the Senate Finance Committee unanimously yesterday.

Car owners will pay less in local taxes as the state increases the motor vehicle tax exemption from the first \$5,000 of value to \$6,000. Carcieri had proposed going only to \$5,500. Car owners in Providence would save \$76.78 per vehicle; those living elsewhere in the state would save less.

However, everybody who now does business with the Registry of Motor Vehicles will see a new fee of up to \$1.25 per transaction.

Gone from the budget is a sales tax holiday Carcieri had proposed.

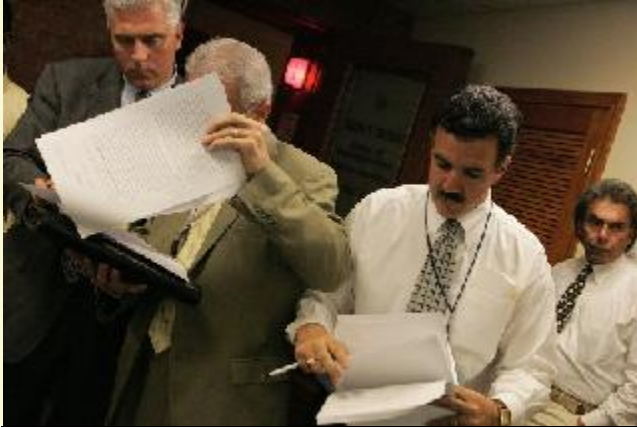
The budget also includes some tax relief for the state's poorest residents.

The state currently gives people claiming the federal earned income tax credit an additional 10 percent of that amount back in their state returns. The budget increases it to 15 percent. For a family of three earning \$25,000 a year, that means an extra \$35.

There is also an increase in the so-called "circuit breaker" tax rebate that now gives \$250 to low-income residents. That credit would go to \$300.

## **EDUCATION**

Every school district in the state will get 4.8 percent more in state aid than it did this year, a total increase of \$33.3 million and \$12.3 million more than Carcieri proposed. Costantino acknowledged that the package helps the cities more than suburban towns, including his home city of Providence, which would see \$8.9 million more in school aid next year.



**Journal photo / Connie Grosch**

Lobbyists, from left, Francis McMahon, Stephen Nardelli, Andy Andrade and Daniel Beardsley examine budget articles just prior to a House committee vote on the \$6.66-billion state budget yesterday.

Rep. Jan Malik, D-Warren, voiced dismay that Barrington, one of the two communities he represents, is one of 14 communities getting less under the committee's proposal than they would have from the governor's. Others include the hometowns of the governor and the House and Senate Republican leaders, East Greenwich and Westerly, respectively.

A major element of Carcieri's education budget went by the wayside: \$425,000 for textbooks and lab equipment for five high schools in the Physics First program, and \$970,000 for mathematics and professional development for science teachers.

Private and parochial schools got a boost with a \$1-million tax credit for corporations that donate to scholarship funds for schools, a plan drawing criticism from the state's public teacher unions.

"It's difficult to accept a million-dollar boondoggle for businesses in the state of Rhode Island while education aid is so paltry," said Marcia Reback, president of the Rhode Island Federation of Teachers and Health Professionals.

However, the Rev. Bernard A. Healey, lobbyist for the Diocese of Providence, said the program "will help allow poor children to have school choice."

Currently, about 18,000 children attend diocesan schools.

"All those parents are paying their property taxes, but aren't using the public school system," he said.

Rep. John A. Savage, R-East Providence, a retired school principal, said he agreed in principle with giving the tax credits, but said it was hard to support while cutting Physics First.

Lawmakers also rejected a \$150,000 pilot program to extend the school day in urban schools.

## **HUMAN SERVICES**

By not changing income eligibility for the state-financed RIte Care health insurance program, as Carcieri proposed, 6,800 parents who earn about \$21,000 a year will remain on the rolls. So will 2,400 children who are in the country illegally.

The House Finance Committee, however, plans to close the RIte Care program to anyone who is not a U.S. citizen -- whether they are here legally or not -- as of Jan. 1. Anyone enrolled in RIte Care on Dec. 31 would continue to be covered.

On the welfare front, the House and the Senate leadership agreed with Carcieri's plan to count time spent on welfare in other states against a lifetime limit here but would not lower that limit from the current 60 months to a proposed 30 -- a move Carcieri said would put Rhode Island more in line with the rest of the country.

Lawmakers met Carcieri halfway on his proposal to strip benefits when parents don't comply with their employment and training plans. He wanted to end benefits after 3 months, down from the current 18 months. Lawmakers chose 6 months.

They also declined to move forward with a plan by the governor to cut welfare payments or to force recipients to work more upfront. In fact, the committee's budget would change the current 30 hours of work now required in later years to allow 10 of those hours to be used for education or training.

On the subsidized childcare front, Carcieri sought to raise the amount of money families at the higher end of poverty pay. Lawmakers agreed to a raise, but not as large as the governor sought.

"I'm not fully happy about all the human services, but it's a lot better than what the governor had presented," said Rep. Thomas C. Slater, D-Providence. Slater said he would like to restore more cuts "but I fully realize . . . we're not going to get it through the whole legislature if we don't take in some of [Carcieri's] recommendations."

Lawmakers also trimmed a grant program that parcels out \$20 million through 17 state departments to everything from the Bristol Fourth of July Parade to the Warwick Coalition on Child Abuse and Meals on Wheels. Carcieri wanted to eliminate \$5 million from the total; lawmakers cut \$500,000.

The budget also gives voters a chance in November to approve \$50 million in bond-financed subsidies for contractors to build 1,667 housing units -- mostly rentals -- for people who earn \$30,000 to \$60,000 a year. They could only be charged rent equal to 18 percent of the state's median income.

The state would borrow \$7.5 million for the Neighborhood Opportunities Program, which provides housing to those who earn less than about \$30,000 a year.

## **STATE WORK FORCE**

Lawmakers refused to go along with Carcieri's attempt to strip workers of their longevity bonuses, to end payments to departing employees who have unused sick time and to shut down government for two unpaid holidays.

"We are very pleased that the legislature . . . showed a great respect for the principle of collective bargaining, unlike our governor," said George H. Nee, secretary-treasurer of the state AFL-CIO.

Essentially, the legislators left it up to Carcieri's office to figure out for itself how to save \$36.5 million through leaving vacant positions empty or cutting back on consultants.

## **COURTS**

In a year full of cuts, lawmakers gave the state's court system a 13.7-percent budget boost, to \$95.4 million.

They rejected Carcieri's plan to force the courts to collect more of the \$42 million in outstanding fines from the last six years alone. Carcieri suggested that \$7.7 million of the court's financing come directly from fines.

The committee sided with the judiciary, which argued that Carcieri's plan was unconstitutional and that courts should not balance their budget on the backs of those who appear before them.

The courts' budget includes \$300,000 for a study on the feasibility of a new courthouse in the Blackstone Valley, \$370,000 for one new magistrate in the Family Court and another in Superior Court. But the positions of two Traffic Tribunal magistrates were cut, saving \$326,000.

[smayerow@projo.com](mailto:smayerow@projo.com) / (401) 277-7513

[kgregg@projo.com](mailto:kgregg@projo.com) / (401) 277-7078

[egudrais@projo.com](mailto:egudrais@projo.com) / (401) 277-7045