

THE COST OF THE PROGRESSIVE WAVE

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Scoring a Sample of Progressive Bills

For those of a certain political persuasion, the legislation that the Rhode Island General Assembly transforms into law is frightening enough. The RI Center for Freedom & Prosperity’s Freedom Index has shown how elected officials move Rhode Island steadily in the wrong direction year after year.

However, the advancement during this legislative session of a few perennial labor-union wish-list bills toward enactment into law (most notably evergreen contracts that never really expire) draws attention to the importance of knowing what bills loiter just

below the surface of public awareness. The bills that have not *yet* become law are often the most terrifying of all, betokening a dark and damaging future for the Ocean State if the progressive tidal wave should ever break on the shores of the General Law.

To convey our sense of terror, the Center picked up a brief project initiated by the House Minority office, applying estimated costs to 15 pieces of legislation. The table below gives the summary of our findings.

The dollar amounts shown are one-year estimates of the cost of each bill to Rhode Islanders, as either taxpayers or economic actors (that is, businesses or consumers). Where legislation has a one-time cost, we assumed it would all be realized in one year, and where a bill is designed to phase in, we scored it as fully implemented.

The Cost to Rhode Islanders of Select Progressive Legislation, 2017 Legislative Session

Bill	Description	Cost (\$)
H5069 and S0154	Single-payer, government-run health care	5,403,000,000
H5140	Unemployment benefits increase	2,910,000
H5169	Taxpayer payment of student loans for RI residents	23,575,848
H5238	Taxpayer subsidy to cities and towns with high affordable housing	46,615,070
H5369	A tax-and-redistribution scheme on all fuel and electricity (“carbon tax”)	46,100,000
H5413 and S0290	Mandatory paid time off benefits for all private employees	48,713,985
H5563 and S0259	A new tax on carried interest from investment income	39,000,000
H5595	An increase in the minimum wage to \$15 by 2022	391,200,000
H5753	A ratchet on regional school district aid, to prevent decreases	5,995,648
H5771	An expanded “hotel” tax on short-term home rentals	2,000,000
H5778 and S0477	Tax credits for purchase or renovation of elderly- or disabled-accessible housing	250,000
H5801	A new mandatory bottle-deposit program	23,863,480
H5808	A new tax on petroleum products shipped into the state	1,996,045
H5831 and S0564	Tax credits for low-income families’ contributions to college savings plans	4,000,000
H5980 and S0250	State taxpayer subsidy of local communities’ payment to charter schools	37,724,122
Total		6,076,944,198

H5069 and S0154

Estimated cost: \$5,403,000,000

House sponsors: Regunberg, Walsh, Ajello, Ranglin-Vassell, and Amore

Senate sponsors: Calkin, Miller, Seveney, Quezada, and Goldin

Description: to create a new agency that would automatically register residents in government healthcare and collect premiums from them, while setting prices for all doctors and other healthcare providers and forbidding private insurers from offering competing products

Estimate source: This legislation would essentially create a single-payer health care system in Rhode Island, and in 2015, University of Massachusetts at Amherst Professor of Economics Gerald Friedman published a report estimating the potential effects of a single-payer healthcare system in Rhode Island. Friedman gained notoriety in 2016 for his economic analysis supporting the economic plan of Vermont socialist Bernie Sanders, who was at the time running for President of the United States as a Democrat. A glance at Friedman's Twitter stream (@GFriedMa) shows his politics to be left-wing, suggesting that any bias in his analysis of single-payer health care would be toward making its outcomes look better, rather than worse.

Friedman's own report acknowledges that such a system in Rhode Island would require a \$3.7 billion increase in taxpayer funding of health care. Even a cursory review, however, suggests that he greatly overestimates savings to what he estimates would actually be a \$13.2 billion program. For instance, Friedman assumes that single-payer health care for

everybody in our diverse single state could be administered as efficiently Medicare, which covers a relatively homogenous population (the elderly) at the federal level. Some might argue that the state government would actually be less efficient than the private-public mix of our state's current health care system, but even if we assume improvement to the level of Medicaid under single-payer, we would have to add \$497 million to Friedman's estimate.

<http://www.pnhp.org/ri/Rhode%20Island%20health%20care%20reform,%20final.pdf>

H5140

Estimated cost: \$2,910,000

House sponsors: McKiernan, Slater, Almeida, Hull, and Lombardi

Description: to increase the maximum weekly unemployment benefit to \$616 or 57.5% of the worker's average weekly pay the prior year, if greater

Estimate source: This number was cited as the estimated cost by "the department" during the relevant hearing of the House Finance Committee.

