

Rhode Island news

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Lawmakers' plan to cut R.I. deficit emerges

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By Steve Peoples, katherine gregg and randal edgar

Journal State House Bureau



Lobbyists gather in the House Finance Committee hearing room Thursday for what was scheduled to have been a noon hearing on the supplemental budget. Frank McMahon, right, of Advocacy Solutions, and Paul Deroche, of the Providence Chamber of Commerce, talk with Robert Silva, former attorney for the Rhode Island Lottery Commission, seated.

The Providence Journal / Connie Grosch

PROVIDENCE — The General Assembly's Democratic leaders unveiled and pushed to a vote a deficit-cutting plan Thursday evening that scoops \$52.6 million from Rhode Island communities and

school districts, trims pension benefits for the next generation of retired state workers, teachers and judges, and relies on millions of dollars in temporary budget fixes.

The plan does not, however, rely on any new taxes to plug a \$220-million hole for the budget year that ends in less than three months.

On several fronts, however, the legislature's budget doesn't cut nearly as much from pension benefits and local aid as Governor Carcieri suggested when he released his deficit-avoidance plan 115 days ago.

"This is a budget where everyone shares a little bit of the pain. And, ultimately, it will lead to better days for the state of Rhode Island, and every one of us will benefit from that," said House Speaker Gordon D. Fox. "We have to keep in mind this is the public's money."

The plan, known as a "supplemental budget," was released publicly for the first time and approved by the House Finance Committee during a Thursday night hearing that began almost eight hours after its scheduled noon start time. In the chaotic meeting that ended at 9:45 p.m., lawmakers and lobbyists alike raced to read through the budget package, a collection of two dozen budget articles spanning hundreds of pages.

While it is the result of negotiations between House and Senate leaders, the proposal will not become law without votes by the full House and Senate; the House vote is expected Tuesday.

Changes are possible in the coming days, as evidenced by one reversal by Democratic leaders over the course of four hours on Thursday, a day characterized by closed-door meetings among the Assembly's Democratic elite.

Fox shocked public-sector unions when he confirmed at roughly 4:30 p.m. that the budget plan would require municipal employees to contribute at least 15 percent of their health-care premiums in new contracts.

An hour later, AFL-CIO President George Nee vowed to spend the coming days "aggressively lobbying every member of the House" to reverse the plan, characterizing the move as "a totally unacceptable intrusion into collective bargaining."

The outcome, according to Nee, could have political consequences: "This is an election year," he said. "It could be a factor in how endorsements are made."

By 8:30 p.m., Democratic leaders had confirmed that the co-share requirement had been stripped from their budget plan, a victim of a final round of negotiations among House and Senate leaders, according to House spokesman Larry Berman.

Municipal leaders, meanwhile, largely breathed a sigh of relief.

The governor had initially sought to cut \$66.7 million in state reimbursements for local communities' lost car tax payments. The Assembly winnowed the cut down to just \$16.4 million.

"I couldn't be more grateful," said Daniel L. Beardsley Jr., executive director of the Rhode Island League of Cities and Towns. "I came here expecting an amputation. I only got a nosebleed."

On education, the Assembly largely agreed with the governor's plan by cutting \$36.2 million in promised education aid to local school districts. But the lawmakers said they believe \$17.1 million of

this aid cut will be offset by the pension savings that will result from the proposed new curbs on teachers' pensions.

Budget hawks, meanwhile expressed concern that the package included a measure to "reamortize" the state retirement system's \$4.3 billion in unfunded pension liabilities over 25 years, a move akin to refinancing a mortgage that costs less now, but more over the long term. The state had been in the ninth year of a 30-year plan to pay off the massive debt.

The overall cost to taxpayers is \$2.2 billion, according to House fiscal adviser Sharon Reynolds Ferland.

"We don't think it's a good policy choice ..." said John Simmons, executive director of the business-backed Rhode Island Public Expenditure Council, noting that it would simply increase the unfunded liability and overall cost to state taxpayers.

And rejecting a warning noted in a recent analysis by the nation's major credit-rating firms, lawmakers used \$16 million from the state's \$110-million budget reserve, known as the "rainy-day fund," to help plug the deficit.

House Finance Committee Chairman Steven M. Costantino, a candidate for Providence mayor, said that tapping the rainy-day fund was necessary to soften budget cuts originally aimed at cities and towns.

"None of these decisions has been taken very lightly," he said. "There aren't many alternatives."

Other budget highlights include:

PENSIONS

Carcieri wanted to save at least \$45 million in state and local dollars by eliminating the promise of annual pension increases to future retirees, including state workers and public school teachers.

Putting these benefits in perspective, the average pension paid a retired state worker in Rhode Island today is \$25,400; a retired teacher, \$42,356; a retired police officer or firefighter in one of the cities and towns, \$26,399, and other municipal workers, \$12,319.

The vast majority of these retired state workers and teachers get 3-percent compounded annual increases in their benefits. Some future retirees still qualify, but for many, this guaranteed increase has already been scaled back to a level that matches the annual cost-of-living index, up to a maximum of 3 percent.

Unwilling to eliminate this pension promise entirely in an election year, in the face of heavy resistance from the public employees unions, lawmakers settled on a proposal to limit the payments to the first \$35,000 in retirement pay, and to retirees who have reached age 65. Instead of guaranteeing yearly increases, the legislation caps the increases at 3 percent, but makes this an annual decision of the General Assembly.

It also limits the reach of these new curbs to teachers and state workers, including judges, who for reasons yet to be explained were ineligible to retire on Sept. 30, 2009.

TWIN RIVER

While not directly related to the deficit-cutting effort, the budget bill provides a number of concessions Carcieri sought on behalf of the state's largest slot parlor, Twin River.

The legislation would free the Lincoln slot parlor from a minimum 1,300-employee requirement and from having to run greyhound races in the future to keep its gambling license. It also commits the state to paying a portion of the bankrupt slot parlor's marketing cost, but not — as initially proposed — its management fees. The estimated loss to the state this year: \$610,800.

Responding to earlier critics of the concession plan, Costantino said: "I don't consider this a bailout for the banks."

FEES

While there were no evident tax increases, the plan includes a number of the revenue-raising fee increases Carcieri proposed, including a \$5 increase in the current \$10 fee to obtain a state police accident report, and impose a new 6-cent surcharge on all wireless phones.

But the lawmakers rejected at least one of the onetime revenue plugs Carcieri proposed: "sale" of the Veterans Memorial Auditorium to the Convention Center Authority for \$10.8 million.

LOCAL TOOLS

Cities and towns had hoped the Assembly would include a series of cost-saving measures originally proposed by Carcieri such as a statewide purchasing system for public schools, the removal of minimum-staffing levels as a topic of negotiation for police and fire contracts and municipal pension changes that would raise age eligibility and years of service requirements for municipal pensions.

Only some of those items materialized Thursday, however.

Lawmakers included the statewide purchasing provision and a separate measure that would require city or town councils to approve teacher contracts.

The budget would also change a school funding "maintenance of effort" provision that requires cities and towns to provide at least as much local money for school as was provided the year before. Instead, cities and towns would be able to cut that amount by 5 percent for the current year only.

- While cutting their own budget by an additional \$150,000, the legislature cut all that remained of the governor's \$226,000 contingency fund.
- The legislature reversed Carcieri's plan to cut hospital funding by \$2.6 million.
- Lawmakers blocked Carcieri's plan to eliminate funding for the Rhode Island Commission on Women.
- The Assembly also blocked the governor's plan to cut reimbursement rates to child-care providers that serve low-income children.

speoples@projo.com