

# Governor promises no tax hike

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PROVIDENCE — Governor Carcieri told lawmakers last night that the state is teetering on the brink of financial disaster.

“The state of the state is at a tipping point,” he told a packed chamber of senators, representatives, judges and mayors. “If we are not willing to make the hard choices, then the tipping point will lean to the side of disaster, and we will have failed the people who sent us to serve them.”

Republican Carcieri served notice he hopes to bring public employees’ workweeks and compensation packages “back in line with the vast majority of private-sector employees,” impose a firm two-year time limit on welfare benefits, put city and town employees in one health-care plan with state workers and adopt what he billed as a Medicaid reform plan aimed, in part, at keeping more senior citizens out of costly nursing homes.

“This crisis presents us with an unprecedented opportunity to make fundamental and lasting change that will quicken the transformation of Rhode Island from a ship today that’s taking on water to a world-class vessel,” he told the lawmakers in his annual State of the State address.

Not since the credit union crisis of the early 1990s has the state faced such large and imminent deficits: \$151 million in the current year, up to \$450 million in the budget year that begins on July 1.

Only once in a seven-page speech did he direct his pleas for help and cooperation at state lawmakers seated in front of him and that was when he asked “the General Assembly, the public employee union leadership and all municipal officials to work together with my administration to find ways to implement these changes.”

The reception from some quarters was chilly.

“He says, ‘This is my agenda and everybody has to work on it.’ That’s a corporate approach. That’s one-side unilateral approach. That doesn’t work,” said AFL-CIO Secretary-Treasurer George Nee. “The governor should be a leader of bringing people together to have people solve joint problems, not just work on his agenda. That’s the problem.”

The executive director of the largest state employees union agreed: “I heard more of the same: Attacking the unions. Attacking the elderly. Attacking the poor. No job creation,” said Dennis Grilli, head of Council 94, the American Federation of State, County & Municipal Employees.

But in her own prepared remarks, Senate Majority Leader M. Teresa Paiva Weed, D-Newport, said: “We are committed to working with the governor to resolve the current budget crisis.” Added House Majority Leader Gordon D. Fox, D-Providence: “At the end of the day — we in government must continually remind ourselves that we all work for the taxpayers.”

During most of Carcieri’s televised time at the podium, he aimed his appeal at an audience outside the State House.

“Let me take a few moments to talk directly to every Rhode Islander who is watching this address on television, listening on the radio or reading about this in the morning newspaper,” he said. “Most of you only want to know one thing: What does this plan mean for me and my family?”

“The answer is — no tax increases! If this plan is implemented, your taxes won’t go up,” he said. But he also warned: “Everyone with something to lose will lobby this Assembly furiously against these spending reductions. If they succeed, this plan will falter and your taxes will go up.”

Carcieri’s task may be complicated by waning political support in a sour economy. His job-approval ratings dipped to an all-time low of 44 percent in September, according to a Brown University poll. Despite the governor’s attempts to bring new jobs to the Ocean State, the Department of Labor and Training reported last week that there were 31,800 people out of work last month, the highest number since 1996.

Before the speech, Brown University Political Science Prof. Darrell West said the address comes at a critical point in Carcieri’s second term: “If he is not able to communicate clearly with the voters, he could see his poll numbers decline even further.”

Carcieri tried to connect with those watching the televised address from home: “Your voice must be just as loud as the powerbrokers and special interests that regularly patrol these halls. If you want change, you must be a part of it!”

Responding later, Fox, the House majority leader said: “I think the public ” should demand a higher bar than ‘they didn’t raise my taxes.’”

During the speech, the reaction from lawmakers seated in the chamber was cool. Carcieri was interrupted only twice by applause — and the clapping largely came

from a small group of Republican legislators. The only standing ovations came in response to the governor's introduction of decorated combat veterans.

