

# No last-minute miracles on horizon to fix state budget

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PROVIDENCE — Fiscal experts have finalized budget projections for the coming year which all but ensure a host of unpopular cuts to social-service programs.

The state learned yesterday it has \$90 million less to spend in the next fiscal year than previously thought. That's on top of November estimates of a \$360-million two-year deficit.

"What do I say?" said House Finance Committee Chair Steven M. Costantino, D-Providence, shaking his head. "It's bad."

Governor Carcieri's November budget proposal was based on projections that overestimated revenue by approximately \$90 million, according to budget analysts who spent eight hours in a committee room in the State House basement yesterday, the final day of the spring Revenue and Caseload Estimating Conference. The shortfall is largely attributed to a \$100-million settlement from the insurer American International Group that is tied up in litigation.

By law, the General Assembly must pass a balanced budget based on the numbers set yesterday.

Lawmakers knew the outlook would be grim. News of problems with the AIG settlement surfaced last week. But most years, rosy spring revenue projections allow lawmakers to restore proposed cuts.

Not this year.

Blamed on a sluggish economy, personal income tax projections for 2008 were set at \$23 million less than estimated in November. Other variations in revenues and expenditures put the total unanticipated deficit for next year at \$89.6 million.

"Clearly we're in much deeper than we ever thought we'd be," said Lisa Guillette, executive director of the Rhode Island Foster Parents Association, one of a handful of nonprofit leaders watching budget deliberations yesterday.

Lawmakers and advocacy groups had criticized Carcieri's initial budget proposal, which would cut housing assistance, health insurance and college tuition payments for about 850 young adults, ages 18 to 21, raised in state care. The spending plan — which by law had to balance the 2008 projected deficit — would also cut services to developmentally disabled children and transfer youth from the Rhode Island Training School to the state prison at age 18, among other things.

Not only will it be difficult for lawmakers to restore the cuts, they're now charged with cutting an additional \$90 million from the 2008 budget, which takes effect July 1.

"It's going to be extremely challenging to restore — seriously, how do you restore anything?" Costantino said. "We all had a sense of this from the beginning of the budget process. There was a lot of talk in this building that May was going to solve our problems. I never believed that."

Several nonprofit groups weighed in on the issue yesterday, urging legislators to avoid further cuts.

"There's no easy fixes. The programs that all Rhode Islanders support are in danger," said Ellen Frank, senior economist at Rhode Island College's Poverty Institute. "If you don't look at revenue, you're not going to solve the problem."

Frank, like Guillette and Karen Malcolm, the head of Ocean State Action, pointed to the state's tax system, especially the capital gains tax (set to be phased out next year at an estimated cost of \$25.4 million), the historic tax credit (the state will distribute credits worth an estimated \$82.5 million this year — the cost will likely come next year) and the television and film credit (\$10 million).

"Is it that somebody just likes having their picture taken with a movie star or is there really revenue?" a frustrated Guillette said.

The governor has no plan to raise taxes to address the problem, according to his spokesman, Jeff Neal.

"Rhode Island already has the fifth highest total tax burden of any state in the nation. Rhode Islanders are already taxed enough," Neal said. "Instead, we must determine what spending we can afford and make the necessary adjustments. Until we finally decide on a sustainable spending level, we will continue to face these types of budget problems year after year."

Gary S. Sasse, the head of the Rhode Island Public Expenditure Council, the business-backed research and policy group, largely agreed with the governor that the problem is one of spending.

"The problem in Rhode Island is not that people are taxed too little, it's that the state is spending too much," Sasse said. "There will be a discussion of taxes, but that should be the last resort."

Meanwhile, the nonprofit community is hoping for the best.

"We can't cut our way out of some of these challenges," Guillette said. "We can't continue to balance our budget on the backs of our state's most vulnerable people."

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