



# SPOTLIGHT ON \$PENDING

*Produced in cooperation with the Taxpayers Protection Alliance*

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The **2014 SPOTLIGHT ON \$PENDING** report was jointly developed by these organizations:



**The Rhode Island Center for Freedom and Prosperity** (Center), a nonpartisan public policy think tank, is the state's leading free-enterprise research and advocacy organization. The Center works to make a profound, positive impact on the lives of every family and business in the state through the rigorous exchange of market-based

ideas and reform solutions aimed at restoring economic competitiveness, educational opportunities and - ultimately - hope for a more prosperous future.



**The Taxpayers Protection Alliance** (TPA) is a non-profit non-partisan organization dedicated to educating the public through the research, analysis and dissemination of information on the government's effects on the economy. TPA, through its network of taxpayers will hold politicians accountable for the effects of their

policies on the size, scope, efficiency and activity of government and offer real solutions to runaway deficits and debt. Through blogs, commentaries, and special spending alerts, TPA will publish timely exposés of government waste, fraud, and abuse. Recognizing the importance of reaching people through traditional and new media, TPA will utilize use blogs, Twitter, and Facebook to reach out to taxpayers and government officials. Ultimately recognizing that the greatest power of change rests with the millions of Americans across the country who are ready for a smaller more accountable government, TPA will be a catalyst for connecting taxpayers to their elected and non-elected officials.

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## EXECUTIVE SUMMARY

This report identifies past, current, and future instances of non-essential or wasteful spending by the State of Rhode Island, as well as steps lawmakers can take to save money now and prevent similar instances in future years.

Almost \$225 million in non-essential spending has been identified and organized into multiple categories. The list provides policymakers with opportunities for budget savings without cutting essential services and programs. The categories are:

- Handouts
- Absorption of federal funding
- Government operations
- Government personnel
- Government overreach

The report further recommends that checks and balances be put in place to safeguard taxpayers against frivolous future spending, including:

- Establishment of a fully empowered Office of the Inspector General
- Creation of a legislative Office of the Repealer
- Establishment of a state version of a Grace Commission

### Opportunities for Budget Saving’s from the Governor’s Proposed FY15 Budget

	Recommendation	Suggested Savings (\$M)	Page #
<b>Handouts</b>			
House and Senate Legislative Grants	Eliminate	2.3	4
Community Service Legislative Grants	Eliminate	8.7	5
Governor’s Workforce Board	Eliminate	8.4	6
Workforce Training Grants	Eliminate new	0.5	7
State Council on the Arts	Eliminate general fund	2.3	7
Film & Television Office	Eliminate	0.3	9
Motion Picture Tax Credits	Eliminate	3.1	9

**Opportunities for Budget Saving's from the Governor's Proposed FY15 Budget (continued)**

	Recommendation	Suggested Savings (\$M)	Page #
Blind Vending Services Program	Eliminate	0.2	9
Historical Preservation and Heritage Commission	Eliminate general fund	1.0	10
New Historic Tax Credits (maximum)	Eliminate new cap	50.0	10
Higher Education Capital Budget	Halt Inn project	2.2	11
Library Aid for Wealthy Communities	Reduce by 25%	2.2	11
Other Government Handouts	Eliminate	34.9	12
<b>Subtotal</b>		<b>116.1</b>	
<b>Absorptions</b>			
Office of Management and Budget	Eliminate	2.0	13
Other Absorptions	Eliminate	30.2	13
<b>Subtotal</b>		<b>32.2</b>	
<b>Operations</b>			
Facilities Management	Freeze budget	2.8	14
Licensing and Regulation	Reduce budget 25%	2.3	14
Convention Center Authority	Freeze budget	2.7	15
Corrections Inmate-Related Expenses	Hold to inmate increase	0.5	16
Commission on Disabilities	Return to FY13	1.0	16
New Voting Booths	Eliminate	0.1	16
Health and Human Services Central Management	Freeze operations	1.3	17
Commerce Corporation (EDC)	Freeze operations	0.4	17
Supplies and Expenses Increases	Freeze	11.3	17
<b>Subtotal</b>		<b>22.3</b>	
<b>Personnel</b>			
Governor's Office	Reduce payroll 15%	0.6	18
General Assembly	Reduce payroll 15%	4.9	18
Lieutenant Governor's Office	Reduce to 1 assistant	0.8	19
Legislative Grant Coordinator	Eliminate	0.1	19
Atomic Energy Commission	Reduce payroll 50%	0.5	19
Goddard State Park Golf Course Supervisor	Eliminate	0.1	20
Ethics Commission	Reduce payroll 50%	0.7	20
Office of Diversity, Equity and Opportunity	Consolidate	1.2	21
Creative and Cultural Economy Coordinator	Eliminate	0.1	21
Certificate of Good Conduct Program	Eliminate new funds	0.1	22
Office of Community and Family Health & Equity	Reduce payroll 15%	2.6	22
Overtime expenses	Reduce	19.1	22
<b>Subtotal</b>		<b>30.9</b>	
<b>Overreach</b>			
Unified Health Infrastructure Program (UHIP)	Eliminate	15.2	24
Full-day-kindergarten pilot program	Eliminate	1.7	24
Commerce Corp. (EDC)	Eliminate	6.2	25
<b>Subtotal</b>		<b>23.1</b>	
<b>Total</b>		<b>224.5</b>	

## INTRODUCTION

With the State of Rhode Island in economic crisis, and with massive structural budget deficits projected for years to come, Ocean State lawmakers have the opportunity to both grow the economy and reduce deficits by trimming non-essential spending and taxes from the fiscal year 2015 (FY15) budget.

**It's about priorities.** Good government is about setting spending priorities, preserving opportunities in the state for residents who wish to succeed. Tax relief and job creation for Rhode Island families and reducing the crushing regulatory burden on the state's business sector must be weighed against non-essential, sometimes wasteful, spending for projects that produce little benefit to the average resident.

While Governor Lincoln Chafee's fiscal year FY15 budget proposal offered a few heartening recommendations for Ocean State taxpayers, as a whole, the budget remains bloated and unwieldy. The state government continues to maintain ineffective agencies, interfere in the marketplace, and perform functions that would be best left to Rhode Island's imaginative and resourceful communities, nonprofits, and individuals.

In total, the governor's proposed budget increases state spending from \$3.35 billion this fiscal year to \$3.46 billion next year.<sup>1</sup> The state budget is projected to jump by 7.5% from FY13 to FY15, more than doubling inflation rate projections and surpassing many cost of living and personal income growth forecasts, as well.<sup>2</sup>

In other words, the state government is planning to spend taxpayers' hard-earned money at a rate faster than they are able to earn it. Upon reviewing the proposed budget, it is clear that Rhode Island's state

government is simply larger than it needs to be and spends more than it should.

In order to pay for the more than \$100 million increase in state general fund spending Governor Chafee requests for next fiscal year, he plans to saddle Rhode Island residents with a litany of new taxes, including levies on timeshares, family-run bed and breakfasts, and electronic cigarettes. In total, Chafee's tax increases are estimated to cost state residents more than \$16.3 million.<sup>3</sup>

What follows is a series of opportunities for reducing the size and expense of state government, while keeping necessary services intact and well funded. These recommendations represent only a small portion of the cost savings available to state lawmakers by reducing waste, fraud, and abuse of tax dollars and by spending the public's money as carefully as they would their own.

Studying the proposed budget, it is clear that not only are the governor's tax increase proposals unnecessary, but with a modicum of fiscal responsibility, taxes could — and should — be reduced for every resident of the state. This document shows that it is a myth that tax reform ideas that are not revenue-neutral would result in cuts to critical state services. In reality, tax and budget reforms can happen if proper priorities are set.

### Note on the Numbers

As readers will readily find, the budgeting practices of Rhode Island's state government are sometimes obscure and difficult to understand. The process of tracking down explanations for even minor activities can be so time-consuming as to make a budget review impossible without some room for error.

It is therefore possible that some of the areas of savings that the RI Center for Freedom & Prosperity has identified overlap, effectively double-counting the money that's available in specific instances.

Legislative grants present an excellent example: The numbers available through online documents, in the governor's budget document, and on data provided to the Center for its RIOpenGov.org transparency site are inconsistent and appear to represent conflicting ways of looking at or dividing up the general category of grants that originate in the legislature.

