

2003 Budget Message
Mayor Vincent A. Cianci, Jr.
May 2, 2002

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

This is the 12th time that I have ascended the grand staircase of City Hall to deliver my Budget Address. During this period of time, we have created a budgetary renaissance as important, and as lasting, as the renaissance of bricks and mortar beyond these walls.

Just think of all that we have accomplished together in a 12-year span:

- We have invested more than 500 million dollars in the neighborhoods of this city.
- We have repaved 420 miles of city streets, and replaced several thousand sidewalks.
- We have provided financing for more than 3,000 houses to be painted or renovated.

- We have refurbished most of the parks and playgrounds in the city – dramatically improving the appearance of such neighborhood assets as the playing fields at Hope High School and Mt. Pleasant High School. Little League fields, soccer fields, jogging paths, river walks, basketball courts, tennis courts – all have been done.
- In addition, we just completed the construction of a magnificent new public safety headquarters – state of the art, and one of the best in America.

- We increased the number of police officers by 15%, and reduced the crime rate by 25%, making our neighborhoods the safest they've been in a generation.
- We purchased 16 new ladder, engine and rescue vehicles for the Fire Department, and reduced the average age of the front-line fleet from 10 years to 6. No Fire Department in America is better-equipped to protect lives and property, and to guarantee

the safety of our fire-fighting men and women.

- In addition, we absorbed 6,000 additional students in the Providence Public Schools – building state-of-the-art schools throughout the city, adding more than 200 new classrooms with the best learning technology, hiring an additional 1,500 teachers and other employees.
- We built, that is, a new school system in Providence that is almost as large as

the entire school system in East Providence.

Our investment in the neighborhoods is paying off. Property values are on the rise almost everywhere in the city.

Recently, we learned that the median sale price for homes off the East Side has climbed to \$109,000. This is an increase of almost 60% since 1995, when the median price was only \$69,000.

I believe that our investment in the neighborhoods since 1995 – the parks,

playgrounds, streets, sidewalks, school buildings, renovated houses and new fire apparatus – contributed immeasurably to this rise in value. The average home-owning family is enjoying a \$40,000 increase in the value of their property. On the East Side, the average gain approaches \$150,000. Values are rising in Mt. Pleasant, on the South Side, and in neighborhoods across the city. This is clear evidence that the Providence Renaissance benefits the neighborhoods as well as the downtown.

Perhaps our most important accomplishment, however, was to forge a

new fiscal partnership with the State of Rhode Island. The Providence Renaissance – in the downtown and the neighborhoods – would not be possible without three important innovations:

First, a commitment by the state to participate in one of the most ambitious and comprehensive agendas of school-reform in the country. Why? Because we are the largest and most diverse school system in Rhode Island. A renaissance of the Providence Public Schools is of critical importance to the entire state.

Second, a recognition by the state that it must share the responsibility for the tax-exempt institutions that are concentrated in the capital city. Providence is the host city for five private colleges and six private hospitals – institutions that serve the state, the region, and, indeed, the country. These institutions own property worth 1.5 billion dollars, but pay no taxes to the city.

Third, a commitment by the state to provide significant and lasting tax relief to the property-owners of Providence, and all of Rhode Island. Tax reform is essential because the property tax in Rhode Island is

the 6th highest in the country. Meanwhile, the state income tax ranks 24th and the sales tax ranks 39th. As a result, the people of Rhode Island pay almost as much in property taxes as they pay in the income and sales taxes combined.

The additional investments made by the state for public education, tax-exempt property, and the phase-out of the automobile and inventory taxes have been substantial.

In the current year, state aid to Providence totals 225 million dollars. We

are fortunate that the General Assembly has recognized the importance of our contribution to the State of Rhode Island. We are also fortunate that we have a tenacious, hard-working, and committed corps of legislators who represent the capital city at the State House.

The investment in Providence is paying off for the state in a number of ways.

First, the Providence Renaissance is making a great deal of money for the state. For example, sales tax revenue is up substantially this year, and the most

important reason is the Providence Place Mall. About 40% of the customers at the new mall come from Massachusetts and Connecticut. This cross-border traffic generates millions in sales-tax revenue that the state would not otherwise collect.

The Providence Renaissance has only just begun. A whole new hospitality sector is being created along the three rivers of Providence – and the state is the biggest beneficiary. New hotels, restaurants, stores, art and entertainment institutions are attracting tens of millions of people to our city. The gourmet restaurants of Providence

are renowned for their sophisticated fare. Trinity Repertory Company, the Providence Performing Arts Center, the Dunkin Donuts Center, the RISD Museum, AS220, the Black Repertory Company, the Children's Museum, the Roger Williams Park Zoo, and, soon, the Heritage Harbor Museum, draw wide and varied audiences. Billions of new investment is taking place in the downtown, and this will only benefit the State of Rhode Island.

