

1999 Budget Address

Mayor Vincent A. Cianci, Jr.

May 1, 1998

Council President Fagnoli, members of the honorable City Council, ladies and gentlemen:

Providence is justly praised for the renaissance that is taking place in the historic neighborhoods and downtown precincts of our city. Twenty years of united effort have created something of great value and great beauty. We should be proud of all our accomplishments. However, as

we approach the new century, we face new and daunting challenges:

- The challenge of educating tens of thousands of poor children -- many of them immigrant children who come to our city in ever-growing numbers;
- The challenge of strengthening families and rebuilding neighborhoods that have been battered by poverty and its consequences;

- And the challenge of providing property tax relief to the people who are the very foundation of this city – the people who own homes and businesses here, who raise families here, and put a hundred thousand people to work in the offices and factories of this city.

To meet these challenges, we will need the same unity, and the same commitment, that turned a dying mill town into an urban showplace. The Providence renaissance is 25 years old, but it has only just begun. We must build a bridge-head of hope to every

neighborhood of this city. We must create educational opportunity for every child, rich or poor. We must make deep and permanent reductions in property taxes, so that we may strengthen neighborhoods and develop Downtown Providence to its fullest potential.

The 1999 budget I propose reflects these core values. It makes significant investments in our schools and neighborhoods. It provides a foundation for further progress in the years to come – but it does so without imposing additional burdens on the property-owners of this city.

There is only one way we can succeed. We must convince the State of Rhode Island to form a new and lasting partnership with its capital city.

Almost 25 years ago, Governor Noel and I had an historic meeting at Union Station. We made a commitment to work together -- to form a city/state partnership, and to revitalize a downtown that had become a sad and desolate place. Today, the downtown is a model of urban revitalization; our historic architecture is a national

treasure; the reputation of our great institutions of learning and medicine has never been higher; and the steel is finally rising at Providence Place.

Now we must form another partnership with the State of Rhode Island – a partnership that will give equal opportunity to the school children of this city....that will give our hardworking property-owners the tax relief they need and deserve....that will finance the rebuilding of our streets, parks, and other public

infrastructure....and will rekindle hope and opportunity in our neighborhoods.

Yesterday, I began my quest for a new partnership by testifying before the House Finance Committee. I told the committee that the school budget would have to rise by more than 27 million dollars next year. I said that this very large increase would cover only the basic operating expenses of a large, complex, and rapidly growing school system. And I forthrightly informed the committee that almost all of the increased expenditure -- 25.8 million

dollars, to be exact – would have to be provided by the State in the form of additional school aid. The budget I have submitted to you today assumes that this sum is, in fact, provided.

I came to the hearing armed with facts, figures, public opinion polls, and an army of education advocates. But I also came with a video which dramatically portrays the issues at hand. The video makes the case for additional school aid on behalf of Providence and the other central cities in Rhode Island.

I believe it is important that members of the City Council see this video today.

[Video is shown]

Do the people of suburban Rhode Island feel a kinship with the Hispanic and Southeast Asian families that crowd into the same city tenements, on the same fabled streets? Will the residents of South Kingstown, Portsmouth and Cumberland support major new state investments in city schools? Is property-tax relief the burning issue that we believe it to be? A statewide, public opinion poll that we have provided to

this Council answers all of these questions in the affirmative.

Here are the key findings of that poll:

- Almost 60 percent of the people say that the urban school systems of Rhode Island are not adequately funded.
- More than 80% say the state should pay more of the cost of public education in Providence and other cities than it does now.

- Fully 50% of the people from around the state say they strongly support an increase of state aid to the cities.
- Sixty-four percent of the people say that state taxes should pay most of the cost of public education in every city and town. That's state taxes, not the property tax. Of course, just the opposite is true today.

The two most interesting questions in the poll deal with the City of Providence itself.

The first question addresses the issue of school aid for Providence. It presents two opposite opinions on the subject, and asks, “Which view do you agree with?”

The first opinion reads: “Providence needs more state education aid because of the large number of poor immigrant students in its schools that the tax-exempt college and hospital property doesn’t pay for. In addition, demands on basic city services are very high because of the number of people who work, shop and visit the city while not paying property taxes to the city.”

The second viewpoint reads as follows:
“Providence does not need more state aid because it already has a larger proportion of its school costs paid by state aid than do other cities and towns in Rhode Island. Providence needs to manage its city budget better. It is just using the tax-exempt property and immigrant student issues as excuses to grab more state money than it deserves.”

The first viewpoint – that Providence has real problems that must be addressed – won the support of 57% of the statewide

interviewees. Only 34% endorsed the view that Providence gets too much aid already.

The second question also presents two more opposing viewpoints regarding the City of Providence.

This is the first viewpoint: “Providence is uniquely important to the state as its state capital and educational, cultural and entertainment center. A good quality of life in Rhode Island is tied to Providence remaining a financially healthy city. It is in the interest of all Rhode

Islanders for Providence to be a vibrant, successful city.”

Now the second point of view: “Providence is no more important to the state than its other cities and towns. If Providence becomes a poor, rundown city, other cities and towns can take its place and the quality of life in Rhode Island will not be harmed.”

The results? Eighty-two percent of the people endorsed the first view – that Providence is uniquely important to the state and must continue to be strong. An

incredible 71% of the people said they “strongly support” this point of view.

These poll results show that Rhode Islanders support – strongly support – the “Providence agenda.”