For example, the labor union-affiliated RI Institute for Labor and Research is listed on RIOpenGov as having received \$161,444 as a "legislative grant." Documents from the legislature, however, show the institute's having received that same dollar amount as a "community service grant." However, it doesn't look as if that's included in the category of "legislative grants" that the governor's budget puts at \$2.3 million.

Our intention, with this report, is to provide a budgetary total well in excess of most legislative reforms. In the course developing a strategy for actual implementation of such reforms, legislators should use their enhanced inside access and staffs of subject-matter experts to ensure that double-counting is not occurring.

## OPPORTUNITIES FOR SAVINGS: HANDOUTS

### Explanation

The most obvious place to begin looking for places in which to save taxpayers' money is on the long list

**\$2.3 million**

*Eliminate House and Senate  
Legislative Grants*

of instances in which the government simply gives it away to somebody else. Some of these handouts represent the legitimate and clear preferences of the Rhode Island and American public to help, for example, struggling families secure enough food. In other cases, however, neither the public benefit nor the public assent for the spending is as clear.

For starters, we've found \$116.1 million in FY15.

### Legislative Grants: House and Senate

Every year state lawmakers give away millions of Rhode Islanders' tax dollars to community groups, events, and nonprofits. The controversial grants fund organizations ranging from museums to baseball leagues to religiously affiliated organizations.

So far this fiscal year, members of the Rhode Island House of Representatives have awarded 57 grants at a cost to taxpayers of \$161,300.<sup>4</sup> Not to be outdone, state senators have handed out 183 grants for a total of \$396,500.<sup>5</sup> Such grants have already cost Rhode Island residents well more than half a million dollars in the first six months of the current fiscal year and are on pace to devour \$1.1 million by year's end. That's according to the online lists. The governor's budget puts the total for FY14 at \$2.6 million and for FY15 at \$2.3 million.<sup>6</sup> Examples of House and Senate grants include:

- \$7,000 for the Rosario Society in Cranston
- \$4,000 for the Christmas in Newport Festival
- \$3,500 for the Providence In-town Churches Association
- \$2,500 for the Johnnycake Center of Peace Dale
- \$2,500 for the Rhode Island Bolivian-American Association in North Providence
- \$2,000 for Problem Pregnancy of Providence
- \$1,500 for the Center for Southeast Asians in Providence
- \$1,500 for the Woonsocket Cracovia Soccer Club
- \$1,500 for the Elmwood Neighborhood Association
- \$1,000 for the Arnold Mills Parade Association in Cumberland
- \$1,000 for the Community Boating Center in Providence
- \$1,000 for Right to Life Services in Providence
- \$1,000 for the Plum Beach Garden Club in North Kingstown
- \$750 for the Forand Manor Tenants Association in Central Falls
- \$500 for the West Warwick Basketball League

Sadly, the process takes money that taxpayers could have given to support their favorite organizations and instead gives it to state lawmakers to hand over to the organizations they enjoy.

Furthermore, the presentation of the grant checks to the recipient organizations and the subsequent media coverage and community recognition allow legislators to receive credit, even though it's not their money they are giving away: it's yours. Within the legislative chambers, the power to approve grants gives leadership additional leverage as it builds approval for legislation that it favors.

**\$8.7 million**

### *Eliminate Community Service Legislative Grants*

Inside and outside of the legislature, the grants are little more than a vote-buying tactic and a method for political paybacks in which lawmakers use public funds to donate to their favored charities (or possibly those campaign donors) and curry favor with local voters. Ending legislative grants would not only restore some much-needed respectability to the General Assembly, but save taxpayers millions of dollars a year, as well.

### **Legislative Grants: Community Service**

Like House and Senate grants, community service grants are state taxpayer-funded handouts to locally focused nonprofits in Rhode Island. Unlike the chambers' grants, however, lawmakers' names are not attached to the grant requests.<sup>7</sup> Since legislators can champion community service grants behind a veil of secrecy, it allows for state policymakers to use tax dollars to pay back campaign contributors and curry favor with political insiders.

Community service grants go through the House Finance Committee. According to Operation Clean Government, "On the day of a hearing, House Finance Committee members are given a list of grants to be discussed that day, but only a few on the list receive an in depth review. These grants get

buried in the budget bill, using different executive branch departments as a ‘pass through.’”<sup>8</sup> Despite serving as the administrator of the grants, the departments receiving the grant funds have no say as to who receives them and must pass the earmarked money along to the designated recipients.<sup>9</sup>

Flaws plague the administration of the community service grants, including the high possibility of corruption and the use of tax dollars to support private organizations against the will of taxpayers. Still, lawmakers will spend \$8.7 million this fiscal year on community service grants to more than 200 different organizations across the state.<sup>10</sup>

This year’s recipients of the state taxpayer-funded community service grants include, among others:

- \$300,000 for the John Hope Settlement House
- \$136,680 for the Diocese of Providence
- \$45,000 for Modern Language Studies in Portuguese at Rhode Island College
- \$25,000 for the Newport Opera House
- \$10,800 for the Jewish Community Center
- \$8,015 for a Commission on Prejudice and Bias
- \$5,110 for Italian Cultural Heritage
- \$5,062 for the Pawtuxet Valley Riverwalk
- \$2,636 for the Bristol 4th of July Parade<sup>11</sup>

## Governor’s Workforce Board

If there is a single most wasteful, shady, and unnecessary agency in Rhode Island, it may be the Governor’s Workforce Board (GWB). The GWB ostensibly provides grants and other services to help the state’s employment, education, and economic development entities cultivate a more-skilled and better-prepared workforce.

**\$8.4 million**

*Eliminate the Governor’s  
 Workforce Board*

For years, however, the GWB has directed taxpayer-funded grants toward employers, friends, and even other board members. Despite an annual budget of \$8.4 million, there remains little proof that the GWB has managed to create more-skilled workers or encourage job creation in Rhode Island — as the state’s 9.3% unemployment rate indicates.<sup>12</sup>

A 2010 investigation revealed that no fewer than half of the 16 members of GWB were associated with businesses, non-profits, and labor unions as owners, representatives, or employees that received money.<sup>13</sup> In total, it’s reasonable to count at least \$76,873 in inappropriate acts of cronyism perpetrated by the GWB in 2010.<sup>14</sup>

Shockingly, five of the eight GWB members who were on the board then remain on the board today, including Robert Nangle, Robin Coia, Paul MacDonald, George Nee, and Martin Trueb.<sup>15</sup>

The Board even fails to keep taxpayers and members of the business community abreast of its goings on. As of January 2014, the GWB had not updated its E-Newsletters on its website since May 22, 2013, or posted anything to the “News and Events” section since September 2013.<sup>16</sup>

In the past year, the GWB has given away millions of dollars’ worth of questionable grants to scores of businesses, such as:



- \$218,118 to provide work readiness training to 15 job seekers at the Tech Collective;
- \$142,788 to provide pre-apprenticeship training to 20 people at the RI Marine Trades Association;
- \$7,500 to provide tattoo removal training for employees at Karen’s Hair Design;
- \$5,000 to provide social media training for employees at Ahler’s Designs; and
- \$5,000 to provide Quickbooks training for employees at Lighthouse Financial Services.<sup>17</sup>

With the GWB unable to show any positive results despite receiving \$8.4 million of taxpayers’ money each year, and given the Board’s apparent commitment to utilizing those tax dollars to benefit themselves and their associates, there is no compelling reason for keeping the Board around.

## Workforce Training Grants

While we’re on the topic of the government’s meddling with the workforce, we should note that the governor’s budget calls for an additional \$500,000 in “targeted workforce training and workforce assistance programs.”<sup>18</sup>

The state government has illustrated no competence in shaping Rhode Island according to its understanding of the economy. If the governor wishes to continue his experiment, and the legislature wishes to let him, the people should judge them during election season. For now, however, the state should not expand the program until clear and unambiguous evidence exists that it’s working.

**\$500,000**

*Freeze “targeted workforce training and workforce assistance programs.”*

## State Council on the Arts

The state’s government arts agency is slated to receive nearly \$3.8 million in taxpayer funding next year under the governor’s proposed FY15 budget, around \$3 million of which comes from the pockets of state taxpayers.<sup>19</sup> The governor’s request amounts to an alarming 37% increase over the State Council on the Arts’ already bloated \$2.7 million current budget.

That \$1 million-plus increase in the Council’s budget would more than double the money the state spends on grants to artists, art projects, and art organizations. If history is any indication, however, that the last thing the state needs to be doing is spending more tax dollars on arts grants.

