

## 1997 Budget Address

Mayor Vincent A. Cianci, Jr.

May 2, 1996

President Pro <sup>Tempore</sup> Fargnoli,  
members of the Providence City  
Council, ladies and gentlemen:

Throughout the decade of the Nineties, there is one governmental task which has taken precedence over all others: the task of providing tax relief to the people and businesses of our fair city.

The Mayor, the City Council, the Providence delegation to the General Assembly and the School Committee have all worked towards this end. Together, we have been remarkably successful. We have been successful because our cause is just, and because we have had the courage to hold fast to our course.

When we call on the Rhode Island community to give poor, immigrant children the same educational opportunity as suburban families take for granted.....our cause is just.

When we call on the Rhode Island community to provide compensation for the tax-exempt colleges and hospitals in our midst.....our cause is just.

When we ask every Providence city worker to tighten his belt, because of the financial hardship that is felt by many taxpayers in our community.....our cause is just.

Guided by these principles, we have provided more tax relief to Providence taxpayers than any other community in Rhode Island.

While other communities have raised their taxes again and again, we've gone five long years without raising taxes. In fact, tax levies in the other 38 cities and towns have gone up at triple our rate of increase.

Instead of raising taxes, we've cut spending and developed new revenues worth forty-one million dollars. That's forty-one million dollars we don't have to raise from the Providence taxpayer each and every year. The tax increase we averted is fully eight dollars per thousand.

We have provided to the City Council a detailed listing of the alternative revenues and the spending cuts we have achieved. This record of tax relief is one we can all be proud of.

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Despite our financial success, we face even greater perils today than in the past. Forces which are mostly beyond our control are gathering like the storm clouds of summer.

One need look no further than the skyline of this city to see what is happening to the tax base of Rhode Island's capital city.

Look, there's the Hasbro Children's Hospital -- a magnificent addition to the healing arts, giving the gift of life and health to our precious children. But Hasbro is also tax-exempt: It contributes nothing towards the cost of education, police services, or firefighting services in the City of Providence.

- A few blocks away, Johnson & Wales University is creating an exciting new campus on the ancient commercial streets of Providence. The Outlet is gone; Cherry & Webb is gone; in their place, the institutional splendor of a shining new campus. In the years to come, this new investment will do wonders for the downtown -- but in the meantime not a penny in taxes will go to the City.

Our brief walking tour ends on Sabin Street, the home of the Rhode Island Convention Center. What a magnificent new structure! Hundreds of millions invested for the betterment of our state, and I'm sure the hotels and restaurants and the State of Rhode Island will profit handsomely. But the City of Providence, which provides all of the public services, receives absolutely nothing.

Yes, the tax-exempts are booming. But there's plenty of hardship out there for those of us who pay the property taxes -- among homeowners and employers alike, for whom the recession is still a reality.

Just look at the numbers: The value of taxable property has declined by more than one hundred million dollars during this decade. But the value of tax-exempt property has grown by five hundred and fifty million dollars. Ten years ago, 25 percent of our property was exempt. Today we are at 50 percent -- and counting.

It is abundantly clear that the property tax, which has served us well for hundreds of years, cannot provide the fiscal foundation we will need for the capital city to prosper in the new century.

We in city government must create new, reliable, growing sources of revenue that will supplement or replace the property tax. We will look to the newly formed Budget Commission for guidance in this regard.

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It is equally important that we fashion a new, more reliable, and more equitable system for funding public education.

I strongly believe that only the State of Rhode Island has sufficient resources to meet the ever-growing financial needs of the Providence public schools.

For the coming year, I have proposed to increase our contribution to the schools by four million dollars. But the Governor has proposed to increase the State's contribution by only \$900,000. This is grossly insufficient. It leaves the School Department with insufficient funds to run the schools. However, I am encouraged by reports that the General Assembly will come to our aid, as it has done so many times in the past.

