

Fiscal 2000 Budget Address

Mayor Vincent A. Cianci, Jr.

April 30, 1999

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

The fiscal 2000 budget is a milestone for the people of Providence. At long last, we are beginning to reduce the property taxes of this city -- instead of raising them.

The phase-out of the automobile tax and the inventory tax begins on the first of July. When the phase-out is complete, the

taxpayers will save at least \$40 million a year. This year alone, the taxes on our automobiles and our business inventories will go down by more than \$6 million.

In 1997, I traveled up and down this state, arguing that the top fiscal priority in Rhode Island should be property tax relief. The numbers speak for themselves. The Rhode Island property tax is the fifth highest in the country. But the state income tax is only the 16th highest -- and the sales tax ranks number 40. It is obvious that more of the burden of taxation must shift to the state.

I am pleased to say the General Assembly heard our plea, and the impassioned advocacy of the Providence delegation. And at last our taxes are coming down.

But the campaign for property tax relief has only just begun. Now we must convince the legislature to attain a goal it set almost 15 years ago. That goal: To underwrite at least 50% of the cost of elementary and secondary education in this state.

According to the latest report of the Rhode Island Public Expenditure Council,

the state today covers barely 45% of those costs. At the funding levels currently proposed, the state share will fall even further in the millennial year.

However, the Board of Regents has recommended that state aid be increased by an additional \$50 million for all communities. This would enable the legislature to achieve 50/50 funding in fiscal 2000, and it would increase state aid to Providence by well over \$20 million. I can think of no better goal in this millennial year than to make a new commitment to the

education of our children – and to property tax relief for our families.

In the revaluation that will take place next year, I pledge to take additional steps to provide property tax relief.

If the stunning vision of the New Cities is to become reality, then we must provide even more property tax relief to the owners of business and residential property. If Providence is to flourish as a Renaissance City, we must make our tax rates more attractive to employers and homeowners alike. If Providence is to be a showcase for

the State of Rhode Island – a soaring center of culture, commerce, education and the arts – then the state must assist the capital city to create a tax structure that strengthens neighborhoods and creates jobs.

This I pledge to the people of this city: Revaluation will impose the lowest possible taxes on owner-occupants, not on absentees. I know that we all agree on this: Owner-occupants are the foundation of our neighborhoods, and we must give their needs the highest priority.

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As I have repeatedly stated, the Providence Renaissance must do more than revitalize our economy. It must reach into the heart and soul of our neighborhoods. It must provide opportunity for all. It must transform our public schools – giving new hope and opportunity to the thousands of children who come to our city from so many lands.

At last, public education in Providence is ready to take a great leap forward. There is a new dialogue taking place among the people responsible for public education as well as civic leaders. There is also a new

commitment to innovation, a new commitment to excellence in all aspects of the education process. So much progress is being made that Providence could well become a national leader in school reform in the months and years ahead.

As you know, I asked President Gee of Brown University to chair a committee that is searching for a new superintendent of schools. The committee brings together the political leadership, the union leadership, and the civic leadership at the city and state levels. This committee has conducted a national search for a superintendent of the

highest caliber — and has received applications from several of the most talented and respected educators in the country. Applicants have been extremely impressed with the dramatic accomplishments in this city to date. These applicants also believe that the Providence public schools, with the assistance of Brown University, are ready to achieve a much higher level of performance. A final selection is some weeks away. But it is already apparent that Providence has the opportunity to acquire leadership of the highest rank in the superintendent's post.

At the same time, the school board and the teachers union have been engaged in extremely fruitful discussions regarding a new contract.

Both parties agree that there must be a new commitment to innovation, flexibility, and reform. The new superintendent must be given full opportunity to implement a comprehensive agenda of school reform. Equally important, teacher salaries must be significantly increased – to the mid-point among Rhode Island communities and beyond. I am pleased to report that negotiations are going extremely well.

Announcements regarding a new contract may be only days away.

I have taken no direct role in these negotiations. However, I firmly believe that Providence teachers must achieve parity in salaries. Hundreds of teachers will be retiring over the next few years; we cannot offer the lowest pay in the state, and expect to achieve our ambitious goals for the system. The school budget that I propose will provide sufficient funding for teachers to achieve parity.

In addition, I firmly believe that Providence must have smaller schools, and smaller classrooms, if teachers are to give students the attention they deserve. The new schools that we build must serve as models for the entire system. The three new schools that we construct this year will have no more than 400 students apiece.

I also firmly believe that Providence must create specialized new schools that set new standards of excellence. These schools must be so exciting that they attract students and their families to live in Providence. Of course, Classical High School has been a

beacon for students for 150 years. We must also set the highest ambitions for the new High School of the Performing Arts that we intend to establish in Providence in the coming year.

We can significantly raise test scores in Providence. We can become a national leader in school reform. We can make the public schools an important reason why families choose to live in Providence. We can do all of these things, even as student enrollment continues to grow.

However, only the State of Rhode Island has the financial capacity to underwrite excellence in the public schools of Providence. We realize that Providence must take steps to earn the state's support. This is why Providence is seeking the highest-quality leadership in the office of superintendent, and is creating the readiness for change in our 48 public schools.

I call on the Governor and the legislature to reward our hard efforts and accomplishment with new investments in the children of our city.