This is especially true the year after the General Assembly gave the arts community a massive gift of preferential treatment by exempting its products from the state sales tax.<sup>20</sup>

The fact that the Council would have a role in determining what counts as “art” for the purposes of the sales tax is not an argument *for* the body, but *against* it. In years past, the Council has come under fire for choosing to dispense grants to support

questionable and widely offensive art projects — and for good reason. Among the projects the agency has funded using tax dollars in recent years are an X-rated, erotic holiday party and a series of underwear “art” that double as genital mutilation contraptions.<sup>21</sup>

Even after receiving justifiable criticism for spending the public’s money on projects that many of the taxpayers subsidizing the handouts would find objectionable, the State Council on the Arts continued to fund silly and distasteful undertakings. One of the organization’s recent grants was a \$2,630 giveaway to Ten31, a Pawtucket outfit that creates human statues (in other words, getting people to stand very still for a long time and calling it “art”).<sup>22</sup>

An even more outlandish use of taxpayers’ money is the annual support of the Rhode Island International Film Festival.

Year after year, the State Council on the Arts provides a direct grant in the range of \$4,000–5,000 to support the Newport Film Society and Arts Collaborative, the organization that oversees the Rhode Island International Film Festival.<sup>23</sup> Those tax dollars subsidize the screenings of films that some taxpayers would find tasteless, offensive, depraved, or in conflict with their political, ethical, or religious beliefs, such as:

- *Adults Only*, a short film in which a young man spies on a gay couple in a porn theater and later photographs them having sex;<sup>24</sup>
- *Best If Used By*, in which a woman stores the corpse of her dead boyfriend in the walk-in refrigerator at the grocery store where she works;<sup>25</sup>
- *Medicare*, a one-sided documentary that demonizes people who highlight the failures of public health efforts; and<sup>26</sup>

## \$2.3 million

*Eliminate state general funding for the RI State Council on the Arts and transfer its functions to a private nonprofit.*

- *Naked: A Musical Short Film*, which features a woman who concludes that she can improve her frustrating life by doing everything in the nude.<sup>27</sup>

While there should be a place for even the more questionable projects the Rhode Island State Council on the Arts supports, the question is: “Should taxpayers be forced to fund those efforts?” The answer is “no.”

When government funds the arts, bureaucrats and elected officials are empowered to determine what constitutes art and which “art” should be allowed to receive tax dollars or, now, not pay them. This paves the way for government censorship. Further, government funding of art rests on the chilling notion that a group of government officials, rather than art consumers, know what art is worthwhile.

If the state eliminated the Rhode Island State Council on the Arts, there would be no more scenarios in which some taxpayers were forced to fund projects they view as offensive. Getting the state out of the arts business would also leave taxpayers with more money in their pockets to support the art of their choice, rather than the art that the state government determines is worthy of support.

Given the rich history of private support of the arts community in the Ocean State, eliminating the Council on the Arts would likely only strengthen the arts in Rhode Island. Individuals and foundations would continue to rally around the art and artists who are worthy of support.

## Film Incentives

An increasing number of studies indicate that state tax incentives aimed at the film and television industry fail to pay off for states or their taxpayers.<sup>28</sup> In fact, time after time, such incentives fail to generate enough economic activity to offset their costs. That reality has yet to prevent the governor from allocating \$310,312 for the operations of the Rhode Island Film & Television Office.<sup>29</sup> It should.

To make matters worse for taxpayers, the Rhode Island Film & Television Office manages a series of transferable tax incentives that are sold by the film and television production companies that receive them to companies unrelated to the entertainment business with larger state tax bills. The companies that obtain the incentives then use the tax breaks to lower their state tax liabilities, reducing revenue and increasing the tax burden on other taxpayers.

Eliminating the Rhode Island Film & Television Office and associated grants would save Rhode Island taxpayers not only the cost of operating the office, but also the estimated \$3.1 million that it foregoes in tax expenditures, which must be made up from other sources.<sup>30</sup> The fact that the cap on such credits is about five times higher than the credits actually used shows both that the program could be much more costly, in any given year, and that it isn't having great success.

**\$3.4 million**

*Eliminate the RI Film & Television Office and associated tax credits for production.*

## Blind Vending Services

The governor's budget calls for redoubling the state's expensive and demeaning program ushering visually impaired Rhode Islanders into jobs serving snacks and other concessions to people who work in or visit government buildings.

"Blind Vending Facilities," as the budget indelicately calls them, are scheduled to receive a total of \$1.7 million in public funds — including \$165,000 in FY15 — to support ongoing improvements at the state's 15 government vending machine locations.<sup>31</sup> Since the vending services are not competitively bid, the scheme drives up prices for consumers and leaves taxpayers footing the bill for repairs and other improvements. Perhaps worst of all, the program takes a condescending view of the limits of the visually impaired, rather than highlighting options they might find more fulfilling.

The state should allow private vendors to lease space in government buildings, providing vending services that turn a profit for the state, rather than creating an expense. Blind Rhode Islanders shouldn't be excluded from the bidding, of course, but there is simply no place for this outmoded, costly, and offensive program in today's society.

## Historical Preservation and Heritage Commission

Rhode Island's government agency for preserving historic buildings, neighborhoods, and archaeological sites, the Historical Preservation and Heritage Commission, is projected to spend a record \$5.1 million in state and federal funds next year — a 46% increase from the current year's enacted budget — on efforts that should require no government involvement.<sup>32</sup>

Throughout the country, nonprofit groups and community organizations have taken the lead in local preservation efforts with encouraging results, raising the question of why the state government should have a bureaucracy dedicated to such a function. Certainly, most would agree that the state taxpayers should bear the cost of preserving state-owned lands and buildings, but passionate members of local communities are best suited to determine how best to protect buildings and sites important to their areas.

The recent restoration of Westerly Armory provides an excellent example.<sup>33</sup> With \$10,000 from Hampton Hotels, 31 volunteers gave the historical site a much-needed facelift. If Rhode Island's policies were to take a more economically vibrant turn, the resources and free time that private individuals and groups would have for such activities would expand.

Instead, one of the Preservation and Heritage Commission's most substantial costs to taxpayers comes in the form of Certified Local Government (CLG) grants. CLG grants are available to 15 communities throughout the Ocean State that "have a historic district zoning ordinance and a historic district commission."<sup>34</sup> But the impact of the grants

### Up to \$51 million

*Reduce state funds for the Historical Preservation and Heritage Commission by 40% and freeze historical tax credits at their current level.*

in actually preserving or protecting anything is disappointingly negligible.

A recent CLG grant, for example, gave \$3,000 to Bristol to produce a smartphone application to guide visitors along a walking tour of the town's historic areas.<sup>35</sup> Unfortunately, Bristol's walking tour app has been downloaded by just over 100 people through the Google Play store and has fewer than 10 reviews.<sup>36</sup> The app is performing so poorly in iTunes that there are not even enough downloads or reviews to rate the application.<sup>37</sup> Simply stated, the grant money has done nothing to preserve or protect Bristol's historic treasures.

In 2012, taxpayers funded a \$10,000 CLG grant for a structural assessment of the steeple at the Trinity United Methodist Church in Providence.<sup>38</sup> Some taxpayers might believe it is inappropriate for architectural evaluations of a private house of worship to be funded with public money.

While the Historical Preservation and Heritage Commission may have a role in protecting state-owned property, it appears to be using tax dollars in ways that are ineffective and controversial when it

comes to its involvement with local and private historic preservation efforts. The state would be wise to eliminate all general fund investment in the Historical Preservation and Heritage Commission that does not relate directly to state-owned property.

For similar reasons, the General Assembly should halt the governor's planned \$50 million<sup>39</sup> expansion of the historic tax credit program.<sup>40</sup>

## Higher Education Capital Budget

While the state higher education system struggles to improve in its primary job of educating students and preparing young people for their careers, the authors of the state budget seem intent on turning their focus away from success in the classroom. Rather than constructing academic buildings, much of the state's investment money goes to fund comparatively frivolous projects, such as:

- New debt of \$12.9 million in FY16 and FY17 for construction and renovation projects on the athletic facilities at the Knight and Flanagan campuses, including new bleachers and outdoor tennis courts;<sup>41</sup>
- \$1.4 million in existing funds for a 5,000 square foot Lesbian, Gay, Bi-sexual and Transgender Center at the University of Rhode Island that includes a student lounge, office space, and a kitchen in FY14.<sup>42</sup>
- \$395,000 in existing funds in FY14 to perform additional renovations on Rhode Island College's Recreation Center, which houses, among other things, inner tube water basketball and intermural volleyball contests.<sup>43</sup>

None of those three examples affect the FY15 budget, which is our primary concern, here, but one

**\$2.2 million**

*Halt government subsidies to proposed private inn at URI.*

new proposal is \$2.2 million to kick-start a privately owned URI University Inn on the Kingston Campus. The plan calls for third-party sources to put up \$57.0 million, with the state promising a long-term lease for use of some of the business's space. Based on reports in the *South County Independent*, however, the university may not even have identified the private entity that will supposedly be funding the bulk of the project.<sup>44</sup>

The ready market that the university provides and the anchor of regularly leased space should be sufficient contribution from Rhode Island taxpayers.