I would like to share with you some of the remarks that I made before the House Finance Committee last week. The subject was our urgent need for additional school aid. Here is what I said:

"As Judge Needham of the Superior Court noted not long ago, the General Assembly is the 'school committee of the state.'

"In my city, and in other cities, there are great educational needs that must be met. The school children of Rhode Island must depend on you to make a judicious investment in their future.

"We, the people of Providence, are grateful to the General Assembly for its generosity to the 25,000 school children of our city. The amount of school aid we receive today is almost thirty-five million dollars more than it was in 1993.

"Unfortunately, forces far beyond our control make it mandatory for the city and state governments to invest even more in the public schools of Providence.

"As you know, immigration to Rhode Island's capital city over the last decade has been extraordinarily high. Families from Latin America, Southeast Asia, Africa and Eastern Europe are making their way to Providence.

"During this decade of the Nineties, we expect that student enrollment will grow by some 8,000 students. Over a five-year period, we have already built more than 150 classrooms to accommodate the additional numbers.

"But the pace of growth is only accelerating. Next September, we are expecting 900 new students. I am in receipt from the school department of an urgent request for the following:

"Eighteen million dollars in new construction, eighty new classrooms, 2,100 new seats. And this will meet the needs of the school department only for the next two years. The projection is for thousands of additional seats in the years thereafter....."

I concluded my remarks to the House Finance Committee by noting that Rhode Island is a state built by immigrant families from many lands. Here is what I said:

"At the beginning of this century, and at its end, tens of thousands of immigrants have come to Providence -- full of hopes and dreams, seeking a better life for their children.

"I'm sure that many of us here today had family who landed long ago on the docks of India Point.

"They gazed in wonderment at the teeming city, with its towers and spires and factory stacks. Our ancestors took the hands of their children, gathered up every possession they had in the world, and marched onto the firm, free soil of Providence.

"So it is today -- families from Colombia, Guatemala and the Dominican Republic.....from Laos and Cambodia.....from Liberia, Ghana and Nigeria....and from the former lands of the Soviet empire -- making their way to Smith Hill, Olneyville, the West End and the East Side.

"It is our duty as Americans to give these hopeful arrivals every opportunity to make their mark in America. It is education that lights the lamp, which opens the door of opportunity. For new Americans, equal opportunity begins in the classrooms of this city....."

In my speech, I told the committee of the excitement we feel in Providence as we plan a new education complex in the West End. This will be a model school, dedicated to meeting the special needs of children on the South Side, many of whom are immigrants.

The location, across from the West End Community Center, is ideal. At last, parents will be able to walk their children to school, not to the bus stop. At last, parents can become involved in the governance of their children's school, not just receive bulletins in the mail. At last, "school reform" will become reality for the children of this city.

I emphasized to the state legislators, however, that Providence cannot afford to build the new school or to operate the new school without additional aid from the state.

I bring the same message to the honorable City Council. Without four million additional from the city - - without a tax increase that will make that possible -- I believe we will have to postpone a new school in the West End.

It is obvious from the facts I have recited that new means of funding education in Providence must be found, and soon. Our needs are overwhelming, and they cannot await a return to prosperous times. The State of Rhode Island -- with its broad and progressive taxes -- must be the principal benefactor of the newly arrived schoolchildren in our charge.

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I would like to take a moment to address the leaders of the City unions and their rank-and-file membership.

The last five years have been very difficult for us all. The unions have had to make concessions that are unprecedented in the history of collective bargaining in our city. No other governmental union in Rhode Island can match the contributions that the Providence unions have already made to the financial wellbeing of the City that employs them.

Three years out of five without wage increases.....well over 100 jobs permanently eliminated...privatization of the school lunch program, privatization of school maintenance, privatization of the Port of Providence.....the introduction of managed health care.....the end of Blue Cross for Life for families.

