

1993 BUDGET ADDRESS

APRIL 30, 1993

VINCENT A. CIANCI, JR., MAYOR

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

Providence is a great city -- rich in heritage, vigorous in its commerce, enlivened by the voices of so many people from so many lands. As we approach the beginning of a new century, we in Providence are called upon to preserve that greatness, and to meet the challenge of curing the ills of our city.

Last week, as I watched the video of the Providence Plan, I sensed that there was a new coming together of people in this city. The video showed us so many faces of joy and hope and good feeling.

Page 2

David and Joanie and Balbina. . . .all the members of this Council. . . .are caught up in this new feeling of common purpose, as am I. We are united by belief in a few simple truths.

First, we must marshal all of our energies for the work of a decade -- the ceaseless work of rebuilding families and rebuilding communities. The Providence Plan places us in the forefront of American cities. . . .kindles our spirit of hope. . . .and addresses our urban needs with an ambition and scope never attempted before.

Second, we must open the door of opportunity to our children. We must protect them from disease and injury. . . .restructure our public schools so that our children may move ahead, not fall behind. . . .and we must give our children the same opportunity in life as the children born in the green and prosperous suburbs.

Third, we must demand our fair share of the common wealth of Rhode Island, so that this capital city may flourish and provide for its people. This is a simple matter of justice.

It is unjust to concentrate poverty and disadvantage in one community, and deprive us of the resources we need to ensure a decent quality of life for our people.

It is unjust to maintain two school systems in Rhode Island. . . .one for the affluent suburbs, one for the poor cities. . . .two systems that are separate and unequal. . . .with a large and unconscionable gulf between what each can afford to spend on a child's education.

It is unjust when half of our city's property pays taxes, and half does not. Because when we provide vital city services, ladies and gentlemen, we do not serve half the city. . . .we serve the whole.

And it is unjust to ask the people who are loyal to Providence -- who raise their families here, and keep their businesses here -- to bear so much of the tax burden for the entire state of Rhode Island. Providence is the center of Rhode Island's economy, the center of government and education and health care. . . .a million people benefit from our services, but only 160,000 pay. It is outrageous that the poor people and the working people of Providence pay a tax that is 60 percent higher than the average for Rhode Island. . . .and that legislators from Barrington and East Greenwich can vote in good conscience to deny us our fair share of this state's common wealth.

At long last, we are taking the decisive first steps to bring this injustice to an end.

We will put people to work, provide decent housing, reform our schools, make our streets safe, and end the needless suffering of children trapped in poverty. And, so help me God, we will claim our fair share of the wealth we do so much to create.

Every year, the economic engine of Providence sends 300 million dollars in taxes to the State Treasury. Every year we get but sixty million in return. We can no longer afford to tolerate this injustice. It is time for the affluent suburbs to take less, so that our taxpayers can be spared the endless round of tax increases that are steadily destroying this city. It is time for some small share of the wealth created by Brown University, Providence College, Rhode Island Hospital and the rest to be returned to the people who pay the bills in this city. All of us -- all of us -- must contribute. . . .the city, the suburbs, the municipal unions, and the so-called tax-exempts. Because we're all in this together, and if Providence continues on a slow, sickening slide into ruin -- if good, decent people can no longer live here and work here -- then all of us -- all of us -- will pay a very dear price.

We have prepared well for the changes that must be made.

The theories and statistics of the Providence Plan have been transformed into programs and policies that are changing the face of this city. First there was community policing, then the Providence Plan Housing Corporation, then the Providence Bruins, Probe and Families First. All working together, all achieving victories large and small across the neighborhoods of this city. No one is more important to the success of the Providence Plan than you -- the council men and women who bring together your communities, and open up so many doors so that the Providence Plan can enter peoples' lives, and give them new hope and purpose.

Months ago, we took another important step. We formed a special budget task force headed by Gary Sasse. Councilwoman Williams and Councilman Dillon participated in those long meetings on cold winter nights. We asked the task force for a candid assessment of the city's financial problems, and we asked for an agenda for action.

As you now, the task force found that forces mostly beyond our control were propelling this city toward insolvency. One need only look at the school budget of the city to grasp the urgency of the situation. With enrollment expected to grow by another 700 children next fall, it's going to cost 15 million more to run the schools -- without adding a single new program or initiative. Four million more is needed to pay the rising cost of our debt for school construction. This means that almost 20 million more is needed, just for the schools, just to fund existing levels of service. And what about revenues? The task force anticipated not a penny more in new revenue from the property tax base -- not a penny more from a totally outmoded means of taxation tied to property.

It was dramatically clear to the task force that Providence was in grave danger. We have to take immediate steps to bring about radical change in the revenue structure of the city of Providence.

The task force foresaw deficits of \$40 million next fiscal year, rising to \$90 million three years later. Deep cuts in expenditure were essential, but we could cut only so far.

Three-quarters of our budget is devoted to vital police, fire and school services: shut down those services, and Rhode Island comes to halt. No. . . .what Providence needs is tens of millions in new revenues from sources other than the property tax. Millions from the state of Rhode Island. . . .millions from the sale, or more profitable management, of city assets. . . .millions paid by the state on behalf of the colleges and hospitals, or directly from the institutions themselves.