## Library Aid for Wealthy Communities

It isn't often that we get to agree with our progressive friends on a matter of government spending, but RIFuture editor Bob Plain noticed that the state gives extra library aid to some communities *because* they're able to invest more in their own facilities.<sup>45</sup> Consequently, Barrington receives over \$20 per resident to subsidize its gem of a library while urban residents receive less than \$10.

The broader debate about funding for public libraries might get us disagreeing again. But while we argue, the state should reorder its priorities and trim Resource Sharing & Library Aid by 25%, or \$2.2 million.<sup>46</sup>

## Other Handouts

Given time and resources, a finance hawk could find much more prey in the pages of the governor's budget, but here are some examples:

- In 1998 and 1999, RI taxpayers paid \$14.5 million for renovation of **McCoy Stadium**, home of the Triple-A Pawtucket Red Sox baseball team.<sup>47</sup> Apparently, the governor does not believe that hefty investment was enough. His latest budget proposal calls for another \$3 million in state handouts for the facility by 2019, including \$50,000 in FY15. This money is expected to fund, among other things, applying new floor coating to the concession areas.<sup>48</sup>
- At the same time that many state leaders claim more money is needed for education, roads, Medicaid, and other state functions, the governor wants to direct a total of \$10 million in state funds to build **an events center for sailing at Fort Adams State Park**. That money could be put to better use by the state, or simply given back to taxpayers. Gov. Chafee plans to spend \$2.5 million on the sailing center in FY15.<sup>49</sup>
- Most residents would support construction of a park to memorialize the brave Rhode Islanders who served our country during World War II. Most would likely be willing to donate to a nonprofit organization working to make one a reality. That is exactly why the state government should not spend \$2.6 million on **a new World War II State Park in Woonsocket**.<sup>50</sup> Quite simply, such a project can — and should — be funded without government involvement.
- The governor wants to give another \$10 million to the state's public colleges and university for the purpose of **halting tuition hikes**.<sup>51</sup> With questions arising nationally about administrative

**\$34.9 million**

*Eliminate other examples of government handouts.*

bloat at institutions of higher education and evidence that they have been unduly protective of administrative positions,<sup>52</sup> it should not be assumed that handouts from taxpayers are the only means of preventing costlier degrees.

- In a surprising example of corporate welfare and subsidizing the fun and games of the rich, the governor calls for a \$775,000 handout to the **Volvo Ocean Regatta**.<sup>53</sup> The around-the-world yacht race, which is owned by the upscale Swedish carmaker, is scheduled to make a brief stop in Newport next year.<sup>54</sup>
- Rhode Island taxpayers are being asked, once again, to ensure that investors who demanded a high return on their investment in Curt Schilling's **38 Studios** videogame company don't have to accept the downside of the risk that they took with their own money. This year's \$12.3 million can be a down payment on the savings that taxpayers should claim from this example of government venture capitalism.<sup>55</sup>
- To prevent any more such examples, the state should get rid of its quasi-public **Commerce Corporation (formerly the Economic Development Corporation [EDC])**. The agency will be completely gone by the end of this document, but for starters, the General Assembly should eliminate all pass-through grants that increase in the governor's revised FY14 budget and appear in FY15, for another \$6.7 million.<sup>56</sup>

## OPPORTUNITIES FOR SAVINGS: ABSORPTION

### Explanation

Throughout the budget, particularly with handouts, are examples of state expenditures that proponents argue are necessary in order to capture money that comes from elsewhere, usually the federal government. This or that spending is said to be worthwhile because the state gets an equal amount, or more, in free money.

That's a dubious, reckless rationale on its own merits, but it's often proven to be false, because the program and the spending remain even after the federal money goes away. The handouts from on high, that is, prove to be a gateway to increased local spending, as the total is absorbed into the budget and eventually passed on to Rhode Islanders.

As an initial estimate, we've found \$32.2 million that the governor intends to translate from federal into local spending.

### Office of Management and Budget

The poster child for the absorption category is the still-new Office of Management and Budget, in the Department of Administration. The OMB came into existence as the Office of Economic Recovery and Reinvestment (OERR), which Governor Donald Carcieri created by executive order in order to manage the incoming wave of federal stimulus dollars in 2009.<sup>57</sup>

When the federal stimulus program had run its course, Governor Chafee and the General Assembly combined some of the responsibilities of the OERR

**\$32.2 million**

*Eliminate the Office of Management and Budget and do not absorb losses of federal funds into the general fund.*

with some from the Budget Office, and *voila*, the OMB was born.<sup>58</sup>

In the FY15 budget, the governor proposes to more than double those parts of the OMB that did not come from the Budget Office, compared with its initial budget. The General Assembly should eliminate this office and send the Budget Office duties back to that agency.

### Other Absorptions

A more detailed and exhaustive analysis could of course be conducted, but for our purposes, here, we offer the following examples:<sup>59</sup>

- The governor's budget acknowledges that \$141,871 in funding for the Department of Education's **Administration for Comprehensive Education Strategy (ACES)** program is being absorbed from federal to state.<sup>60</sup>
- **The Department of Administration** is attempting to transfer \$8.7 million in reduced federal funding to the state.<sup>61</sup>
- Similarly the **Department of Revenue** is shifting \$100,065.<sup>62</sup>

- The **Lieutenant Governor's office** has not transferred all of its federal fund reduction, but \$28,194 remains.<sup>63</sup>
- Another \$21,542 could come from the **Commission for Human Rights**.<sup>64</sup>
- The **Public Utilities Commission** is making up \$79,085 through its restricted receipt accounts.<sup>65</sup>
- Without touching grants and assistance, the **Department of Human Services Individual and Family Support** program could forego \$4.3 million in discontinued federal funds.<sup>66</sup>
- Not counting the ACES money mentioned above, the **Department of Education** has another \$16.8 million in increased state revenue corresponding to decreased federal revenue.<sup>67</sup>

## OPPORTUNITIES FOR SAVINGS: OPERATIONS

### Explanation

In our opinion, it would be adequate planning for the General Assembly to tell every office and department that it had to cut 1% or more out of its operations budget and require them to explain why it couldn't be done, if it couldn't be done. Wherever the cut would be simply impossible, the people whom Rhode Island elects or appoints to manage the state would have to find the cuts elsewhere.

That sort of bold declaration would apparently be a step too far for Rhode Island's political class, so herein we offer a first-pass sampling of cuts to the governor's budget totaling \$22.3 million.

## \$2.8 million

*Leveraging modern technology, freeze facilities management spending.*

### Facilities Management

The Facilities Management division of the Department of Administration is scheduled to receive a total of \$37.5 million in tax dollars in FY15, up from \$34.7 last fiscal year.<sup>68</sup>

It is odd that Rhode Island is experiencing an increase in the expense related to facilities management. Such costs are declining in other states because many state governments are reducing the number of state buildings by employing modern telecommuting strategies for certain employees. Rhode Island should work toward replicating the successful telecommuting strategies of other states; doing so would benefit many employees and save the public money — \$2.8 million to start.

### Licensing and Regulation

Each year, Rhode Island spends \$13 million on occupational licensing and regulation for non-health-related industries, including \$9 million that comes straight from the state's general fund.<sup>69</sup>

Some argue that this hefty expense is necessary to keep Ocean State residents safe from incompetent, dangerous or predatory businesses. In reality, the



market provides protection to consumers by ensuring that businesses that fail to play by the rules or do not deliver quality products quickly go out of business.