Last night's State of the State address was the sixth of Carcieri's reign as Rhode Island's top elected leader. A retired chief executive officer when he entered political life, Carcieri sounded similar themes in his first State of the State address in 2003, saying then: "One of the major problems we face is that the cost of staffing state government is too high."

Other themes of previous years, such as improving public education and increasing the use of renewable energy, were lost to the governor's discussion of the state's economic woes. He promised the budget he proposes to lawmakers in the coming weeks will cut state spending by \$300 million between now and the end of next year — resulting in a budget "that is less than the previous year [for] the first time since the credit union crisis."

But he provided few details, listing instead the broad areas in which he hopes to cut state spending, including public employee wages, health-care costs and pensions; welfare, social service and other "entitlement programs," and payments from the state to municipal government.

With respect to state workers, he said: "The average state employee earns \$61,000 per year in salary with fringe benefits valued at another \$34,000 (a total of \$95,000) and a 35-hour work week. Bringing the health-care, pension benefits and work week into line with the private sector could save the state tens of millions per year. This will be the focal point of our contract negotiation with labor leadership."

(A Journal analysis found that the median state employee salary was \$46,600 as of last June.)

The governor's staff would not elaborate on what he hopes to win from the negotiations.

Only in talking about proposed changes in the state's welfare system — which he said "perpetuates dependency and strips individuals of their ability to make reasoned and responsible choices about the quality of their lives" — did Carcieri get into any specifics.

Carcieri wants to require "immediate employment plans" and impose a two-year time limit on aid from the state's Family Independence Program, generally dubbed welfare. (The current limit is five years.) Last week, he outlined plans to eliminate subsidized health care for an estimated 7,400 low-income adults and 2,000 immigrant children.

Calling local aid “the other major category of state expenditure that requires comprehensive reform,” he said the cities and towns need to “undertake the same kinds of personnel, health-care and pension reforms that state government is advancing.”

His proposal: ban the municipalities from designating a specific health-care provider in the union contracts and enroll them instead in a single “umbrella” plan that would include all state, municipal and school employees. His assumption: “this will save tens of millions of dollars for property taxpayers by creating competitive bidding by health insurers.” The proposal comes just days after he announced that he would cut non-school municipal aid by more than \$12.7 million to help mop up the budget deficit.

Last night, the only real talk of the state’s schools was their high cost and what that does to property taxes. Carcieri said he will ask the business-backed Rhode Island Public Expenditures Council to review school spending and “evaluate various options” for consolidation of school districts. (But Tim Duffy, executive director of the Rhode Island Association of School Committees, said RIPEC participated in a similar study in 2006 that found some consolidation may be helpful, but that cost savings in larger districts would be questionable.)

Rhode Island’s budget “crisis” is not unique, as state governments around the country are grappling with “crises” that are as bad or worse.

California’s deficit, for example, is estimated at \$14 billion, twice the size of Rhode Island’s total 2007-08 budget. New York faces a \$4-billion hole. And Arizona’s projected budget gap totals \$1.5 billion.

The speech had barely ended when Carcieri’s critics began weighing in.

Kate Brewster, director of the Poverty Institute at Rhode Island College, agreed: “We need new strategies to get the lowest skilled parents off welfare and into jobs with a future. But, she said: “making cash assistance contingent on finding a job in a recession economy with high unemployment makes no sense.”

Meanwhile yesterday, the majority leaders in the House and Senate offered up their own view of the state of the state, and how much worse it could be for many families — and the state’s health-care-system — if Carcieri is allowed to remove 9,000 women and children from the state’s subsidized health-care rolls.

Paiva Weed recalled that many of the fixes Carcieri has proposed — including “furlough days” and midyear municipal cuts — were considered during the last major budget crisis in the early 1990s. Some were averted; others negotiated.

“There were disagreements and debates, but there was cooperation,” she said. “All of our citizens were asked to share in the budget cuts, local government,

labor, business and human service agencies...The fiscal crisis we face today will require similar cooperation,” she said.

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