

BUDGET MATH

Who gets the short end in RI's politics of the rich and poor?

By **BRIAN C. JONES**

February 7, 2007 5:35:54 PM

Here's an example of Bad Robin Hood busy at work robbing the poor and giving to the rich.

Governor Donald L. Carcieri has proposed taking child-care subsidies from thousands of lower-income families, saving the treasury about \$15 million. Meanwhile, the state last year gave its wealthiest taxpayers a tax break that could cost the treasury nearly \$15 million in uncollected taxes.

This is the background: The tax break approved by the Democratic General Assembly and Republican Carcieri could help 2900 taxpayers with incomes of \$225,000 and more.

My math says that 1073 resident taxpayers could save an average of nearly \$11,000 this year; non-residents could average about \$1600. Overall, \$14.5 million would be lost in state revenues.

In contrast, the governor has just proposed saving the treasury \$15.2 million by eliminating about 2400 lower-income households from child-care subsidies.

These families earn roughly \$25,800 to \$38,600. Because of the subsidies, they pay a just a fraction of the estimated \$15,000 it costs for two children in day care. But if Carcieri's cuts go through, I figure each family would pay an average of about \$8000 more for child care.

For a class warrior, the math is disturbing: take away \$15 million from working families; give the wealthy \$15 million worth of tax savings.

But as I checked figures with various agencies, one state government veteran suggested I skip the beat-on-the-rich part. This Wise One is weary of Rhode Island's historic civil wars between ethnic groups, economic classes, and political parties.

Stick to the merits of child-care, he said.

A cornerstone of the state's farsighted approach to welfare reform, the program helps nearly 6700 families grab the bottom rungs of the economic ladder.

Without such help, work often can't pay.

For example, the Poverty Institute at Rhode Island College says a single mom, who has two kids and earns around \$31,000, can make ends meet if she gets the subsidy. She pays about \$2,200 a year — seven percent of her income — for child-care. Dumped from the program, the full \$15,000 child care bill will devour 50 percent of her income.

Child-care itself has grown into a healthy industry: 1037 center- and home-based facilities in 1997, compared with 1831 in 2005.

Linda Katz, the Poverty Institute's policy director, says child-care is important to the overall economy. It provides jobs and allows others to go to work.

Meanwhile, the Wise One with whom I consulted argues: "So what if the tax cut matches the budget cut?"

The theory of the tax break is that Rhode Island's top tax bracket drives away the rich, and the state loses their big, taxable incomes, plus jobs their companies provide.

Personally, I think it's a preposterous theory. But I'm often wrong about such things, and if the proponents are right, the state will be a big winner.

Meanwhile, the child-care program stands on its own. It deserves support, as do the heroic families making their way in the brutal economy of the 21st Century.