

# FY2007: \$3.15 billion state budget unveiled; cuts decried

Social advocates and labor leaders call Governor Carcieri's spending plan -- which aims to close \$299 million in deficits this year and next -- "outrageous" and "mean-spirited."

01:29 PM EST on Wednesday, February 8, 2006

BY SCOTT MAYEROWITZ, KATHERINE GREGG and ELIZABETH GUDRAIS

Journal State House Bureau

PROVIDENCE -- Governor Carcieri yesterday proposed sweeping cuts in aid for the poor, reductions in state worker benefits and the closure of motor vehicle registry branches to close a gaping deficit.

## **The FY 2007 budget proposal**

\$3.15 billion state budget unveiled; cuts decried

Educators applaud Carcieri budget

Carcieri budget takes aim at colleges

Inside the budget plan

**Chart:** Expenditures from general revenue

**Chart:** Proposed education aid

**Extra:** Details of the governor's FY 2007 budget proposal

**Survey:** Be the budget maven: Where would you cut/spend money?-----

In his budget for the coming year, the Republican governor plans to force families off welfare sooner and knock 9,800 people off state-subsidized health care.

Carcieri also hopes to save money by trimming the state work force, shutting government down for two days, eliminating longevity bonuses and ending payments to departing employees for unused sick time.

"Crafting this budget was one of the most difficult tasks that I have faced as governor," Carcieri said yesterday. In addition to next year's \$222-million projected deficit, the governor had to deal with a \$77-million shortfall for the current year.

His plan calls for \$6.58 billion in state and federal spending in the year that starts July 1, an increase of 3.6 percent. The portion financed by state revenues would increase less than half a percent, to \$3.15 billion.

Carcieri's budget sets the tone for the rest of the legislative session, but is by no means the definitive word. The Democrat-controlled Assembly -- like it does every year -- will put its own imprint on the plan.

Advocates for the poor and union leaders immediately attacked the governor's proposals.

"This budget is the worst assault on poor kids and working poor families that we've seen in over 25 years," said Kate Brewster, director of the Poverty Institute at Rhode Island College. "This seems like a mean-spirited attempt to further marginalize single mothers."

J. Michael Downey, president of Council 94 of the American Federation of State, County and Municipal Employees -- the state's largest public-employee union -- called the proposals "outrageous."

"State employees," he said, "have done all they can do. We really can't take any more."

Democratic lawmakers also raised concerns.

Sen. John J. Tassoni Jr., D-Smithfield, questioned Carcieri's priorities, including \$11 million in bonds for Roger Williams Park Zoo.

"It doesn't make any sense," Tassoni said. "I am an animal lover, but still, I mean, we've got people sleeping in the streets."

House Finance Chairman Steven M. Costantino, D-Providence, said welfare and personnel reforms are needed, but, "I'm not quite convinced that how they did it was the best way."

Costantino would not rule out all of Carcieri's cost-cutting plans, saying "some of these items, as painful as they are, we may have to go with."

Carcieri got kudos from the Rhode Island Public Expenditure Council, a business-backed research and advocacy group.

"It's a taxpayer friendly budget," said RIPEC Executive Director Gary S. Sasse. "The cost of government shouldn't be allowed to grow faster than the ability of taxpayers to pay for it."

THE PROPOSED CHANGES to public-assistance programs and state workers are likely to be the most contentious. But they are not the only ways Carcieri hopes to balance the state's books.

He wants to close all seven satellite offices of the Registry of Motor Vehicles. Those offices served nearly 307,000 people last year, more than half of the business done by the registry.

Instead, people would either go to the main office in Pawtucket, go online or visit local AAA branches. The move is expected to save \$1.3 million.

Carcieri does not have any broad-based tax increases or cuts in his budget. (House Democratic leaders have proposed tax cuts that would benefit the state's wealthiest but have yet to say how they would pay for it.)

The budget also gives the average Rhode Islander a few extra dollars through the continued phaseout of the car tax to \$5,500. Taxpayers in Providence would save \$38.39 a car. Everybody else saves less.

Those shopping online may soon be forced to pay Rhode Island's 7-percent sales tax up front as the state works with vendors to voluntarily collect the tax. At the same time, Carcieri is proposing a two-day sales tax holiday in August.

The governor would increase funding to local school districts by \$41 million. Most of the extra money would cover the local share of teacher pensions.

Carcieri's budget also gives something to parochial and other private schools by providing companies who fund scholarships with a new tax break.

The governor is looking to force the state's 39 cities and towns to spend less. Currently, communities can increase taxes up to 5.5 percent a year. Carcieri wants a 3-percent cap.