Among the businesses and professions the state regulates are real estate agents and appraisers, auto body shops, salvage yards, glass installers, upholsterers, auctioneers, liquor wholesalers, breweries, wineries, sewer line cleaners, mobile home dealers, trailer parks, health clubs, dog racing, kickboxing, and gasoline advertisers.<sup>70</sup>

Many of these occupations are regulated by boards of professionals and business owners within the fields, who determine the requirements to allow new people into the industry. Under such scenarios, incumbent professionals can use regulatory boards to prevent newcomers from joining their ranks by demanding steep fees and rigorous educational requirements. The scarcity created by limited competition means higher prices and poorer quality for consumers.

One example is Rhode Island's perplexing regulation of landscape architects, which is managed by the state Boards for Design Professionals, an agency scheduled to consume \$260,635 next year.<sup>71</sup>

For centuries, humans have managed to plant shrubs, lay out gardens, and place lawn furniture in yards safely and successfully without licenses and governments regulating the activity. In 1998, however, the state of Rhode Island determined such actions were no longer possible without government interference and set up a system requiring 3,500 hours of experience and more than \$1,000 in fees and testing costs to become a landscape architect.<sup>72</sup>

## **\$2.3 million**

*As a start to trimming regulatory expenses, reduce Department of Business Regulation state funding by 25%.*

No one is any safer as a result. But the scheme did enhance monopoly conditions for the existing landscape architects in the state at the time, who were not required to abide by the new, strict licensing guidelines.

By eliminating some of the most absurd, onerous, and unnecessary licensing and regulatory requirements, the state could save taxpayers millions of dollars with no impact to health or public safety. While the regulators and legislators work through the rules to find those that are worth saving, the department can surely begin trimming. For example, it spent \$3.7 million dollars on "management consultants" in 2013,<sup>73</sup> including \$300,000 to the non-profit RI Foundation.

## **Convention Center Authority**

The Convention Center Authority is responsible for overseeing the Rhode Island Convention Center, the Veterans' Memorial Auditorium, and the Dunkin' Donuts Center. The agency is expected to lose \$30.8 million this year and another \$25.9 million next year.<sup>74</sup> Even after annual debt service payments are made by taxpayers to cover the borrowing done on behalf of the facilities, the Authority will require

\$331,500 from a tax on hotel rooms, as well as \$1.4 million in state appropriations, and will still have an estimated \$532,864 deficit, likely to be passed on to next year.<sup>75</sup>

Rather than bailing out the failed Convention Center Authority year after year, the state should move toward selling the facilities to a private management firm so that the state can cut its losses and spare taxpayers the expense of annual subsidies. As that process gets underway, the new money from taxpayers should be eliminated.

## Corrections Inmate-Related Expenses

Some categories of government spending are presented in a way that gives the impression that they are unavoidable. “Inmate Population-Related Operating Expenditures” is a good example of a line-item that comes with the implicit message of “what can we do?”

The governor’s revised estimate for the FY14 inmate population is 3,192 people, up 40 from the enacted level.<sup>76</sup> That’s an increase of 1.3%. The governor’s revised budget, however, increases by 4.2% for these inmates. For FY15, the budget projects an increase of 0.6% inmates over the FY14 enacted level, but a budget increase of 1.7%.<sup>77</sup>

The state should find a way to keep expenses that are directly related to the number of inmates in line with changes in the number of inmates, or lower. Between the revised FY14 budget and the FY15 budget, this would save about \$481,000.

## \$2.7 million

*Freeze the budget for the Convention Center Authority while seeking a company or nonprofit to buy or lease its facilities.*

## Commission on Disabilities

Total funding for the Governor’s Commission on Disabilities has skyrocketed from \$447,357 during the 2013 fiscal year to a projected \$1.5 million for FY15, including more than \$1 million from various state sources.<sup>78</sup> The astounding increase is a result of a tremendous increase in capital purchases and equipment. Returning this spending to FY13 levels would save \$1 million.

## New Voting Booths

Our country’s electoral system is its defining government activity, and it is therefore a primary obligation in any government’s budget. When a fiscal year includes an election, it’s entirely appropriate for the budget of the Board of Elections to increase. That doesn’t mean that government frugality in times of economic hardship shouldn’t apply to election agencies just as to every other.

In his FY15 budget, the governor calls for \$61,250 to purchase “approximately 245 voting booths to alleviate wait times at high volume voting

locations.”<sup>79</sup> Smarter management of the assets that the state already owns should be adequate to alleviate any problems.

## Health and Human Services Central Management

In Rhode Island, as across the nation, voters tend to want to maintain programs that help their disadvantaged or down-on-their-luck neighbors. Many welfare-related programs have the added incentive that the federal government matches (and then some) the state’s payments.

That said, the popularity of a general area of spending shouldn’t be a license for bureaucratic bloat. Rhode Islanders pay taxes to the federal government, after all.

The General Assembly should therefore freeze the Central Management component of the Department of Health and Human Services to its enacted FY14 level, when it comes to general revenue, saving \$1.3 million in state money in FY15.<sup>80</sup>

## Commerce Corporation (EDC)

We said we’d be back for more from the Commerce Corporation, and if, as above, we begin by freezing its programs, the next step is to freeze its operating expenses.

The governor’s revised budget already implements a small cut in the agency’s base state appropriation. The General Assembly should be a little more aggressive and reduce that appropriation so as to freeze the agency’s operating expenses to their FY13 level. Between the FY14-revised and FY15 budgets, that should save taxpayers \$377,712.<sup>81</sup>

## \$11.3 million

*Freeze all operating supplies  
and expenses to their enacted  
FY14 amount.*

## Supplies and Expenses Increases

Finally, in every office in which it’s possible to freeze the FY15 expense for operating supplies and expenses at its enacted FY14 amount, it should be done. Here’s our list, totaling \$11.3 million:

- \$7.5 million in the Dept. of Revenue<sup>82</sup>
- \$963,660 in the Treasury Dept.<sup>83</sup>
- \$855,349 in the Dept. of Behavioral Healthcare, Developmental Disabilities and Hospitals<sup>84</sup>
- \$648,024 in BHDDH Hospital & Community Rehabilitation Services<sup>85</sup>
- \$432,487 in the Dept. of Administration<sup>86</sup>
- \$236,426 in the Dept. of Children, Youth, and Families<sup>87</sup>
- \$165,701 in the Board of Elections<sup>88</sup>
- \$163,928 in BHDDH Services for the Developmentally Disabled<sup>89</sup>
- \$98,554 in the Public Health Information Office<sup>90</sup>
- \$82,659 in the General Assembly<sup>91</sup>
- \$62,469 in the Dept. of State<sup>92</sup>
- \$40,877 in the Governor’s Commission on Disabilities Central Management<sup>93</sup>
- \$33,535 in the Executive Dept.<sup>94</sup>
- \$14,598 in the Office of Lieutenant Governor<sup>95</sup>
- \$3,207 in the Ethics Commission<sup>96</sup>

## OPPORTUNITIES FOR SAVINGS: PERSONNEL

### Explanation

Any serious proposal to reduce or repurpose substantial amounts of state revenue would have to touch the personnel category. Like operations, however, it would be more appropriate for policymakers to tell the bureaucrats how much to cut and let the department heads decide among themselves who needs the money most.

To usher them on their way, here's \$30.9 million worth of suggestions.

### Governor's Office

One of the quickest ways to trim fat in state government is to start at the top. The Governor's Office is filled with unnecessary and duplicative positions and inflated salaries. In total, 45 people are authorized work for the governor, at a cost to taxpayers of more than \$4.0 million.<sup>97</sup> Eleven earn six-figure annual incomes — including a chief of staff who is scheduled to make \$201,591 in FY15 if the governor's budget is approved.

Some of the more questionable positions (and salaries) in the Governor's Office are:

- \$166,883 for a Senior Advisor to the Governor
- \$129,112 for a Director of Communications
- \$102,044 for an Executive Assistant to the Governor
- \$99,702 for a Senior Principle Projects Manager
- \$90,479 for a Junior Principle Projects Manager
- \$81,061 for a Deputy Director of Communications
- \$71,483 for a Communications Associate

## \$5.5 million

*Reduce personnel in the governor's office and General Assembly by 15%.*

- \$70,348 for an Administrative Secretary
- \$54,185 for a Greeter
- \$52,065 for a Staff Assistant
- \$48,043 for an Administrative Assistant<sup>98</sup>

The office maintains seven communications workers, six types of administrative assistants and seven people employed in constituent services.<sup>99</sup> Certainly, a number of these positions could be combined or eliminated with no impact on the governor's productivity or the office's ability to serve the people of Rhode Island.

A 15% reduction in the governor's FY15 personnel line would save \$593,912.