Most of these changes have been voluntarily accepted by the unions. They recognized that expenditure cuts were absolutely essential -- especially because many taxpayers were facing much worse hardship. The unions are to be commended for the contributions they have made.

However, many issues are still in dispute. We do not have contracts with the police and fire unions for the year that is about to end. Next month, we will begin binding arbitration with the police union, and we may end up in arbitration with the firefighters as well.

In addition, the City and the unions are very far apart on the issue of pensions. The City has sought to substantially reduce pension benefits, while the unions have sought to substantially increase pension benefits. If the City prevails, the unions will give back gains which they believe they won in the late 1980s. If the unions prevail, the City will be forced to greatly increase its contribution to the Retirement Fund at a time when it has no capacity to do so.

Fortunately, we have a year in which to negotiate an agreement that will be in the best interest of taxpayers and union members alike. I am confident that a compromise will be found.

I wish to make one point perfectly clear. If the City is forced to provide the pension benefits sought by the unions, the City will be in no financial position to pay raises to current employees.

So much money would go to those already retired, that there would be no money available for raises for many years to come. The City would be forced to look for every opportunity to cut costs at the expense of current employees.

Union members will have to decide which is more important: More money in your paycheck today, or more money for the retirees.

In fact, we will have to pay so much to the retirees, that pensions for today's workers may be in jeopardy.

The budget I have proposed includes no money for raises once again. That brings us to no raises in four years out of six. Before the City can consider providing more money in the present, we must have assurances it will not have to pay so much money in the future.

Will we be able to reach an acceptable compromise with the unions on this matter? I think we can. In good times, unions properly demand a share of the wealth. In times of hardship, unions must be willing to sacrifice. Now is such a time.

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For five years, this Mayor and this City Council have been remarkably successful in averting tax increases. But now I sincerely believe the time has come to take that course.

As the Budget Summary indicates, this is a barebones budget. Spending would rise by only 4 percent. There are no raises in this budget, no new jobs. The only increases are for items over which we have little or no control: debt service, pensions, health insurance, education.

Meanwhile, total revenues actually decline from year to year. State aid is the biggest disappointment of all. Over the last five years, state aid to Providence has grown by an average of ten million dollars a year. As things now stand, state aid will grow by only \$300,000 in fiscal 1997.

The Governor, the General Assembly, and the capital city are joined by a chain of common interest. But we are only as strong as our weakest link. And that link is the biggest problem we face today.

I know that the Providence delegation will not tolerate the pennies in additional aid proposed by our Governor. Not when Providence does so much to promote the common wealth of this state. Not when the engine of the Providence economy generates four hundred million dollars in tax revenue for the State Treasury every year.

Members of the Providence delegation: You are the front troops in our campaign for additional state aid. I know you're not going to take this sitting down. So that we can thank you in advance for the victories you will achieve, please stand up and take a bow!

Additional state aid will be extremely helpful in balancing this budget. But it will not be enough. Despite all of our success in providing tax relief over the last five years, it will not be enough. Not when the people demand public services of the highest quality. Not when the value of tax-exempt property is growing by half a billion dollars. Not when we must build hundreds of additional classrooms to meet the needs of a burgeoning student population.

We have kept the same tax rate for half a decade. But now I find it necessary to go to the City Council and ask your support for a tax increase of \$2.98.

No one wants or likes to raise taxes. But we must all have the courage to act in the public interest.

We must act -- not out of fear -- but with full confidence that Providence is a rising city, destined for another century of greatness.

One hundred years ago, a confident Mayor and City Council built the urban infrastructure that became the foundation of our prosperity.

Now another century is drawing to a close; a new century beckons. We, the inheritors of a great tradition, must summon up our courage in order to preserve the greatness of our city.

IN CITY COUNCIL  
MAY 2 1996

READ  
WHEREUPON IT IS ORDERED THAT  
THE SAME BE RECEIVED.

*Michael R. Clement* CLERK

*Unanimously  
May 15  
May 2, 1996*