In fact, a vigorous, growing economy in Providence is one of the leading generators of revenue for the state. By our estimate,

the Providence economy currently generates more than seven hundred million dollars in tax revenues and fees for the state – far in excess of the two hundred and twenty-five million dollars that we get back in the form of state aid.

The colleges and hospitals of Providence are another important source of revenue for the state. These institutions employ more than 20,000 people, and their combined payroll exceeds 800 million dollars a year. The institutions generate tens of millions in income and sales taxes -- all of which go to the state.

The state benefits in a different way from the improvements in the Providence Public Schools. Our teachers, our superintendent, and our school board are making impressive progress in improving test scores in a student population that is made up predominantly of children from disadvantaged homes.

As you know, test scores improved in almost every elementary school after school reform was introduced. Despite all of the difficulties of implementing major change, progress is being made.

The results are really quite startling. So far, the focus of testing has been on fourth grade students. When we apply these results to the entire elementary-school population, it suggests that an additional 2,000 students in the elementary grades will pass the basic reading test as a result of school reform.

There is no better predictor of success in school, or in life, than the ability to read adequately in the elementary grades. If school reform can enable an additional 2,000 students to read at grade level, then I

say it is worth every penny for the State of Rhode Island.

Unfortunately, the 2003 state budget that was submitted to the General Assembly does not reflect the past commitments of the state. Existing statutes and practices call for a 30-million-dollar increase in state aid for the City of Providence next year. However, the proposed budget would increase state aid by only 6 million dollars.

As things now stand, the state would pick up only one-third of the rising operating cost of the public schools. The

phase-out of the automobile tax would be permanently halted. And state aid to Providence as the host city for tax-exempt institutions, would also be cut.

Providence is not alone. Deep reductions in state aid are in store for almost every community, from Woonsocket to Westerly.

If this budget becomes law, we predict that property taxes will rise by five to ten percent in most communities of this state. In addition, automobile-owners would see no further reductions in the taxes on their

vehicles. Statewide, taxpayers would still pay about 150 million dollars in automobile taxes next year.

We recognize that the economy has diminished state revenues, and that some reductions in state aid may be necessary. However, it appears that the state has balanced its budget primarily at the expense of the cities and towns.

The 2003 budget that I have submitted for Providence fulfills all of our financial commitments. It takes numerous steps to increase revenue and decrease expenditure.

What it does not do is raise city taxes to make up for the threatened reductions in state aid. We in the Providence community must join with other cities and towns in seeking a more equitable state budget.

The 2003 city budget:

- Assumes that the final increase in school aid will be sufficient to cover rising operating costs for the Providence Public Schools.

- Provides for 6 million dollars in school cuts, which we believe can be achieved without hardship.
- Reallocates a 5-million-dollar surplus that was achieved in 2001 for use in 2003.
- Anticipates the sale of the old Public Safety headquarters and Parcel 12 along the riverfront to buyers who will put both properties back on the tax rolls.

- Provides for the saving of 1 million dollars with a limited job freeze that will go into effect on July 1.
- And increases the fee for building permits for the first time in seven years.

Raising taxes is not one of the solutions for 2003. The revaluation of last year resulted in substantial tax increases in neighborhoods where values grew the most. This was primarily on the East Side, the South Side, and the commercial downtown.

I do not wish to add to the burdens of these neighborhoods with further increases.

I would like to emphasize that my commitment to the Providence Public Schools is unwavering and strong. School reform must go forward. The future of thousands of children – the future of our community – is at stake. We will provide all necessary funds for the education of our young people.

I would also like to emphasize that the financial position of the City of Providence is strong.

- We have had surpluses every year since 1981.
- The city has ample cash flow to meet current obligations.
- We have not borrowed in anticipation of taxes since 1987.
- The new budget keeps our commitment to increase our pension contribution by four million dollars each year.

- Our police and fire departments are the best equipped in the state.
- We have fifty million dollars available for additional improvements in the neighborhoods.
- The market for residential real estate has never been stronger.
- And we have been able to cut the tax on business tangible property by almost 50%, saving business more than twenty million dollars a year.

Because of the renaissance that has inspired so many people, Providence is once again the most important economic asset that the State of Rhode Island has. The legislature has wisely invested in the capital city, strengthening our public schools, our neighborhoods, and our finances. I urge the legislature to continue its enlightened policy. A strong City of Providence can only benefit the State of Rhode Island.

I have every confidence that the future of Providence is bright. A city that can move rivers, railroads and highways....a city that can erect new and glittering cities on a

long-neglected waterfront....a city that can overcome poverty, and teach thousands of disadvantaged children to read....a city that can rebuild its neighborhoods and raise its property values....a city that can become a magnet for artists, thinkers, and medical researchers....is a city that can overcome any obstacle, and create for itself a bright and shining future. This is the vision I have for Providence, a vision that has guided me since I first entered public life in 1975. The city of today surpasses the dreams I had so long ago. I have every confidence that our city will continue to flourish, and to fulfill