### General Assembly

The state's legislature shouldn't be considered immune to belt-tightening. The governor's budget authorizes the General Assembly to hire 299 people at a personnel cost of \$32.7 million.

Unless we miscounted (which is definitely possible on such a long list), those ranks include four advisors, 34 analysts, 28 assistants, 31 aides, and seven liaisons. Among them are a labor union leader's son, who gained some notoriety for the \$90,000-a-year salary given to a very young man

with no college degree<sup>100</sup> and the son of the chairman of the House Finance Committee. (A more thorough investigation might uncover similar examples.)

We suspect much more could be done, but to be consistent with the governor's efforts, the legislature should take a 15% scalpel to its payroll, saving \$4.9 million.

## Lieutenant Governor's Office

With a budget of nearly \$1.1 million and no official, active role in state government, the Lieutenant Governor's Office is arguably nothing but bloat.<sup>101</sup> Perhaps the most eye-popping salary in that budget is the Lieutenant Governor's Director of Public & Community Relations, who brings home a hefty \$92,671 a year for a position that is not particularly vital for the management of the state government.<sup>102</sup>

However, as might be expected from an office that has no constitutional or statutory objectives, the six approved full-time equivalent job positions are almost all directors and coordinators. Because the lieutenant governor sets his or her own agenda with which to fill the time awaiting the governor's demise or departure from the state, it's reasonable to expect the lieutenant governor to rely on the more active areas of government for operational assistance where justified.

The General Assembly should eliminate all job positions except the lieutenant governor (obviously) and one assistant in the policy and administrator coordinator role. With salary and benefits considered, that should leave another \$828,463 in taxpayers' hands.

**\$828,463**

*Reduce the lieutenant  
governor's staff to one assistant.*

## Legislative Grant Coordinator

Earlier, we eliminated legislative grants. If such handouts no longer exist, then the legislature doesn't need somebody to coordinate them.

That saves the state another estimated \$106,146 in salary and benefits.

## Atomic Energy Commission

The most often reported fact about Rhode Island's nuclear reactor might be that nobody knows it exists. But there the Rhode Island Nuclear Science Center (RINSC) sits on the University of Rhode Island's bay campus, vaporizing more than \$1 million per year.<sup>103</sup>

In its half-century of operation, the reactor's primary purpose has been research for various institutions of higher education and laboratories in the region, but recently its emphasis seems to be shifting in the direction of a museum.

In FY13, the facility managed only about 70% of its goal of 3,000 hours of research sample hours. A look back at the FY13 budget document, however, shows that it did even that well only because it dropped its goal from 20,000 sample hours, an 85% easier target.<sup>104</sup>

Meanwhile, the RINSC has *increased* its target for “outreach,” by which they mean that “The RINSC has become a tourist destination for many local junior high schools, high schools, and universities.”<sup>105</sup>

A nuclear reactor is expensive to decommission and close, but to the extent that the RINSC isn’t simply staying open for the sake of staying open, it should rely on the researchers and tourists who use it to pay its bills. In the long term the state should hand it off to an organization whose mission it fills more directly than the RI government.

As incentive and for taxpayer savings of \$522,120, the state should reduce its personnel budget by half.

## Goddard State Park Golf Course

Each year, state taxpayers shell out tens of thousands of dollars for golf course maintenance because the state-owned nine-hole course at Goddard State Park fails to generate enough revenue to cover its costs. Next year, \$43,109 will be taken from taxpayers to fund the salary of the course’s maintenance supervisor.<sup>106</sup> The state should get out of the golf course business and sell or lease the course to a company that actually specializes in running golf courses.

Eliminate state subsidies to the Goddard State Park golf course and require that the course be leased or sold if it is not fully financially self-sufficient by FY16. The estimated salary and benefits saved would be \$65,771.

**\$676,640**

*Trim the Ethics Commission’s staff by half.*

## Ethics Commission

Rhode Island’s state constitution, article III, section 8, establishes the Ethics Commission and lays out broad guidelines for its operation and the Code of Ethics, to be detailed in law and regulation. The mission and tasks of the commission are certainly desirable, but that doesn’t mean that it’s worth \$1.6 million to support what it actually does.

In June 2009, the Rhode Island Supreme Court ruled that the Ethics Commission’s constitutional mandate did not override the “speech in debate” provision, in article VI, section 5, that grants immunity to legislators for their legislative acts.<sup>107</sup> Some commentators have suggested that legislators could therefore literally sell their votes, although a recent case in which House Speaker Gordon Fox (D, Providence) agreed to pay a fine for failing to disclose income suggests that neither side wishes to test the extent of that ability, just yet.<sup>108</sup>

Even left to its own devices, through the advisory opinions that it issues to government officials upon request, the Commission has been limiting the scope of the code. Beginning with the turn of the century, a new principle began to appear that drew a distinction between conflicts of interest in and out of government and conflicts of interests entirely within government. As long as elected and appointed

government officials only abuse their offices to benefit themselves and their friends entirely within government, they are not violating the Code.

In October, the Commission whittled down the “revolving door” provision in state law, which prevents the senior staffs of elected officials from jumping to other government jobs within a year. The rule did not apply, the Commission said, to Governor Chafee’s Director of Administration Richard Licht,<sup>109</sup> who wants to transition to the judiciary, as a Superior Court judge.

Moreover, the Commission’s day-to-day operations give no indication of strain on personnel:<sup>110</sup>

- In 2013, the number of people filing their financial disclosures online surpassed the target, at 67.2%, reducing time processing paper.
- Attendance at ethics training events dropped almost 30%, in 2013.
- When it comes to public records requests, the Commission is handily beating its 85%-in-one-day target, at 92.5%, in 2014.

For all of these reasons, it seems reasonable to suggest that the commission does not need two chiefs, five attorneys, two investigators, and four operational employees. Trimming the Commission’s help by half would save an estimated \$676,640 in FY15.

## Office of Diversity, Equity and Opportunity

Governor Chafee’s budget calls for the creation of a new position with the title of Chief Diversity and Equity Officer, to oversee a new Office of Diversity, Equity and Opportunity, which merges

**\$1.2 million**

*Consolidate diversity and equity operations and forego the new Chief Officer for those activities.*

several offices and programs scattered throughout government.<sup>111</sup>

Many people find a moral urgency in continued efforts to make our society more fair. But many other people believe such efforts misguidedly focus on categorizing us into groups and are a distraction from the real types of diversity and opportunities that matter.

On behalf of those who think that Rhode Island’s singular focus at this moment in history should be on increasing the diversity of opportunities that are available to all Rhode Islanders, we suggest eliminating the new position, but still gaining the savings of merging the existing offices. Doing so would amount to \$1.2 million.

## Creative and Cultural Economy Coordinator

Back to the Commerce Corp. (EDC), again. Governor Chafee wants to hire a Creative and Cultural Economy Coordinator within the agency who would “be responsible for coordinating and monitoring the State’s overall economic development efforts in the creative and cultural

economy.” Presumably the Coordinator would also be tasked to define what that means.

On the list of many things Rhode Island’s economy needs, another central coordinator for one vague component does not rank. Kill the position, save an estimated \$112,500.

## Certificate of Good Conduct Program

Responding to legislation that the General Assembly passed last year, the Parole Board within the Department of Corrections is ramping up to start a Certificate of Good Conduct Program. The idea is to provide another layer of review and certification that convicted criminals who have served their time have been rehabilitated.

Helping good men and women overcome the mistakes of the past is a worthy goal, but so is turning around the state in which they’ll be seeking opportunities. At least until the Parole Board has a better sense of how much work the program will actually entail, it should get it started with its current staff, saving \$140,217 on two new positions.

## Office of Community and Family Health and Equity

In recent years, state and (especially) federal taxpayers have made massive investments in the provision of healthcare and health insurance, most notably with its health benefits exchange under the federal Affordable Care Act (ACA). Even so, the Department of Health’s Office of Community and Family Health and Equity saw a 22% increase in its budget, from FY13 to FY14, and continues at that level in the governor’s FY15 budget.<sup>112</sup>

**\$2.6 million**

*Reduce Office of Community and Family Health and Equity payroll by 15%.*

The office’s role is essentially the dissemination of information related to health, and for that purpose, it’s authorized to employ up to 130 people. Twenty-five of them are Senior Public Health Promotion Specialists, whose job description essentially involves marketing and promotions, and who are dues-paying members of the National Education Association of Rhode Island.<sup>113</sup>

Especially with the heightened awareness and investment surrounding health care, with the implementation of and debate over the Affordable Care Act, the state should take a close look at this office, with an eye toward reducing its expense.