Dan Beardsley, executive director of the Rhode Island League of Cities and Towns, said he was "dumbfounded." He said many increases are beyond the municipalities' control.

TEN YEARS AFTER the federal and state governments reformed welfare, the governor says it's time to again shrink Rhode Island's welfare rolls. He is suggesting \$31.7 million in cuts to welfare and state-subsidized health and childcare.

Even with his changes, Carcieri said, the entitlement budget would increase faster than money is coming into the state.

Carcieri is taking a cue from President Bush and Congress.

The number of people on welfare has dropped dramatically in the last decade, but not as fast as it has elsewhere. Rhode Islanders also stay on welfare longer than people in most other states.

"This is a disservice to program participants who would benefit more from a job than from assistance," Carcieri said. He proposes saving \$5.9 million in the coming year by:

Counting time spent on welfare in other states against a lifetime limit here.

Stripping benefits from parents who don't comply with their employment and training plans after 3 months -- down from 18 months.

Cutting payments to families by \$25 a month after two years and then another \$25 each additional year.

For those coming onto welfare after July 1, 2007, he would:

Reduce by half the number of months -- from 60 to 30 -- that adults can stay on welfare during their lifetime.

Allow only one year, instead of two, for job training or education.

The largest human-services savings -- \$22.2 million -- would come through tougher eligibility for state-funded health care through RIte Care.

Carcieri wants to remove 3,000 children, who are in the country illegally, from the rolls.

"I want to take care of Rhode Islanders," Carcieri said. "We can't take care of the rest of the world's problems."

Kerrie Jones Clark, executive director of the Rhode Island Health Center Association, said the children are "not little green aliens. They're people." She said their parents come here "to take low-paying jobs that other people don't want to do."

Carcieri is also seeking to disqualify 6,800 parents who make at least 133 percent of federal poverty level -- about \$21,400 for a family of three. Their children would still be eligible.

Elizabeth Burke Bryant, executive director of Rhode Island Kids Count, said Rite Care "has been the policy success story of our state, recognized nationally." She said children are more likely to access regular preventive medical care if their parents are doing the same.

On the childcare front, Carcieri is seeking to raise the amount of money families at the higher end of poverty pay for the subsidized supervision. Those families now pay \$32 to \$95 a week, depending on income. Carcieri's plan hopes to raise that, on average, by \$13 a week. The governor also proposes that any family with at least \$10,000 in assets, excluding a car or property, no longer be eligible for subsidized health or childcare. The childcare changes would save \$3.6 million.

"This budget is a disaster," Marti Rosenberg, executive director of Ocean State Action. "When the governor says he's not balancing it on the backs of working families, he's spinning so fast I hope he doesn't fall over."

THE GOVERNOR also hopes to trim another \$42 million through staff reductions and changes in state personnel benefits.

This comes a year after he successfully pushed through an overhaul of the state's teacher and public-employee pension benefits.

The current budget allows for the hiring of 16,349 full-time positions, but only 15,072 of them are filled now. Carcieri is suggesting lowering the authorized level to 15,954 -- a cut of 2.4 percent.

Carcieri is not providing any incentive for workers to retire early, but is essentially penalizing those who choose not to.

For instance, the governor plans to eliminate, as of July 1, the practice of paying employees for unused sick time when they leave their jobs. In an e-mail to state workers just before noon yesterday, Carcieri said the time "was never intended as a cash reward." Currently, state employees can receive payment at retirement for up to 8 1/2 weeks of unused sick time.

Also on July 1, the state would cease payment of any new longevity bonuses and tie future salary increases only to a worker's base pay. Carcieri hopes to replace

longevity the following year with merit bonuses. The savings are estimated at \$2 million.

While longevity benefits are spelled out in union contracts, Carcieri said the General Assembly "has the authority to override and supersede."

Carcieri would also make July 3 and the Friday after Thanksgiving unpaid holidays for nonessential state workers, saving \$3.6 million.

Among other changes, Carcieri would eliminate the so-called 20-year rule that spells job security for more than 3,800 state workers, who are now guaranteed a job at a similar pay grade within state government if theirs is abolished.

THE BOTTOM LINE does not include \$200 million Carcieri hopes to raise from the sale of future rights to Rhode Island's portion of the national tobacco settlement and spend on two huge, new off-budget health-care initiatives.

The annual investment earnings from the first \$100 million would be used to subsidize the health-insurance rates paid by private small-business owners with predominantly low-wage workers.

The governor described the second \$100 million as a "down payment" on the \$630 million in unfunded, pay-as-you go health-care promises made to all current and future state retirees. The state is obligated to pay anywhere from 50 percent to 100 percent of the health-insurance premiums of any former worker who had worked for at least 10 years.