Rhode Islanders still feel an emotional tie with the old streets and the old neighborhoods of the city – even if the faces have changed. Many of these Rhode Islanders have left the city – but they haven’t turned their backs on the city.

Because Rhode Islanders care about Providence, they are willing to make

significant investments of state dollars in urban schools. The people of our state believe that children are very special.....very precious.....and they want every child to have the same chance in life.

Rhode Islanders are also impressed with the achievements of the “Providence renaissance.” People who have not been in the city for many years come downtown today and are amazed at the progress we’ve made. Rhode Islanders are cheerleaders for the City of Providence. They want the Providence renaissance to flourish.

The poll has another important finding: Rhode Islanders throughout the state believe

that their property taxes are too high and must be reduced. Clearly, our campaign for property tax relief has very strong support from the people.

In a sense, the people are ahead of the politicians on these issues. But I sensed at yesterday's hearing at the State House that change is in the wind. Dick Hoag, the president of Providence Washington Insurance Company, pointed out that education is an economic development issue for the state. Unless Rhode Island has a quality work force, he said, the state will not attract quality companies. I agree. At a

time when the rest of New England is much more prosperous than we are.....at a time when test scores in city and suburban schools are lower than they should be, legislators have to be concerned about education.

One of the most important points we made to legislators is that, if the school-aid formula were fully funded, Providence would receive a minimum of \$23 million, or a maximum of \$34 million, from the state next year. The school-aid formula served the state well from 1960 to 1991, when the formula was set aside because of the state's

economic problems. By running the school-aid formula today, we can see the consequences. Now that economic conditions have improved, it is time for the state to give education the priority it deserves.

I am encouraged by news reports indicating that Governor Almond supports more school aid for Providence and other urban districts. I know that key legislators in the State House – including Tony Pires and Paul Crowley – fully appreciate the plight of urban school systems. I know that our Providence delegation – led by Paul

Moura, Steven Smith, Maryellen Goodwin, and Charles Walton – are working day and night on behalf of the city’s children. I am confident this will be the year that the General Assembly reaffirms its historic commitment to public education.

I wish to make clear, however, that if there is a significant shortfall in state aid once the state budget is adopted, corrective action will have to be taken to balance the city budget.

The city budget I have put before you today is essentially an education budget.

The 37-million-dollar increase in spending includes \$27.4 million for education and \$10 million for everything else. The school budget rises by 16%, and the rest of the budget rises by 6%.

In some respects, the municipal budget faces more hardship than the education budget. The state pays 60% of our school costs. But the property tax and other local revenues provide most of the municipal revenue. Of course, there is hardly any growth in these local revenues. The tax base of the city has increased in value by only seven-tenths of one percent since 1991.

Unless we raise the tax rate, there is precious little growth of revenue.

With these realities in mind, we will significantly increase our efforts to collect back taxes next year. We intend to sell our tax receivables to a private company for the first time. By this means, we will receive cash today for the taxes that the private company will collect tomorrow. This new initiative will raise close to \$5 million – the equivalent of almost a dollar on the tax rate.

On the expenditure side of the budget, increases are extremely limited. Education,

salaries, and debt service account for close to 90% of increased expenditure.

Continued increases in debt service reflect our investments in new schools and neighborhood renewal. We all know how important these investments are. To make community schools a reality, we must build new schools on the South and West Sides. To strengthen neighborhoods, we must repave streets, refurbish parks and playgrounds, and finance the renovation of housing. We must also provide the Public Works Department with the vehicles and

equipment it needs to clean the public rights of way.

The increase in salaries reflects raises required by the Laborers contract and police arbitration. It also reflects increases in salaries for senior administrators – long-overdue raises that will bring the senior people up to the salary standard set by the Wyatt study.

The budget does not propose an increase in the city's contribution to the pension plan. As you know, an increase would be necessary if we lose the long-running

litigation related to the pension consent decree. The litigation is reaching a decisive stage. In the meantime, this is our legal position: We will not pay for pension benefits which we are seeking to overturn in court, and which the city cannot afford to pay.

In the meantime, we are encouraged by the performance of the pension investment fund. As of March 31st, 1998, the market value of the fund was 316 million dollars. This is an increase of \$33.5 million, compared with the market value on June 30th of last year. The fund is growing even

though we have to pay out \$3 million a month in pension benefits to retirees. Of course, market values can decrease as well as increase. But the positive performance of the fund to date enables us to focus all of our energies on the litigation.

Despite the scarcity of revenue for the municipal budget, we must make every effort to avoid tax increases. Providence already has the highest tax burden in the state. Our record regarding taxes has been excellent: We have increased the tax rate only three times since 1991; of the 39 cities and towns, 32 have raised taxes more than

we did. However, two of the tax increases took place in the last two years; I believe that we must make every possible effort to avoid another tax increase this year. Accordingly, I have submitted to you a budget that calls for no increase in the property tax rate.

Once again, state aid is critical to the success of this budget. We will use all of our powers of persuasion at the State House. If, at the end of the day, there is a significant gap, we will have to take corrective action before the city budget is adopted.

But we have every reason to be confident. It is clear that the people support us. It is clear that our cause is just. With the year 2000 on the horizon, visionary Rhode Islanders will once again give education the importance it deserves.

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Vincenta Cairns
Mayor
May 1, 1998

Michael R. Clement
IN CITY COUNCIL
MAY 1 1998
READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.
CLERK