<http://ritv.devosvideo.com/show?video=175d17ae598e&apg=52ab780b>

H5169

Estimated cost: \$23,575,848

House sponsors: Morin, Phillips, Casey, Carson, and Johnston

Description: to force state taxpayers, along with federal taxpayers, to subsidize two years of loan forgiveness for the higher education loans of graduates who remain in the state

Estimate source: This number is the estimate of the House Fiscal office upon full implementation of the policy.

<http://webserver.rilin.state.ri.us/housefinance/fn/2017/2017-H%205169.PDF>

H5238

Estimated cost: \$46,615,070

House sponsors: Morin, Maldonado, Phillips, Carson, and Casey

Description: to force statewide taxpayers to give additional funds to cities or towns that have low-or-moderate-income housing levels above the state minimum levels of 10% or 15%

Estimate source: In order to approximate this cost using easily available public data, we assumed that all of the low-or-moderate-income housing in the applicable cities and towns is currently rental property. We also assumed that the provisions of the legislation would kick in immediately.

Housing data:

http://www.rhodeislandhousing.org/filelibrary/2015_LowModChart_ShortForm.pdf

School aid data:

<http://ride.ri.gov/LinkClick.aspx?fileticket=waxVhn6NhLo%3d&portalid=0>

H5369

Estimated cost: \$46,100,000

House sponsors: Regunberg, Carson, Handy, Keable, and Donovan

Description: to create a new tax (called a "fee") on all fuel and electricity deriving from carbon to fund green-energy programs for low-income residents and make payments to residents and employers regardless of their energy use

Estimate source: This number derives from a one-page analysis that Capitol Economic Advisors prepared for the American Fuel & Petrochemical Association, which provided the research to the RI House Minority Office upon request. Based on external research from the RAND Corporation concerning the elasticity of energy demand, Capitol Economic Advisors concluded that the estimate above would be the “net tax increase on Rhode Islanders” after subtracting the proposed rebates.

Because the estimate is the net effect, we consider it to be conservative, inasmuch as the RI Center for Freedom & Prosperity would score any part of the legislation that amounted to pure redistribution of wealth from one party to another as a cost. That is, with sufficient data, we would prefer to add in the portion of the rebates that represents a net profit (so to speak) for lower-income households. Moreover, annual increases included in the bill would begin in 2020, but the report does not attempt to estimate their effect, so we have used the near-term annual tax.

H5413 and S0290

Estimated cost: \$48,713,985

House sponsors: Regunberg, Craven, Serpa, Maldonado, and Fogarty

Senate sponsors: Goodwin, Calkin, Goldin, Seveney, and Satchell

Description: to force all employers with 15 or more employees to provide a new benefit of 1 hour of paid sick/leave time for every 30 worked (up to 40 hours when fully implemented), accumulating year to year or paid at the end of each year, usable with no proof of the reason if fewer than 3 consecutive days, and to give the state access to all hourly records of all employers

Estimate source: A January 2017 study by the Institute for Women's Policy Research available on the Web site of the Department Labor's Chief Evaluation Office under "Completed Reports" estimated the *new* wage replacement costs of the proposed Federal Healthy Families Act (HFA) as 0.2% of all payroll. In its major provisions, the HFA differs from the latest version of the H5413 only in the maximum hours that an employee can accumulate, with the HFA allowing an additional 16. (The RI Senate version of the bill would exempt fewer companies but require 35 hours of work for one hour of benefit.) However, the study found that employees would not fully use their hours, so we deem the accumulated maximum to be of negligible effect for our purposes.

To produce a Rhode Island-specific estimate, we multiplied 0.2% by the Bureau of Labor Statistics' total annual wages for 2016 under the Quarterly Census of Employment and Wages.

Paid leave cost estimate:

<https://www.dol.gov/asp/evaluation/completed-studies/IMPAQ-Paid-Sick-Days-1.pdf>

Rhode Island wages:

https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=2&st=44&year=2016&qtr=A&own=0&ind=10&supp=0

H5563 and S0259

Estimated cost: \$39,000,000

House sponsors: Regunberg, Slater, Lima, Donovan, and Kazarian

Senate sponsors: Satchell, Conley, Archambault, and Miller

Description: to impose a new 19% tax, called a "fairness fee," on income from the carried interest of investors in the state

Estimate source: This number was cited as the estimated cost by an expert witness speaking in support of the legislation during the relevant hearing of the House Finance Committee.