A reduction in payroll producing 15% savings in general revenue and restricted receipts would amount to \$2.6 million.

## Overtime

Using the RI Center for Freedom & Prosperity’s RIOpenGov.org Web site to review the \$60 million plus that the state government pays in overtime every year, the *Ocean State Current* found some astonishing things.<sup>114</sup>

In recent years, laundry workers were able to take home six-figure incomes.<sup>115</sup> With overtime, nurses



at state-run facilities can quickly become millionaires.<sup>116</sup> Aides and attendants, often with no more than a high school education, are not far behind.<sup>117</sup>

In 2013, 1,559 state employees had six-figure incomes after overtime and other pay. In some cases, it's difficult not to conclude that the state is paying people time-and-a-half to sleep in a certain location. In other cases, union contracts allow employees to be paid more than once for the same overtime shift.<sup>118</sup>

In agencies that operate 24 hours a day (like hospitals and prisons), some overtime is inevitable. But in Rhode Island government, the overtime racks up even where that is not a challenge.

The Department of Administration is allowing its employees to add on hundreds of thousands of dollars in overtime pay annually. According to the proposed FY15 budget, the department expects to shell out an astonishing \$784,539 next year.<sup>119</sup>

A substantial portion of the Department of Administration's overtime cost is related to the Facilities Management division, which will spend \$355,000 on overtime pay in 2014 and has budgeted another \$334,320 next year.<sup>120</sup>

The General Assembly should insist that supervisors able to operate without any overtime should do so, and those who need some flexibility should be asked to scale back. In addition to zeroing out Administration's overtime budget, here are some other overtime ideas, starting with eliminating overtime in the following departments:

- \$5.3 million in the Dept. of Human Services<sup>121</sup>
- \$4.5 million in the Public Higher Education<sup>122</sup>

## \$19.1 million

*Reduce the state's outrageous overtime expenses.*

- \$520,500 in the Dept. of Revenue<sup>123</sup>
- \$495,000 in the Dept. of Labor and Training<sup>124</sup>
- \$50,800 in the Public Utilities Commission<sup>125</sup>
- \$44,200 in the Treasury Dept.<sup>126</sup>

And halving the overtime in the following:

- \$6.0 million in the Dept. of Behavioral Health-care, Developmental Disabilities and Hospitals<sup>127</sup>
- \$1.4 million in the Dept. of Children, Youth, and Families<sup>128</sup>

## OPPORTUNITIES FOR SAVINGS: OVERREACH

### Explanation

Sometimes, of course, the government isn't just operating inefficiently, giving things away, or passing on costs to taxpayers. Sometimes it's meddling in areas in which it has no business or acting in ways in which government should not act.

The proper scope of government is ultimately for voters to decide, but by tightening their definition just a little bit, Rhode Islanders could save themselves tens of millions of dollars. We'll provide just \$23.1 million worth of examples in the governor's proposed budget.

## Unified Health Infrastructure Project (UHIP)

With little awareness and less public debate, the state government has leapt into the \$209 million Unified Health Infrastructure Project (UHIP). This is what the RI Center for Freedom & Prosperity has called a “dependency portal.”<sup>129</sup>

Basically, the state would leverage its health benefits exchange to tie together all public welfare benefits, enrolling people in one when they apply for another. The initial goal is to maximize the amount of public assistance that the state government hands out, but advocates envision a seamless, invasive system in which personal information is tracked to proactively, automatically enroll people in programs whenever they become eligible.

Between the revised budget for this year and the proposed budget for next year, the governor proposes to add \$15.2 million in state taxpayer money to the effort.

The federal government is promising to pick up the majority of the tab for putting UHIP together, so some government big-government proponents will argue that stopping state payments will cost more than is actually saved. We’d make three responses:

- First, the fact that a TV commercial claims a gadget has been marked down 90% doesn’t mean you should buy something you don’t need.
- Second, much of the money will simply pass through the fingers of the state government into the hands of private contractors, some of them (no doubt) out of state.
- Third, this isn’t just something that Rhode Island doesn’t need; it’s a project that Rhode Islanders should not want. Not only does this project spend

**\$15.2 million**

*Halt the Unified Health Infrastructure Project (UHIP).*

money we don’t have in order to be able to spend even more money we don’t have down the road, but public assistance shouldn’t be a product for which the state government is an aggressive vendor. It’s just good government and healthy policy to leave some space for individuals to decide that, in their unique, personal circumstances, they’ll get along fine without looking to the government for charity.

## Full-Day Kindergarten Pilot Program

The governor’s proposed budget keeps alive, for another year, the state’s pilot program bribing communities to make their local public kindergarten classes full-day operations with \$250,000 in state handouts.<sup>130</sup> This may or may not suit a particular community’s needs, but saddling state taxpayers with the initial cost means that, when the local government turns to its own taxpayers for more money, there will already be teachers and students in the programs. That’s not how budgeting decisions should be made.

To state taxpayers, this program comes with another \$1.4 million in state aid, because doubling kindergarteners’ school day doubles their count in the funding formula.

## Eliminate the Commerce Corp. (EDC)

No matter what name the General Assembly has given the government agency tasked with improving the local economy, the concept hasn't worked. Neither the Industrial Development Commission of the 1930s, the Rhode Island Development Council of the 1950s, the Rhode Island Department of Economic Development of the midcentury, the Rhode Island Strategic Development Commission of the 1980s, the Rhode Island Economic Development Corporation of the last decade, nor the Commerce Corporation of today has had any success halting the state's long decline over the last century.<sup>131</sup>

That's a matter of the good that the EDC *hasn't* done. If we factor in its actual damage — such as facilitating the 38 Studios debacle — the agency is even less deserving of a space on the state's budget.

A more in-depth review would be necessary to unravel the expenditures and revenues with which the Commerce Corp. (EDC) is intertwined, but it looks to us like there's another \$6.2 million of savings in there for the Rhode Island taxpayer, beyond what we've mentioned already.<sup>132</sup>

## OTHER THINGS WE SAW

### HealthSource RI

The crowning jewel of Rhode Island's misplaced and wasteful priorities is HealthSource RI, the state's Affordable Care Act health benefits exchange. Federal taxpayers gave Rhode Island \$100 million or more to build the Web site with no real plan to pay for its ongoing operation, meaning it came with a high likelihood that state taxpayers would eventually have to absorb the cost.

**\$6.2 million**

*Eliminate whatever's left of the EDC after all of the cuts listed earlier in this document.*

Its operations are expensive, and its payroll lucrative. Its two core features are to provide handouts to subsidize some people's health coverage and to dabble in activities in which government has no business.

Somehow, the federal government is continuing to pay the exchange's freight, but state government officials are scrambling to figure out how to take on the burden, because disappointing enrollment figures make it impossible for the government-run start-up company to be self-supporting.

If a private company had gathered up investments, only to find that its business model couldn't work, investors would cut their losses, and the executives would go off in search of another occupation. That is what should happen with HealthSource RI, saving state taxpayers an annual \$23.4 million, at a bare minimum, in future budgets.

### Supplemental Nutrition Assistance Program (SNAP)

In March 2013, an outside report on the Rhode Island's Medicaid and Supplemental Nutrition Assistance Program (the state's food stamp program) uncovered that both programs are rife

with waste and fraud.<sup>133</sup> For example, at least 60 inmates apparently continued to receive food stamp benefits while they were incarcerated.<sup>134</sup>

The report was only made public after a protracted delay, apparently caused when the governor's administration attempted to prevent the publication's release.<sup>135</sup>

Fortunately, the governor's proposed budget takes positive steps toward addressing the state's spiraling Medicaid costs and attempts to reduce the waste and fraud plaguing the program. The budget, however, indicates that the state is still failing to do enough to prevent improper payments of food stamp benefits.

Nationwide, the payment error rate for food stamp programs is about 3%. But in Rhode Island, one out of every 12 food stamp payments is mistaken or improper; that represents a worsening trend approaching three times the target set for the program.<sup>136</sup> Waste, fraud, and abuse of Rhode Island's food stamp program is estimated to cost taxpayers as much as \$22.9 million each year.<sup>137</sup>

Since the food stamps themselves are funded with federal dollars, eliminating misspending in the program would only save state taxpayers to the degree that they're also federal taxpayers. Still, savings are savings, and principle is principle. Tolerating waste, abuse, and fraud in a federal program is an indication of tolerance for it at the state level.

