

Coalition calls for constitutional spending cap

By [Marion Davis](#), Staff Writer

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Referendum urged to impose state and local budget limits

Comparing their actions to the Boston Tea Party, Gov. Donald L. Carcieri, the Rhode Island Public Expenditure Council, and several business leaders last week proposed a constitutional amendment to restrict future state and local expenditure growth.

The measure, inspired by Colorado's Taxpayer's Bill of Rights (TABOR), Massachusetts' Proposition 21/2, and other mandatory tax expenditure limits across the United States, would do two main things:

- n Limit the allowable growth in state spending each year to the inflation rate (as reflected in the U.S. Consumer Price Index) plus 1.5 percent.

- n Limit annual increases in each town's property tax levy to 4 percent, and bar the total levy from exceeding 2.5 percent of the full market value (a level that no town has reached yet, though Providence comes close).

Rhode Island currently has no cap on annual state spending growth. But it does require, per a 1992 law, that expenditures not exceed 98 percent of projected revenues. On the local side, property tax rate hikes of more than 5 percent require state approval.

Under those current rules, state spending from general revenue will have grown by about 18.9 percent from fiscal 2002 to fiscal 2007 (as budgeted by the governor), just above the cumulative growth of the Consumer Price Index for Northeast urban areas.

Local property tax collections, on the other hand, have grown by an average of 4.2 percent annually for the last 10 fiscal years, according to RIPEC.

With projected deficits averaging \$135 million for each year through the remainder of the decade, however, and a history of double-digit state spending hikes as recently as 2000 and 2001, RIPEC Executive Director Gary Sasse believes tight controls are sorely needed. Rhode Island's recent history shows that "the only thing that controls the growth of spending is the amount of money available," Sasse said in an interview – and that means the state gets used to splurging during good times, and doesn't save enough for tough times.

At a news conference at the Old State House, on Benefit Street in Providence, Carcieri said high taxes are overwhelming Rhode Islanders, leading the wealthy to move away

and leaving the middle class to pay the bills. State revenue is lagging, but expenditures keep going up.

Not even the governor's "Fiscal Fitness" initiative, which will have saved the state more than \$268 million by the end of fiscal 2007, can offset that excessive growth, he said. "I could go on and on with all the things we're doing to save money, but as fast as we do this, the balloon keeps rising," he said. "We are so ripe, as far as I'm concerned, for fiscal discipline to be imposed."

A growing number of business and citizens groups seem to agree. With strong support from the Northern Rhode Island Chamber of Commerce, RIPEC and the governor have assembled a new alliance called the "Affordable Rhode Island Coalition," which so far includes, among others, the R.I. Association of Realtors, the R.I. Manufacturers Association, Operation Clean Government, the Voter Initiative Alliance, and several chambers of commerce – though not, so far, the Greater Providence Chamber of Commerce. (Spokeswoman Bethany Costello said the Providence group hasn't taken a position on the proposal yet, but is really focusing on its push for a flat income tax.)

The measure also has the support of some Democrats, most notably former Senate Finance Committee Chairman J. Michael Lenihan, of East Greenwich.

The House and Senate leadership, however, may not be as amenable to the idea. In an interview, House Finance Chairman Steven M. Costantino, D-Providence, said he hadn't examined the details, but what he knows about Colorado's TABOR – which was recently amended by voters because it had devastated higher education, road maintenance and other key services – makes him think such measures are "extremely dangerous."

In a written statement, Senate President Joseph A. Montalbano, D-North Providence, also cited Colorado's "failed experiment," and he added that while "efficient government is a worthy goal," elected leaders "also recognize that citizens demand a government with the flexibility to repair roads, educate children and provide a health care safety net for the most vulnerable. These factors all contribute to strong economic development."

Lenihan and others argue that the Rhode Island proposal is better than Colorado's TABOR because it includes an "escape clause" – it can be overridden with a two-thirds vote in both legislative chambers – and it doesn't mandate a full refund to taxpayers of state revenue collected above the proposed cap, but rather requires that excess go into a "rainy-day fund" of up to 5 percent of the budget.

But Ellen Frank, an economist at the Poverty Institute at Rhode Island College, noted that the escape clause is to be used only in "emergencies."

The local limit also doesn't make allowances for actual growth, Frank added. (The town with the biggest average tax levy increase between 1996 and 2006, for example, was West Greenwich, because of high levels of development.) And "most disturbing," she said, because the only exception to the local limit is if state aid drops, "what this would

undoubtedly mean would be that cutting state aid would be the one cut that legislators could do, knowing that the cuts could be made up at the local level.”

Frank also took exception to the notion that forced limits would encourage political leaders to make smart, creative spending decisions.

“I don’t think a tax expenditure limit in any state has been shown to lead to a kind of thoughtful long-term planning,” Frank said. “It leads instead to a constant crisis mentality, in which the state jumps from one fiscal crisis to the next, and cuts are made at the last minute based on who is the weakest lobby.”