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There is so much we have achieved as a community over the last 25 years. Once we were written off as a dying mill town; today we are regarded as one of the great urban success stories of America.

There is much more on the horizon. The Providence Place Mall will be a stunning showplace for the city, attracting tens of millions of shoppers to a glittering center of fashion retailing.

We are also drawing up remarkably ambitious plans for the New Cities of Providence – plans that presume there really

is no limit to our aspirations as a city. In the process, we are reclaiming the entire waterfront – embracing the rivers and the sea, achieving a grandeur for our city that we have never known before.

We are also setting high ambitions for educating the poor, immigrant children who have made their way to our shores. We are pouring tens of millions of dollars into the public infrastructure of our neighborhoods. And we are luring back to the city growing numbers of middle-class families who want to be part of the Providence Renaissance.

We cannot allow the distracting events of the last few days to deter us from achieving our ambitions for the city. The overwhelming majority of city employees are hard-working, honest and dedicated people. We must press forward with full resolve, bringing our vision of a great and prosperous city into reality.

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There has also been controversy and confusion in recent weeks regarding the pension system of the City of Providence.

I wish to point out that it was the Retirement Board that illegally voted in

1989 to create extremely expensive pension benefits for thousands of city workers. If this board had succeeded, the unfunded liability of the city's pension system would have almost tripled overnight. The city's pension contribution would have risen from \$12 million to \$30 million in one year.

However, the City Council and the Mayor challenged the board's action in court. A decade later, the litigation continues, but it appears that we have successfully whittled down the pension benefits to affordable levels.

According to the city's actuary, all of our efforts have reduced the unfunded liability of the pension system by a quarter of a billion dollars. According to the actuary, we have saved the taxpayers \$600 million in pension contributions over the next 30 years. That's right, \$600 million.

Our citizens should be aware that the City Council and the Mayor rolled back the unaffordable COLAs the Retirement Board had granted.

Our citizens should also be aware that we placed the investment fund in the hands

of an independent board. The Investment Commission has more than doubled the investment return since taking over in 1995.

We were also the ones who cracked down on disability pensions. In the first two years that I was in office, there were 132 disability pensions granted by the Retirement Board. Now that we are reviewing the legality of every vote, the number of disability pensions has fallen to only two – two – in the last two years.

In the fiscal 2000 budget, you will notice that the city's contribution to the pension

system is level-funded again. While the COLA litigation continues, we will not invest the taxpayers' money for benefits we regard as illegal and void.

However, I urge this Council to give full consideration to the refinancing of our pension liability. This would fully fund the pension system, thereby giving peace of mind to city employees and retirees. Because interest rates are extremely low, refinancing will also save the taxpayers about \$165 million over the next 30 years, according to our actuary.

I believe this is an opportunity we cannot afford to pass up. I was encouraged that the House Finance Committee is willing to consider some type of amended legislation. Refinancing benefits Warwick, Cranston, and Woonsocket as well as Providence. I urge the City Council to give this proposal every consideration.

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The specifics of the proposed budget for fiscal 2000 are easily described. The \$41-million increase in the budget is driven primarily by three items:

- First, an increase of almost \$28 million in the school budget as proposed by the school board.
- Second, a \$6-million increase in personnel costs related to the police and fire contracts that we approved.
- And, third, a \$3.7-million increase in debt service. This year, we are beginning to pay for the \$50-million bond issue that voters approved in 1996 by a 2-to-1 margin.

As I have previously announced, we will be able to pay for these increases and balance the budget without a tax increase.

Keep in mind that taxes on automobiles and business inventories will be going down by almost \$6 million this year. I strongly feel that we should not be raising taxes on people's homes in a year when we are reducing taxes on their automobiles.

Fortunately, state aid programs are generating significant new revenues for the city. The property tax relief program

requires the state to compensate cities and towns for the tax relief they provide. Under a complex formula, Providence this year will receive more than \$10 million in additional aid.

Also, the budget assumes that the legislature will increase reimbursement for tax-exempt property to 30%. Legislative leaders have shown a willingness to increase the PILOT percentage periodically. In this prosperous year, there is much discussion at the State House of going to 30%.

Of course, the most important assumption in this budget is that state aid will cover the entire increase in school spending that the school board has recommended.

Last year, you will recall, the city increased its contribution to the public schools by \$6 million. State aid grew by \$17 million. With our limited tax base, however, the city simply cannot increase its contribution on an annual basis.

According to the state's own analysis, the tax burden in Providence is the highest

in the state. I am committed to reducing that burden at every opportunity. This year, and most years, providing adequate funding for public education in this city must be the sole responsibility of the State of Rhode Island.

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The millennial budget of the City of Providence addresses the most important priorities of our city.

The budget prepares the School Department for a new era of accomplishment under new leadership. The budget reduces our property taxes. The budget pays competitive salaries to our

teachers, police officers, firefighters and municipal employees. And it finances the bond issue that Council members and the Mayor have invested so effectively in the neighborhoods.

Let us go forward with a new confidence in the future of our city. If we are united, if we set our sights ever higher, there really is nothing that we cannot achieve as a people. I pledge all of my energy and determination to the task of building a new and prosperous Providence in the years to come.

IN CITY COUNCIL
APR 30 1999

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Richard R. Clement
CLERK

April 30, 1999
Vincent A. Cianci
Mayor