## Roger Williams Park

State lawmakers have been using tax dollars to underwrite bonds for the Roger Williams Park in Providence since 1989. In 2006, state leaders authorized an \$11 million bond to fund a botanical

exhibit and an elephant pen, among other things.<sup>138</sup> Just \$287,949 of the \$11 million is unspent.<sup>139</sup>

Rather than paying that money back, Governor Chafee has recommended spending it on other Roger Williams Park projects — despite the interest costs associated with spending the funds.

The state government should not be in the business of showering cities with taxpayer-funded handouts at the expense of residents who simply will not benefit from the spending. If local governments feel it is important to fund superfluous projects like elephant domiciles and shrub gardens, it is their prerogative. The state government and state tax dollars, however, should not be pulled into such schemes.

Given that this money comes from bonded debt approved by voters for a specific purpose, the alternative uses (including simply paying investors back) may be limited. However, it is an opportunity for a change of behavior.

## Contingency Funds for Construction

The \$12.3 million budget for the construction of the University of Rhode Island Ocean Science and Exploration Center came with a pre-approved \$550,000 contingency allowance to underwrite unforeseen cost overruns.<sup>140</sup> Even that hefty allowance over and above the already massive budget failed to cover the contractor's spending spree. Among the \$777,509 in additional costs the contractor racked up was a generator that cost \$162,104 to purchase and install.<sup>141</sup>

Auditors determined that the generator and other questionable costs associated with the construction of the center should not have been paid with contingency funds. Furthermore, they demanded

that state building projects abide by the contingency allowance limits in the future in order to protect taxpayers from paying for costly, unexpected, and unnecessary construction add-ons.

The University must be more responsible with, and respectful of, public money by insisting that contractors abide by budget guidelines, as well as going to the Division of Purchase for approval of additional expenses, rather than inappropriately spending public funds.

This \$227,509 is long gone, but we can be sure that similar problems are ongoing and should be investigated and prevented.

## ONGOING RECOMMENDATIONS

### What RI Needs

There is no doubt in our minds that we've only scratched the surface of the savings that Rhode Islanders could demand from their elected officials, and the people whom those officials hire. In the year 2000, the State of Rhode Island's total budget was \$4.4 billion. If the governor's budget passes as is, it will be \$8.5 billion in 2015.

Neither the state's economy, its population, nor its personal income has doubled to keep up with state spending. In that \$4.1 billion tsunami of new annual spending, the \$225 million that we've picked out for FY15 in this report is hardly a ripple.

Rhode Islanders should demand that their state government set up protections for them, to make sure that they have budget hawks on the inside keeping everything in order and everyone in line.

## Office of Inspector General

Rhode Island maintains an unusually weak method for investigating state agencies, local governments, and government contractors suspected of mismanaging public funds. Feeble auditing practices and flimsy checks on financial accountability in the Ocean State mean that waste, fraud, and corruption are often not uncovered until after the statute of limitations has expired and it is too late to prosecute the offenders.

Furthermore, there is no body or agency within the state with subpoena powers that focuses on promoting responsible, accountable and transparent spending of tax dollars. As a result, Rhode Island has no real system in place for encouraging potential wrongdoers to avoid engaging in misconduct.

Nearly 20 states, including New York, Massachusetts, Florida, Georgia, Louisiana, and Pennsylvania, have created inspector general positions committed to ensuring that government, its employees, and those who work with the state meet the highest standards of honesty, accountability, and efficiency.

Rhode Island should waste no time in following their lead by creating an Office of Inspector General with subpoena and investigative powers. Such a position would go far in preventing fraud, waste, abuse, and misconduct related to public funds in Rhode Island.

The cost of creating and staffing the Office of Inspector General could be offset by any of the savings recommended in this report, resulting in no net budgetary increase to taxpayers.

## Office of the Repealer

In addition to creating an Office of Inspector General, members of the Rhode Island General Assembly should pass legislation creating either an Office of the Repealer — a one-time, four-year independent position with the sole responsibility of making recommendations to the legislature in areas of government waste, duplication, and out-of-date regulations that should be removed from the state law — or a Joint Committee of the Repealer comprised of members of the state legislature performing the same function.

A single, independent repealer would likely be more effective at rooting out archaic laws and wasteful spending since he or she would not have a political agenda. However, the Repealer Committee proposal has already gained some traction in the Ocean State. Legislation creating a new Joint Committee of the Repealer passed the Rhode Island Senate last year.<sup>142</sup> A House version of the bill is currently under consideration.<sup>143</sup>

The “repealer” position was initiated by Kansas Governor Sam Brownback, widely considered among the most innovative and fiscally responsible state executives in the nation. The Kansas Office of the Repealer already has identified scores of

regulations, laws, and executive orders that act as a drag on the state and that the governor and lawmakers are working to repeal, including a state fee on pest control operators and the appointment process for (now-nonexistent) jail matrons.

## Grace Commission

Finally, Rhode Island lawmakers should establish a state version of the Grace Commission — President Ronald Reagan’s committee that carefully analyzed government spending and provided cost savings recommendations to Congress that saved taxpayers more than \$1 trillion.

The state version of the Grace Commission would function as an independent commission led by business leaders, former policymakers, and taxpayer advocates to uncover waste, fraud, abuse, and mismanagement of tax dollars. After identifying opportunities to stop wasteful expenditures of tax dollars, the commission would present those recommendations to state lawmakers and then follow up to ensure that their budget reduction suggestions are carried out.

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- <sup>12</sup> State of Rhode Island and Providence Plantations. “Budget Fiscal Year 2015, Volume I – General Government, Quasi-Public Agencies and Component Units.” p. 144. Available at: [www.budget.ri.gov/Documents/CurrentFY/BudgetVolumeI/0\\_Volume%20I%20-%20General%20Government,%20Quasi-Public%20Agencies.pdf](http://www.budget.ri.gov/Documents/CurrentFY/BudgetVolumeI/0_Volume%20I%20-%20General%20Government,%20Quasi-Public%20Agencies.pdf) (Accessed January 22, 2014.)
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- <sup>14</sup> Ibid.
- <sup>15</sup> Governor’s Workforce Board Rhode Island. “Meet the Board.” Available at: [www.gwb.ri.gov/board.htm#Mem](http://www.gwb.ri.gov/board.htm#Mem) (Accessed November 29, 2013.)
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- <sup>39</sup> As we saw above with numbers related to the state’s tax credit program for motion pictures, the \$50 million added to the cap on historic credits does not mean the total cost to taxpayers will be \$50 million, not the least because they are redeemable only after the project is completed. We count the full amount, here, for three reasons. First, the governor’s rationale for the expansion is the popularity of the program, indicating that a higher percentage will be used than is the case with the film credits. Second, because the program operates near its current cap, prior year results are less applicable for future estimates. Third, in all cases, but especially with a much-utilized tax credit program, prudent budgeting would suggest putting money aside to cover unpredictable, but authorized, expenditures. If the state does not do this, it should start.
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- <sup>90</sup> Ibid. p. 67.
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- <sup>119</sup> Budget: General Government (see note 12). p. 6. (Accessed January 22, 2014.)
- <sup>120</sup> *Ibid.* p. 45.
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- <sup>126</sup> Ibid. p. 266.
- <sup>127</sup> Budget: Health & Human Services (see note 31). p. 128. (Accessed March 5, 2014.)
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- <sup>135</sup> *Providence Journal* Waste and Fraud (see note 125). (Accessed November 20, 2013.)
- <sup>136</sup> Budget: Health & Human Services (see note 31). p. 100. (Accessed January 22, 2014.)
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- <sup>138</sup> Budget: Public Safety, etc. (see note 49). pp. 209 and 210 (Accessed January 22, 2014.)
- <sup>139</sup> Ibid.
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## Erratum

**April 22, 2014:** Corrected notes 77, 106, and 138, which incorrectly referred to note number 46, instead of note number 49.



## ABOUT THE AUTHORS

**Drew Johnson** is as a Senior Scholar at the Taxpayer Protection Alliance, a government watchdog organization that promotes smaller, more-responsible government. As a leading expert on government waste, Johnson has saved local, state, and federal taxpayers billions of dollars by encouraging policymakers to spend tax dollars more responsibly and effectively. Johnson is a frequent guest on national television and radio programs, and his columns and opinion articles have been featured in more than a hundred newspapers.

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