No one understood the plight of the city better than our native son, Governor Bruce Sundlun. The Governor believes with deep conviction that the school aid formula needs a massive overhaul. It does not begin to remove the inequities in the funding of public education in Rhode Island.

Wealthy towns like Barrington maintain economically and racially segregated schools a few miles from our borders. The affluent residents of Barrington pay a much lower tax rate than in Providence. But state aid helps Barrington to spend a great deal more on the instruction of their children. Governor Sundlun deserves our wholehearted support because he is determined to bring this situation to an end. The Governor believes that the immigrant Hispanic child in Providence should have the same chance in life as the college-bound child in Barrington. He has responded courageously to the call of the budget task force: the Governor's proposed budget provides 15 million more to this city for the year to come.

Receipt of these funds would alleviate the need for a tax increase of almost three dollars, and begin to diversify our revenue base. But there are many in Rhode Island who would take this money away from us, if given the chance. They seek to keep their taxes low, while forcing ours even higher.

We can not allow this to happen. I will do everything in my power to assist the Governor in implementing reforms that are long overdue. The legislature must recognize its constitutional responsibility to ensure equal education opportunity for all the school children of Rhode Island, regardless of the circumstances of their birth.

As the accompanying charts indicate, the proposed increase in state aid, generous though it be, will close the city's budgetary gap by less than 30 percent. Much more needs to be done.

As the city's chief executive, I was challenged by the task force to make every possible cut in expenditure. A goal of ten million dollars was set. I am pleased to report tonight that we have met, and indeed exceeded that goal.

The list I have provided shows the permanent defunding of almost 100 vacant positions; the rollback of pension benefits for certain retirees; savings from strict controls on overtime; reductions in taxpayer contributions to capital center construction; and many other small cuts that, combined, are worth almost two dollars on the tax rate.

The biggest savings comes from the rollback of cost-of-living increases for certain employees and retirees, both uniformed and civilian. Council leaders feel as strongly as I do that all of us must contribute our fair share to the resolution of the city's financial difficulties. Of course, union members have already made significant contributions: in the coming year, most will receive their first pay raise in three years. But more is needed. I know that many people, including council members, are concerned that the proposed cut affects some workers while leaving intact the pension benefits of many other city workers.

In the weeks ahead, I will be pleased to discuss any proposals for a more equal sharing of the burden. My only requirement is that a permanent, recurring savings of 5 million dollars be realized. Let's all remember that this is equal to another dollar on the tax rate.

Since I took office, I have supported an increase in spending for the public schools of more than 32 million dollars. In this budget alone, spending is programmed to rise by close to 15 million dollars. During my years in office, the taxpayer contribution has grown by more than 16 million dollars. We should put as many dollars as we can possibly afford into the education of our children. We have done that once again in 1993. Unfortunately, the rapid growth in student enrollment is consuming a large share of the growth in expenditure. This year, the school committee hoped to spend even more on new programs that improve the quality of education. I am optimistic that with the passage of another year, we will be able to afford such initiatives.

Governor Sundlun is preparing even greater changes in the state aid formula for fiscal 95; it will "guarantee" that equal amounts are spent to educate every child in Rhode Island, and limit the local contribution to what each community can truly afford to pay. More shifts of funding in our favor are to come. In the meantime, I pledge to work with Probe and with the school committee to reform our educational program in every way possible.

Another important new source of revenue for the city comes from the sale of regional assets we no longer need to own, or from the more profitable management of city assets. Over the next year, I will be developing plans for reaping new revenues from the city-owned water system, which serves 60 percent of the state. I am hopeful that, by this time next year, we will be able to project tens of millions of new revenue form this source, year after year. But what about fiscal 94? As you know, we have entered into discussions with several parties for the sale of the Port of Providence.

There is keen interest in this asset. Only yesterday, the city received a bid of \$1.3 million for a small portion of the port acreage. We expect a second parcel will be sold in the next few months. Based on these developments, I have projected the receipt of \$16 million in revenue from port sales in the months to come. I intend this one-time influx of cash to be followed by recurring infusions related to the water system. I am sure the council appreciates the importance of these transactions: the anticipated port revenue are worth almost three dollars on the tax rate.

The last important source of new revenue in this budget is related to the tax-exempt, private colleges and hospitals of this city. Never in the history of Providence has this source of wealth been taxed. The time has come for this practice to come to an end.

Of course, the colleges and hospitals already contribute a great deal to the betterment of this city and state. Brown, RISD, Johnson & Wales and PC are all nationally renowned.

Between them, they have more than 20,000 students and 4,500 employees. Brown University has also performed a great service by establishing a medical school in Providence that has created a unique alliance of teaching hospitals in this city. It is widely recognized that the quality of health care has significantly increased in Rhode Island because of all the joint efforts by the medical school and the hospitals. Providence has also become a notable center of medical research that is creating economic benefits for the city as well.