<http://ritv.devosvideo.com/show?video=83980033721b&apg=52ab780b>

H5595

Estimated cost: \$391,200,000

House sponsors: Ranglin-Vassell, Donovan, Regunberg, Williams, and Ajello

Description: to increase the minimum wage incrementally to \$15 per hour in 2022, with an automatic cost of living adjustment thereafter

Estimate source: Beginning with testimony on a different minimum wage bill by the progressive Economic Progress Institute, we applied the institute's estimated \$65.2 million increase in employer costs of a \$0.9 increase in the minimum wage to the first year of full implementation of this legislation (that is, at \$15 per hour). This figure takes into account not only those who are (or would be) earning minimum wage, but also the ripple effects of that change on other employees' pay.

http://economicprogressri.org/wp-content/uploads/2017/03/EPI-Minimum-Wage-Testimony-3-30-17-HB-5057-House-Labor_2.pdf

H5753

Estimated cost: \$5,995,648

House sponsors: Marshall, Price, Filippi, Chippendale, and Donovan

Description: to freeze the state's education aid formula in any cases in which it would result in reduced funding for regional school districts

Estimate source: Our estimate, here, represents the projected decrease in state aid to the Chariho, Foster-Glocester, Bristol-Warren, and Exeter-West Greenwich school districts for fiscal year 2018.

<http://ride.ri.gov/FundingFinance/FundingSources/StateEducationAid.aspx>

H5771

Estimated cost: \$2,000,000

House sponsors: Almeida, Regunberg, Ajello, Williams, and Lombardi

Description: to expand the state's "hotel tax" to include whole houses rented for less than 30 days and to increase the hotel tax paid to municipalities from 1% to 2.5%

Estimate source: Our estimate for this bill is the amount that one of the lead sponsors said that he had been told to expect, as reported in *GoLocalProv*.

<http://www.golocalprov.com/news/elorza-proposes-150-increase-in-hotel-tax-to-help-balance-providences-budge>

H5778 and S0477

Estimated cost: \$250,000

House sponsors: McNamara, Casimiro, Carson, Vella-Wilkinson, and Solomon

Senate sponsors: Felag, McCaffrey, Miller, Jabour, and Goodwin

Description: to provide a personal income tax credit of 50% of costs (maximum of \$5,000) to taxpayers who buy or renovate a residential property to be more accessible to the elderly and the disabled

Estimate source: We assume that the program will hit its annual statewide limit, as provided in the bill.

<http://webserver.rilin.state.ri.us/BillText17/HouseText17/H5778.pdf>

H5801

Estimated cost: \$23,863,480

House sponsors: Barros, Shanley, Cunha, Tobon, and Blazejewski

Description: to implement a mandatory bottle-deposit program at the point of sale within Rhode Island

Estimate source: In 2009, the Rhode Island Resource Recovery Corporation prepared a report at the request of the General Assembly describing a plan for such a program. For that purpose, Resource Recovery hired the research consultant DSM Environmental. Our estimate, in this document, is the sum of DSM's estimates of new costs to Resource Recovery, new cost to Rhode Islanders in the process of bottle redemption, and the cost to municipalities, which would not be able to save money by eliminating truck runs.

This estimate does not include the potential effect on consumer habits of adding to the cost of all bottles throughout the state.

http://web.archive.org/web/*/https://www.rirrc.org/content/getfile.php?o=document&id=60

H5808

Estimated cost: \$1,996,045

House sponsors: Ruggiero, Tanzi, Blazejewski, Handy, and Carson

Description: to impose a new 5-cent tax on all petroleum products shipped into the state by boat (1-cent for asphalt) to fund a Climate Change

Coastal Adaptation Trust Fund to modify coastal areas and buy up land

Estimate source: The language structuring this new tax is the same as that in the existing Oil Spill Prevention, Administration and Response (OSPAR) Fund, so our estimate is the revenue generated through that program in fiscal year 2014 (the latest data available). A review of federal data suggests no dramatic swings in the relevant imports that would lead us to adjust the number either up or down.

OSPAR report:

<http://www.dem.ri.gov/pubs/ospar14.pdf>

New program language:

<http://webserver.rilin.state.ri.us/Statutes/TITLE46/46-12.7/46-12.7-4.1.HTM>

Federal historical data:

<https://www.eia.gov/state/seds/seds-data-fuel-prev.php#DataFiles>

H5831 and S0564

Estimated cost: \$4,000,000

House sponsors: Messier, Johnston, Morin, Phillips, and Coughlin

Senate sponsors: Pearson, Gallo, and Lynch Prat

Description: to give a one-time tax credit up to \$250 to households with income less than three times the poverty level for contributing to college savings plans

Estimate source: This estimate was given during the relevant hearing of the House Finance Committee.

<http://ritv.devosvideo.com/show?video=83980033721b&apg=52ab780b>

H5980 and S0250

Estimated cost: \$37,724,122

House sponsors: Marszalkowski, Ackerman, and O'Grady

Senate sponsors: Pearson, Nesselbush, Picard, Satchell, and Miller

Description: to force state taxpayers to cover the full funding for charter and state schools that a local

district would otherwise pay when the percentage of students from the district attending such schools exceeds 5% of total enrollment

Estimate source: This number is the estimate of the House Fiscal office upon full implementation of the policy.

<http://webserver.rilin.state.ri.us/housefinance/fn/2017/2017-H%205980.PDF>