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One Rhode Island tries to stop budget cuts

By JIM BARON

PAWTUCKET — Borrowing a phrase from the early U.S. labor movement — “Don’t mourn, organize” — the One Rhode Island advocacy coalition is mobilizing its constituent groups to help oppose cuts that are being proposed for next year’s state budget as well as the final months of the current budget.

The state can not simply cut its way out of deficits totaling more than a half-billion dollars over the two budgets, representatives of several social service agencies were told at the Pawtucket Visitor’s Center Tuesday, but must look to the revenue side as well to try to bring in more money to balance the budget.

A coalition of over 150 advocacy, religious, social service and policy organizations that promotes a platform of income and work-supports for low- and moderate-income Rhode Islanders, One Rhode Island is holding a series of workshops across the state urging its members to contact legislators to try to steer budget policy before the General Assembly makes final decisions in the next weeks and months.

Linda Katz, policy director of The Poverty Institute at Rhode Island College attempted to debunk what she called a series of “budget myths” about the state’s financial difficulties. One of these, Katz declared, is that “Rhode Island is a high-tax state.” Actually, she contends, it is high property taxes that bring the Ocean State’s overall rank higher; in other taxes Rhode Island ranks below many other states. Rhode Island’s income tax ranks 20th, she said, among the other states, and the sales tax ranks 37th. The corporate tax is 33rd in the nation. Another “myth,” Katz asserted, is that wealthy people are fleeing the state because of high taxes. She cited statistics showing that the number of Rhode Islanders reporting annual incomes of \$200,000 or more nearly doubled between 1997 and 2004, while neighboring Massachusetts saw a decline in wealthy families during the same period and the number of affluent families in Connecticut rose by only 5 percent. Additionally, she said, the average income of the top 1 percent of Rhode Islanders rose faster in Rhode Island than it did in the two bordering states. It is also a “myth,” Katz claims, that generous welfare benefits are attracting poor people here and aggravating budget deficits.

State spending on cash assistance and child care, she maintains, represents only 0.7 percent of the budget, and caseloads have dropped by half in the last 10 years and spending on cash assistance has declined by 77 percent.

What has increased the budget deficits, Katz told the group, is recent tax cuts aimed at the wealthiest Rhode Islanders. Eighty percent of the gain from the capital gains tax cuts went to 7,600 people earning more than \$200,000 a year. That would cost the state \$39 million in next year’s budget if it is not reversed. The alternative flat tax, she added, sees virtually all its benefits going to 4,400 taxpayers who earn over \$500,000 annually. They would see an average tax cut of \$5,337, costing the state about \$23.4 million.

To help pay for the 7,600 people to get a capital gains tax cut, she said, 7,400 adults will lose Rltc Care coverage, saving the state \$11 million, but forfeiting a possible \$12 million in federal funds

One of the reasons for the state’s budget woes, Katz said, is that it doesn’t have a good handle on “tax expenditures,” tax breaks, incentives and deductions to businesses and the wealthy that reduce the amount of revenue coming in. Those expenditures — such as the historic preservation tax credit and motion picture tax credit, she estimated, total as much as \$1.3 billion a year, often

without review or a specific annual appropriation. The cost of about 55 percent of the tax breaks offered by the state is not known by state budget officials.

Jeff Neal, spokesman for Gov. Donald Carcieri, noted that Rhode Island has the seventh-highest total tax burden in the nation and "from the governor's point of view, we should not be competing to become number one. Rhode Islanders are taxed out."

He agreed that "tax credit programs should be scrutinized to ensure they continue to provide economic benefits to the people of Rhode Island," but defended the historic structures tax credit as "instrumental in revitalizing some of Rhode Island's urban areas." Nonetheless, he said, "Governor Carcieri has already proposed to scale back the size of that program as part of his effort to solve the state's budget crisis."

The motion picture tax credit "also needs to be examined," he said, adding, "we should not be paying more in tax credits that the film studios are spending in the Rhode Island economy." One Rhode Island, Neal asserted, "believes we can tax our way to prosperity," but Carcieri believes that "Rhode Island's high taxes are the primary drag on the state's ability to create jobs and grow the economy."

One Rhode Island's Heidi Collins urged the members of various groups within the coalition to phone and e-mail their legislators, as well as key members of the General Assembly leadership to advocate for the group's agenda in the coming weeks while key budget decisions are being made.