



State of Rhode Island and Providence Plantations

State House, Room 224
Providence, Rhode Island 02903
401-222-2080

Lincoln D. Chafee
Governor

January 31, 2012

To the Honorable, General Assembly:

The Fiscal Year 2013 budget I recommend to you builds on the progress we made last year to improve our state by investing in our assets and promoting a climate conducive to economic growth. Working together, in a spirit of cooperation and collaboration, we invested in public education at all levels. We broke our addiction to borrowing to fund needed transportation projects. We shored up the solvency of our unemployment trust fund. We came together to pass historic pension reform legislation that provided retirement security while protecting the Rhode Island taxpayer. We made tough decisions and Rhode Island is on a better course because of it.

We knew, however, that problems decades in the making would not be solved overnight. We have taken the first steps toward a return to prosperity, but many more remain. Difficult decisions lie ahead.

Rhode Island continues to struggle with one of the most challenging economic climates we have ever faced. Rhode Islanders are hurting, struggling to make ends meet. Our unemployment rate remains unacceptably high. Rhode Island is not sharing in the economic recovery that is occurring in our neighboring states and in the rest of the nation. That is why this year's budget is so important. We must maintain, at this critical time, our commitment to investing in Rhode Island's future. We must promote a climate of certainty that encourages businesses to grow and create jobs. The budget that I submit to you does that.

Rhode Island will not achieve economic recovery if our cities and towns are facing fiscal collapse. The loss of \$192 million in state aid in Fiscal Years 2007 to 2011 has led municipalities to slash services and increase property taxes. Our state's high property taxes have been cited by numerous business climate studies as a significant deterrent to economic growth. Meanwhile, cities and towns are struggling to devote the appropriate resources to education, placing Rhode Island students at a disadvantage when competing for jobs in the 21st century. My budget addresses these problems by providing nearly \$28 million to fully fund the second year of the education funding formula, as well as funding for additional school district expenses such as high-cost special education, early learning, vocational programs and training, and transportation. I also recommend an additional \$11 million toward implementation of the formula, devoting \$39 million to state support for education and reducing the financial burden on Rhode Island property taxpayers. These essential investments – tax relief and K-12 education – will be fully paid for by increasing the meals and beverage tax by just two cents on every dollar.

To continue to support higher education in Rhode Island, I propose the creation of a \$20-million scholarship fund that invests in qualified Rhode Island students who wish to pursue their educational goals after high school. This program will be entirely funded through making Rhode Island government more efficient and effective; namely, through merging Rhode Island Higher Education Assistance Authority and

the Office of Higher Education and dedicating Rhode Island Higher Education Assistance Authority resources toward this important purpose.

It is no secret that Rhode Island's infrastructure is crumbling. It is also no secret how we have gotten to this point: Rhode Island ranks 49th in the nation for public support of highway transportation. This is evident to any resident who has complained about an unfilled pothole or lengthy bridge repairs. We cannot wait for bridges to fail. We must be proactive about infrastructure improvements to avoid costly repairs in the future. We must pay for it honestly and without borrowing. My budget proposal builds on the reforms passed by the General Assembly last year by advancing the upcoming vehicle registration and driver's license fee increases to take effect in the coming fiscal year. This new source of funds will allow us to responsibly address our state's transportation deficit and provide much-needed revenue for urgent maintenance and repair projects.

To promote economic development, we must ensure that our workforce is skilled, educated, and able to meet the demands of a rapidly changing world economy. We must develop a workforce that can compete for jobs in the new knowledge economy, which could be a tremendous catalyst for growth in our state. My budget increases funding for workforce development programs to provide the training Rhode Islanders need to find good jobs. I also propose reinstating and redesigning the Economic Development Corporation's "Project Status" program, an important initiative that provides tax incentives for businesses that create at least 100 jobs in Rhode Island. These two proposals are integral components in our broader, ongoing efforts to promote job creation and economic development and bring our unemployment rate down.

Government must also demonstrate its commitment to using resources efficiently and effectively. Businesses want to operate in a state that is fiscally responsible and operating within its means. My budget contains approximately \$45 million in spending cuts, as well as numerous program eliminations, modifications, and reorganizations. These cuts will have very real, very painful consequences for people across our state. I do not make these decisions lightly. But we continue to face a structural deficit, and we must make difficult choices about those services the state can continue to provide. I have, however, worked hard to preserve the most essential services on which vulnerable Rhode Islanders depend. I will not allow the social safety net to be severed. A civil state should care for those most in need.

Rhode Island government has long had difficulty earning the trust of its citizens. We must work to change that. Rhode Islanders want to know that their hard-earned taxpayer dollars are being spent wisely and resourcefully. Therefore, I propose the creation of a new Office of Management and Budget to promote transparency and efficiency in our government. I have also directed the Office of Health and Human Services to launch a new auditing and programming evaluation to track waste and fraud among entities that provide services to the state. Particularly in these difficult economic times, every taxpayer dollar is scarce; it is our responsibility to ensure that they are not squandered.

Although Rhode Island continues to face daunting challenges, I am confident in our ability to make the needed decisions, no matter how difficult, and to make the forward-looking investments that will bring about a brighter future for our great state.

Sincerely,



Lincoln D. Chafee
Governor of the State of Rhode Island and Providence Plantations