But powerful trends compel the city government to seek payment for the services it provides to these institutions. For many years, tax-paying businesses have been steadily leaving the city, and tax-exempt institutions have been steadily leaving the city, and tax-exempt institutions have been steadily expanding. The private colleges and hospitals alone are owners of land and buildings worth more than a billion dollars. This value is equal to one-quarter of the value of all taxable property in the city.

Of course, there are many other tax-exempts in the city -- the state and federal governments, churches, charitable organizations, and many more. When all institutional and personal exemptions are combined, the value of exempt property almost equals the 4.9 billion dollars in taxable value throughout the city. Every year, the exempt value continues to grow. One need only mention the new Convention Center, the acquisitions of Johnson & Wales in downtown Providence, and the major construction projects underway at Rhode Island Hospital. It is only a matter of time before exempt value exceeds taxable value. This situation is financially ruinous for the city of Providence. It must be addressed -- today.

As you may know, the state of Rhode Island for some years has made payments to the city in lieu of property taxes for tax-exempt colleges and hospitals. But the amount of the payment is woefully inadequate.

The legislation calls for a payment equal to 25 percent of what the institutions would pay if taxed. In fact, the state is paying us only 1.5 million dollars a year, or about 5 percent of full value. We are being shortchanged almost 6 million dollars.

This is extremely unfair. The state is earning a great deal in income taxes and sales taxes from the people who work for these institutions. In Providence, their payroll is about half a billion dollars a year. The state also earns business taxes from the companies that provide goods and services to the institutions. We estimate that the state indirectly earns 50 million dollars from the colleges and hospitals, every year, but the state sends back only 1.5 million dollars to the city of Providence. The state simply must share more of its revenue with the host city. After all, it is we who provide most of the public services upon which the colleges and hospitals depend.

Accordingly, the city had introduced a bill which calls for the state to provide full funding of the so-called PILOT program.

If the state does not, our bill requires the institutions to make up the difference.

This has been a matter of great concern to the colleges and hospitals. After all, they perform important public missions, and they face financial problems of their own. At the same time, these institutions fully appreciate the predicament the city is in. They need a financially strong city government to provide vital public services. And they are also painfully aware that, in central cities across America, major institutions are surrounded by deepening poverty and crime, and find themselves literally trapped in cities that every year grow less livable. Providence is far from being in that condition. But our institutions know that Providence will suffer the same fate of these other cities if it does not have the financial means of providing basic services and renewing its neighborhoods.

For all these reasons, the colleges and hospitals have been willing to talk to us about a new approach to funding.

They strongly believe that the state of Rhode Island has a clear obligation to provide even greater support to the capital city. There are clear advantages to the concentration of governmental, educational and health services in the capital city, but somebody has to pay for the services we provide. As a result of extensive discussions that have been held, the city and many of the institutions are beginning to map a joint strategy for bringing our case to the legislature. Based on a careful assessment of our prospects, I believe it is prudent for the city to include 5.8 million dollars from in-lieu payments in its budget for the coming year.

The sum total of all these initiatives is staggering: 15 million in state aid as already recommended by the Governor. . . . more than 10 million in expenditure cuts. . . .15 million from the sale of city assets. . . .and almost six million dollars in payments for tax--exempt property. It all adds up to \$46 million dollars -- or about \$8.50 that does not have to be added to the tax rate.

Can we be certain on April 30th that all of these revenues will come our way? No we can not. I am certain we will reap most of this revenue, but we must fight for the rest.

If we are to succeed, the Mayor and City Council must be united as never before. We must keep foremost in our minds the principles of justice that guide our cause. We must speak with one voice to those who care not for our city, or the fate of our people. We must speak with one voice to those in the city and suburbs who are moved by the essential rightness of our cause, and are willing to contribute to the good of the city/state of Rhode Island. We must make our case in the hallways and board rooms and street corners of this state. And we must never forget that the future of our city depends on the steadfast prosecution of our cause.

The budget I have submitted tonight is more than the sum of hundreds of line items, more than a workaday listing of cash flow, debits and credits. It is a call to action, a statement of principle, a plea for the good will and generosity of the greater community. Here we make our stand; may the good people of Rhode Island stand by our side.

The budget I have submitted tonight is dedicated to the taxpayers of Providence. They have been loyal to us; we must not fail them now. Their rate of taxation is already much too high; it is dictated by policies and statutes that are fundamentally unsound, and must be changed. From this day forward, all of us in this chamber must strive to ease the burden of property taxation, not add to it. . . .this year and in the years to come. There is no increase in the tax rate contained in this budget; in the weeks ahead, I will dedicate all of my labors to the final realization of this right and proper reward.

Providence faces perils at this juncture such as we have seldom seen in the long and storied history of this city. But we also have the rare opportunity to make things right. If we can reduce the burden of taxation, increase our capacity to provide quality services, and use the Providence Plan to give new opportunity to our citizens, then Providence will take its place in the ranks of America's most admired central cities.

In a few short years, we have made remarkable progress. I sense that the greatness and good fortune that has been ours for long periods of our history will be ours once again. Join with me tonight in a quest for justice, and a better life for our people.

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IN CITY COUNCIL

APR 30 1993

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Michael R. Clement CLERK

Vincent A. Cianci
Mayor
April 30, 1993